

BUDGET UPDATE MAY REVISE 2013



POST PROP 30 BUDGET IMPLICATIONS

- ✘ No mid-year cuts in 2012-13 due to passage of Prop 30
 - + EPA funds (\$5M) now make up approximately 16% of MPC's apportionment revenue (no new money)
 - + Prop 30 revenue must be accounted for separately in Education Projection Account (EPA)
 - + Funds will be paid out in late June for 2012-13 for current budget year.

A LOOK BACK ON 2012—13

- ✘ MPC adopted the 2012-13 budget with a structural deficit.
 - + Ongoing apportionment did not equal ongoing expenses.
 - + Concessions, attrition, and district reserves used to close gap at adoption
- ✘ Mid-year changes have compounded structural deficit
 - + P2 FTES suggest MPC will not make apportionment cap for second year in a row. State will reduce 12-13 apportionment by \$1.4M
 - + MPC used district reserves (\$565K) to purchase another 275 FTES from South Bay in an effort to get to cap
 - + Deficit coefficient will likely be reduced to 1% to 1.5% or approximately \$300K
 - + Questions regarding outcome of Chancellor's Office investigation of ISA (South Bay)

MAY REVISE ECONOMIC ASSUMPTIONS

- ✘ State revenues are improving
 - + Recent \$4.5B surge is likely one-time in nature
 - Difference of \$2.8B between DOF and LAO revenue estimates
 - + High income earners are taking capital gains in 12-13 to avoid increases in federal tax rates in 13-14
 - Ever increasing reliance on income taxes from the wealthy to finance schools and other services
 - Capital gains = boom or bust revenues for the state
 - + Important economic indicators beginning to improve
 - Recent stock market gains
 - Housing prices and construction showing life
 - Long term unemployment beginning to decline

Figure 6

Administration Revenue Forecast Summary

General Fund and Education Protection Account Combined (In Millions)						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Personal income tax	\$54,261	\$63,901	\$60,827	\$67,132	\$71,762	\$74,985
Sales and use tax	18,658	20,240	22,983	24,702	26,327	26,962
Corporation tax	7,233	7,509	8,508	9,095	9,639	10,074
Subtotals, "Big Three" Taxes	(\$80,152)	(\$91,650)	(\$92,318)	(\$100,929)	(\$107,728)	(\$112,021)
Insurance tax	\$2,165	\$2,156	\$2,200	\$2,265	\$2,481	\$2,551
Other revenues	2,959	2,641	2,249	1,858	1,840	1,827
Net transfers and loans	1,509	1,748	468	-520	-1,892	-299
Total Revenues and Transfers	\$96,786	\$98,195	\$97,235	\$104,532	\$110,158	\$116,100
Differences From LAO Forecast	\$322	-\$690	-\$2,794	-\$2,459	-\$2,118	-\$2,838

Figure 7

LAO Revenue Forecast Summary

General Fund and Education Protection Account Combined (In Millions)							
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Personal income tax	\$53,889	\$64,453	\$64,320	\$70,354	\$74,676	\$78,606	\$82,909
Sales and use tax	18,658	20,394	22,194	23,735	25,348	26,032	26,495
Corporation tax	7,283	7,500	8,600	9,300	9,800	10,200	10,600
Subtotals, "Big Three" Taxes	(\$79,830)	(\$82,347)	(\$95,114)	(\$103,389)	(\$109,824)	(\$114,838)	(\$120,004)
Insurance tax	\$2,165	\$2,150	\$2,200	\$2,260	\$2,490	\$2,570	\$2,670
Other revenues	2,959	2,640	2,246	1,861	1,853	1,829	1,832
Net transfers and loans	1,509	1,748	468	-520	-1,892	-299	282
Total Revenues and Transfers	\$86,463	\$98,884	\$106,028	\$106,991	\$112,276	\$118,938	\$124,788

2013-14 Governor's State Budget Proposal		
Item	January Proposal	May Proposal
Apportionment Changes	\$196.9 million, unspecified	<ul style="list-style-type: none"> Cost-of-living adjustment: \$87,500,000 (1.57%) Enrollment growth: \$89,400,000 (1.5%)
Student Success (formerly Matriculation): Expanding the Delivery of Courses through Technology:	\$49,183,000 \$16,910,000	\$99,183,000 \$16,910,000
Adult Education:	\$315,700,000 and shift existing adult education responsibility to community colleges	\$30,000,000 for two-year planning grants, with a \$500,000,000 pot available in 2015-16 for regional consortia of schools and CCs. Apprenticeship would continue to be transferred to the Chancellor's Office.
Deferral Buy-down	\$179,000,000	\$339,800,000 (one-time funds in 2012-13) to a revised deferral of \$621.2 million in 2012-13 and \$557.5 million in 2013-14
Change apportionment to weighted census	Proposed	(Not discussed in May Revision documents; already rejected by legislative committees)
Require FAFSA for BOG Waivers	Proposed	Implement a requirement in 2014-15 to require students to complete FAFSA after one term and to require Board of Governors to develop standards for documenting independent student status.
Implement 90-unit cap on state support (full student cost beyond 90)	Proposed	Withdrawn

2013-14 BUDGET ASSUMPTIONS BEGINNING TO TAKE SHAPE

- ✘ A 1.57% COLA likely to materialize = approximately \$500K for MPC
- ✘ MPC apportionment revenue will be budgeted at \$900K less than 12-13 because we are under cap
 - + Could go lower due to repeatability and other ISAs (Cabrillo Fire and community theaters) generating fewer FTES
 - + MPC increasing South Bay commitment to 475 FTES
 - + MPC will not be eligible for growth funding until we get back to cap
- ✘ Increase in Student Success funding will help in areas of counseling, advising, and education planning
 - + This funding may help relieve UGF support of some restricted programs

2013-14 BUDGET ASSUMPTIONS BEGINNING TO TAKE SHAPE

- ✘ Buy down of deferrals will not generate any new funding for MPC.
 - + It will help reduce reliance on internal borrowing
- ✘ Structural Deficit still exist and is growing because we did not make apportionment cap

2013-14 BUDGET ASSUMPTIONS BEGINNING TO TAKE SHAPE

- × Self Insurance – health benefits
 - + 3 phase medical plan implemented in 10-11 expires in June 2013
 - + Plan and reduced utilization seem to have moderated claims experience over the last few years
 - + Savings from SI have been used to backfill GF structural deficit in 11-12, 12-13 and will be needed for 13-14

2013-14 BUDGET ASSUMPTIONS BEGINNING TO TAKE SHAPE

- + Benefits consultant is recommending a 12.82% premium increase based on national trends
- + I am considering taking a rate pass or reducing current funding rate (\$1,280) due to past experience.
- + HWCCC is recommending a 9% increase in rates to retirees (>65 yrs.) starting in January
 - × This is based on the cumulative CPI since the last increase in 09-10
- + A decrease in funding rate for actives and increased rates for retirees (\$25K) should save the GF approximately \$400K annually.



QUESTIONS