

June 1, 2009

# **State Budget Solutions in Higher Education: General Fund Savings From February Budget Package and Governor's Proposed May Revision**

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L E G I S L A T I V E   A N A L Y S T ' S   O F F I C E

Presented to:  
Budget Conference Committee



## Community Colleges (Proposition 98) Savings

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- Defers additional \$115 million in 2008-09 district payments to 2009-10.
- Does not fully backfill estimated local property tax shortfalls.
  - **2008-09:** Estimated \$37 million shortfall.
  - **2009-10:** Provides partial backfill (\$58 million of estimated \$117 million shortfall).
- Reduces funding for categorical programs.
  - **2008-09:** \$85 million in program reductions (12 percent of base).
  - **2009-10:** Additional \$249 million in program reductions (total of 47 percent of base).
  - **2009-10:** Creates a flex item for vast majority of categorical programs.
- Makes other 2009-10 reductions.
  - Eliminates enrollment growth funding (\$175 million).
  - Reduces funding rate for recreational classes (\$120 million).
- New funds from federal government and student fees could help mitigate cuts.
  - Approximately \$150 million from state fiscal stabilization fund.
  - Revenues from fee increases could partially backfill reductions.

## Non-Proposition 98 General Fund Savings in Higher Education

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<b>General Fund Savings in Higher Education</b>		
<i>(Combined Current-Year and Budget-Year Savings, in Millions)</i>		
	<b>February 2009 Package</b>	<b>February Package Plus May Revision</b>
Reductions to universities intended to be backfilled with federal funds	\$510	\$1,200
Unallocated reductions to universities	364	1,594
Reductions to outreach programs	—	50
Elimination of state support for Hastings	—	10
Phase out Cal Grants	—	289
Consolidate California Postsecondary Education Commission and California Student Aid Commission	—	2
<b>Grand Totals</b>	<b>\$874</b>	<b>\$3,144</b>

## Non-Proposition 98 General Fund Savings in Higher Education (Continued)

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- Under the Governor's May Revision, non-Proposition 98 General Fund support for higher education would be reduced by about \$3.1 billion in 2008-09 and 2009-10 combined.
- Over a third of these General Fund solutions would be fully backfilled with federal funds, and thus would have no programmatic effect.
- Of the General Fund reductions that are not backfilled, over 80 percent are unallocated. The effect of these reductions would depend on how the two public university systems chose to accommodate them. At least \$200 million, and perhaps more, of these reductions could be backfilled with funding from student fee increases.
- We recommend less reliance on unallocated reductions. We have identified a number of options for targeting cuts in order to protect key priorities.