

CCFC FAST FAX

Community College Facility Coalition Legislative Update — January 11, 2010 — 1 Page CCFC Phone 916.446.3042 — Website: www.caccfc.org

GOVERNOR RELEASES HIS PROPOSED 2010-11 BUDGET — On Friday the Governor released his proposed budget for 2010-11. In its introduced form the document contains only 4 new community college capital outlay projects, all of which are funded with remaining funds from Proposition 55. This Proposition was approved by the electorate in November 2006.

The approved projects are as follows:

District	College/Center	Project	Category	Phase	Amount
El Camino	El Camino College Compton Center	Infrastructure Replacement Phase 2	A4	C	16,208,000
El Camino	El Camino Compton Center	Allied Health Building	A4	PWC	8,946,000
Imperial	Imperial Valley College	Building 400 Modernization		C	2,195,000
Monterey Peninsula	Monterey Peninsula College	Modernize Humanities and Student Services Buildings		CE	4,485,000

In his budget message the Governor indicated that he will make a proposal in the May Revision (an annual budget adjustment procedure) for funding higher education capital outlay projects.

It is difficult to evaluate what this means, since over the past few years the Legislature and Governor have tapped virtually every possible source of existing funds, including a few of questionable constitutionality. A new source of revenue that doesn't raise taxes probably doesn't exist.

In the 1960s and early 1970s higher education capital outlay for UC and CSU was funded from offshore oil revenue that was deposited in the Capital Outlay Fund for Higher Education (COFHE) which was referred to as the "coffee fund." That revenue source was long ago diverted to the State General Fund, although a small amount goes into the School Fund. For junior college capital outlay a State General Obligation bond was approved in the 1960s which provided funds for junior college capital outlay. During the early 1980s legislation was passed which enabled all higher education facilities to be funded with revenue bonds, which did not require a vote of the electorate.

During the 1980s virtually all higher education facilities were funded with either revenue bonds or State general obligation bonds. The alleged revenue source was the agency's budget appropriation from the State General Fund. The annual repayment requirement for the revenue bonds became controversial because the required repayment amount was allocated as a requirement for the entity using the revenue bonds. In the case of the University of California and California State University, their General Fund appropriation was increased in order to make the payment. In the case of the community colleges, their General Fund appropriation was also increased, but in their case it came from their Proposition 98 allocation. This resulted in all community college districts funding the capital outlay of those lucky enough to have had revenue bond projects approved.

In the Capitol, there is great concern about the level of State and local debt and the annual cost of debt service. One newspaper columnist speculated late last year that the level of outstanding debt among governmental entities (state and local) is in excess of \$600 Billion. The Administration has staked a lot of political capital on the passage of the \$11.1 Billion water bond that will be on the November 2010 ballot, which probably means they would not welcome more bonds on that ballot.

It is difficult to conceive a May Revision mechanism that doesn't use some form of debt service. Either way — General Obligation bonds or revenue bonds — debt service will be increased. General Obligation bonds seem like the obvious choice despite the state's financial condition.

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