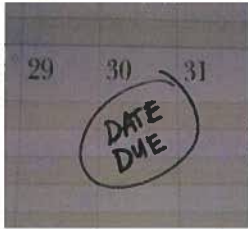

Budget Message



An unusual event took place this year; an on time state budget!

It seems that Proposition 25 (approved by the voters last year, allowing a simple majority vote budget approval and imposing financial penalties on individual legislators for a late budget) has had the desired effect and the legislature has passed an on-time budget.

California Community Colleges

For the California Community Colleges (CCC) the \$400 million apportionment reduction, offset by an estimated \$110 million in additional student fees stemming from the increase to \$36/unit signed into law earlier this year by the governor remains unchanged in the enacted 2011-12 State Budget. This largely parallels our Budget Scenario #1.

As recently as this spring it appeared the CCC could experience a budget cut of more than \$1 billion which would have resulted in a reduction in funding for Coast of more than \$30 million. In recent months the economy has experienced some moderate improvement and the state deficit narrowed. The May Revise reflected meaningful new revenue and served as the basis for the state's adopted budget. In addition to the \$6 billion in new revenue presented in the May Revise, the Adopted Budget assumes another \$4 billion will emerge. In total, between the January Budget Proposal and the Adopted Budget the state assumes nearly \$11 billion in new revenue.

Despite the economic improvement noted above there remains significant uncertainty surrounding those revenue assumptions. In response, the state budget includes automatic mid-year cuts that will be triggered if those revenue thresholds are not achieved. Those mid-year cuts could result in additional cuts to the CCC system ranging from \$30 million to more than \$100 million. They also include another increase in student fees bringing them to \$46/unit. This would become operative in January 2012. Logistically, this puts local districts in the very difficult position of collecting the balance of increased student fees after registration as they have no authority to collect a fee greater than is authorized by the legislature.

There are two milestones under which revenues will be measured; the first is the Fiscal Outlook that is scheduled to be released in mid-December by the Legislative Analyst Office. The second is the State Department of Finance's budget analysis, also expected to be released in mid-December.

Despite the hardships this budget presents, the CCC fared much better than the other branches of Higher Education. While the CCC will see an 8.3% reduction in state determined funding the CSU system will experience a reduction of 24% in funding and the UC system a cut of 22%.

Coast Colleges

Coast is well positioned to deal with the cuts. No doubt, you are all feeling the pinch of the District's budget cuts. However, because of your diligence and commitment to finding solutions, we were able to develop a budget that mitigated an anticipated \$13.5 million deficit without layoffs. As we approach development of the Final Budget, which will be presented to the Board of Trustees in September, we anticipate being able to moderate those reductions even in the face of possible mid-year cuts.

I, along with key members of the budget team, will be attending a special briefing on the budget in mid-August at which point I will share additional information.

What's Next?

Quite simply, we wait for the state's revenues to be reported and we continue to prepare for various fiscal scenarios. There is a very real possibility that we will experience a mid-year cut in January that will include a student fee increase to \$46/unit. While we have worked hard to mitigate the impact of the cuts on our colleges as well as to identify solutions for our structural deficit and we must remain diligent in the implementation of these cost savings measures. We will continue to work through the District Budget Advisory Committee to develop scenarios for the fiscal possibilities that will come in December.



We will continue to communicate with all of you as the budget picture becomes clearer. As always, please feel free to contact me or your campus administrative services team with any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Andy Dunn', written over a light blue circular stamp.

Andy Dunn
Acting Chancellor