



California Postsecondary Education Commission

Summary of the Governor's Proposed 2008-09 Budget for Higher Education

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On Thursday, January 10, 2008, Governor Arnold Schwarzenegger released his proposed budget for the 2008-09 fiscal year. The proposal attempts to address an estimated \$14.5 billion deficit projected for the next 18 months by reducing 2008-09 State funding for most programs by an average 10% below the figure projected based on growth in workload and other factors. For example, proposed General Fund spending for higher education is \$1 billion below the figure projected based on growth in workload and other factors, but is only \$104 million (-0.9%) below the \$11.8 billion spending in the 2007-08 revised budget.

The budget proposes to revise current-year State spending down by \$217 million. Table 1 shows projected budget revenues and expenditures and proposed funding reductions in State program categories. The budget proposes less General Fund spending in the budget year than in the current year: a year-to-year reduction of \$2.4 billion (2.3%).

For higher education, the 2008-09 budget proposes increased funding for enrollment growth and other factors, but this increase is offset by a budget-balancing reduction. Table 2 shows anticipated funding for higher education entities in the current and budget years; below are education budget highlights:

University of California

- \$154.8 million (5%) increase for base budget and instructional support.
- \$56.4 million increase (2.5%) for enrollment growth of 5,000 FTE (funded) students.
- \$124.8 million for the Regents' proposed fee increase of 7.4% in mandatory systemwide fees, and increases of 7–19% for specified professional school programs.
- \$331.9 budget balancing reduction includes a reduction of \$32.3 million from Institutional Support and an unallocated reduction of \$299.5 million.

California State University

- \$146.2 million (5%) increase for base budget and instructional support.
- \$70.1 million increase (2.5%) for enrollment growth of 8,572 FTE students.

TABLE 1 Revised 2007-08 and Proposed 2008-09 State General Fund Revenues, Spending and Reductions

	Revised 2007-08	Proposed 2008-09
REVENUES (\$\$ in millions)		
Carry-forward from prior year	\$3,900	\$1,757
<u>Est. Revenues and Transfers</u>	<u>101,230</u>	<u>102,904</u>
Total Revenues	\$105,130	\$104,661
SPENDING (\$\$ in millions)	\$103,373	\$100,998
PROPOSED REDUCTIONS (\$\$ in thousands)		
Leg-Judicial-Executive	\$6,568	\$362,847
State, Consumer Services	1,179	5,345
Business-Trans-Housing	200	2,028
Resources, Environment	5,804	97,609
Health, Human Services	181,062	2,661,209
Corrections, Rehabilitation	17,882	378,901
K-12 Education	0	4,357,251
Higher Education	0	1,132,903
Labor, Workforce Development	150	2,055
<u>General Government</u>	<u>3,788</u>	<u>131,947</u>
Total Reductions	\$216,633	\$9,132,095

Source: Calif. Department of Finance (www.dof.ca.gov).

TABLE 2 Higher Education State General Funds (\$\$ in 000s)

Entity	2007-08	2008-09	Budget Reduction	Net 2008-09 Gen. Funds
CPEC	\$2,209	\$2,228	-\$223	\$2,005
UC	3,260,748	3,494,102	-331,900	3,162,202
Hastings	10,631	11,239	-1,100	10,139
CSU	2,970,706	3,185,988	-312,900	2,873,088
CCC ¹	6,198,409	6,715,601	-484,500	6,231,101
<u>CSAC</u>	<u>842,887</u>	<u>892,736</u>	<u>-2,200</u>	<u>890,536</u>
Totals	\$13,285,590	\$14,301,894	-\$1,132,823	\$13,169,071

1. CCC State General Funds **include** Local Property Tax Revenues.

Source: Governor's Proposed 2008-09 Budget.

- \$109.8 million for the Trustees proposed fee increase of 10% in mandatory systemwide fees.
- \$312.9 budget balancing reduction includes a reduction of \$43.2 million from Institutional Support and an unallocated reduction of \$269.7 million.

California Community Colleges

- \$171.9 million increase for 3% enrollment growth of more than 35,000 FTE students.
- \$291.7 million increase for a 4.94% COLA for general-purpose apportionments.
- \$28.5 million increase for categorical programs enrollment growth (3%) and COLA (4.94%).
- \$524.5 million in combined current-year and budget-year budget balancing reductions – \$40 million to current-year apportionments, \$291.7 million to budget-year apportionments, \$111.8 million from growth for budget-year apportionments, \$79.9 million from categorical programs, and \$1 million from Chancellor’s Office state operations.

California Student Aid Commission

- \$26.7 million increase in current-year Cal Grant funding and an \$80 million increase in budget-year Cal Grant Program funding in anticipation of segmental student fee increases.
- \$57.4 million reduction by eliminating new Cal Grant competitive awards and \$2.2 million budget balancing reduction, with \$1.6 million allocated to the state operations and \$637,000 allocated to the Cal-SOAP local assistance budget.

K-12 Education

- Workload increases of \$2.4 billion for the 4.94% statutory COLA, \$1.8 billion for revenue limits, \$663.2 for various other statutorily-required programs, and \$300 million in Proposition 98 settle-up funds.
- \$4.4 billion budget balancing reduction.

Conclusion

The budget proposal closes the deficit with actions as varied as shuttering 48 State parks, early releases for 22,000 prisoners, dropping Medi-Cal dental benefits, suspending COLAs, deferring some scheduled payments into future months, and eliminating 6,900 positions from State agencies. The budget authorizes the sale of the remaining \$3.3 billion of Economic Recovery Bonds. The Governor has also proposed a constitutional amendment that creates a “rainy day” fund for the State and provides for automatic spending reductions when budget deficits are projected.

While General Fund spending on higher education will be cut by less than 1%, the true impact of these reductions is substantial given the cost-pressures faced by the systems. The budget anticipates that the funding reductions will result in larger than planned increases in student fees levels in the CSU and UC.

The Governor has called an emergency legislative session to deal with the budget dilemma, in addition to the regular budget-adoption processes. State policymakers will be wrestling with complicated budgetary issues over the next 45 days and throughout the year ahead.

Link to additional information: Dept of Finance: <http://www.ebudget.ca.gov/>