California’s public colleges and universities on Monday learned how much their budgets will be slashed if voters don’t pass a proposed tax hike this November. It isn’t a pretty picture.

The state’s projected revenue gap has grown to $15.7 billion from a January estimate of $9.2 billion. Governor Jerry Brown’s revised budget plan, released Monday, described deep “trigger cuts” to higher education that would kick in without the proposed tax revenue. Those cuts include $250 million reductions for both the University of California and California State University Systems, a $50 million increase over the January estimates, and a $300 million cut for the state’s 112 community colleges.

The governor’s proposed budget would also reduce spending on Cal Grants, the state’s financial aid program, by $38.4 million. Those cuts are aimed at for-profit institutions, and would be made even if the tax plan passes.

Cal State in particular is fractured over the budget crisis, with both the faculty union and system office citing money woes as they take their shots during a deepening power struggle.

Like their peers at the community college and University of California Systems, administrators at Cal State are trying to muster resources and public attention to ensure the tax plan’s passage. But they have gone further, telling applicants that their admission might be contingent on the measure’s passage.

With those high stakes, and because it is so rare that a tax-increase measure has a realistic shot of passing, faculty leaders at Cal State said they are withholding their participation in campaigning for the measure as leverage in contract negotiations.

“Years of devastating funding cuts have been worsened by the way in which management uses the precious dollars the university gets,” the California Faculty Association, the primary faculty union for the California State system, said in a written statement. “CSU executives lavish pay and perks on themselves while imposing devastating cuts to students’ classes and services.” (The union is affiliated with Service Employees International Union, the American Association of
University Professors, the National Education Association and the California Teachers Association.)

The tax referendum, proposed by Governor Brown and likely to appear on the ballot this November, would raise an estimated $8.5 billion through a sales tax and an income tax increase for relatively wealthy earners.

Passage of the tax hike is far from certain. According to a recent poll, 54 percent of California residents said they are in favor of the measure while, 39 percent oppose it. California higher education administrators said tax measures tend to lose support as campaigns unfold. Another tax-increase bill is also likely to be on the November ballot, and administrators said they fear that measure could siphon off support or confuse voters.

**Other Priorities**

Officials with the three state college systems would like to see a share of new tax revenue, particularly after years of slumping state contributions. But they may not get much help from business leaders.

In what observers said was an ominous sign, the California Business Roundtable on Monday released a statement saying “it is clear that taxes alone will not solve the problem,” and that “California employers are still waiting for the Legislature to pass comprehensive reforms that will help grow our economy.”

Openly backing the tax hike, however, are many employee groups in the University of California, community college and K-12 systems. “We are on the same page,” said Jonathan Lightman, executive director of the Faculty Association of California Community Colleges, who said his group backs the tax plan “without hesitation.”

But the California Faculty Association has other priorities that might keep it from helping administrators pass the measure.

The association, which has been in contract negotiations with the system’s administration for almost two years, voted earlier this month to authorize two-day rolling strikes at the system’s 23 campuses, likely starting in the fall, if disputes over salaries and other issues are not resolved. Lillian Taiz, the association’s president, said her group would love to be involved in the push to get more revenue for the system, but if the association is striking at that time, they will have to concentrate their efforts there. “On the whole, we would much rather be working for this revenue,” Taiz said.

Taiz said her association’s members could be helpful in getting out the vote, and pointed to the fact that they delivered a significant amount of signatures to help get the measure on the ballot.

The association is not the only one trying to leverage public sentiment around the ballot measure. While system leaders can take positions on the measure, California state law prohibits colleges and universities from expending funds, including university-paid time and equipment, for
campaign purposes in connection to ballot propositions. But that doesn’t mean the universities can’t take steps that might sway public opinion and affect the outcome of the election.

The traditional strategy for colleges and universities facing such cuts is to show what those cuts would mean for the general public, which typically means higher tuition. That is what University of California Chancellor Mark Yudof did when he publicly supported the Governor’s proposal in late March, calling it “the best opportunity I’ve seen in my four years in California for the state to clamber out of a sinkhole of fiscal uncertainty and move forward into a better, more prosperous future.” He said that if the measure did not pass, there could be big tuition increases in the middle of the 2012-13 school year. The system’s board has not yet weighed in on the issue.

But the Cal State system has an even clearer message: pass the tax hike or you might not get in.

System administrators already announced that they will not open most campuses for admissions for the spring 2013 semester. That admissions session closes before the election, and Robert Turnage, the system’s assistant vice chancellor for budget, said the universities will not have enough time to adjust budget plans if the measure fails.

But every student who applies for the fall 2013 semester, an admissions period that straddles the November vote, will receive a letter from the university telling the student that he or she has been waitlisted, and that the university’s ability to make a decision is contingent on the outcome of the election. “All students will be waitlisted and notified that we are not in a position to give them an answer until we see what happens with this trigger,” Turnage said.

Last year more than 665,000 students applied to the system’s 23 campuses, which is a lot of families and a lot of potential voters.

If the trigger is pulled, the university would drop its full-time equivalent enrollment about 3 percent, from 331,000 to 321,000, Turnage said.

Neither CSU Chancellor Charles B. Reed nor his board has formally endorsed the governor’s proposal, but Reed has said on multiple occasions that the system and the state of California need the revenues that a tax increase would provide. Turnage said there is a “very live possibility that, when the time is right, [Reed] may go to the board.”

**New Cuts**

California’s community colleges have struggled to cope with roughly $1 billion in budget cuts and revenue shortfalls over the last couple years. As a result, the system, which has a total enrollment of 2.6 million students, has turned away hundreds of thousands of students, including an estimated 200,000 this year.

The roughly $300 million trigger cut would be 6 percent of the state’s overall contribution to the colleges, system officials said.
“Further trigger cuts in January could be the breaking point financially for some colleges,” said Jack Scott, the system’s chancellor, in a written statement.

Muddying the budget picture for community colleges is $1 billion in annual funding deferrals the system has absorbed. The deferrals, in which the state delays doling out appropriations, have caused cash flow problems for some colleges.

If the tax plan passes, it would create $313 million in new revenue for the community colleges. But that money would be used primarily to “buy down” deferrals, according to system officials, rather than to cover new programs at the colleges.

Cal Grants will be on the chopping block with or without a tax increase, according to the governor’s new budget plan. And the proposed cut includes funding formula changes that are aimed squarely at for-profits.

For a college to qualify for participation in the Cal Grant program – meaning that students can use the grants there – the institution would need to have a student loan default rate of 15 percent or less, down from the current requirement of 30 percent, and a minimum graduation rate of 30 percent. However, those rules would not apply to any college where fewer than 40 percent of students receive federal loans, “such as community colleges,” according to the budget plan. Few public four-year colleges or private nonprofit institutions would have difficulty clearing that bar.

For-profits have fought previous attempts to knock them out of the Cal Grants program, and were not happy about being singled out again.

The proposed cut “is bad public policy and would strip an imperative educational pathway for the neediest students,” said Laura Brown, president of the California Coalition of Accredited Career Schools, in an email. The focus on loan default and graduation rates ignores economic conditions and the fact that for-profit colleges serve a large number of nontraditional students, she said. “It’s the demographic of the student that is at issue here rather than the quality of the institution.”

The use of graduation rates to determine Cal Grant eligibility could get messy, said Michele Siqueiros, executive director of the Campaign for College Opportunity. “The metrics matter,” she said.

The group has opposed previous Cal Grant cuts, including the addition of minimum G.P.A. requirements for students, which are also part of this proposal. And Siqueiros said some new changes, like an effort to model the grant program on federal Pell Grants, could have a negative impact. “It is going to affect a lot of students,” she said.

Siqueiros supports more state funding for higher education, and her group is leaning toward backing the tax plan. But they are in a wait-and-see mode as the campaign continues to gather signatures for a petition to get the proposal on the ballot for November, in part because of remaining uncertainty about whether the new revenue would actually be directed toward public colleges.
“There’s nothing explicitly saying that the money is going to go to education,” said Siqueiros.