



FOOTHILL-DE ANZA
Community College District

June 9, 2011

Dear colleagues:

Now that we have seen the governor's May budget revision and received the welcome news that California's tax receipts are on the upswing, I wanted to report to you on how these developments are affecting our budget planning for 2011-12.

There are still many things that could happen to help or hurt the state budget, then trickle down to community colleges. But in light of the state's projection of an additional \$6.6 billion in state tax collections, we recommended to the Board of Trustees this week that we move from a "worst-case" budget-planning scenario to a "middle-ground" approach for the 2011-12 fiscal year.

So what does shifting from "worst case" to "middle ground" mean, practically, for the wrenching decisions the campuses and district have been struggling with to make the budget cuts required by the continuing and relentless reductions in state funding?

Unfortunately, even with the improved state outlook, the gap between the district's projected revenue and spending for 2011-12 is sufficiently large at \$22.8 million that we must continue moving to substantially reduce our ongoing expenses.

There are two key factors at play on the revenue side of the district's 2011-12 budget. First, we are looking at another year of substantial reduction in state funding because of California's continuing budget deficit, and an accompanying statewide workload reduction. We also face an additional loss in state funding in 2011-12 due to an estimated 4-5 percent decline in district enrollment in 2010-11, which also will require a workload reduction. The colleges are working hard to recoup the lost enrollment, but we must be prepared to address this additional funding loss if our enrollment does not bounce back.

So the new bottom line is similar to the old bottom line: We have a substantial operating deficit for 2011-12 and need to plan for reduced staffing levels for faculty and non-teaching staff, though to a slightly lower level than we were projecting in April.

At this point you may be scratching your head, wondering if there is any good news here.

If you are looking for good news, this is it: If we are lucky and all our budget assumptions hold true, the district should have enough one-time money to delay full implementation of full-time faculty and staff position reductions until July 2012.

It is possible to delay some of the position reductions that will be needed because the district can draw on one-time dollars remaining in the stability fund and the colleges and Central Services have agreed to augment the stability fund using one-time year-end carryover dollars.

However, because our budget deficit is structural and ongoing and our one-time dollars are running out, we must continue to plan for significant permanent reductions in ongoing operating costs. These costs are primarily made up of salaries and benefits.

While we hope to temporarily delay implementation of most of the full-time faculty and staff position reductions required by our budget deficit, the district does not have the financial capacity to postpone workload reduction for part-time faculty. As a result, our plan is to reduce the part-time faculty budget by \$6.5 million in 2011-12. This far-reaching loss of talented instructors is a tragedy for both the district and its students as well as a personal loss for the hundreds of individual part-time faculty members who will be directly affected.

The district's budget plan is based on the best information that is currently available and will be adjusted if circumstances change before adoption of the final budget in September. Indeed, we will continue to adjust our plans throughout the coming fiscal year to reflect any changes in the economic realities. One small glimmer of hope for community colleges and other public services is the possibility that Californians will be allowed to vote on whether to temporarily extend expiring taxes. If the tax extensions pass, our budget picture would not be as grim.

In summary, here are some key figures and concepts guiding the 2011-12 tentative budget, which the Board of Trustees will consider for adoption on June 20. The budget proposal assumes:

- A \$22.8 million deficit, down from \$30 million based on improved state tax receipts
- A 13.75 workload reduction (8.7 percent statewide reduction plus 5 percent reduction due to the district's enrollment decline)
- A part-time faculty budget reduction of \$6.5 million in fiscal year 2011-12 to meet workload reduction, leaving a \$16.2 million district budget deficit
- Spending much of the stability fund's projected \$13.7 million balance to delay the full implementation of cuts to full-time faculty and non-teaching positions in 2011-12
- Using some year-end carryover balances identified by the colleges and Central Services to defer for 2011-12 most of the planned elimination of full-time positions
- Reserving \$3 million in the stability fund for use in 2012-13
- Keeping the district's mandated 5 percent reserves intact

If our budget assumptions hold true and we can delay widespread reduction of full-time faculty and non-teaching staff positions until July 2012, that will give us time to work together through the collective bargaining and meet-and-confer processes to resolve our structural budget deficit and preserve as many essential jobs as possible going forward. It is unimaginable how we could continue to operate with significantly fewer people. The repercussions would have long-lasting negative consequences for the district and our students as well our Foothill-De Anza colleagues whose jobs will come to an end.

A more detailed explanation of the district's budget situation can be found at http://business.fhda.edu/budget/budget_update>http://business.fhda.edu/budget/budget_update. If you have questions, please do not hesitate to contact me, the college presidents, Vice Chancellor Kevin McElroy or your bargaining unit representatives.

Finally, I cannot say this enough: Thank you again for all you do. I hope each and every one of you has an enjoyable summer. I look forward to working with you to find the best approaches for Foothill-De Anza to thrive in these troubling times. There is no question that our employees are what make Foothill and De Anza such special places for our students and such important resources for our communities.

All the best,

Linda Thor, Chancellor