STATE BUDGET UPDATE #2

This is another message to give everyone a quick update on actions by the Governor and the Legislature regarding the current year state budget, as well as the status of the 2008-09 state budget.

MID-YEAR REDUCTIONS FOR 2007-08
When the Governor presented his January Budget Proposal for the 2008-09 state budget, you may remember his administration had identified a $1.4 billion drop in the minimum amount owed to K-14 education under Proposition 98 for 2007-08. After declaring a “fiscal emergency”, the Governor signed a package of special session legislation in February making mid-year reductions in funding for almost all sectors of the state budget. Reductions for K-12 and community colleges totaled $506 million in current year Prop 98 funding. The community colleges' share of this reduction totaled $31 million as opposed to the $40 million originally called for by the Governor. These reductions consist mainly of categorical funds from the current and prior two fiscal years that are unspent and have not been committed to districts. While the special session has raised concerns, it looked as though we were able to avoid any actions that would harm the community college districts in the current fiscal year.

Recently, the Legislative Analyst’s Office (LAO) reviewed the Governor’s January Budget Proposal and announced that the state’s estimated budget deficit had grown from $14.5 billion to $16 billion by the conclusion of the 2008-09 fiscal year if no corrections were taken. With the above reductions, however, the deficit has been cut in half and is now estimated at $8 billion. The next estimate will occur with the May revision to the Governor’s budget proposal.

PROPERTY TAX SHORTFALL
Just as we began to think we had avoided any impact from the mid-year cuts, the System Office revised the First Principle Apportionment and has now estimated community colleges will be hit with an $84.4 million deficit attributed to a property tax shortfall. This equates to a reduction in apportionment revenue for each district of approximately 1.5%. For Butte College this amounts to a hit of roughly $792 thousand. Fortunately, as we built the 2007-08 budget we took into account the overly optimistic estimates the Governor was making in tax revenues, and we built in a 1% deficit factor. The balance of the hit is being made up by some unexpected enrollment growth (that partially offsets our expected enrollment decline). So, once again, at least for Butte College anyway, we have been able to avoid any impact from this revenue shortfall in the current year. It is important to note however, that this is a preliminary estimate. Given the economic downturn affecting the housing sector it could in fact worsen. The impact of the property tax shortfall on the 2008-09 budget is yet to be determined, and will be part of the long, continuous debate over the state budget. As you may recall, the Governor has already proposed not to fund a state COLA for the coming fiscal year. We will get a better idea, or at least a revised one, of the impact the property tax shortfall has on the state budget with the May revision to the Governor’s budget proposal. In the mean time, we will continue to plan to put ourselves in the best possible position to meet the needs of our students and our instructional programs for the coming year. The Planning and Budget Committee will begin reviewing the list of budget requests for 2008-09 next week. Although there may not be any new funds coming from the state, we do have our reserves to fall back on. These reserves will be used to fund one-time requests that will allow the District to move forward despite the state’s budget crisis. With any crisis, often comes opportunity. We will keep you posted as new information arises.

Planning and Budget Committee:

David Payne, Committee Chair
Jo Anne Cripe
Ruth Ann Hansen
Kim Hutchison
Lester Jauron
Kenneth Meier

Devin Potter
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Clinton Slaughter
Magian Smith
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