



March 6, 2024

Dear Colleagues,

Your Executive Council team is writing you today because the state of California is facing a serious budget problem. This is the first of a series of communications to explain the problem and how it impacts Cerritos College.

Before we go into detail, here's what you need to know: Cerritos College is taking precautionary measures now so that we can protect our institutional health. Our top priority is taking care of our students and employees. Because our financial position is relatively strong, we are confident that Cerritos College will weather the coming budget storm by working together on these precautionary measures.

#### Background: The State Budget Problem is Growing

The state of California is facing an increasingly serious budget problem. One reason is that tax revenues for the next couple years are likely to continue to fall far short of estimates. In fact, state agencies are preparing for a budget storm by requiring an Expenditure Freeze across the board, anticipating "significant General Fund budget deficits in fiscal years 2023-24 and 2024-25."

How much money are we talking about? Today, analysts are estimating amounts as high as a \$73 billion shortfall across the state. The Legislative Analyst's Office is warning the Legislature that they must find new "budget solutions" to balance the budget for next fiscal year. Cerritos College needs to prepare for the possibility that the "budget solutions" will mean deep budget cuts and pulling back unspent money. This budget problem will probably lead to budget reductions across all sectors of Education (K12, community college, CSU, and UC), but for now, we only have estimates on the financial impact.

#### What This Means for Cerritos College:

The first direct impact at Cerritos College was felt after the First Period Apportionment (P-1). P-1 is a complicated funding mechanism, but the important thing to understand is that the P-1 calculation showed a \$310 million revenue deficit across the state. This translated to a \$5.2 million (3.55%) revenue deficit for Cerritos College in this current fiscal year (July 2023 – June 2024).

In other words, we are already going to receive \$5.2 million less than what we were promised this year—money that we already allocated for items such as salary and benefits, utilities, department budgets, and so on. This revenue deficit could get worse at the Second Period Apportionment (P-2), which is scheduled to be released around June 2024. We need to prepare for that possibility, too.

What we hope to convey here is that Cerritos College—and the entire California Community Colleges System—will not receive concrete budget information from the state until it is too late for us to react to it. Given all the warning signs and dire projections, we must prepare and position ourselves to weather the storm that looms ahead.

The Precautionary Measures Cerritos College is Taking Now:

Effective immediately, we are implementing two precautionary measures to reduce spending at Cerritos College.

1. We are implementing a hiring freeze, effective immediately. If a request to hire form has already been approved, the position may continue through the hiring process. However, all new requests to hire will not be approved at this time. Because 91% of our budget goes towards employee salaries and benefits, this is the most efficient way to safeguard the resources we have allocated for our existing employees.
2. All departments are to reduce overall General Fund spending, effective immediately. All discretionary and non-essential purchases should be limited unless they support critical operations.

We are taking these precautionary measures (hiring freeze and reducing expenses) to free up as much money as we can to protect employee salaries and benefits. Our top priority is to support our students, you and the continued operations of our institution to the best of our ability. We know that these decisions are tough on all of us. We understand the impact this may have on you, your team and the institution. Our resilience and commitment will help us to overcome these obstacles and emerge stronger together.

#### What's Next

In May, the California Governor will release a May Revision to the January Budget Proposal based on the latest economic forecasts. This will provide an additional level of clarity on the state budget. Until then, we will continue to send a series of communications related to the budget and will keep you informed on developments from the state. Please feel free to reach out if you have any questions or concerns.

Felipe, Frank, Robyn, Mercedes, and Jose

Links:

[Budget shortfall](#)

[LAO Report](#)

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