

July 20, 2011

TO: Chief Business Officers

FROM: Dan Troy, Vice Chancellor College Finance and Facilities Planning

SUBJECT: 2011-12 Workload Adjustments

The recently enacted *2011-12 Budget Act* includes a provision authorizing the Chancellor to adjust districts' base workload measures commensurate with reductions in general apportionment revenues. In recognition of your need to have an estimate of the workload adjustment prior to the scheduled workshops in mid-August, we are providing the attached spreadsheet that shows the district impact of the workload reductions on both revenues and full-time equivalent student (FTES).

The purpose of this workload adjustment is to align FTES workload with the reduced revenues provided to districts by the state in the 2011-12 Fiscal Year. Simply put, the workload adjustment provision acknowledges that significant budget cuts will reduce the capacity of community colleges to offer courses and reduces workload expectations accordingly. Language in budget states legislative intent that reductions in course sections, to the greatest extent possible, be achieved in areas other than basic skills, workforce training, and transfer.

The Chancellor's Office has calculated **preliminary** reductions to each district's revenue and base FTES workload measures for the 2011-12 Fiscal Year, which are attached. These reductions are preliminary because we do not yet have final 2010-11 district workload measures for funded FTES, stability FTES, and restoration FTES. For now, and until we have final 2010-11 workload measures (which will be available at the 2010-11 recalculation in January 2012), we are basing these reductions on each district's funded FTES reported at the 2010-11 Second Principal Apportionment. Final workload reductions will be calculated in January using updated 2010-11 workload data; all other assumptions and inputs for the final calculation will be consistent with the preliminary reductions.

For 2011-12, the state's total funding obligation for all districts, as calculated pursuant to Education Code, equals \$5.850 billion. The State Budget estimates that the community colleges will receive a total of \$5.537 billion from State General Fund Revenues, Property Tax Revenues, Student Fee Revenues, and Oil & Mineral Revenues in 2011-12. The shortfall in revenues compared to funding obligation equals \$313 million. The \$313 million dollar reduction figure is derived from the \$290 million identified in the budget and the remaining \$23 million stems from a structural deficit caused by the addition of new colleges, new centers and restoration adjustments made in the 2009-10 and 2010-11 fiscal years. Therefore, for this preliminary workload adjustment the Chancellor's Office has reduced each district's estimated Total Computational Revenue (2010-11 P2 TCR, less 2010-11 stability and less each district's basic allocation revenue amount) for 2011-12 by **6.2 percent**.

The Budget Act anticipates scenarios for potential mid-year cuts to the system of \$30 million and \$72 million if certain statewide revenue estimates are not met. It also shows a student fee revenue projection we believe is unrealistic in the amount of \$25 million. Be advised that these revenue impacts are not modeled here, but the Chancellor's Office will provide simulations or will discuss these revenue impacts at the budget workshops next month.

Also, please note that the Chancellor has provided nine, small rural districts with an exemption to the 2011-12 workload reduction. The Chancellor and many of the system's stakeholders believed the state's current fiscal crisis and the severe budget reductions suffered by the community college system in 2009-10, which placed tremendous fiscal stress on smaller, rural community college districts, warranted granting some relief to these institutions. The total dollar amount of the exemption for these small districts is estimated at roughly \$5.7 million and would preserve enrollments for over 1,300 FTES at these nine institutions.

We will spend a good deal of time discussing the workload reductions in more depth at the budget workshops in mid-August, but we wanted to provide this simulation in advance of the workshops knowing this information can be useful to districts now for budget planning purposes. Should you have any immediate questions, please contact either Ed Monroe at 916-327-6226 – emonroe@cccco.edu or Chris Yatooma at 916-324-2564 - cyatooma@cccco.edu.