

Dear MSJC Family -

MSJC has shared many budget updates since the state began its economic downward spiral. This communication is part of that constant effort to keep everyone at the college as up-to-date as possible as we continue to receive communiqués that the state budget is fluctuating.

As we continue to plan, the California Community Colleges Chancellor's Office is advising us to expect mid-year cuts from the state in January and the Legislative Analyst's Office recent gloomy forecast cautions of further cuts that may be on the horizon for 2011-2012.

Scott Lay, President and CEO of the Community College League of California, recently called the state's budget crisis "downright ugly."

"For community colleges, next year looks to be a fairly significant challenge programmatically. Assuming no new state revenues (which would otherwise call for a Prop. 98 increase), funding available for community colleges **is likely to drop by \$255 million,**" Lay wrote on Nov. 10, 2010.

We will continue to keep you informed by sharing what we know about the state's current budget:

- There is still an estimated \$25 billion deficit (6 billion current year, 19 billion next year).
- Deferrals of state funding will become a significant challenge.
- There is no Cost-of-Living Adjustment.
- Enrollment growth is anemic.
- Fiscal Challenges are projected to continue through 2014-15.

First and foremost, I want to emphasize that MSJC has been able to endure these rough economic challenges and maintain our fiscal stability. We have protected courses important for transfer and job training. We have protected our workforce and haven't had to implement furlough days, freeze step and column or consider layoffs.

All of these things were avoidable due to the incredible work that all of you have put into making this institution run efficiently, offering more with less. I would like to commend the faculty, classified staff and administrators that have implemented cost savings strategies as well as the Budget Development Committee, who began working diligently more than a year ago to craft a 21-point plan to reduce costs. I appreciate all of the departments for tightening their purse strings. I am grateful for the Board of Trustees and the District leadership that guided us through these economic challenges.

Having shared all of the above the overarching question remains, “How is the state budget going to affect MSJC?” The following information is provided based on the approved state budget prior to any mid-year cuts and unknown challenges:

- Deferrals: The final state budget defers another \$129 million in payments, bringing the total of deferred payments planned for this year to \$830 million. Deferral of payments allows the state to essentially borrow from the next fiscal year to pay for its operating expenses and puts the burden of the state's money shortage on the backs of local agencies. MSJC expects the state will defer more than \$7 million in the current year. This means that MSJC will again need to tap reserves and issue Tax Revenue Anticipation Note (TRAN) borrowing in order to keep operations going during those extended stretches when no state revenue comes in. The latest news on the budget may have put some of these dollars in the jeopardy.
- Cost-of-Living Adjustment (COLA): As previously stated, the COLA is zero. That means MSJC will not receive increased state funding to keep up with the rising costs of things like employee step & column, utilities, etc. MSJC expected this and already implemented this as part of its budget plan.
- Enrollment Growth (2.21%): In 2010, the state enacted a 3.34% workload reduction to reduce enrollment funding. So the 2.21 % is only a partial restoration of that reduction. MSJC did not include the 2.21% growth revenue in its adopted budget because the Chancellor's Office anticipates mid-year budget cuts to deal with the growing State deficit. If mid-year budget cuts do not materialize, then MSJC can adjust for the summer session and 2011-2012 course offerings. Again, in light of the latest budget news, these dollars may be in jeopardy.
- Categorical Backfill: The Governor vetoed the 10% restoration of categorical program funding for a total of \$35 million statewide. This is another setback. MSJC will continue to support our programs as best we can.
- ARRA Funds: Community colleges expect to receive their portion of the \$3.9 million in American Recovery & Reinvestment Act Funds. MSJC's share is \$ 24,534. We will use these dollars to partially restore division budget cuts in the current fiscal year adopted budget.

MSJC's fiscal 2010-2011 adopted budget is balanced in large part due to the 4 percent base reduction imposed last year and the additional 2 percent base reduction taken this year. Those cost savings measures will allow us to move forward with our planning as we adhere to our planning cycle and measures that include:

- Continue with the hiring frost
- Continue with reductions in overtime, travel and conferences

- Continue to preserve instruction and services for our students and protect our workforce.

The state's ongoing fiscal crisis means we must work together. I will remind you again that we must look at the District funds as you do your own financial accounts. We cannot spend beyond our means, we must base our revenue projections on realistic expectations and we cannot dip into our savings to pay for routine expenses.

The future holds many challenges for our state and the community college system and we will continue to provide updates as they become available. I am convinced that by working together and following our mission we will maintain our fiscal stability, protect courses important for transfer and job training, continue to protect our workforce and following the Chancellor's direction to continue to serve as many students as our budget can support.

If there is a bright spot the future, it is that we are moving forward with Classroom I on the Menifee Valley Campus as these funds are not impacted by the current or pending budget changes.

I appreciate your support and wish you and your families the best in the upcoming holiday season.

Dr. Roger Schultz
Superintendent/President
Mt. San Jacinto College

For more on the 2010-11 budget the MSJC Board adopted, go to:
<http://www.msjc.edu/PublicInformationOffice/Pages/Board-Highlights-October-2010.aspx>

For more budget information, go to www.msjc.edu and click on the Budget Watch icon at the bottom of the front page. The Community College League of California also monitors the state budget situation. Go to www.cclc.org for more information.

View a 2010-12 state fiscal outlook by the Legislative Analyst's Office at:
<http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=2365>