

PRESIDENT'S BUDGET MESSAGE

Date: March 5, 2012
TO: Colleagues
FROM: Dr. Jamillah Moore, President
SUBJECT: Budget Update

For the last four fiscal years Los Angeles City College (LACC) has dealt with budgetary deficits and while we have managed to balance our budget we have and will continue to make sacrifices to remain fiscally solvent. In light of the state budget crisis and its impact on the College's operations and educational programs, this is the first of many updates we will provide to ensure we keep the campus community informed.

The spring session began with many frustrated students being denied the opportunity to take the classes they need. I thank the faculty who stretched as much as they could to accommodate our students. However, this situation is not unique to LACC as statewide enrollment demand has far outstripped the availability of courses.

California is facing yet another budget crisis and it is unclear when the economy will begin to bounce back. Under the Governor's Budget, community colleges could face midyear cuts of \$292 million, or approximately 5.56%, if the Governor's proposal to raise the sales tax and boost income tax rates for high income earners is rejected by voters in November 2012. This uncertainty, according to the Legislative Analyst Office (LAO), will cause districts to develop their 2012-13 budgets under the assumption that the midyear reduction will occur. The District's 2012-13 preliminary budgets is currently based on the Governor's Budget Proposal and include a 1.52% workload reduction from Tier 2 Trigger cuts for 2011-12.

As a result, the proposed tentative budget will be based on a 7.08% (1.52% +5.56%) workload reduction based on the assumption that the Governor's Tax Initiative WILL NOT PASS. This requires all campuses within the Los Angeles Community College District to develop and submit a balanced budget with a Contingency Reduction Plan in place for implementation if the Governor's tax Initiative Fails. As a result, the LACC Budget Committee held an emergency meeting last week to address this challenge. In 2007, LACC's annual budget was close to \$67 million; for the 2012-13 fiscal year that amount is now at \$54 million and with the seven percent proposed reduction, our annual budget will be \$50 million. We are working on this and we can develop a response to this dilemma. As we have done in previous years, we will continue to meet as a committee to develop alternatives and work on a resolution to the crisis through a transparent and shared governance process. There is a possibility that the Legislature could pass a State Budget that assumes the tax initiative fails and cut K-14 funding up front (in our case, a total of 7.08%). Under this approach, if voters approve the tax plan, midyear spending increases could be provided, with ongoing funding built into the base budget for 2013-14.

Legislative Analyst Recommendations:

The LAO offers several recommendations on the education proposals in the Governor's Budget, including:

Mandate Reform Proposal—The LAO agrees with the Governor that there are serious flaws in the state's current mandate reimbursement process, concluding that the Governor's discretionary block grant approach would help overcome many of these shortcomings. The LAO recommends adoption of the proposed mandate reform and the creation of a working group to address the implementation issues.

Special Services Block Grant— The LAO agrees with the Governor's proposal to put categorical funding into a block grant to allow for more flexibility.

Apportionment Deferrals or "Wall of Debt"—The Governor's Budget proposal targets most of the increase in Proposition 98 funding to reversing the multibillion dollar apportionment deferrals that have been enacted over the last five years. The LAO agrees that this "wall of debt" should be retired, but argues that it should be retired over a longer period than the Governor's plan and that settle-up funds be used to buy down the deferrals.

Following the report's release, the LAO staff held a briefing to clarify some of the points raised in its report. Acknowledging that Proposition 98 has been re-benched several times in recent years, the staff indicated that this re-benching should follow a consistent methodology from one year to the next, rather than be subject to changing approaches each time a re-benching proposal is enacted. Staff also reiterated their view that allocating revenues from the Governor's tax initiative to buy down the deferral makes sense. If these uncertain revenues were budgeted for additional program spending, districts would face even deeper cuts than the \$292 million proposed in the Governor's Budget if the initiative fails. They further indicated they would be reviewing revenue estimates in the spring.

Districts must prepare:

Members of the Legislature and LAO support districts planning for a worst-case funding scenario, these scenarios would include midyear trigger cuts and a lower level of funding. In addition, districts must be given tools to mitigate the impact of the lower level of funding at the beginning of the fiscal year, so they can plan accordingly. **For community colleges, the LAO recommends that the Legislature consider:**

- Removing additional categorical and mandate requirements (beyond those in current law)
- Suspending the full-time faculty obligation
- Modifying the 50% law to include expenditures on counselors and librarians, or consider suspending the law for one year, and
- Allowing for a special post-election layoff window

Please know our number one priority is to sustain quality educational programs for the students of LACC. We will keep you posted on this very important issue. Additional updates will follow.

Jamillah Moore, Ed.D.
President
Los Angeles City College