



May 9, 2024

Dear Colleagues,

If you are watching the California budget updates as close as I am, you know that last month and the end of tax season was an important mark in shaping the financial outlook for the fiscal year-end. Despite the uncertainties that remain until the May revise, I want to share the latest updates and our position as we navigate the weeks ahead.

Early Action Agreement

In April, Governor Newsom signed the Early Action Agreement to provide an immediate response to the budget challenges and reduce the shortfall by \$17.3 billion. The agreement outlines various reductions, revenue borrowing, and deferrals across California programs and departments for the 22-23 fiscal year budget. While the agreement appears to safeguard community colleges from being directly impacted, it also includes language authorizing the Administration to freeze additional one-time funding from 2021, 2022, and 2023 Budget Acts. This means that for Cerritos College, in addition to the already \$5.2 million revenue deficit for our current fiscal year, we can anticipate the pulling back of some or all of our one-time grant funding, including the Student Success Completion Grant and COVID Block Grant.

Updates on “The Big Three”

The updated forecast through the Legislative Analyst’s Office with recent tax revenues includes a forecasted \$19 billion below the Governor’s Budget latest projections for the 22-23 and 24-25 budget window.

Personal income tax payments are about \$3.5 billion below the Governor’s projections.

Corporate tax is down almost \$2 billion and Sales tax down \$1 billion.

Although corporate tax collections decreased 15% from last year, personal income tax revenues are showing a 5% growth rate annually. Thanks to the stock market’s performance in the past six months, the total income tax revenue is anticipated to rise by 8% this year. However, the Governor revised the projected deficit from \$38 billion to \$44 billion, with some analysts estimating it could reach as high as \$73 billion.

What Does This Mean for Cerritos College?

Cerritos College is taking precautionary measures to preserve our financial health. We will maintain the hiring freeze and reduction of general fund expenditures, ensuring our core operations continue to serve our students effectively. We are preparing for potential deferrals and growing deficits, and I am confident in our financial resilience during these challenging times. Our actions are designed to secure our long-term stability, recognizing that the California budgetary issues will persist beyond next year. It is our responsibility to ensure our financial strength and institutional health for the years to come.

The May revise is set to be released tomorrow at 11:00am and I will provide an update likely over the weekend. While this may seem like good news, the reality is the most recent April income taxes lowered the estimated revenue and therefore increased the deficit problem. The earlier date is an indicator of the need to start negotiations earlier than anticipated. I will continue to keep you informed of all budgetary developments as this negotiation process moves forward from now until June 15.

Jose

Further Reads:

[Board Presentation Update](#)

[Early Action Agreement](#)

[Lagging Revenue](#)

["Big Three" Update](#)

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