



## **Statement on Budget Reduction Planning**

You are all aware that California is confronting a severe budget crisis. You have probably seen the news that the California State University and University of California systems face their worst fiscal crises ever.

The same situation applies to California's community colleges, and specifically to the Peralta Community College District's four colleges, because most of our funding comes from the state. The fact is, California's community college students pay only a small fraction of the cost of their education.

At the Peralta Colleges, we could lose funding for 3,000 full-time students this year under the proposed state budget. That's brutal for our students and potential students, as well as for many of our faculty and administrators who serve them. The lack of state funding will affect us all, and it is very sad.

Nonetheless, the budget crisis has forced us to look at hard alternatives as we plan for an uncertain future. Faced with unprecedented cuts to our district budget by the State of California that could top \$21 million, on March 17, 2011, I met with senior management at Peralta Community College District to determine the extent of budget reductions.

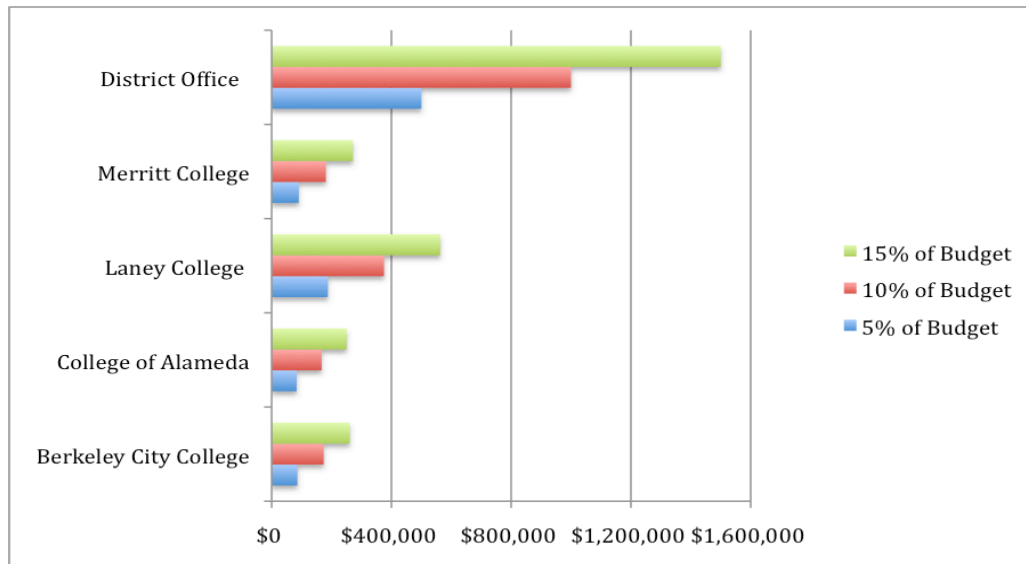
Peralta's reductions district-wide will ultimately depend on the State's budget for California's community colleges as determined by the State Legislature and perhaps California voters. As we do not know the ultimate cuts to our budget by the State, we are developing budget reduction scenarios so we are prepared for the eventual State budget, whatever it might be.

The colleges and district office have been asked to provide the following 5%-10%-15% budget reduction scenarios for FY 2011-12 supplies, equipment and contracts. These reductions do not include personnel or fixed costs, such as utilities, benefits or insurance.

Here is a breakdown of the budget reduction scenarios for the colleges and the district office based on their current FY 2011-12 discretionary budgets:

Site (Budget)	5% Reduction	10% Reduction	15% Reduction
Berkeley City College (\$1,737,256)	\$86,000	\$173,700	\$260,500
College of Alameda (\$1,669,687)	\$83,500	\$167,000	\$250,300
Laney College (\$3,753,236)	\$187,700	\$375,300	\$563,000
Merritt College (\$1,809,542)	\$90,500	\$181,000	\$271,400
District Office (\$9,578,223)	\$478,911	\$957,222	\$1,436,733

Here is a graphic showing the proposed budget reductions:



As you can see, the bulk of the cuts for FY 2011-12 come out of the district office budget. And this comes on top of a 9% reduction from last year for the district office.

Last year's district office cuts included:

- Non-reemployment of 15 managers;
- Non-reemployment of 15.25 FTE classified staff;
- A 5% management salary reduction; and
- A 2.5% classified staff salary reduction.

Thanks to these and other painful cuts at the Peralta Community College District, we were able to keep cuts as far away from the classroom as possible last year. For example, we were able to preserve summer school at

the Peralta Colleges, at a time when other community college districts could not.

In addition to the 9% reduction to the district office's budget taken since last year, we are planning to reduce the district office's costs for FY 2011-12 by a further \$478,911 to nearly \$1.5 million as shown in the chart above. This will bring the district office's total reductions over two years to nearly \$3.5 million or 25%. As you can see, the district office will be taking its fair share of reductions should these budget reduction scenarios become reality.

Services, such as utilities, and health and retirement benefits for all Peralta Colleges employees, amount to \$14.7 million of the district office's budget. Note that many of these costs are for services and benefits for employees throughout the entire district, including at each of the four Peralta Colleges.

The remaining budget for the district office's central services is \$21 million. This includes services such as police and security, insurance, building maintenance and operations, student services, medical office, financial aid staff, payroll and benefits processing, student admissions and records (e.g., transcripts), and district-wide facilities such as libraries and the medical office.

Further cuts in these services will be difficult but necessary. We will be careful to avoid significant deterioration in the quality of services to students. Likewise, required spending on technology and fiscal management cannot drop to levels that damage our colleges' accreditation. You have my pledge that we will continue to do what we must, in order to avoid jeopardizing students' financial aid and transfer of credits.

For FY 2011-12, which begins July 1, 2011, I am requiring the district office to surpass the reductions that the colleges have been asked to make in order to meet the reduced revenue we receive from the State. The budget for the Marketing Department and Peralta TV, for example, will be reduced next year by 24%.

Everyone has to take their fair share of the State-imposed budget cuts. The colleges have also been asked to provide 5-10-15% budget reduction scenarios for FY 2011-12. And, like the district office, the colleges have also reduced their budgets since last year. (To compare "apples-to-apples," benefits and utilities are not included in district office or college budget figures below. The complete budget calculation sheets for the colleges and district office will be posted on Peralta's Web site.

Because of FTES reductions imposed on us by the State, Berkeley City College reduced its budget since last year by approximately \$312,180, Laney College by nearly \$976,479, College of Alameda \$1,306,069 and Merritt College 1,525,091. Of these, most of the reductions were made to part-time faculty as part of enrollment management measures enacted due to State-

imposed FTES cuts. If those costs are factored out, some colleges actually received budget increases and the district office took the vast majority of the cuts as demonstrated in the below table.

Total cuts made in fiscal year 2010-11	Budget Reductions		Cuts Made to part-time faculty accounts as part of enrollment management		Reductions made outside of part-time faculty accounts		% of Budget	
	(A)		(B)		(A-B)			
District Office - Central Services	\$	2,004,918	8.78%	\$	-	\$	2,004,918	8.78%
College of Alameda	\$	1,306,069	10.79%	\$	393,867	\$	912,201	7.53%
Laney College	\$	976,479	4.19%	\$	1,041,818	\$	(65,339)	-0.28%
Merritt College	\$	1,525,091	11.14%	\$	725,397	\$	799,694	5.84%
Berkeley City College	\$	312,180	2.97%	\$	502,870	\$	(190,690)	-1.81%
	\$	6,124,736		\$	2,663,952	\$	3,460,784	

These are very difficult times. However, we can still provide – if we continue to work together – quality teaching and learning and needed student services in the face of these State-imposed cuts.

One final note: You should also be aware that the state budget crisis could worsen further. I urge you to consider exercising your rights to participate in government. You may if you choose call upon the state to fund higher education as a priority.

We all know the importance of our community colleges. Nonetheless, we must, all of us, continue to make the vital importance of the community college mission known to the community and our government officials.

Wise E. Allen  
Chancellor  
Peralta Community College District  
March 28, 2011