

CITY CURRENTS



A NEWSLETTER FOR THE CITY COLLEGE COMMUNITY

SPECIAL BUDGET ISSUE

DECEMBER 18, 2002

Chancellor Philip R. Day, Jr. outlines state budget crisis as it affects City College of San Francisco

By Dr. Philip R. Day, Jr.
Chancellor

I am writing to update you on the budget situation at both the state and local level. The Governor has proposed cutting the community college's current year budget by \$215 million — \$97.5 million across the board, not backfilling \$37.5 million in property taxes, and an \$80 million reduction in apportionments to account for FTES in concurrent enrollment programs with K-12 that the Administration views as over-claimed or illegally claimed (this area of cuts will not impact on City College significantly, if at all). San Francisco's share of these cuts will amount to about \$4 or \$5 million.

The Legislature went back into session December 9 and may hold budget hearings before the new year. However, no decisions are expected to be made until after the

Governor proposes his budget for fiscal year 2003-2004. Because there is an estimated \$21 billion deficit expected for 2003-2004, more cuts are expected. To date, there has been no concrete proposal for increasing revenues. This is because although most Democrats believe revenue increases are necessary, Republicans believe further cuts rather than tax increases is the right approach. So, while Democrats control both houses of the Legislature, they do not have the two-thirds majority necessary to both approve the budget and to increase revenues. The good news is that community colleges enjoy strong support by both parties in the Legislature and the Governor.

In the meantime, let me assure you that our team of **Dale Shimasaki**, **Peter Goldstein**, **Leslie Smith**, and myself will be doing everything possible to minimize fiscal impact of the current budget situation on our

college. We will be working with our Legislative Delegation, other constituent groups and the community college system to develop a united strategy to ensure that community colleges get the resources necessary to ensure program quality is not lowered, nor is access to an education denied. In fact, we will be leading the fight to ensure that the budget is not balanced on the backs of our students, our faculty, or our staff.

That said, it is important to realize that after several years of good budgets, we are now in for an unprecedented level of difficult and challenging times, particularly if the level of cuts remain and no revenue enhancement package is approved by the Legislature. As most of you know, we approached the current year's budget plan very conservatively in anticipation of possible cuts at the mid-year and with the expectation that we needed to position ourselves for further cuts in FY 03-04. Working cooperatively with the leadership of labor, students, and administrative personnel, we decided to hold the line on wage increases until January 1, 2003. We also have, effective October 1, 2002, put in place a 'hiring freeze,' signifi-

'The cooperation and support of the entire City College family ... has been unsurpassed, if not inspiring.'

— Dr. Philip R. Day, Jr., Chancellor

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Dr. Philip R. Day, Jr. outlines how state budget crisis affects CCSF

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cant restrictions on travel, and reduced expenditures wherever and whenever we can. The cooperation and support of the entire City College family in this regard has been unsurpassed, if not inspiring.

Clearly, no one expected that the cuts in the current year would be at this level. Over the course of the next several weeks, we will be working with the Planning and Budgeting Council and the leadership of key constituencies to sort this out and determine how we can best accommodate this new fiscal reality. Throughout these deliberations, rest assured that the guiding principle that will shape our strategy would be to do everything we can to protect our people and their jobs.

I will keep you informed as the events unfold in what is expected by all to be a lengthy process. Throughout the process, our team will be fighting for the best possible outcome for our college, our students, and all of you.

Editor's Note: The above is a transcript of the memo from Dr. Day which was distributed to all email accounts at CCSF on December 9, 2002. Please note this special edition of City Currents focusing solely on the state budget crisis and how it affects CCSF is also available online at www.ccsf.edu.

CCSF legislative team working to ensure funding cuts are equitable

By Leslie Smith

Dean, Special Assistant to the Chancellor for Government Relations

The state of California has a very serious budget crisis to deal with over the next 18 months, encompassing the remainder of Fiscal Year 2002-03, plus the entire FY 2003-04. Because of the magnitude of the budget shortfall—\$6 billion in the current year and \$15 billion in the budget year—the decisions made during this process will affect us all.

The Process

The Governor has presented his proposed \$10.2 billion in mid-year cuts for FY 2002-03 and FY 2003-2004 to the Legislature. Education is proposed to take \$3.4 billion of these cuts, of which the community colleges would account for \$215 million

The Legislature has begun holding Budget meetings on the Governor's mid-year proposal. The Legislature will continue to hold hearings on proposed the mid-year corrections until agreement is reached. If a balanced approach is to be achieved, both cuts and revenue enhancements will be part of the solution that will be reached by the end of January or the beginning of February, 2003.

On January 10, the Governor will deliver his proposal for the 2003-2004 Budget for the State of California to the Legislature. This is the beginning of the annual budget process that will continue through May Revision until a final budget is signed. A two-thirds vote of the Legislature is necessary to deliver the budget to the Governor.

The unique aspect of this year's budget activity is that hearings for both the cur-

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Legislative team seeks equity

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rent year and the budget year will be occurring simultaneously. It is estimated that the overall budget shortfall could top \$21 billion and go as high as \$30 billion.

Proposed Mid-Year Cuts

The Governor has proposed \$135 million in cuts to the community college's general fund appropriation—a 4.2% hit. These cuts include \$37.5 million in property tax shortfall and \$97.5 million for a 3.66% across the board cut to both our base apportionment and our categorical programs. Additionally, an \$80 million hit to the community colleges' base appropriation to return FTES dollars collected for concurrent enrollment of high school students in community college PE classes that the Administration views as improperly charged.

When combined with the \$62 per student cut we already received for 2002-2003, this proposal would amount to \$254 less per student than we received in 2001-2002. No fee increases were proposed.

Impact on the Community Colleges Versus the Other Educational Segments

The proposal cuts the General Fund base appropriation to community colleges by 4.7%, plus an additional 3.66% to categoricals are higher than any other segment of education. UC and CSU are being reduced only 2.2 percent each and they plan to mitigate this impact by raising fees to students. K-12 has been asked to cut 3.6 percent across the board.

Budget Strategies

The magnitude of these budget cuts cannot help but be painful, but we are working with the State Chancellor's Office, the community college constituents, and our Legislative Delegations to develop a strategy that minimizes the impact on our students, our institutions, and our faculty and staff.

The big question that will be the focus of numerous hours of debate in the State Capitol will be whether to balance the budget on a combination of cuts and revenue enhancements or cuts alone. The Legislative Analyst has pointed out the need for balance and that the current proposal relies solely on cuts; there are no revenue enhancements on the table. Our Legislative Delegation has been supportive of increasing revenue as part of the solution to solving the budget shortfall. Furthermore, there will be an examination of the fairness of the distribution of the cuts across programs. In the current proposal, the Criminal Justice system takes a .04% hit although it makes up 6% of the State Budget.

At the state level the community colleges will fight to ensure that the community

colleges take no more than their fair share of the cuts. We will be trying to minimize the impact on students, faculty and staff, and our institutions. There is talk of suspending the 5% district reserve requirement, freezing instructional equipment funds immediately, curtailing summer school, postponing scheduled maintenance, and taking a very conservative approach overall to spending.

Our Legislative Team of Chancellor **Philip R. Day, Jr.**, Vice Chancellor of Administration and Finance **Peter Goldstein**, **Dale Shimasaki** of Strategic Education Services, and myself, will be actively working on your behalf, keeping you informed, and asking for your support as we move through this lengthy process.

Questions and Answers regarding CCSF budget

As presented by Peter Goldstein, Vice Chancellor, Administration and Finance, to College Council

Q. What has City College been doing to keep spending down this year?

A: City College has implemented the following:

- a delay of wage increases for all college employees from July 2002 to January 2003
- a freeze on out of state travel
- restrictions on hiring of classifieds and administrators.
- scrutinizing and limiting all nonpersonnel expenses, with spending ending effective February 2003

Q: The Governor has made a mid-year cut of more than \$200 million from the state's community colleges, how much

funding will City College lose and when will we lose it?

A: City College stands to lose \$4 million to \$5 million in state funding this year.

Q: How are the College's other sources of income doing?

A: Unfortunately, not very well. Our second largest source of income is sales tax, which is recovering very slowly from the recession. It will take until 2005-06 just to get back to the sales tax level we had in 2000-01.

Nonresident enrollment has been growing, which is providing us with extra income, and we are anticipating a increase in nonresident tuition, but not effective until Fall 2003.

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Questions and answers

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Also, we will be working to significantly reduce uncollectible student fees.

Q: How much money do we have in our savings account also known as “the reserve?”

A: City College of San Francisco currently has \$4 million in its reserve, down from \$5.5 million last year. The college had built the reserve up in anticipation of this problem. We can't draw all the reserve funding to cover cuts because it would leave us with virtually no margin for error in estimating revenues. However, the college will likely be spending some additional amount from the reserve fund to help us get through the next 18 months. Moreover, the state could allow community colleges to reduce their fund balance reserves below the 3% level without putting the affected community college on a Chancellor's Watch List.

Q: What else can we do to get through the rest of this fiscal year?

A: Several reductions in spending are being planned, including reducing spending on supplies and equipment over the next six months, significantly reducing the number of class sections offered in Summer 2003, but making sure that currently enrolled students are given priority registration privileges so that they can complete their course of studies in a timely way. Also, we are considering the postponement of sabbaticals, as well as working to reduce overtime expenditures and reassigned time to the bare minimum.

Q: Why are we buying all of those new computers if we are in such a tight fiscal squeeze?

A: Computers are being paid for with general obligation bond funds. Bond funds must be used for the purposes

specified to the voters. The bond fund is totally separate from the general operating fund, which is being reduced by the governor's budget cuts.

Q: How is the City of San Francisco faring? Any impact on City College?

A: The City and County of San Francisco is not doing well, either. According to City Hall sources, all departments have been asked to reduce spending by three percent immediately. Some city layoffs are expected. Because we are part of civil service, these layoffs may impact employees at City College through bumping, which is based on seniority.

Q: How much of a problem do we have for the next fiscal year, 2003-04?

A: We won't know until the governor announces his second round of cuts in January, but we are estimating that City College's operating budget could have a deficit over the next 18 months in the range of \$10 million to \$12 million.

Q: What should we expect from the state next fiscal year?

A: Probably more cuts. There is also talk of the Legislature suspending Prop. 98 revenue funding for education. There is also the possibility of higher tuition and other student fees.

Q: What new costs does the college face next year and what can we expect from our other revenues next year?

A: We expect an increase in the cost of health insurance for both the college and its employees. In addition, we will need to find a way to backfill some of this year's cuts in matriculation. The college would also face the full year cost of this year's delayed wage increases.

Q: What measures could the college take to generate the most savings?

A: Since 90 percent of our budget goes toward salaries and benefits, this is the area that would generate the greatest amount of savings. If there was a complete freeze in salary increases for the next 18 months, including step increases, the college would realize \$6.5 million in savings.

Q: What other actions can we take to reduce spending next year?

Some of the methods we could employ to save money next year include:

- not backfilling faculty who retire or are on sabbatical, estimated savings of \$1.6 million
- reducing non-personnel expenditures, including advertising and contracts for professional services.

Q: How much can we cut before we 'shoot ourselves in the foot' on enrollment related funding?

We must be careful about reducing classes. Fewer classes can translate into reduced enrollment which can in turn lead to reduced state funding to the college. The current proposal for reducing the summer session and not backfilling for faculty who retire or go on sabbatical appear to be within this limit.

Q: What about using more of the reserve next year?

A: It is a virtual certainty that the college will spend more of its reserve during the next 18 months.

Q: Since this is a statewide problem, is anything happening to raise more revenue to education statewide?

A: There is talk about a statewide ballot measure to increase taxes. Unfortunately, the next general election will be held in March 2004. However, there could be a special election as early as Spring 2003 if called by the governor.