

Board of Trustees Agenda Item

Board Meeting Date: 5/2/11

Title of Item: Update on 2011-12 Budget Development

Background and Analysis:

Attached is a memo to the Chancellor, which outlines the latest progress to our budget planning for FY 2011-12 and a summary of related information from the state chancellor's office and relevant publications

Recommendation: Information Only

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Is backup provided?	Yes



FOOTHILL-DE ANZA
Community College District

May 2, 2011

To: Dr. Linda Thor and the Board of Trustees

From: Kevin McElroy

Subject: **Budget Update for May 2011**

During the Board of Trustees meeting held on April 4, 2011, we presented an updated version of the FY 2011-12 preliminary budget. We added a new “Scenario 3” column to reflect the latest news that all indications were that the extension of the temporary tax increase vote in June was effectively “off the table”. This new scenario is based on the potential of the Governor signing off on an “all-cuts “ budget that would likely translate to an approximate 16% cut to our funding and a corresponding work load reduction. This apportionment reduction added to our projected 4% decline in FY 2010-11 FTES enrollment, equates to an estimated 20% cut to the FHDA 2011-12 funding, resulting in an approximately \$30 million budget deficit.

The Governor has since reported that negotiations in Sacramento to place the temporary tax extensions on the June ballot have come to an unsuccessful end as of late March. The question for everyone in the K-12 and CCC system is now, where do we go from here? There have been discussions about attempting to place an initiative on the ballot in November, whether by a straight majority vote of the Legislature or through a signature gathering process. Such a scenario could create a lot of uncertainty for the budget (Reduce now and add funding back in later? Borrow money to get through the first part of the year, and then cut in November if the initiative fails?). Others are advocating waiting until the presidential election in November of 2012 when the odds of passage may be greatest, leaving districts to live through at least 2 years of deep cuts. Still others haven’t given up hope of convincing some Republican members of the Legislature to vote directly to extend taxes without the need for a ballot initiative, though that would appear to be a significant political challenge.

The May revise of the Governor’s proposed budget is the next statutory step in the process, and there is a reasonable expectation that the Governor will articulate his next plan at that time.

Community College system advocacy continues to request that the Governor guarantee funding at the level enacted in the 2010-11 State Budget. Failing that, they argue that another suspension of Proposition 98 to further reduce education funding is totally

inappropriate. The natural drop in the minimum guarantee, \$2.1 billion, on top of past cuts that continue to be ongoing, represents yet another huge loss to education and is totally unwarranted.

Given the continued ambiguity of what our exact funding will finally be for 2011-12, the state Chancellor's office is recommending that districts plan for the worst-case scenario. We are recommending the same for FHDA with the knowledge it is far more practical to reverse plans of significant cuts than to be forced to make more cuts at the last minute.

The colleges and Central Services are now building their 2011-12 budgets to incorporate the worst-case Scenario 3 projection. Numerous planning meetings are being held among all groups as all parties work to make this process both transparent and within the spirit of participatory governance. Town hall meetings to explain the details of the budget planning and answer questions are being held at both campuses and Central Services. All three entities are targeting June to have their plans completed, and they will reflect a total of \$30 million in budget cuts from the 2010-11 budget. The chancellor and presidents agree that the district must lay out the plan of a \$30 million budget cut for the Board and all constituencies to fully understand what ongoing operations of the district will look like under this scenario. Even in the preliminary stages of building the worst-case scenario budget, it is clear that operations and programs will be reduced to a generally unacceptable level. It is expected that subsequent reports to the Board will include additional recommendations from senior staff that will involve labor negotiation solutions to close the budget gap in order to maintain operations of the colleges and continue serving students at a minimally acceptable level.

The District will present a preliminary Tentative Budget to the Board of Trustees on June 6. By that date we will refine our revenue projections based on FTES reported on P-2 (due to the state on April 20), projected expenses and a recalculated deficit. We will keep the Board informed of important developments affecting our projections as the year progresses.