

January 12, 2010

To: The Board of Trustees
Peralta Community College District

Attached is the revised Adopted Budget for the 2009-2010 fiscal year. As you know, the State of California fiscal crisis has made it very difficult to prepare a budget that will serve the many unfunded students at Peralta.

Overall, the state has cut \$630 million from Community colleges. Peralta's cuts approached \$14 million with some cuts in the categorical programs at 50% of the preceding year base budget. The budget includes no COLA, no growth, a workload reduction of more than 1000 FTES (\$4.5 million), an increase in student fees from \$20 to \$26 per unit and the use of one-time federal stimulus funds (ARRA funds).

To meet these demands, the District has introduced the following unrestricted general fund budget reductions totaling \$6,897,000:

- College reductions of 2% - \$1,654,000.
- Central support reductions of 6% - \$2,201,000.
- Part-time faculty reductions (mandated workload reductions) - \$3,040,000.

The detail of those budget reductions are as follows:

Central support services:

Sheriff contract	\$370,000
Marketing	155,000
Independent consultants	532,000
Travel/conferences	191,000
Ed. Services mgmt position	106,000
H.R. position	48,000
Benefits	69,000
Non-instructional equipment	67,000
Peralta TV contracts	28,000
Postage/publishing	30,000
Overtime wages	130,000
General services	460,000
Misc operations	<u>15,000</u>
Total	\$2,201,000

Berkeley City College: \$256,000 left side cuts. \$194,000 part-time faculty cuts.

College of Alameda: \$359,000 left side cuts. \$643,000 part-time faculty cuts

Laney College: \$638,000 left side cuts. \$958,000 part-time faculty cuts.
Merritt College: \$401,000 left side cuts. \$1,245,000 part-time faculty cuts.

The District is also spending approximately \$1 million from unrestricted general fund reserves primarily to offset categorically funded programs.

As difficult as the 2009-2010 reductions reflected in this budget, the possible 2010-2014 budget cuts will be much worse. The current fiscal year state budget shortfall for the next 18 months is \$20.7 billion. The state Legislative Analyst Office (LAO) is predicting (absent state action), operating shortfalls will increase in 2011-2012 and persist into 2014-2015.

Projected shortfalls are as follows:

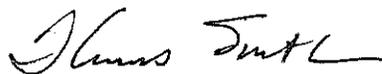
- 2011-12 \$21.3 billion
- 2012-13 \$23 billion
- 2013-14 \$20 billion

These shortfalls could have devastating affects to the Peralta budget. We anticipate continued double digit increases in health benefits costs that could approach \$1.4 million in additional costs per year. PERS has already announced increased employer contributions from the current 9.7% to 14% in 2013-2014 costing Peralta \$1.3 million per year. STRS has also indicated the need for increased employer contributions, but those increased would require legislative approval. There are also "rumors" that student fees may be increased to \$50 per unit, which could dramatically affect our base enrollments.

We also have current year concerns that anticipated property tax may be short of state estimates by more than \$1.2 million. There is also the possibility that the increased income and sales taxes enacted (increases sunset in 2010-2011) may not be fully realized resulting in a drop in Prop 98 minimum guarantees. This could cause a mid-year budget reduction that is not covered with the current budget.

The LAO is also predicting the Prop 98 minimum guarantee will decline by 3.9% in fiscal 2011-2012. This will result in **Peralta structural budget deficits** for the next several years. Peralta must continue shared governance discussions to address these budget issues as the General Fund Reserve cannot support the budget reductions and increased fixed costs that are anticipated.

Respectively submitted,



Tom Smith, Vice Chancellor of Finance