Budget Update
February 23, 2011

Kevin McElroy, Vice Chancellor, Business Services
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Ongoing Income vs. Ongoing Expenses

- Income = $181,156,493
- Expenses = 178,840,498
- Net Income over Expenses = $2,315,995

But....
we have established an *escrow fund* (approximately $2.4 million) to fund for a period of one year about 30 positions that are filled and that were designated to be eliminated or were to have their contract reduced as of 7/1/11.

We have also set aside a portion of the Stability Fund for 13 “*deferment I*” positions (approximately $1 million)
On December 6, 2010, Board of Trustees approved absorbing the cost of escrow II and deferment I positions into our ongoing budget.
Estimated impact (ongoing) of absorbing escrow II and deferment I into ongoing budget

Ongoing Income vs. Ongoing Expenses

- Income = $181,156,493
- Expenses = 182,273,452
- Net deficit = ($ 1,116,958)

Even though now the budget shows operating deficit, we are projecting to use one-time savings from unrestricted 09/10 ending fund balance to offset this deficit in fiscal year 10/11
Governor’s proposed state solutions

Projected $25.4 billion two year budget shortfall to be closed with:

- $12.5 billion in spending reductions
- $12 billion in revenue extensions and modifications
- $1.9 billion in other solutions to close the gap and provide for a $1 billion reserve
Governor’s proposed budget for 2010/11 and 2011/12 for community colleges

For 2010/11

- Governor proposes no mid-year cuts

For 2011/12

- $400 million reduction in state funding contingent on extension of expiring taxes.

  If the tax extensions are not approved…

  Additional $500 million in cuts to help achieve a balanced state budget

- 1.9% enrollment growth
- No cuts to categorical programs
- Fee increase of $7 per quarter unit
Impact on Foothill-De Anza Community College-Potential Scenarios

- Assuming June Tax Package is approved FHDA would have to absorb approximately $11M in cuts
- If June tax Package Fails and Prop. 98 is funded at minimum FHDA would have to absorb approximately $17M in cuts
- If June tax Package Fails and Prop. 98 is suspended FHDA would have to absorb approximately $25M in cuts

However…

The system will advocate vigorously to reduce the impact of cuts on community colleges
Unfortunately…the Proposed Budget with impact on FHDA of $11 million (if not offset by student fee increase and growth funding) is the BEST case scenario
Available resources to balance budget (one time) in FY 2011/12

- $10.2 million Stability Fund (est. as of Sept. 2010)
- colleges/CS B carryover $6.4M (est. as of Sept. 2010)
• Reduction in deficit factor in FY 2010/11 (currently 1% or $1.5 million budgeted)
• Increase in non-resident revenue
• Productivity increase OR decrease
The following needs to be addressed in 2011/12:

- How will we reduce the general fund expenses on an ongoing basis to match the cuts imposed by the state when the state budget is adopted in July or later on this year?
- How will FH, DA and CS use their ending balances to buffer expense reductions?
Impact of cuts on colleges and Central Services

- De Anza report (Brian)
- Foothill report (Judy)
- Central Services report (Kevin)
Local FHDA challenges

- Restoration of FTES lost in FY 2010/11 (lower base funding in 2011/12)
- FHDA currently estimated deficit approximately $5 million for 2011/12 (before state cuts)

State Impact:

- State projected reductions—our current “glass half full” estimate $8 million
- If June temporary tax increase extension fails, then state cuts will increase up to $14 to $22 million
## Scenarios Summary

**Notes:** Total range of state cuts: $11M to $25M

Presented below are most likely scenarios (state cuts $8M, $14 M or $17M)

<table>
<thead>
<tr>
<th>Fiscal Year:</th>
<th>10/11</th>
<th>11/12 Status Quo</th>
<th>11/12 Scenario 1</th>
<th>11/12 Scenario 2A</th>
<th>11/12 Scenario 2B</th>
</tr>
</thead>
<tbody>
<tr>
<td>State cut</td>
<td></td>
<td>$8M</td>
<td>$14M</td>
<td>$17M</td>
<td></td>
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<tr>
<td>Assumptions:</td>
<td></td>
<td>base reduced due to FTES loss in 10/11, increase in operating expenses</td>
<td>6% workload reduction, increase in operating expenses, assuming June tax package is approved, student fee increase offsets state cuts</td>
<td>10% workload reduction, assuming June tax package fails, Prop 98 at minimum, student fee increase offsets state cuts, increase in operating expense</td>
<td>12% workload reduction, assuming June tax package fails, student fee increase does not offset cuts, Prop 98 at minimum, increase in operating expense</td>
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<tr>
<td>Revenue</td>
<td>181,156,493</td>
<td>176,751,387</td>
<td>168,727,979</td>
<td>162,642,059</td>
<td>159,598,593</td>
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<td>Expenses</td>
<td>182,273,451</td>
<td>181,884,824</td>
<td>179,251,071</td>
<td>177,253,315</td>
<td>176,254,271</td>
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<tr>
<td>Net:</td>
<td>(1,116,958)</td>
<td>(5,133,437)</td>
<td>(10,523,092)</td>
<td>(14,611,256)</td>
<td>(16,655,678)</td>
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</table>
There will be extensive discussions at local and state level regarding the nature and scope of budget reductions (January through February)

March 1 --”Mini “ Budget will be enacted

The Governor’s “May Revise” may provide more information about health of the economy, and changes to cuts to Community Colleges.

June--Special Election

August, the district will close its books and have a final number on carryover and unrestricted reserves

Sometime in June through September, the Governor will sign a new State budget for 11-12.
It may be difficult for the system to advocate reducing our share of the cuts without offering solutions of where else the cuts would come from or revenue solutions beyond those already proposed.
Although we may need a lot of help to get through the next year...
We are getting...
Every little bit counts

To weather the coming storm...again,
Any donations are welcome