

As we come to the close of another school year, our attention turns to Sacramento and the state budget debate. That means it's time again to let you all know where MSJC is in terms of this historic statewide financial crisis. As an informed community, we will all be able to adapt more easily to the state's fiscal challenges and what is becoming the "new normal."

On the state level:

California Gov. Arnold Schwarzenegger's proposed 2010-11 budget, released on May 14, 2010, shows that not much has changed for the state since the year began. There is some good news for community colleges, yet some challenges still face the state community college system.

In January, the state's budget shortfall was \$19.9 billion. The proposed budget shows a \$19.1 billion shortfall. The state was expecting \$6.9 billion from the federal government, but that funding did not materialize. The Governor's proposed budget relies almost exclusively on deep cuts to health and human services programs. It proposes eliminating CalWORKS and Child Care Funding, which would create a hardship for students who depend on these programs designed to allow them to attend college.

The May Revise reduces the K-12 COLA from (0.38%) to (0.39%), but does not propose a corresponding change to the community college COLA.

Although the proposed state budget calls for a 2.2 percent enrollment growth funding, initial apportionments for new Colleges and Centers are taken off the top before general growth allocation. There is also discussion from the Chancellor's office that the remaining growth will be distributed to reinstate the 3.39 percent workload reduction from 2009-2010. So again, it really is too early to tell what, if any growth funding will be available for MSJC once the budget is signed.

The Governor's plan would restore \$45.5 million to the Cal Grant program. The program provides an estimated 46,000 low- to middle-income UC students with necessary financial aid. It was originally proposed to reduce the program by \$79 million by not considering income eligibility and award levels. More than 75 percent of the awards go to community college students.

In April, Gov. Schwarzenegger announced he would veto any budget that does not include his proposed support for higher education. As the Legislature negotiates the Governor's proposed budget, we hope our representatives continue to keep in mind that by investing in community colleges and its students, they will invest in the fiscal recovery of California. This is the worst economic situation that community colleges have experienced. Community colleges are the economic engine for the state because they train people and get them back to work quickly, infusing money into the economy and tax revenue base.

What this means for MSJC:

Thanks to the conservative and forwarding-thinking fiscal decisions made by our Board of Trustees and District leadership, MSJC is stable and has been able to withstand some of the reductions in state funding. We have been able to preserve the courses important for transfers and job training. About \$1 million of MSJC's reserve, which has been well above the 5 percent required by the state, has helped us bridge some of the shortfalls in state funding.

Through teamwork between faculty, classified staff and administrators, we've done a great job reducing 5 percent from our general fund budget in the 2009-10 fiscal year. The Budget Development Committee, comprised of faculty, classified and administrators, crafted a 21-point plan to reduce costs.

In all, the District was able to save about \$2 million by reducing costs in overtime, travel, conferences, reducing the expenditures for the Childcare Centers, implementing a 4-10 summer work schedule and other steps.

We've done a great job of replacing low-demand, low-enrollment classes with high-demand, high-enrollment courses. This allowed us to preserve the core programs and training that help our students transfer to 4-year institutions, get certificates or training. The teamwork that has gone into that effort has helped us become more efficient, boosting our fill rate from 70 percent some years ago to 95 percent in the 2009-10 academic year.

That was great work. We've made some of the easier decisions, but as we enter into 2010-11, as a team, we will have to make some tougher decisions.

Community colleges will grapple with the state's tough economy for several years. Over the next 18 months, California is expected to have a \$20 billion budget shortfall. If things are good, our funding from the state will be flat, but our costs for salaries, health care and PERS will increase. While MSJC realized some solid savings already, we are still about \$700,000 shy of our goal to reduce \$2.7 million for this year.

If we were to continue spending at our current rate, we would face a \$2.8 million shortfall in 2010-11. The District, of course, continues to pursue strategies that will help us avoid that kind of deficit.

On June 25, 2010, the Mt. San Jacinto College Board approved a Tentative Budget for fiscal year 2010-11.

Under the Tentative Budget, MSJC expects to spend as much as it receives in 2010-11. The unrestricted General Fund is expected to be \$56.2 million and is money the district uses to pay for salaries and benefits and to support basic instruction and instructional support activities. It includes a Special Reserve of \$6.1 million, with \$2.8 million of those funds required to be designated.

The restricted General Fund is expected to be \$7.2 million. The restricted General Fund is money that comes from a specific source and can only be used as outlined by that source. It pays for federal programs, like Title IV and Technical Education, and state programs like Matriculation and Disabled Students Programs.

Under the Tentative Budget, officials expect MSJC's total funds, which also include Associated Student Body, Foundation funds and others, to be \$126.5 million.

State law requires the adoption of a Tentative Budget on or before July 1. The unresolved state economic outlook could result in significant changes by the time the Board adopts a Final Budget, which is required to be done prior to September 15. The state may make reductions that would affect revenues to community colleges.

The Tentative Budget is based on projections from the state Governor's May Budget. It allows MSJC to make the necessary changes based on decisions at the state level and still continue handling its ongoing expenditures until a Final Budget can be adopted.

As the budget process at the state level continues, all of us need to work together to find solutions to get through this tough economy. We cannot continue to rely on MSJC's reserves. The reserve acts like your own savings account. If you constantly dip into it to pay for regular living expenses, it will eventually

dry up. In addition, the more we have in reserves, the less the District is charged for interest on important loans that we may need in the future.

We will continue with 5 percent reductions that require skill and tactics to preserve quality instruction, services and a stable work environment. We remain in a hiring “frost,” filling only those positions deemed essential. We will continue with the Budget Development Committee to identify more cost reductions. Expect to have some purchase requisitions denied. There are some talks to have 4-10 schedules over winter break.

Each of you makes MSJC a great place to work. I have been at this District long enough to witness some incredible teamwork and compassion. Together, I know we can adapt to this “new normal” and become a stronger institution from this experience.

Stay tuned and hopefully by the fall, the budget clouds will clear and we will have a state budget that will allow us to continue our mission and change lives for the better.

Have a great summer.

Roger Schultz
Superintendent/President
Mt. San Jacinto College