FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

Board of Trustees Agenda Item

Board Meeting Date: 04/04/11

Title of Item:

Update on 2011-12 Budget Development

Background and Analysis:

Attached is a memo to the Chancellor, which outlines the latest changes to our budget planning for FY 2011-12, based on information from the Chancellor's office and development in Sacramento.

Recommendation: Information only

Submitted by:	Kevin McElroy
Additional contact names:	Bernata Slater
Is backup provided?	Yes

March 21, 2011

To: Linda Thor and the Board of Trustees
From: Kevin McElroy, Bernata Slater

Subject: **Update on 2011-12 Budget**

During our January 31 Board of Trustees Budget Workshop we discussed three different potential scenarios based on the governor's proposed budget. The three scenarios discussed during the workshop included:

- A very optimistic Scenario 1 where a June tax package would be approved, cuts would be offset by a student fee increase and a workload reduction would be implemented
- Scenario 2A where the June tax package would fail, Prop 98 would be funded at the minimum, cuts would be offset by a student fee increase and a workload reduction would be implemented
- Scenario 2B where the June tax package would fail, Prop 98 would be funded at the minimum, cuts <u>would not</u> be offset by a student fee increase and a workload reduction would be implemented

Each of the scenarios now incorporates a workload reduction of 10%, 14% and 20% respectively. This workload reduction is due to state cuts of 6%, 10% and 16% respectively in addition to the 4% in enrollment projected to be lost in FY 2010/11 (projections as of P-1). All scenarios are subject to change if restoration of the FTES lost in FY 2010/11 materializes. The colleges are currently putting all efforts into restoring the base FTES to ensure full funding of our authorized FTES level and minimize the level of cuts in FY 2011/12.

Based on the latest update from the Community College League of California, the system office and other statewide groups (see attached), the 2011-12 budget picture for community colleges continues to look bleak. We have updated the *Scenarios Summary* as of March 20th to reflect the latest information available. Based on this information, the student fees increase will be used to offset the total cuts to the system and workload reduction will be implemented. We deleted Scenario 2B and added Scenario 3 as the next most likely budget dilemma we might face since the extension of the tax package is looking even dimmer. Without the additional revenue, Proposition 98 may well be suspended out of necessity. Under this scenario our deficit would potentially increase to $20.3M. As we discussed in the January 31st Board Budget Workshop, the colleges and Central Services are working towards building a 2011-12 budget to reflect Scenario 1 (as shown in the attached chart) that will exact a $10.5 million cut from FY 2010-11. This is the bare minimum cut that will be needed and the District is also working on contingency budget plans to reflect the more severe cut scenarios (Scenario 2A and Scenario 3).

Under the provision of the 50% law where fifty percent of all Unrestricted General Fund expenses must be spent on direct teaching expenses, reduction to such expenses (part-time and full-time teaching costs) that are due to workload reduction need to be matched by a corresponding reduction on the non-teaching side to prevent the District from being in violation of the regulation. Consequently, it is realistic to expect that the District will be incorporating an overall reduction in our total size of between 10% and 20% due to revenue cuts imposed by the state.

District Business Services and the Budget office are providing detailed financial data and analysis to the colleges and Central Services to assist in determining how and where the cuts will need to be made. The data includes estimates of likely required staffing reductions as well as "B" budget broken down by each entity. As previously noted in keeping with our *balanced formula* approach, this should result in each of the colleges and Central services reducing staffing levels and their discretionary "B" budget by a minimum of 10% to 20% consistent with the 2011/12 planned state imposed workload reduction as well as the loss of FTES in FY 2010/11(a fewer number of students we will be served, hence reduced funding for fewer students served).

It important to note that even after making the appropriate staffing reductions corresponding to the workload reduction on both the teaching and non-teaching sides of the budget, we still will not have made enough expenditure reductions to balance the budget. In general this is due to a few major factors that come in to play when making budget cuts of this magnitude to our operations:

- Revenue cuts imposed through workload reduction do not translate to an equal percentage cut when it comes to teaching costs; only a portion of teaching costs can be reduced when workload reduction is imposed; the remainder of cuts will need to come from the non-teaching side

- Our district-wide operating expenses (fixed expenses), such as leases, legal expenses, utilities, audit fees, insurance and claims, mandated match/transfer to Special Ed Fund, software/hardware maintenance and union negotiated items will generally slightly increase rather than decrease. The district will also incur increases to steps and column on the salary schedule. Although on average the fixed expenses represent only 10% of our total operating budget, these costs are relatively consistent and vary little from year-to-year. These increases in addition to step and column increases are estimated to grow by approximately $3M. We are currently investigating what reductions could me made to the fixed, district-wide operating expenses through contract re-negotiation with vendors, etc. Negotiations to reduce these expenses are not expected to yield large savings, if any.

Consequently, once teaching expenses are reduced, we will be forced to extract the remaining/*disproportionate* share of the budget cuts from the non-teaching segment of our budget <u>or</u> explore other options such as salary/benefit savings from all groups that would need to be negotiated at the bargaining tables. Without regulatory relief or a change in the funding formula for state apportionment, it will become increasingly difficult to maintain basic operations to "keep the doors open" while at the same time meeting our FTES targets to sustain funding.

Another key component in planning for the future operation of the district will be the change in our faculty obligation number (FON) for 2011-12 and beyond, after the workload reduction is imposed. The likely 10% to 20% workload reduction will lower our FON (Full Time Faculty Obligation Number) by the same percentage, which translates to between approximately 47 and 94 fewer full time positions required to meet the regulation (These estimates are based on P-1 projections and will be revised once P-2 report is certified with the state). The district will need to carefully analyze our full time faculty numbers since it is nearly impossible for our district or any district in the state to remain fiscally viable funding a significant number of full time faculty above their established FON.

Given the scope of the inevitable state revenue reductions and the size of the deficit ($10 to $20 M) that our district will be facing, the Stability Fund is an absolutely critical component of our planning for FY 2011-12. Our Second Quarter report estimates the Stability Fund to have a balance of approximately $14M at the end of this fiscal year. *(These estimates are preliminary and will be adjusted during the third quarter when we will know if our efforts to restore FTES were successful and how they affected budgeted productivity. If some funds are used to generate FTES, our estimated Stability Fund may decrease to approximately $12M. If the restoration materializes, our base revenue will be adjusted up and consequently next year state reduction will be reduced)* Our plan is to maintain a balance of $4M in the Stability Fund going into FY 2012-13; hence we may be left with approximately $10M in one-time money to augment the 2011-12 budgets before full implementation of the cuts.

Therefore, if Scenario 1 becomes our actual target, we will have the choice to postpone implementation of the $10M cut to July of 2012. If Scenario 3 is the target, we will exhaust the Stability Fund by approximately December of this calendar year (2011) and will need to implement the full $20M worth of cuts beginning January 1, 2012. Any target between $10 and $20M will use up our Stability Fund sometime between January and June of 2012. Working backwards on a timeline, we will have a **<u>very</u>** short window to develop and implement our budget reduction plans if Scenario 3 becomes our reality.

Another option for the Stability Fund and timeline for implementation of the cuts would be to augment the fund by re-directing current carry-over fund balances (from the colleges and Central Services). This could increase the Stability Fund balance to between $18 and $20M (after securing $4M in Stability Funds for FY 2012/13) at the end of FY 2010-11. We are currently evaluating how much of the one-time carryover may be available to close the deficit, as these funds are currently designated to buffer reductions in B budget as well as cuts to the General Purpose Fund and Categorical programs.

We will continue to develop the specifics of the budget cut scenarios as they relate to the building of our 2011-12 budget over the coming weeks and report back to the Board as more information becomes available. We plan to submit the Tentative Budget to the Board of Trustees on schedule in June using the Stability Fund to balance the projected short fall. We will have our balanced budget recommendation for Scenario 1 that includes the necessary cuts ready by the end of the spring quarter. Given the latest information coming from Sacramento regarding the unlikelihood of the tax measure making a June ballot, plans for developing a Scenario 3 budget will likely need to be accelerated over the summer to be implemented when/if required.

Scenarios Summary-revised 3/20/11

Notes: Total range of state cuts: $11M to $25M offset by increase in student fee
Presented below are all three scenarios discussed during 1/31/11 BoT workshop (Scenario 1, 2A, 2B) plus additional scenario representing deepest cuts (Scenario 3) (state cuts reflective equivalent of $8M, $14 M,$17M and $22M)

Fiscal Year:	10/11	11/12 Status Quo	11/12 Scenario 1	11/12 Scenario 2A	~~11/12 Scenario 2B~~	11/12 Scenario 3
State cut			$8M	$14M	~~$17M~~	$22M
Assumptions:		base reduced due to FTES loss in 10/11, increase in operating expenses	6% workload reduction, increase in operating expenses, assuming June tax package is approved, student fee increase offsets state cuts	10% workload reduction, assuming June tax package fails, Prop 98 at minimum,student fee increase offsets state cuts, increase in operating expense	~~12% workload reduction, assuming June tax package fails, student fee increase does not offset cuts, Prop 98 at minimum, increase in operating expense~~	16% workload reduction, assuming June tax package fails, Prop 98 suspended, student fee increase offsets cuts, increase in operating expense
Revenue	181,156,493	176,751,387	168,727,979	162,642,059	~~159,598,593~~	154,160,865
Expenses	182,273,451	181,884,824	179,251,071	177,253,315	~~176,254,271~~	174,469,290
Net:	(1,116,958)	(5,133,437)	(10,523,092)	(14,611,256)	~~(16,655,678)~~	(20,308,425)

Major Variables that may increase/decrease projections:	10/11	11/12 Status Quo	11/12 Scenario 1	11/12 Scenario 2A	11/12 Scenario 2B	11/12 Scenario 3
reduction in deficit factor (up to)	1,563,416	1,503,900	1,424,793	1,364,788	1,334,781	1,281,167
Non-resident tuition--enrollment uncertainty ($18M-19M Budget)	?	?	?	?	?	?
restoration of FTES lost in 10/11 (net of PT Faculty expenses)		3,376,901	3,376,901	3,376,901	3,376,901	3,376,901
Productivity increase or decrease	?	?	?	?	?	?
Impact of Enrollment Fee increase on FTES		?	?	?	?	?

Projected Available Resources to close deficit in FY 11/12 (est. as of 12/31/10):

Stability Fund:	14,000,000
Colleges/CS Carryover	8,200,000
	$ 22,200,000

Multi-Year projections (Update as of 3/20/11)

				-Status Quo Base reduced due to FTES lost in 10/11			Scenario 1 Workload Reduction 6% ($7.9M equiv) Assuming June Tax Package is Approved Student Fee increase offset total cuts			Scenario 2A Workload Reduction 10% ($14M equiv) Assuming June Tax Package Fails Student Fee increase offset total cuts Prop 98 at minimum			Scenario 2B Workload Reduction 12% ($17M equiv) Assuming June Tax Package Fails Prop 98 at minimum			Scenario 3 Workload Reduction 16% ($22.3M equiv) Assuming June Tax Package Fails Prop 98 suspended Student Fee increase offset total cuts		
Description:	**10/11**	***Descr***	**%**	**11/12**	***Descr***	**%**	**11/12**	***Descr***	**%**	**11/12**	***Descr***	**%**	**11/12**	***Descr***	**%**	**11/12**	***Descr***	**%**
Revenue																		
Apportionment	156,341,642	*COLA*	0.00%	150,390,007	*COLA*	0.00%	142,479,279	*COLA*	0.00%	136,478,829	*COLA*	0.00%	133,478,104	*COLA*	0.00%	128,116,744	*COLA*	0.00%
	0	*Growth*	0.00%	0	*Growth*	0.00%	0	*Growth*	0.00%	0	*Growth*	0.00%	0	*Growth*	0.00%	0	*Growth*	0.00%
		Base FTES	32,094		*Base FTES*	30,792		*Base FTES*	29,064		*Base FTES*	27,753		*Base FTES*	27,098		*Base FTES*	25,927
		addtl FTES	0		*addtl FTES*	0		*addtl FTES*	0		*addtl FTES*	0		*addtl FTES*	0		*addtl FTES*	0
		Cr Rate FT	4,585		*Cr Rate FTES*	4,585		*Cr Rate FTES*	4,585		*Cr Rate FTES*	4,585		*Cr Rate FTES*	4,585		*Cr Rate FTES*	0
Deficit Factor	(1,563,416)			(1,503,900)			(1,424,793)	*Deficit Factor*	1.00%	(1,364,788)	*Deficit Factor*	1.00%	(1,334,781)	*Deficit Factor*	1.00%	(1,281,167)	*Deficit Factor*	1.00%
Non-Res	18,139,095	*Fee Incr*	0.00%	19,968,830	*Fee Incr*	0.00%	19,968,830	*Fee Incr*	0.00%	19,968,830	*Fee Incr*	0.00%	19,968,830	*Fee Incr*	0.00%	19,968,830	*Fee Incr*	0.00%
	0	*Growth*	0.00%	0		0.00%	0	*Growth*	0.00%	0	*Growth*	0.00%	0	*Growth*	0.00%	0	*Growth*	0.00%
Other	8,239,173		0.00%	7,896,450		0.00%	7,704,663		0.00%	7,559,189		0.00%	7,486,440		0.00%	7,356,459		0.00%
Total Revenue	**181,156,493**			**176,751,387**			**168,727,979**			**162,642,059**			**159,598,593**			**154,160,865**		
Expenses:																		
Salaries:																		
FT Faculty	44,700,934	*COLA*	0.00%	44,700,934	*COLA*	0.00%	44,700,934	*COLA*	0.00%	44,700,934	*COLA*	0.00%	44,700,934	*COLA*	0.00%	44,700,934	*COLA*	0.00%
	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%
		steps, colu	1.00%	447,009	*steps, column*	1.00%	447,009	*steps, column*	1.00%	447,009	*steps, column*	1.00%	447,009	*steps, column*	1.00%	447,009	*steps, column*	1.00%
PT Faculty	32,112,201	*COLA*	0.00%	29,409,292	*COLA*	0.00%	26,801,616	*COLA*	0.00%	24,823,640	*COLA*	0.00%	23,834,487	*COLA*	0.00%	22,067,179	*COLA*	0.00%
	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%
PT Equitu Full Implementation	-		0.00%	294,093		1.00%	268,016	*steps, column*	1.00%	248,236	*steps, column*	1.00%	238,345	*steps, column*	1.00%	220,672	*steps, column*	1.00%
Change in Productivitu																		
Non-teaching	39,222,821	*COLA*	0.00%	39,222,821	*COLA*	0.00%	39,222,821	*COLA*	0.00%	39,222,821	*COLA*	0.00%	39,222,821	*COLA*	0.00%	39,222,821	*COLA*	0.00%
	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%
		steps, colu	1.00%	392,228	*steps, column*	1.00%	392,228	*steps, column*	1.00%	392,228	*steps, column*	1.00%	392,228	*steps, column*	1.00%	392,228	*steps, column*	1.00%
Total Salaries	116,035,956			114,466,377			111,832,624			109,834,868			108,835,824			107,050,843		
Benefits:																		
Discretionary	22,112,794	*Cost Incr*	0.00%	22,112,794	*Cost Incr*	0.00%	22,112,794	*Cost Incr*	0.00%	22,112,794	*Cost Incr*	0.00%	22,112,794	*Cost Incr*	0.00%	22,112,794	*Cost Incr*	0.00%
Regulatory	17,071,742	*COLA*	0.00%	17,071,742	*COLA*	0.00%	17,071,742	*COLA*	0.00%	17,071,742	*COLA*	0.00%	17,071,742	*COLA*	0.00%	17,071,742	*COLA*	0.00%
	-	*steps, colu*	0.00%	391,845	*steps, column*	1.00%	391,845	*steps, column*	1.00%	391,845	*steps, column*	1.00%	391,845	*steps, column*	1.00%	391,845	*steps, column*	1.00%
	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%	-	*Growth*	0.00%
Total Benefits	39,184,536			39,576,381			39,576,381			39,576,381			39,576,381			39,576,381		
B Budget	8,737,434	*COLA*	0.00%	8,737,434	*COLA*	0.00%	8,737,434	*COLA*	0.00%	8,737,434	*COLA*	0.00%	8,737,434	*COLA*	0.00%	8,737,434	*COLA*	0.00%
	0	*Growth*	0.00%	0	*Growth*	0.00%	0	*Growth*	0.00%	0	*Growth*	0.00%	0	*Growth*	0.00%	0	*Growth*	0.00%
Unfunded Ret Liability	400,000		0.00%	400,000		0.00%	400,000		0.00%	400,000		0.00%	400,000		0.00%	400,000		0.00%
Utilities	3,161,493		0.00%	3,161,493		0.00%	3,161,493		0.00%	3,161,493		0.00%	3,161,493		0.00%	3,161,493		0.00%
Insurance and Claims	1,062,710		0.00%	1,115,845		5.00%	1,115,845		5.00%	1,115,845		5.00%	1,115,845		5.00%	1,115,845		5.00%
Software/Hardware Maint	1,353,345		0.00%	1,488,679		10.00%	1,488,679		10.00%	1,488,679		10.00%	1,488,679			1,488,679		10.00%
Special Ed Match	5,095,739		0.00%	5,146,696		1.00%	5,146,696		1.00%	5,146,696		1.00%	5,146,696		1.00%	5,146,696		1.00%
Lease of Instr Space	1,055,328		0.00%	1,073,269		1.70%	1,073,269		1.70%	1,073,269		1.70%	1,073,269		1.70%	1,073,269		1.70%
Other	6,186,912		0.00%	6,718,650		2.00%	6,718,650		2.00%	6,718,650		2.00%	6,718,650		2.00%	6,718,650		2.00%
Total Other Expenses	27,052,960			27,842,066			27,842,066			27,842,066			27,842,066			27,842,066		
Total Expenses	**182,273,451**			**181,884,824**			**179,251,071**			**177,253,315**			**176,254,271**			**174,469,290**		
Difference (Revenue less Expenses)	**(1,116,958)**			**(5,133,437)**			**(10,523,092)**			**(14,611,256)**			**(16,655,678)**			**(20,308,425)**		
Escrow II and Deferment I positions absorbed on ongoing basis																		
Net Revenue Over Expenses (Ongoing)	**(1,116,958)**			**(5,133,437)**			**(10,523,092)**			**(14,611,256)**			**(16,655,678)**			**(20,308,425)**		

Table 1

Analysis Of FTES

09-10 P-A	Resident Credit	Non Credit	Total Apportionment	Non resident	Total
De Anza	18,529	79	18,608	2,538	21,147
Foothill	14,162	218	14,380	1,530	15,910
Total	32,692	297	32,988	4,068	37,056

10-11 Adopt Budget-revised 7/27/10	Resident Credit	Non Credit	Total Apportionment	Non resident	Total
De Anza	18,529	79	18,608	2,538	21,147
Foothill	13,254	238	13,492	1,530	15,022
Total	31,783	317	32,100	4,068	36,168

Revised Base from recertified 09/10	31,798	297	32,094	4,068	36,162
draft 1/10/11		09/10 over base	894		

10-11 P-1	Resident Credit	Non Credit	Total Apportionment	Non resident	Total
De Anza	17,301	0	17,301	2,073	19,374
Foothill	13,382	109	13,491	1,519	15,010
Total	30,683	109	30,792	3,592	34,384
		FTES below base	1,302		
		% below base	4%		

11-12 Projected--Status Quo	Resident Credit	Non Credit	Total Apportionment	Non resident	Total
De Anza	17,301	0	17,301	2,073	19,374
Foothill	13,382	109	13,491	1,519	15,010
Total	30,683	109	30,792	3,592	34,384
			New Base for 11/12		

Same FTES as funded in 09/10 (source, draft recalc 1/10/11)

11-12 Projected-Scenario 1--6 % Workload Reduction (based on $8 M reduction)	Resident Credit	Non Credit	Total Apportionment	Non resident	Total
De Anza	16,330	0	16,330	2,073	18,403
Foothill	12,631	103	12,734	1,519	14,253
Total	28,961	103	29,064	3,592	32,656

11-12 Projected-Scenario 2A--10 % Workload Reduction (based on $14M reduction)	Resident Credit	Non Credit	Total Apportionment	Non resident	Total
De Anza	15,594	0	15,594	2,073	17,667
Foothill	12,061	98	12,160	1,519	13,679
Total	27,655	98	27,753	3,592	31,346

11-12 Projected-Scenario 3--16 % Workload Reduction (based on $22M reduction)	Resident Credit	Non Credit	Total Apportionment	Non resident	Total
De Anza	14,567	0	14,567	2,073	16,641
Foothill	11,268	92	11,360	1,519	12,879
Total	25,835	92	25,927	3,592	29,519

To: slaterbernata@fhda.edu
From: Bernata Slater <slaterbernata@fhda.edu>
Subject: Fwd: Budget and beer.
Cc:
Bcc:
Attachments:

A DEFINING MOMENT

Community College League of California

March 17, 2011

This afternoon, both the Senate and the Assembly passed major portions of the budget package. Unfortunately, they had to resort to "majority vote" tactics, using the authority granted the Legislature in Proposition 25 last November.

The major bills affecting community colleges include (click on to read the text):

<u>SB 69: the Main Budget Bill</u>

- $400 million general fund cut
- Language allowing workload reduction for the net $290 million cut, with a direction to protect transfer, basic skills and career-technical education
- Other technical changes, including increases to student financial aid administration

<u>SB 70: the Education Trailer Bill</u>

- Enrollment fee increase to $36/unit effective Fall 2011 ($110 million)
- Deferrals
- Continued categorical flexibility (same as current year)

Now, let's be clear. This is not the entire package. Major components of the package were not passed, including the tax package that is needed to enact the "best case" scenario included in the bills above. There also weren't sufficient votes for the governor's proposal to eliminate redevelopment agencies ($1.7 billion budget solution), as well as for a constitutional amendment to implement realignment from state to local governments.

In fact, nobody was particularly happy with today's developments. The Legislature is now adjourned until Monday, with the Republican Convention coming to town tomorrow. The possible election dates in June are dwindling, and political soothsayers are predicting very difficult election chances for a June special election on taxes.

Sincerely,

Scott Lay
President and Chief Executive Officer, The League
Orange Coast College '94

Community College League of California
2017 O Street, Sacramento, California 95811
916.444.8641 . www.ccleague.org

Bernata Slater
Director, Budget Operations
Foothill-De Anza Community College District
12345 El Monte Road
Los Altos Hills, CA 94022

phone:650-949-6261

The COMMUNITY COLLEGE UPDATE

Volume 24 **For Publication Date: April 1, 2011** **No. 7**

2011-12 Budget Act Passed—Still Work to Be Done

The Assembly and Senate continued working to pass a 2011-12 Budget on March 17, 2011. The prior evening had some successes, with more than $7 billion in cuts to state spending, most from the health and human services area. However, several key elements to the Budget package were still lacking votes, including the proposal to eliminate redevelopment agencies.

The focus for legislators on Thursday was to pass the numerous trailer bills that contained the spending reductions and realignment proposals. All told, Thursday continued Wednesday's trend, with more cuts adopted. Yesterday's actions bring the total amount of cuts and spending reductions adopted at close to $14 billion.

Also adopted by both houses on a majority vote (as now allowed under Proposition 25) was the 2011-12 Budget Act. The Budget passed both houses on a party-line vote.

While significant progress was made on reducing the state's $26.6 billion Budget hole, several key pieces remain, including the redevelopment piece, which amounts to $1.7 billion in revenues to the state, and the extension of the temporary taxes, both of which require two-thirds of each house to vote for the measures. This requires two Republican votes in each the Senate and Assembly to pass these measures.

An element that may have contributed to the continued delay to place the tax extension on the ballot is the start of the California Republican Convention in Sacramento, which starts March 18 and continues through the weekend. Some have speculated that Republicans were unwilling, for political reasons, to vote in favor of placing the tax extension on the ballot before the convention.

Unfortunately, the deadline for a June 7 election appears to have passed, with eyes now on a possible mid- to late-June election.

Both houses adjourned for the weekend and will reconvene Monday, March 21, to continue their work.

—Dave Heckler

posted 03/18/2011

X-ASG-Debug-ID: 1300481543-0782cff10001-fQtkOD
X-Barracuda-Envelope-From: owner-so2cbo@LISTSERV.CCCNEXT.NET
X-Barracuda-Apparent-Source-IP: 153.18.96.114
X-ASG-Whitelist: Client
X-Propel-Return-Path: <owner-so2cbo@LISTSERV.CCCNEXT.NET>
Approved-By: dtroy@CCCCO.EDU
Thread-Topic: Budget Update for March 18, 2011
Thread-Index: AcvlrczH/qHxYUQISaOs50yaQ1U6Sg==
Accept-Language: en-US
x-originating-ip: [10.4.31.132]
Date: Fri, 18 Mar 2011 20:48:16 +0000
Reply-To: System Office Memos to CBOs <SO2CBO@listserv.cccnext.net>
From: "Troy, Dan" <dtroy@CCCCO.EDU>
Subject: Budget Update for March 18, 2011
To: SO2CBO@listserv.cccnext.net
X-ASG-Orig-Subj: Budget Update for March 18, 2011
List-Help: <http://listserv.cccnext.net/scripts/wa.exe?LIST=SO2CBO>,
<mailto:LISTSERV@LISTSERV.CCCNEXT.NET?body=INFO%20SO2CBO>
List-Unsubscribe: <mailto:SO2CBO-unsubscribe-request@LISTSERV.CCCNEXT.NET>
List-Subscribe: <mailto:SO2CBO-subscribe-request@LISTSERV.CCCNEXT.NET>
List-Owner: <mailto:SO2CBO-request@LISTSERV.CCCNEXT.NET>
List-Archive: <http://listserv.cccnext.net/scripts/wa.exe?LIST=SO2CBO>
X-Propel-ID: C9dG0b3ikQn0
X-EPG-Version: 3.1.2.9646
X-Propel-RCPT: mb08236@fhda.edu
X-Propel-RCPT: mm04223@fhda.edu
X-Propel-RCPT: hq03148@fhda.edu
X-Propel-RCPT: bes5155@fhda.edu
X-Propel-RCPT: dei3529@fhda.edu
X-CLX-Score: None None
X-CLX-Rate-Response:
X-Barracuda-Connect: epgin.fhda.edu[153.18.96.114]
X-Barracuda-Start-Time: 1300481543
X-Barracuda-URL: http://mailgw.fhda.edu:8000/cgi-mod/mark.cgi
X-Keywords:

Colleagues,

It's been an eventful week in Sacramento, even if some very significant issues remain up in the air. The Legislature, utilizing the authority to pass a budget with a majority vote provided through Prop 25, approved the 2011-12 Budget Act (SB 69) on a partisan vote. For the CCCs, this locks in many of the provisions we've discussed since the Governor released his budget proposal in January:

- A $400 million cut to the base, taken as a workload reduction
- A $10 increase in per-unit fees, which will mitigate the base cut
- A rejection of the census change proposal
- A rejection of the proposal for 1.9% growth
- A new inter-year deferral ($129 million)
- Approval of the "decoupling" of the 2% Financial Aid Svcs. categorical program, but only on a one-time basis

Additionally, the Legislature approved some changes to the Cal Grant program: 1) Making institutions with specified default credit scores ineligible, *but only if for institutions where 40% or more of students receive federal loans.* 2) Requiring individuals to establish financial need for both an initial grant *and* for a renewal.

Here is the link to the Budget bill (SB 69):

http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0051-0100/sb_69_bill_20110307_proposed.pdf

Here is the link to SB 70, which is the education trailer bill containing many of the statutory changes described above (fees, deferral, Cal Grants):

http://www.leginfo.ca.gov/pub/11-12/bill/sen/sb_0051-0100/sb_70_bill_20110317_amended_asm_v96.pdf

While the 2011-12 budget has been approved by the Legislature, it rests on two major assumptions: 1) The elimination of Redevelopment Agencies, which would save $1.7 billion in General Fund, and 2) That the Governor's proposed revenue package will reach the ballot and be approved by voters. As of this writing, the Governor and Democratic leaders of the Legislature have yet to secure votes of any Republican members to place the tax extensions on the ballot. Key aspects of the negotiations include adding other issues to the ballot, potentially including pension reform and a budget cap. There is also discussion regarding the length of the tax extensions.

It is not clear how far the Democrats are willing to go to meet the demands of the involved Republican negotiators. If no agreement is reached soon, the Democrats may move to place the tax extensions on the ballot with a majority vote (an opinion from Legislative Counsel asserts that this is allowed), though such a move would likely be subject to court challenges and may damage the chances of passage. The later the negotiations remain unresolved, the less likely it is that a vote can be held on June 7th. It is presumed by many that the later into the summer the vote drifts, the less likely it is to pass, due to summer vacations, etc.

If the tax package is not placed on the ballot or approved by the voters, Governor Brown has pledged to enact an all-cuts budget which would likely bring significant additional reductions to the CCCs, as discussed in earlier updates. The Chancellor's Office has worked very hard to try to mitigate the impacts of the budget cuts on the colleges and its students, and we are similarly communicating the potentially dire consequences of an all-cuts approach.

Obviously, we are monitoring this situation very closely, and we'll continue to do our best to keep you informed. I also provide brief updates on twitter (@cccbudgetnews).

Thank you,
Dan Troy

Vice Chancellor for Fiscal Policy
Chancellor's Office of the California Community Colleges
dtroy@cccco.edu
(916) 445-0540

****