



CPEC

Budget Update November 9, 2010

California Postsecondary Education Commission
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On October 8, Governor Arnold Schwarzenegger signed the 2010–11 Budget Act for the State of California. This budget was the outcome of many months of negotiation between the Governor and the Legislature. The Legislature had voted on a budget bill in August, based on the Budget Conference Committee report, but it failed to receive a two-thirds vote. Negotiations between the Governor, the Senate Pro Tem, the Speaker, and the Senate and Assembly Republican leaders continued. The Legislature finally passed a budget that addresses the deficit mainly through a combination of spending reductions and assumptions of receiving additional federal funds.

The Governor vetoed \$963 million in spending from the Legislature’s budget, arriving at a budget that addresses an estimated \$19.1 billion shortfall. The final budget includes \$86.6 billion in General Fund spending, up slightly from 2009–10.

Nearly half of the \$7.8 billion in spending cuts comes from K-12 education (\$3.4 billion) and the suspension of the Proposition 98 funding guarantee. Nevertheless, 2010–11 Proposition 98 funding is \$49.7 billion, slightly higher than in 2009–10, but still down from the \$86.5 billion in 2007–08. The next largest piece in the spending cuts is \$1.6 billion generated from reductions in state employee compensation and pension reform.

As signed, the budget was projected to end the 2010–11 fiscal year with a \$1.2 billion reserve. More recent information shows a projected budget deficit of \$6.1 billion for 2010–11, and a \$25.4 billion deficit through the end of 2011–12. The Governor has called for a special legislative session to address the budget shortfall to be convened on December 6 when the new Legislature is sworn into office.

Higher Education

Funding for higher education remains essentially at the level in the conference committee version, with higher education one of the few areas to receive General Fund increases. Cal Grant entitlement and competitive awards are fully funded in the final budget.

Closing the 2010–11 Budget Deficit

Actions taken to address the \$19.1 billion shortfall

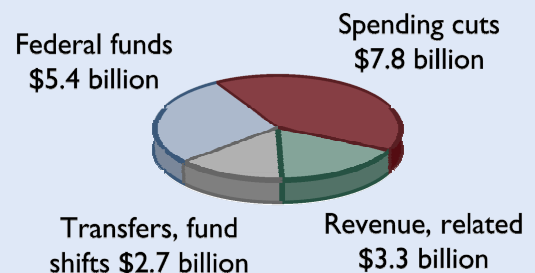


Table 1 on page 2 shows spending for 2009–10 and 2010–11.

Enrollment growth funding for 2010–11

	UC	CSU	Community colleges
Funding \$ million	\$51.3	\$60.6	\$126
Additional students	5,100 2.5%	8,300 2.5%	26,000 2.2%
Fee increase	15%	10%	None

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Enrollment growth funding in the Governor's January proposal is maintained, allowing the systems to enroll nearly 40,000 additional full-time-equivalent students (see table on page 1). State funding for CSU and UC is based on the assumption that CSU will raise fees by 10% and UC by 15% for the 2010–11 school year.

Overall, General Funds for higher education are budgeted to increase \$926 million, as shown in Table 2. However, \$400 million of the increase backfills one-time cuts to CSU and UC taken in 2009–10. Another \$76 million of this increase is to cover capital construction costs.

The budget includes several revenue-neutral fund shifts away from the General Fund:

- For UC and CSU, the budget backfills the 2009–10 one-time cut of \$305 million to each system. The budget provides \$199 million in General Funds and \$106 million in federal ARRA funds.
- The budget moves \$100 million from the California Student Aid Commission's Student Loan Operating Fund to the Cal Grant financial aid program, to take the place of \$100 million in General Funds.
- \$7.2 million in program costs for APLE, the Assumption Program of Loans for Education, will be shifted, using federal College Access Challenge Grants.

The budget continues the recent practice of deferring payment dates for community college apportionment funding by months or into the next fiscal year. These deferrals will mostly occur in 2010–11, with \$129 million deferred into 2011–12.

Table 1. Funding by Agency in the 2010–11 Budget (\$ million)

	General Funds				Other funds 2010–11		2010–11 total: general, special and bond funds
	2009–10	2010–11	Change		Special	Bond	
Leg, Judicial, Executive	\$1,828	\$3,149	\$1,321	72.3%	\$2,875	\$434	\$6,458
State & Consumer Services	510	598	88	17.3%	748	24	1,370
Business, Transp, Housing	2,512	905	-1,607	-64.0%	7,304	4,294	12,503
Resources, Environment	1,944	2,185	241	12.4%	3,528	1,143	6,856
Health, Human Services	24,394	26,346	1,952	8.0%	11,157	174	37,677
Corrections, Rehabilitation	8,164	8,931	767	9.4%	48	1	8,980
K-12 Education	35,732	36,079	347	1.0%	81	684	36,844
Higher Education	10,602	11,490	888	8.4%	36	1,095	12,621
Labor & Workforce Dev.	57	58	1	1.8%	383	—	441
General Government*	606	-3,189	-3,795	-626.2%	4,691	2	1,504
Totals	\$86,349	\$86,552	\$203	0.2%	\$30,851	\$7,851	\$125,254

* Consists of non-agency state departments, tax relief/local government, and savings projected from reductions in state employee compensation and other government-wide expenditures.

Special and bond funds are selected general-purpose funds. Negative balances indicate expected budgetary savings.

Sources: Department of Finance, Legislative Analyst, other information.

State Policy Changes

The budget is comprised of 26 pieces of legislation covering all aspects of state government and makes significant policy changes to balance state finances. These include a proposed constitutional amendment to increase the rainy-day budget reserve, which will go on the ballot in March 2012, and reductions in pension benefits for future state employees, setting these benefits at 1999 levels.

Table 2. State General Funds for Higher Education

	2009–10	2010–11	Change 2009–10 to 2010–11	
	————— \$ thousands —————			
University of California	\$2,596,066	\$2,912,649	\$316,583	12.2%
Hastings College of the Law	8,270	8,364	94	1.1%
California State University	2,350,054	2,617,435	267,381	11.4%
California Community Colleges	4,125,655	4,332,157	206,502	5.0%
California Student Aid Commission	1,019,408	1,078,631	59,223	5.8%
CPEC	1,808	2,013	205	11.3%
Other higher education	499,976	575,978	76,002	15.2%
Total	\$10,601,237	\$11,527,227	\$925,990	8.7%

Excludes \$339 million in funding for the Institute for Regenerative Medicine. Amounts for UC and CSU in 2010–11 each include \$199 million of backfill funding partially restoring one-time \$305 million cuts in 2009–10.

Other Higher Education includes general obligation bond interest, redemptions and interest on pooled money investment account loans for UC, CSU, and Hastings.

Source: Department of Finance.

Additional Information

Department of Finance — Budget Summary

www.ebudget.ca.gov/Enacted/BudgetSummary/BSS/BSS.html

Department of Finance — Higher Education Budget

www.ebudget.ca.gov/Enacted/StateAgencyBudgets/6013/agency.html

Legislative Analyst — Overview of the Governor's Budget (488 KB, 28 pages)

www.lao.ca.gov/reports/2010/bud/budget_overview/bud_overview_011210.pdf

State Controller — Summary Analyses of General Fund Cash Receipts (289 KB, 5 pages)

www.sco.ca.gov/Press-Releases/2010/01-10summary.pdf

Public Policy Institute of California — Policy Areas

www.ppic.org/main/policyareas.asp

California Budget Project — An Analysis of Key Provisions of the 2010–11 Budget (180 KB, 35 pages)

www.cbp.org/pdfs/2010/100618_Budget_Comparison.pdf

California Forward — 2010 Reform Principles

www.caforward.org/index.cfm/resources/