

## Chancellor's Budget Message

Greetings!

What will be the fate of higher education? This was the central question asked in many different ways by many different presidents at the annual American Council on Education meeting in March and the American Association of Community Colleges' meeting this week. Multiple external forces are cutting into the fabric of our institution and tearing through the core of our mission. After meeting with Bob Johansen, the CEO of the Institute of the Future, he made it abundantly clear to me that the future is already here and moreover, we as leaders, in higher education, are the makers of future. It is up to us to figure out how to make a future with the limited resources remaining.



If you hold fast to the belief that our District is not severely affected by the fiscal crisis of our nation and the state of California, let me provide some clarity. My goal is not to scare you but to remove any illusion or doubt about the magnitude of our District budget shortfall. The budget shortfall has reached a level that is untenable. It will be impossible to resolve our worst case scenario without greatly affecting our students' lives with drastic class, program, and service reductions. Our staff's financial and work conditions will also be greatly impacted in a very personal way.

### **Increasing Costs & Structural Deficits**

What would you do if your personal finances resembled the picture below in Table 1 because your ongoing expenditures have exceeded your income? At our current expenditure pattern with annual salary increases combined with rising costs of health benefits, we have an ongoing operational deficit, compounded by the increased contribution in Public Employee Retirement System (PERS), Unemployment Insurance Contribution (UIC), and the costs of our retiree health benefit package. We have to address this ongoing problem first.

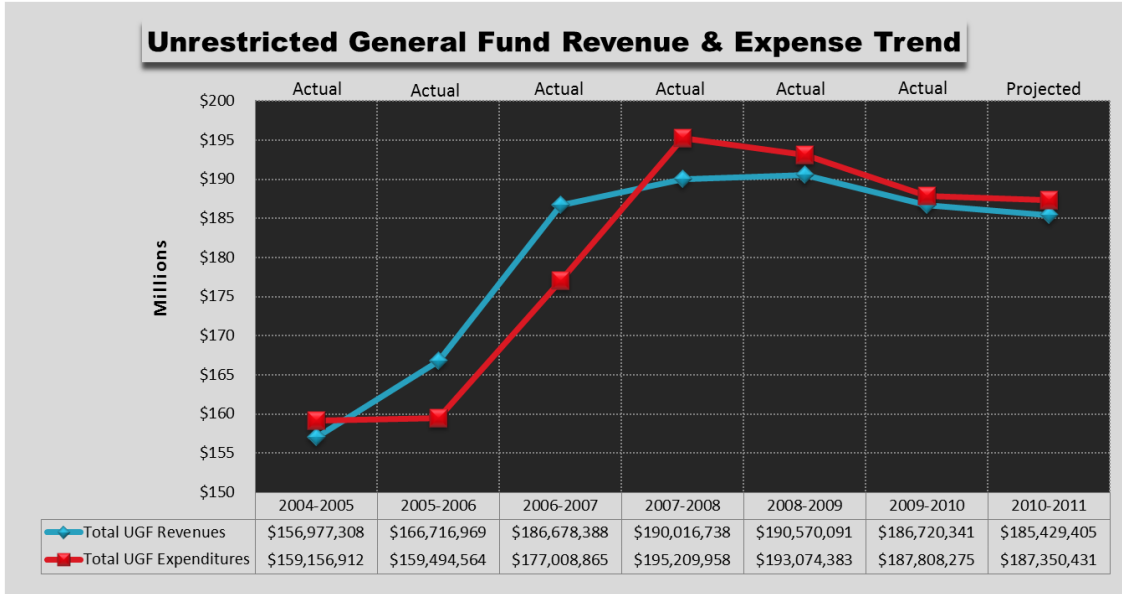


Table 1: Unrestricted General Fund Expense and Revenues

To help you see the ongoing internal operating deficit, please review the figures reflecting the latest UIC increase.

<b>Budget Development</b>		
<i>Emerging 2011-12 Internal Operating Deficit</i>		
<b>2011-12 Scenarios</b>	<b>Sep-10</b>	<b>Mar-11 Scenario #3</b>
<b>STRS</b>	(\$436,000)	\$0
<b>PERS</b>	(\$319,500)	(\$235,000)
<b>Health Benefits</b>	(\$1,000,000)	(\$1,000,000)
<b>Step/Column</b>	(\$1,225,000)	(\$1,225,000)
<b>UIC</b>	\$0	(\$985,000)
<b><i>Subtotal - CCCD 2011-12 Internal Operating Deficit</i></b>	<b><i>(\$2,980,500)</i></b>	<b><i>(\$3,445,000)</i></b>

**The State of California**

Now let us turn to the State’s budget. If you recall, in January, Governor Brown proposed to cut \$400 million from the community colleges in an effort to help mitigate the state’s \$26 billion budget deficit. His proposal was packaged with an assumption that an existing three year tax set to expire, would be extended for another five years. We started with three different budget scenarios based upon the Governor’s proposal. The first scenario included the tax extensions.



The second scenario did not include the tax extension monies and third scenario did not include the tax extension monies or our portion of the K-14 Proposition 98 funds.

**Scenario #1** – If the June tax package is approved, community colleges would sustain a \$400 million cut, less \$110 million in student fee revenue. (At this point, the possibility of this scenario occurring is almost zero.)

**Scenario #2** – If a June or November tax package fails and Prop 98 is funded at the minimum level, community colleges would sustain a \$620 million cut, less \$110 million in student fee revenue.

**Scenario #3** – If a June or November tax package fails and Prop 98 is suspended, community colleges would sustain a \$1.085 billion cut, less \$280 million in student fee revenue.

Thanks to Andy Dunn, our Vice Chancellor of Finance & Administrative Services, the three possible budget scenarios were prepared for easy understanding. These are our best estimates based upon the latest numbers (March 11) from the Community College League of California. At this point, with the state's looming deficit of over \$25 billion, and a complete breakdown of budget talks in Sacramento, we are faced with the Governor's "all cuts" scenario that is emerging as a probable reality instead of an impossible direction.

<b>Budget Development Plans</b>			
<b>2011-12 Scenarios</b>	<b>Mar-11 Scenario #1</b>	<b>Mar-11 Scenario #2</b>	<b>Mar-11 Scenario #3</b>
<b>Estimated net state imposed budget cut (%)</b>	<b>5%</b>	<b>9%</b>	<b>14%</b>
<b>Estimated state imposed budget cut*</b>	<b>(\$12,141,000)</b>	<b>(\$18,821,000)</b>	<b>(\$32,911,000)</b>
<b>Increased Student Fees</b>	<b>\$3,335,000</b>	<b>\$3,335,000</b>	<b>\$8,467,000</b>
<b>Net projected State Impact</b>	<b>(\$8,806,000)</b>	<b>(\$15,486,000)</b>	<b>(\$24,444,000)</b>
<b>Possible Negotiated Solutions</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>
<b>Total Projected Deficit</b>	<b>(\$8,771,000)</b>	<b>(\$15,451,000)</b>	<b>(\$24,409,000)</b>
<b>Estimated District-wide (Admin 9) savings</b>	<b>\$500,000</b>	<b>\$500,000</b>	<b>\$500,000</b>
<b>Net deficit before workload Reduction</b>	<b>(\$8,271,000)</b>	<b>(\$14,951,000)</b>	<b>(\$23,909,000)</b>
<b>Projected Workload Reduction</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Non-Instructional Cost Reduction Allocated to Sites</b>	<b>(\$8,271,000)</b>	<b>(\$14,951,000)</b>	<b>(\$23,909,000)</b>

As you can see, the 5%, 9% and 14% of reductions in general funds equates to deficit amounts of \$8,271,000, \$14,951,000, and \$23,909,000 respectively. We now also know that the funding reduction comes with a corresponding workload reduction (FTES reduction), which means we will reduce classes by the amount shown in projected workload reduction (reflected elsewhere). In case that isn't clear, this means more class reductions numbering in the thousands of sections will have to be



made in addition to an already reduced class schedule. At this point, the colleges are currently planning the fall schedule starting with an additional 10% reduction from last fall. We have been forced to prioritize our course offerings to our core mission of transfer, certificates, and basic skills. This is easier said than done as we implement those cuts in the schedule.

In working with all Colleges' budget planning process, District Budget Advisory Committee, and all employee groups, we expect to identify a variety of solutions toward a total deficit mitigation in our development for 2011-2012 budgets. They include, but are not limited to:

- Savings from all non-salary accounts
- Workload Reductions (FTES) – class section reductions
- Voluntary Separation Program (A & B options)
- Re-organizations
- New revenues
- Savings from negotiations
- Savings from possible layoffs.

As of today, we have identified specific amounts in most of the areas listed above including the Coast District Management Association's commitment to 3%, 5% or 8% reduction in combined salary and benefits dependent upon the implemented budget scenario. There are still areas left open in which we continue to strive for budget solutions. The latest District-wide budget development update, including all sites, is shown below. As you can see, we still have a gap of \$4,732,634 for Scenario #2 and \$11,190,217 for the worst case scenario #3. If you wish to view the specific college and District site budget scenarios, they are all listed on the District's website, under "budget updates." You will find the full presentation slides with more details. ([www.cccd.edu/budget](http://www.cccd.edu/budget)).

**Budget Solutions Scenarios - All Sites  
with Workload VSP-A, Vacancies  
and Simulated Negotiated Solutions as of April 6, 2011**

2011-12 Scenarios		Scenario #1*		Scenario #2*		Scenario #3		
<b>Net Deficit - Post Negotiations</b>		<b>\$7,741,020</b>		<b>\$14,067,700</b>		<b>\$22,495,720</b>		
Site	Allocation (2)	Amount - Post Negotiations (CDMA)						
<b>All Sites Summary</b>	<b>99.99%</b>	<b>\$7,741,020</b>	<b>100%</b>	<b>\$14,067,700</b>	<b>100%</b>	<b>\$22,495,720</b>	<b>100%</b>	
Savings from Non-Salary Accts.		(\$2,077,605)	-27%	(\$2,077,605)	-15%	(\$2,077,605)	-9%	
Workload Reduction		(\$1,970,438)	-25%	(\$3,940,876)	-28%	(\$5,911,313)	-26%	
VSP - A		(\$1,815,053)	-23%	(\$1,815,053)	-13%	(\$1,815,053)	-8%	
VSP - B		(\$120,000)	-2%	(\$120,000)	-1%	(\$120,000)	-1%	
Vacant Positions		(\$821,453)	-11%	(\$821,453)	-6%	(\$821,453)	-4%	
Re-organization		(\$242,197)	-3%	(\$242,197)	-2%	(\$242,197)	-1%	
					(\$100,000)	-1%	(\$100,000)	0%
Savings from probable layoffs					\$0	0%	\$0	0%
Other					(\$217,882)	-2%	(\$217,882)	-1%
<b>Remaining Target Deficit</b>		<b>\$694,274</b>	<b>9%</b>	<b>\$4,732,634</b>	<b>34%</b>	<b>\$11,190,217</b>	<b>50%</b>	

**Potential Positions impacted by closing remainder of deficit:**

**53**

**127**

We will need to identify our plans for the budget and present them to our Board no later than May 4. It is expected that our tentative budget for 2011-2012 will be approved at the June 15 Board of Trustees' Meeting so that we are able to begin our fiscal new year with an approved operating budget. It is understandable that as time continues to tick away and we come to the eleventh hour of budget development plans, anxiety levels rise and we begin to feel painful realities in a very personal way.

Let me reassure you that our first goal is to protect the services and programs for our students who are seeking degree, transfer, and certificates. In addition, we will preserve a staffing structure inclusive of faculty, support staff, and management to the best of our ability to maintain quality, integrity, and legality. Prioritization, collaboration, reorganization are among many of the tools we are using to rework our plans on a daily basis. We realize that infrastructure and programs that take years to build can be destroyed overnight. We must be very careful and take the long view in our process of shrinking offerings, right-sizing programs, and reducing staff.

If you have any questions about our budget presented so far, please do not hesitate to ask me or our Vice Chancellor Andy Dunn.

After this painful process is complete, we still need to decide how we intend to build our future with the resources remaining. As Bob Johansen said, "the future indeed is already here." It is up to us to determine how we, in our "Coastomized" way, will live it and shape it. While we can't decide the fate of higher education, we can certainly decide now the fate of our Coast Colleges. I hope you will join me in shaping that destiny.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Andy Dunn". The signature is written in black ink on a light-colored background.