On Monday, May 14, 2012, the Governor announced his revisions to the proposed budget for the 2012-13 fiscal year. Even though the State continues to face significant fiscal challenges with a $15.7 billion structural deficit, in the best case scenario, community college budgets have been largely unchanged from his proposals presented in January. Assuming that the Governor’s proposed tax initiative passes in November, we can expect no growth, no COLA, no restoration of previous apportionment or categorical cuts. On the positive side, the plan includes $313.1 million in cash deferral buy-downs and mandated cost allocations equal to $28 per FTES. Unfortunately, the worst case scenario has deepened for community colleges. Assuming the proposed tax initiative fails in November, we can expect $300 million in mid-year cuts and will lose all cash deferral buy-downs.

To put things in perspective, community colleges have been cut by $809 million since the 2008-09 fiscal year nor have we been funded the 15.8% in statutory COLAs. For LBCC, this equates to ongoing cuts of over $9.1 million in state apportionment alone. Not to mention the $4.7 million in categorical cuts. Unfortunately, these cuts have not been restored, will continue into the next fiscal year, and in some cases will deepen. The Governor’s plan will not restore community colleges’ funding back to the levels seen in 2007-08 until at least the 2014-15 fiscal year. Again, this is assuming that the proposed tax initiative passes in November.

The measures specific to community colleges that impact both the current fiscal year (2011-12) and the next fiscal year (2012-13) are as follows:

**2011-12**

- The Chancellor’s Office is projecting a large deficit factor of 2.4%. This means that our current year apportionment (the revenue generated from our FTES) will be reduced by that percentage. We had planned for a 1% deficit factor in our budget so this will cost our College over $1.3 million.
- As a reminder, the State has already imposed mid-year cuts on community colleges which cost LBCC over $1.2 million.
- $116.1 million expected from the dissolution of Redevelopment Agencies. If this does not come to fruition, then we can expect an additional deficit factor of close to 2%. This is in essence an
additional cut approximating $1.9 million for LBCC. Unfortunately, this will be unknown until late June.

2012-13
- No Cost of living adjustments (COLA).
- No Growth.
- Student fees increase to $46 per unit (effective Summer 2012).
- Apportionment cash deferrals would be reduced by $313.1 million, in the best case scenario only. For LBCC, this would bring our deferrals to approximately $16.6 million, in essence providing us with $8 million more in cash throughout the year than what we currently receive. These cash deferrals have forced us to enter into short-term financing called Tax Revenue Anticipation Notes (TRANs) which costs us money in the form of issuance costs. Although the reduction of the statewide deferrals will help us, it will not eliminate the need to issue TRANs.
- Provides mandated cost revenue equivalent to $28 per FTES. For LBCC, this approximates $541,000.
- $341.2 million expected from the dissolution of Redevelopment Agencies. As mentioned before, if these revenues don’t occur, then we can expect the imposition of a deficit factor to make up for the lost revenue. It is too early to estimate this impact but just know that a $300 million cut equates to about $6 million for LBCC.
- Tax measure fails – mid-year cuts of $300 million. For LBCC, this is around $5.7 million and would reduce our funded FTES by over 1,100.

The legislature has until June 15, 2012 to pass a budget for the Governor’s signature. It is expected that they will meet this deadline in lieu of them losing pay if they do not. However, it is unknown how close the budget passed by the legislature will mirror the budget proposed by the Governor. Regardless of what it looks like, no one expects that it will get any better.

What does this mean to us?

Here at LBCC, we are preparing our Tentative Budget assuming the best case scenario. The Budget Advisory Committee has recommended that we build a 1% deficit factor into our budget, which we have done. However, this wouldn’t even come close to covering the loss in revenue should we encounter the worst case scenario. Therefore, over the summer and into early fall, we will be preparing plans that can be implemented if the worst case scenario occurs while continuing to implement plans to close our deficit in the best case scenario. These plans will utilize the Budget Reduction Criteria and processes that have been established by CPC.