Budget Update – March 2012

Current Year Deficit

The P1 apportionment identifies a significant current year deficit in system funding. The total shortfall identified is $179M (3.29% statewide) and consists of the following elements:

- $107M due to a fee revenue shortage
- $41M in property taxes
- $30M due to the Tier 1 trigger reduction
- $1M due to other miscellaneous adjustments

As the $30M trigger cut was anticipated, we should not count on receiving any relief for that portion of the deficit. That, however, still leaves a hole of $149M that districts had no reason to expect. Problematically, district options for realizing savings at this time in the year are minimal. We’ve heard that some districts are attempting to cut course sections, reduce student support services, and institute furloughs or layoffs. As we are already well into the spring term, most districts will be forced to dip further into diminishing reserves or borrow more cash just to make it through the fiscal year.

Addressing this shortfall will be a major focus of this year’s budget advocacy. Chancellor Scott and I have already met with Finance Director Matosantos to communicate the severity of the problem, and we have similarly been informing key legislative staff. These are just the first steps in what I expect will be a unified system push to have the deficit resolved. We believe this shortfall also highlights the problem with not having statutory protection from revenue shortfalls, as K-12 does, and we will be pressing that point, as well.

Budget Hearings

Senate Budget Subcommittee #1 will hold a hearing on the budget of the California Community Colleges on March 29th. Assembly Budget subcommittee #2 will hold their hearing on April 25th. We hope that many CCC supporters will make their voices heard on the current year deficit during public comment or by submitting letters prior to the hearing.

LAO Revenue Estimate

The most recent Budget and Economic Review from the Legislative Analyst’s Office continues to paint a bleaker picture of the state’s revenue picture than does the Department of Finance. The LAO estimates that revenues will be $6.5 billion below the Governor’s figures through the
12-13 fiscal year. If accurate, this would require the Legislature to cut more deeply and/or find more revenue solutions than what was proposed by the Governor in January.

Given the uncertainty surrounding the revenue estimates, it is unlikely that significant action will be taken prior to the May Revision.