Yesterday morning, the Legislative Analyst's Office (LAO), the nonpartisan fiscal and policy analyst for the Legislature, released its five-year fiscal forecast for California. As we have been anticipating, the news was not good. The LAO projects that the governor faces a $21 billion eighteen-month budget problem as he prepares the January budget. The shortfall is largely due to state revenues coming in below estimates. According to the LAO, the reduction in revenues, combined with required repayments to local governments and workload increases, has created a sustained budget problem for California, destroying any hope that state government will recover without additional cuts or increased taxes in the near term.

LAO forecasts that, absent state action, operating shortfalls will increase in 2011-12 and persist into 2014-15. Projected shortfalls are as follows:

- 2011-12 $21.3 billion
- 2012-13 $23 billion
- 2013-14 $20 billion
- 2014-15 $18.4 billion

Yesterday afternoon, California Community Colleges Chancellor Jack Scott held a Media Briefing to discuss the impact of recent budget cuts on California's community colleges. Chancellor Scott began by saying that enrollment in California's community colleges has continued to grow, and while the system as a whole has cut at least 10 percent of their course offerings, it has grown in full-time equivalent students (FTES) by 4.3 percent. Last year, California's community colleges served 2.89 million students. This means community colleges served 150,000 more students than we received funding for—a number that is not sustainable.

The Chancellor said we will continue to see tremendous demand, with thousands from the workforce coming for retraining and many students redirected from a UC or CSU. In addition,
people are now recognizing that community colleges provide quality education at a very low cost. Chancellor Scott recommends three strategies for coping:

1. Prioritize - California's community colleges must focus on our "core" mission of transfer, career/technical training, and basic skills.

2. Aggressively seek other funding - We must look toward business partnerships, federal grants, foundations, alumni gifts, facilities rentals, and other possible resources.

3. Innovate - Continued innovation through technology, working with K-12 to ensure college readiness, helping students identify academic goals early, and various other means.

One of our most pressing concerns is whether or not we will once again experience mid-year cuts. Scott Lay, President and CEO of the Community College League of California (CCLC), believes that it is unlikely that mid-year cuts will be enacted. One reason he puts forward is that Proposition 98 is actually underfunded by $1 billion in the current year. Another is that the state is at the minimum amount of funding for higher education collectively to continue to be eligible for billions in federal dollars. Mr. Lay recommends, however, that each district have contingency plans in place.

As you are aware, we have taken measures to reduce our budget for the 2009-10 academic year through several cost saving strategies. Unfortunately, due to the state's reduction in our funded workload measure (FTES), we have had to reduce class sections, delay the filling of many vacancies and try to reduce expenditures in hourly support, supplies, equipment, memberships, travel, and consultant and contract agreements. In spite of these reductions, the 2009-10 budget has a deficit of $1.4 million which is currently being met through our ending balance from the prior academic year. As well, we have been informed from the State Chancellor's Office that next academic year, we will have a decrease in the one-time funds provided through federal backfill dollars.

At this time, since we have no clear indication from the state as to a forthcoming mid-year reduction, we are continuing with our original budget for the 2009-10 academic year. Should we receive word of a mid-year reduction for the 2009-10 academic year, we will work in consultation with our college constituent leaders from the faculty, staff, students, and management to outline strategies to reduce costs and position the college to continue to serve students as best as possible.

I thank you for your support and willingness to work as a team to address the budgetary situation we currently face. As well, I am grateful for your sense of collegiality and professionalism. I will continue to keep you apprised of state budget developments as they become available.