Budget Update

The major issues for the 2012-13 CCC budget appear to be largely resolved, even though the Legislature has not yet approved all of the necessary trailer bills. The most significant change to what was proposed at May Revision is a decrease in the deferral buy down if the initiative passes and an increase in the trigger reduction if it fails.

The major components of the 12-13 CCC budget are:

- No new reductions unless the November ballot fails (more discussion of triggers, below).
- $213M to buy down system deferrals.
- No change to categorical programs, as the Governor’s consolidation proposal was rejected.
- No repeal of SB 361, as the Legislature also rejected the Governor’s proposal to revise our general apportionment system.
- Approval of new mandates block grant. Districts opting in to the block grant will receive $28 per FTES to cover compliance costs. Otherwise, districts may go through the normal claiming process for reimbursement at a later date.
- Full hold harmless protection from any shortages in RDA-related revenues, both in the current year and budget year. This alleviates a major risk to CCC budgets, as shortages in these funds ($116M in 11-12 and $341M in 12-13) would otherwise result in massive deficits.

If the November initiative fails, K-14 education is slated for a trigger cut of nearly $5.5 billion. The CCCs would lose the $213M in deferral repayments mentioned above and would take an additional base cut of $338.6M (approximately 7.5%). The size of the deferral buy down now reflects the CCC’s percentage share of K-14 deferrals (9.2%), and the trigger reduction represents 11% of the K-14 cut. Clearly, this trigger cut would be a devastating hit to our colleges, and districts need to budget carefully to account for this potential midyear reduction.

While the main budget bill has been sent to the Governor, the Democrats continue to negotiate ways of restoring proposed cuts to CalWORKS and Cal Grants. It is expected that these issues will be resolved one way or another early next week. The Governor has until June 27th to sign or veto the main budget bill.

The system continues to face significant risk, even aside from the threat of a massive trigger cut. Until the budget and related trailer bills are signed, changes are possible. While we will have statutory protection from RDA shortages, significant shortages create a budget problem for the state that could come back to bite the CCCs. Further, the state is pushing a major cash crunch onto the CCCs. CCCs will receive only about 35% of the General Fund cash through the first 5 months of the 12-13 fiscal year as they did in 11-12. If the ballot passes, districts will receive about 40% of their General Fund in June, so districts will have a difficult job of managing cash flow even under the best of circumstances.