



Linda M. Thor, Ed.D., Chancellor

April 4, 2011

Dear colleagues,

As you may have heard, it now appears that the governor's proposed tax extensions won't make it to the statewide ballot in June. This takes off the table the possibility of \$14 billion in tax proceeds that Gov. Brown had hoped to use in combination with \$12.5 billion in budget cuts to close California's \$25.4 billion budget deficit.

Without those tax revenues, there is a strong possibility California will have to enact an all-cuts budget for 2011-12. We don't know if this would mean a doubling of the \$400 million in cuts the Legislature has approved for community colleges, but it is possible. We do know it will take some months for the Legislature to work out a budget-reduction plan of that magnitude.

As distressing as an all-cuts state budget is, the district has decided to plan for this worst-case scenario, knowing that we can pull back from it if other solutions are found at the state level. For example, discussions are under way about placing a statewide initiative for targeted tax increases on the ballot in November 2011 or 2012. The Legislature also may realize that California community colleges cannot sustain a doubling of the \$400 million budget cut without dire consequences.

The bottom line is that we are preparing for possibly having to reduce our operating expenses by approximately \$30 million. This is due to a possible 16 percent funding reduction from the state under an all-cuts budget and the loss of 4 percent of our current apportionment revenue based on projections that the district's enrollment will be down 4 percent in the current year. The result is that we will have to reduce the number of students we serve by approximately 10,000 and cut our instructional costs by \$10 million for 2011-12. Even after reducing the instructional budget by \$10 million, we will still

have a deficit of approximately \$20.3 in expenses to reduce on a permanent basis.

Fortunately, the district can draw down one-time dollars set aside in its “stability fund” to offset at least some of the budget cut on a temporary basis. We currently project having \$14 million in the stability fund by the end of this fiscal year, although there are several factors that could result in a lesser amount.

Unfortunately, the stability fund is only a temporary solution. A \$20.3 million deficit for Foothill-De Anza — or whatever the final amount turns out to be — would carry forward annually into the foreseeable future, until the state realizes increased revenues through tax increases, economic growth or some combination of both.

Our current projections show that offsetting a deficit of \$20.3 million for the fiscal year starting July 1 would exhaust the district’s stability fund by December 2011. That means we would need to make the full \$20.3 million reduction beginning Jan. 1, 2012, unless we take additional steps to augment the stability fund.

I want to share with you some of our initial thoughts about how to prepare for and implement the coming budget reductions. I wish I had better news, but I think it is important to let you know what we are up against:

- A deficit of \$20.3 million in 2011-12 would require an overall 20 percent downsizing of the district that could be delayed until January 2012 or possibly later by using the stability fund.
- Decisions about how to do this will be made through the shared governance process at the campuses and through a collaborative process with input from stakeholders in Central Services.
- While the district currently plans to use some of the stability fund to backfill budget cuts in 2011-12, we intend to reserve some balance for use in 2012-13.
- The next rounds of cuts are expected to include consolidation and elimination of programs and services, and the loss of administrative, full-time faculty, part-time faculty and classified staff positions.
- The district’s fixed operating expenses are expected to increase by about \$3 million in 2011-12. We are looking for ways to reduce those costs.
- The district will explore options for salary and benefit savings with all groups at the bargaining table.

There is no question that an all-cuts state budget would bring dramatic changes for every community college in the state, ours included. This is an unprecedented situation, the compounding of multiple years of significant and successive state funding cuts. While I know that Foothill-De Anza will continue to do outstanding work educating our students, the sad reality is that we will be able to serve far few students. This will surely come back to haunt California in terms of having a well-educated and highly skilled workforce, which has always been the key to our state's economic vitality.

While it looks like California's political gridlock will keep the tax extensions off the June ballot, the truth is that most polling showed the extensions would not win voter approval.

Although we have some very difficult times ahead, now there will be some time for Californians to absorb the painful realities of an all-cuts budget and how it affects the quality of life in our state. In the meantime, we will do all we can to influence the best possible outcome in the Legislature for California community colleges.

As always, I thank you for your dedication and passion in making Foothill-De Anza such an outstanding institution, and for your service to our students.

Sincerely,  
Linda Thor, Chancellor