Budget and Construction Update

Budget Update

When the State was developing its budget this year, the Governor had planned on additional revenue from the extension of taxes that were increased two years ago. Specifically, the sales tax, income tax, and vehicle license fees were temporarily increased and were due to be reduced back to their original level in 2011-12. The Governor was not able to garner the two-thirds vote in the legislature to either extend these increases or place them on the ballot for the voters to decide. To balance the state budget, the legislature increased its estimate for tax receipts by $4 billion. At the time, the legislature realized that this action was questionable and that the State may not realize this additional revenue. So trigger language was included in the budget that called for mid-year budget cuts dependent on the amount of the $4 billion that would materialize. The mid-year budget cuts were classified in tiers and defined as follows:

1) Tier 0 – The State collects at least $3 billion in additional tax receipts. No mid-year cuts are implemented.
2) Tier 1 – The State collects between $2 billion and $3 billion in additional tax receipts. Community Colleges will be cut $30 million and student fees will be increased an additional $10/unit effective with the Summer 2012 semester.
3) Tier 2 – The State collects less than $2 billion. All of Tier 1 cuts are implemented plus an additional $72 million are cut for Community Colleges. Tier 2 would also have a reduction in workload (enrollment).

The Director of Finance has been tasked with projecting the amount of state tax receipts for the year and determining which Tier will be implemented by December 15, 2011. Initially, the consensus was that the State would fall under Tier 1. This would result in GCC losing about $408,000 of revenue. The Budget Committee and negotiations have been planning for this cut. However, tax receipts through October are already $1.5 billion less than budgeted. If tax receipts fall an additional $0.5 billion over the next 8 months, Tier 2 will occur. The Community College League and our state lobbyist, Patrick McCallum, have both stated that we should prepare for Tier 2. Glendale College will lose an additional $980,000 of funding.

A lawsuit has been filed against the State by the Association of California School Administrators and others on the funding of Prop. 98, the minimum funding level for K-14 schools. When the State increased its estimate of tax receipts by $4 billion, Prop. 98 should have also been increased. If not, the legislature should have voted to suspend Prop. 98. Neither of these actions occurred resulting in the lawsuit. This lawsuit has merit and is critical to community college funding. If won, community colleges may be shielded from mid-year cuts and additional revenues should be available next year.

A second factor that may come into play this year is the fact that Tier 2 cuts will include K-12 schools. The Governor from the beginning has tried to exempt K-12 schools from any cuts this year. As hard as it will be for community colleges to make these mid-year cuts, it will be even harder for K-12 schools. Hopefully, this will prevent Tier 2 if at all possible.

The Assembly Budget Committee published its preliminary estimates on the state's 2012-13 budget. They project that the state will be facing a \$5 to \$8 billion deficit next year. This indicates that there will be little new money next year and possibly additional cuts for community colleges. What may save us next year is the outcome of the lawsuit on funding Prop. 98 and the tax initiative that the Governor wants to place on the November 2012 ballot. Although the specifics of the tax initiative have not been developed, additional money to the state will be realized if this initiative is passed.

Lab/College Services Building

The Lab/College Services building is the last major project that will be funded with Measure G money. This project is also receiving State Construction funding in a 3:1 match; three dollars of State money to one dollar of district money. The Division of State Architect (DSA) has approved the plans so we are just waiting for funding to start. We had thought that we would have to wait until the next state construction bond was passed to begin the project. This would have pushed the start date for construction back by probably four years. Lab/College Services is the next project in line to receive funding on the State's priority list. With construction costs down, funds are reverting back to the State on projects funded by the 2006 state construction bonds. If enough funds revert back, the Lab/College Services building will receive funding in 2012-13.

The Chancellor's Office has submitted this project to the Department of Finance for funding in 2012-13 and thinks we have a good chance of receiving funding. We will have a better idea on whether the project will be funded this Spring.