

Board of Trustees Agenda Item

Board Meeting Date: February 1, 2010

Title of Item: Update on Development of 2010-11 Budget

Background and Analysis:

Attached to this agenda item is a memo from Interim Chancellor Brandy outlining the implementation of the strategy we have developed to balance the 2010-11 budget.

Recommendation: Information Only

Submitted by:	Mike Brandy
Additional contact names:	
Is backup provided?	Yes

January 25, 2010

To: Board of Trustees

From: Mike Brandy

Subject: **Update on Development of the 2010-2011 District Budget**

When the Board of Trustees adopted the current year budget in September 2009, we knew that we would be facing a deficit in 2010-11 as a result of two known factors:

1. The operating budget for 09-10 was adopted with a deficit of \$3.8 million which was closed by using one time fund balance in 09-10. We knew that the 10-11 budget would have to be reduced by that amount of expense to get the budget back in balance.
2. The categorical programs were cut by an estimated \$7.8 million on July 28, 2009 when the state budget was adopted. Because of the late notice of these very deep cuts to the categorical programs, the district had to fund most of those revenue shortfalls with one time money since it was too late to make program changes in the 09-10 year. Only a small amount of relief in the form of ARRA funds was provided to backfill these cuts on one-time basis.

During the spring, summer and fall of 2009, the employees' unions and representative organizations met with staff to redesign the benefit programs of the district. As a result of that collaborative effort, the benefit program costs were reduced by about \$5.3 million. The Board approved these changes to the benefit programs in December and those changes were calibrated in to the new forecasts for 10-11.

When the expense increases for 10-11 were factored into the budget planning which included step and column increases for employees, the final year of the raises for part time faculty to achieve "parity" with full time faculty, and the anticipated increases for the PERS employer share of the employee retirement plans, the operating deficit in the general fund was forecast to be \$4.1 million.

In the categorical funds our analysis showed that we would have to cut the categorical programs by \$6.5 million to adjust for that loss of state revenue.

The strategy to balance the budget by reducing these expenses was initiated in November 2009, aligning with the attached table, which shows how the cuts were distributed among Foothill, De Anza and Central Services. The directions to the colleges and central services were to work through their analysis and governance structures to determine how these cuts would be made,

absent any negotiated solutions. This analysis was due back to the Chancellor by mid-January 2010.

We have now had a chance to review the nature and depth of these cuts as proposed by the colleges and central services and the cuts are deep indeed, threatening, in my estimation, our very ability to provide the necessary student, legal and safety services that we require. While we will be reviewing these cuts in detail with the Board at their March board meeting, I wanted to give the Board an overview of what these cuts look like.

Prior to considering this new round of cuts as proposed by the colleges, we must remember that we are carrying a number of positions through this current year in 09-10 with one time money. These positions are known as the escrow positions, meaning that since we could not support them in an ongoing budget for 09-10, we did allocate funds into an “escrow” account to carry them through the 09-10 year. We started with 34 positions in this category in July 2009 and now have about 18 filled positions remaining, the balance of the individuals have retired, resigned or found new jobs in the district. We do not see a way to carry these 18 people forward past June 2010 since we are now into a new phase of deep cuts. Consequently, it is very likely that we will have to proceed with official layoff notices for June 30, 2010 for those employees affected by the elimination of these 18 positions.

For the 10-11 year, the new wave of reductions falls into several different strands as described below as a result of our analysis to reduce the budget by \$10.6 million for next year.

B Budget Reductions: While most B budgets (supplies and operating budgets) have been reduced to minimal levels as a result of cuts in the last two years, there are some additional B budget reductions throughout the district.

Shifts to Other Funds: In a few cases, we are able to shift some positions to other funding sources. For example, ETS is going to shift about 3.4 FTE to the bond program as a direct charge to the Banner replacement project, the computer refresh project, or the installation of network equipment for the new buildings. Business Services will shift some of the Hazmat personnel costs to the bond program when those staff are directly involved in closures of buildings related to remodeling projects funded through the bond program. Plant Services will also shift one position (Construction Laborer) to Measure C programs. There is a shift of a partial FTE over to the Self Supporting Fund (Fund 15) at De Anza in the planetarium program. There are a few more, but the point is that whenever possible, staff have been assigned to other funding sources in order to maintain our staff, even though we know that the funding for some of these moves will dry up in the next few years as those assignments come to an end in the bond fund. There are about 18 FTE in this category. There are also some shifts of employees out of categorical funding into the general fund. These shifts necessitated deeper cuts in other areas of the general fund to absorb those increased expenses.

Partial Contract Reductions: There are a few cases where filled and unfilled positions are being reduced to 80% or 50% so that we maintain some ability to get the critical job functions completed without eliminating the entire function. This is especially true in single person departments or functions. There are about 5 FTE in this category.

Suspension of Funding for Unfilled Positions: There are a number of cases where positions are vacant and we are suspending funding for those positions in 10-11, again as a strategy to maintain existing staff members.

Re-organization of Student Support Services and Elimination of Part Time Classified Reading and Tutorial Assistants (RTA): De Anza has gone through a long process to evaluate the effectiveness of using RTAs to provide reading and support services for this program. The employees who work in this program usually work between 5-12 hours per week to provide specialized support for students. De Anza is contemplating a major re-organization for the delivery of these services, which would require the elimination of all of the RTA positions. There are 36 part time positions in this category.

Reductions of Filled Positions: It appears that we will have to eliminate filled positions effective June 30, 2010, primarily as a result of the \$6.5 million cut to the categorical programs. These cuts would affect full time faculty in categorical programs, administrative staff in the general fund and categorical fund, and classified staff in the general fund and the categorical fund. This is a very difficult decision to make, as we know how deeply this affects our staff and their families. We can find no other solution to react to a loss of state revenue of \$6.5 million. Between the filled and vacant positions (noted above), there are about 30 positions that would be eliminated.

Escrow 2: Once we saw the depth of these cuts, we determined that even with all these recommended cuts we had not yet hit our target of a \$10.6 million reduction, we were about \$2.4 million short of our target. When we identified what additional positions (all filled) we would have to eliminate to reduce the budget by another \$2.4 million, we concluded that it was not possible. These additional cuts would have to eliminate about 31 additional positions from our district. As a consequence of this analysis, we have determined that we could and should try to fund this group of positions with one-time funds to carry them through the 10-11 year to see if some solution could be found to reinstating them into our operating budget. These solutions could come at the negotiating tables or with new state revenues as examples of solutions. We have coined the term “escrow 2” to identify this group of positions and will use \$2.0 million from the general fund stability reserve of \$5 million and \$450,000 from Central Services’ carry over to assemble the necessary \$2.4 million to carry these positions through the year to June 30, 2010. If there are deep cuts in revenue from the state for 10-11, we may only be able to carry these positions through December 2010.

Risks: By using \$2.0 million from the \$5 million stability fund, we reduce our flexibility to react to last minute cuts in revenue from the state. It is critical to remember that the \$10.6 million reduction target discussed above did not include any estimate of reduced state revenue for 10-11. While no one knows what our final state budget will be, we can bracket two points of reference. Last year we found out on July 28 that our budget was going to be cut \$15 million for the year that had already started, so we are cognizant that we are very exposed to deep cuts at the last minute in any given year. As the other known point of reference, we know that the governor proposed a community college budget for 10/11 that actually provided for growth money, offset by a few minor cuts and a negative COLA. The Governor’s budget would be ideal if that were to come to pass as we would not have to make any further reductions, but many in Sacramento

believe that his budget is not likely to hold since it was based on major assumptions for new federal money and deep cuts to health and human services. Nevertheless, the Governor's budget is an excellent starting point for us and we desperately hope that it will materialize so we can serve the students who are at our doors.

This item is intended for information purposes, as the final details of all the plans to implement the \$10.6 million in reductions are still being formulated and reviewed at the highest governance levels within the colleges. I want to acknowledge the stress and anxiety these discussions and recommendations have on all staff throughout the district, and particularly among those employees whose jobs are very much threatened for next year. These strains are enormous. I also want to acknowledge the depth of analysis and participation, which took place within the colleges to arrive at this particular set of recommendations. The people involved most intimately in this process for the last 3 months have done a professional job to determine how we can make these painful cuts and still try to serve a growing number of students.

To comply with the notification provisions in the Education Code, an agenda item will be presented to the Board of Trustees on March 8, 2010 that will outline the necessary actions related to each different set of recommendations. These actions will affect faculty, management, and classified staff.

Total Estimated Deficit For FY 10/11(Including Categorical Programs)				
<i>est. as of January 2010</i>				
	De Anza	Foothill	Central Services	Total
General Fund (Fund 14)-- (includes \$1.3M cut to PT faculty compensation from categorical programs)	1,742,020	1,049,112	1,368,867	4,160,000
Categorical Programs	3,075,796	3,424,936	0	6,500,731
Total Deficit	4,817,816	4,474,048	1,368,867	10,660,731