

Date of Hearing: April 17, 2012

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Marty Block, Chair

AB 2591 (Furutani) – As Amended: April 9, 2012

SUBJECT: Community colleges: property tax revenues.

SUMMARY: Requires general fund apportionments to California Community Colleges (CCC) to be automatically adjusted for changes in property tax and fee revenues. Specifically, this bill:

- 1) Establishes legislative intent to create an automatic California Community College (CCC) local revenue backfill funding mechanism by requiring the Controller to transfer funds from the General Fund to the State School Fund when CCC property tax revenues and fee revenues fall short of the amount on which the appropriation for CCC in the annual Budget Act are based.
- 2) Requires the Department of Finance to annually post on its website the total local property tax revenue, total fee revenue, and federal oil and mineral resource and donations revenue for CCC districts upon which the General Fund appropriation for CCC districts in the annual Budget Act is based.
- 3) Requires the CCC Chancellor to certify to the Controller, on or before December 31 of each fiscal year and on or before May 31 of each fiscal year, the amount of property tax revenue and fee revenue estimated for the current fiscal year and the prior year as reported to the CCC Board of Governors for use in the calculation of the state general apportionment.
- 4) Requires, if the total amount of local revenue identified in the annual Budget Act is greater than the amount of local revenue identified and reported by the CCC Chancellor, the State Controller, at the time of the next general fund apportionment, to transfer the deficient amount from the General Fund to the State School Fund for the CCC.
- 5) Requires, if the total amount of local revenues identified in the annual Budget Act is less than the amount of local revenues identified and reported by the CCC Chancellor, the State Controller, at the time of the next general fund apportionment, to transfer the excess amount from the State School Fund for the CCC to the General Fund.

EXISTING LAW provides that general fund apportionments to K-12 school districts automatically adjust for changes in local property tax revenues. However, current law does not provide for a similar adjustment for CCC districts.

FISCAL EFFECT: Unknown

COMMENTS: Background on CCC budgeting. In developing the annual CCC budget, the state must estimate how much local property tax and student fee revenue will be available to the CCC. If the systemwide level of local property tax and fee revenue turns out to be lower than budgeted, this shortfall is proportionally spread across all CCC districts. In some years, legislation has been passed to augment General Fund support to CCCs in order to make up for this shortfall. In other years, CCCs were required to absorb the shortfall. While CCC funding is not

automatically "backfilled" for non-received local revenue, state aid to CCC is also not automatically reduced when local revenues exceed estimates.

Background on property tax shortfalls. As a result of legislation that responded to the court ruling in *Serrano v. Priest*, current law provides for K-12 school districts to be automatically compensated with state funding when property tax revenues fall short of expectations relied upon for the state budget act. Unlike K-12 school districts, CCC does not have a mechanism for the automatic backfilling of property taxes not received. As noted above, in years where property tax revenues are less than estimated, a direct appropriation is the means for adjustment.

Purpose of this bill. According to the author, as a result of the recession and state budget cuts, two factors have impacted the collection of fee revenue (1) increase in the number of students receiving the Board of Governors Fee Waiver and (2) reduction in the overall number of students attending CCCs. In addition, property tax collections have come in \$40 million below budget estimates. When combined, the total local revenue deficit equals \$149 million. This shortfall comes on the heels of a \$313 million workload reduction imposed in the Budget Act, and a \$102 million midyear trigger cut, which have already heavily impacted CCCs ability to effectively serve students. This shortfall affects CCCs general purpose revenues, significantly reducing resources available to support educational services. Without additional funding to make up for the unexpected mid-year shortfall, CCCs have to find ways to lower expenses such as cutting courses, reducing services and laying off employees. This loss in funding severely cripples the ability of CCCs to plan accordingly to meet the educational demands of students.

Additional pressures on the state budget. According to the Legislative Analyst's Office (LAO), the U.S. and California economies are poised to continue slow recoveries. While ongoing budgetary actions have to begin to restore California's state budget to balance, the Legislature will have to pursue billions more in budget-balancing solutions in the coming year. The Committee may wish to consider the degree to which an automatic annual backfill, as contained in this bill, will affect the state's ability to achieve budgetary balance.

Prior legislation. AB 551 (Furutani) of 2010, which was held in Assembly Rules Committee, would have required the LAO report on whether General Fund dollars or property tax revenues provide the most stable funding source for CCC. AB 2277 (Eng) of 2008, which was held in the Assembly Appropriations Committee, would have provided for the one-time transfer of funds to compensate for un-received property tax revenues. AB 1402 (Blakeslee) of 2005, which was subsequently amended to address a different subject, would have provided for an annual transfer of funds to compensate for un-received property tax revenues. AB 1417 (Pacheco) of 2004, which was held in this form in the Senate Appropriations Committee and subsequently amended to require a study of CCC funding, was substantially similar to AB 1402. SB 990 (McPherson) of 2000, which was held in the Senate Appropriations Committee, was also substantially similar to AB 1402.

REGISTERED SUPPORT / OPPOSITION:

Support

Antelope Valley Community College District  
Barstow Community College  
Cabrillo College

California Community Colleges Chancellor's Office  
California Federation of Teachers  
Chaffey College  
Community College League of California  
Glendale Community College District  
Kern Community College District  
Los Angeles Community College District  
Los Rios Community College District  
MiraCosta Community College District  
Mt. San Jacinto Community College District  
North Orange County Community College District  
Ohlone Community College Districts  
Peralta Community College District  
Porterville College  
Rancho Santiago Community College District  
Rio Hondo Community College District  
Riverside Community College District  
San Diego Community College District  
San Jose-Evergreen Community College District  
Santa Monica Community College District  
Shasta-Tehama-Trinity Joint Community College District  
South Orange County Community College District  
State Center Community College District  
West Hills Community College District  
West Kern Community College District  
Yosemite Community College District  
12 Individuals

Opposition

None on File

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