



Chancellor's District Budget Update - June 21, 2011

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***Where We Are Now***

For those of you who have been keeping track of Sacramento budget news, we experienced a bit of a roller coaster ride late last week. Given the twists and turns, we surely would have lost our hats if it had been an actual ride.

In case you missed the details, the Democrats utilized the authority granted to them through Proposition 25 (approved by the voters in November of 2010) to pass a budget with a majority vote on the Constitutional deadline of June 15<sup>th</sup>.

If that timely state budget was not a sufficient surprise given what Californians have become accustomed to, on the morning of June 16<sup>th</sup>, the Governor vetoed the 2011-12 state budget bills (SB69 and AB98) that were passed by the legislature a day earlier. In fact, the Governor soundly declared that the budget does not provide a balanced solution and contains questionable maneuvers, costly borrowing and unrealistic savings. His veto sends a clear signal that he is serious about achieving a balanced budget and that, while he strongly prefers an approach that includes tax extensions, he is willing to get there through deeper cuts if necessary.

The vetoed budget would have closed a \$9.6 billion gap between spending and revenue without tax extensions and would have suspended Proposition 98. The vetoed budget also would have required K-12 and community colleges to absorb \$3 billion in deferrals for the 2011-12 school year.

As we prepare for the most probable outcomes, we are still considering two state budget scenarios, A and B as shown in the chart below:

**IMPACT OF STATE BUDGET CUTS ON LACCD  
Budget Forecast Scenarios**

	Fiscal year 2011-12 Scenario A	Fiscal year 2011-12 Scenario B
	Governor's Proposal (revised 06/01/2011)	10% Reduction Scenario
<b>California Community Colleges (CCC)</b>	\$	
<b>Increase Student Fees (\$36/unit)</b>	(400,000,000)	(600,000,000)
<b>Projected Student Fee Revenue Shortfall</b>	110,000,000 (25,000,000)	110,000,000 (25,000,000)
<b>Total Cut to CCC</b>	(315,000,000)	(515,000,000)
<b>Estimated LACCD cut</b>	(28,628,000)	(46,805,000)
<b>Estimated percentage cut</b>	-5.70%	-9.40%
<b>Lost FTES (est.)</b>	6,393	-10,448
<b>Lost Headcount (est.)</b>	13,426	-21,941

Source: California Community College League, District Budget Impact

The reductions under both scenarios now include the additional estimated shortfall of \$25 million in student fees for the California Community Colleges. Under Scenario A, the District will lose \$28.6 million; this figure includes an additional \$2.9 million loss in state revenue which has been added to the \$25.76 million that we have used for planning. Notably, we have prepared our Tentative Budget, based on the Governor's May Revise, which does not include this additional reduction. However, this additional reduction in revenue will be included in our Final Budget if there are no changes. *This means that we will have to operate with 5.7 % less in state funding for the 2011-12 school year.*

As planned, on June 29, 2011, I will ask our Board of Trustees to adopt the 2011-12 Tentative Budget based on the Governor's May Revise.

To ensure that the colleges are planning their reduction scenarios consistently, the Chief Financial Officer/Treasurer has visited each college over the last two weeks and reviewed both their quarterly financial status and their 5% and 10% reduction plan scenarios. At this juncture, each college and the District Office have committed to cut spending by 5% of their projected 2010-11 expenditures. This plan will provide approximately \$24 million in spending cuts to assist in mitigating the state funding cuts.

***What's next?***

There is still much uncertainty; however, analysts in Sacramento suspect that the Democrats will pass a budget that leaves community colleges at a funding level similar to the one proposed by the Governor in January. Despite this possibility, we must continue to explore additional reductions through the shared governance process in preparation for a 10% budget cut scenario. Moreover, we must not fail to include the new costs that will be added to the college operations next year. With these factors in mind, we will determine how to best utilize the resources and reserves available to mitigate the devastating cuts to colleges, while seeking to protect the financial health of the District.

Although I certainly hope that this roller coaster comes to a halt soon, it appears that we're stuck in our seats for a while longer. Certainly, there is no way to predict the budget outcome in Sacramento. Regardless of what comes our way, we will meet the District's challenges together and determine the appropriate course for our community.