



July 15, 2011

Dear colleagues,

As you all know by now, we finally have a state budget signed by Governor Brown. For community colleges, the news is slightly better than we presented in the Tentative Budget to our Board of Trustees in June.

The state budget calls for a 5.5% revenue reduction for California community colleges. That is a meaningful improvement over the 8.7% reduction that the governor had proposed in May, which we used for planning the Tentative Budget.

The 5.5% reduction translates to approximately an \$8.5 million revenue loss for Foothill-De Anza in 2011-12. In addition to having less operating revenue this year, we project that the district's expenses will increase between \$2 million and \$3 million due to a rise in general operating costs.

This means we need to cut our 2011-12 expenses by approximately \$10 million to live within available state funding and balance our budget. This projected \$10 million deficit is still a rough estimate as other factors may increase or decrease its size as we close the books for 2010-11.

What we do know with certainty is that the \$8.5 million state revenue reduction is a *guaranteed minimum*. Foothill-De Anza could lose as much as \$3 million more in state funding if California's optimistic revenue projections don't materialize. If that happens, the state will impose additional budget cuts in the middle of the fiscal year. These mid-year cuts are based on triggers built into the state budget and tied to whether state revenues are meeting projections. If the triggers kick in, Foothill-De Anza could experience an additional cut in state funding of between \$2 million and \$3 million mid-year. This would push our deficit—our budget-cutting target—to between approximately \$12 million and \$13 million.

Despite these complicated budget scenarios from the state, we believe the district will have about \$10 million available from our Stability Fund, as well as carry-over dollars from the colleges and Central Services, to take us through 2011-12. Because of these one-time dollars, this will be a "transition year," delaying until 2012-13 most of the permanent budget cuts we must make and giving us more time to plan for those reductions. In the meantime, we will keep tightening our belts in 2011-12 by eliminating vacant positions whenever possible and filling only the most essential ones.

Over the next several weeks, budget and finance staff will finish closing the books for the 2010-11 fiscal year. Then we will know our final enrollment numbers and ending balances, which we need to finish preparing the 2011-12 Adopted Budget. That budget will be presented to trustees at the Aug. 29 board meeting for adoption in September.

As I have noted before, strategic financial planning has allowed us to push back for several years the full-extent of the state's unprecedented budget cuts. Yet even with our considerable resources, we have not escaped the harsh realities of state-imposed reductions.

Now, as our financial safety net gives way, both colleges and Central Services face the painful task of developing detailed plans to meet the permanent budget-reduction targets that will take effect for the 2012-13 fiscal year. Sadly, when those plans are presented to trustees in late fall, they will reflect multiple years of severe cuts to California public higher education.

These are undeniably difficult times for our community college system and our Foothill De-Anza community of faculty, staff and students. Please know that with your help, we are committed to developing the most thoughtful, responsible plans possible to navigate through these unprecedented cutbacks to our system.

At the department, division and college level, I hope you will join me in celebrating all we are still able to accomplish with the considerable resources we have, thanks to the commitment, depth and creativity of our incredible academic community. Even as we are saddened by our losses and fight to turn them around, let's unite to celebrate our many successes. I hope all of you will have an opportunity to relax and recharge this summer. Despite the challenges, I am looking forward to the fall.

Warm regards,
Linda Thor, Chancellor