

# 2014 May Revise

# May Revise Economic Assumptions

- While there has been strong revenue growth in the 13-14 fiscal year the Governor does not see this increase carrying over into the 14-15 fiscal year.
- Proposition 98 minimum guarantee is based largely on year-over-year change, the upward tick in the 13-14 fiscal year combined with a modest revenue increase in the 14-15 projection actually decreases the minimum guarantee in the budget year relative to the January estimate.
- Despite the decrease in the 14-15 Prop 98 guarantee, the Governor's proposal makes room for some increased funding for programmatic support by shifting some of the buy down of deferrals from the budget year to the current year.
- While more time and details are needed to get a fuller picture of the proposal and how it will affect the district, the key highlights of the May Revise are highlighted below.

# MAY REVISE KEY HIGHLIGHTS

- \$50M is added to the Economic and Workforce Development Program (EWD) on a one-time basis “to improve student success in career technical education.” The funds are intended to develop, enhance, and expand CTE programs that build upon existing regional capacity to better meet regional market demands.
- \$42.4M is added to offset decreases in local property tax and fee revenue estimates for the 14-15 year.
- \$6M for increased technology infrastructure (\$1.4M one-time, \$4.6M ongoing) to upgrade bandwidth and replace technology equipment at local campuses.
- Adjustments to Access Funding and COLA –
  - A decrease of \$14.8M to reflect a change from 3 percent to 2.75 percent in funds for new access for the 2014-15 fiscal year. Additionally, the Governor will push back the implementation of a revised growth formula until the 2015-16 fiscal year.
  - A decrease of \$1.2M to reflect a drop in the COLA from 0.86 percent to 0.85 percent

## ...continued

- Adjustment to the January maintenance and instructional equipment proposal –
  - A decrease from \$175M to \$148M
  - All funds will go toward deferred maintenance in the revised proposal, rather than a 50/50 split with instructional equipment
  - A local match will *not* be required in 2014-15
- A decrease of \$1.5M for Proposition 39 projects/workforce development, due to reduced revenues attributable to the California Clean Energy Jobs Act
- The May Revise will also propose increasing the funding rate for Career Development and College Preparation courses to the rate for credit courses *commencing with the 2015-16 year*
- Deferral pay down adjustments –
  - A decrease of \$55.5M in the prior year
  - An increase of \$133.6M in the current year
  - A decrease of \$78.1M in the budget year
  - While there are adjustment of payments among the three fiscal years, the net result is still a complete pay down of system deferrals as of the 14-15 fiscal year
- Proposal to fully pay the \$74 billion in unfunded CalSTRS liability over the next 30 years.

# COMMUNITY COLLEGE LEAGUE

## HIGHLIGHTS

- The Department of Finance (DOF) and the Legislative Analyst's Office (LAO) revenue projections are somewhat different, but closely follow along the revenue projections that have been adopted by the Governor's proposal.
- The DOF believes there may be more revenues than the May revise states, they believe the additional funds may come from taxes paid on capital gains, therefore would be one-time funds.
- Both the Assembly and Senate subcommittee budget plans add more in one-time funds and \$246M in ongoing funds for California Community Colleges (CCC). Combined with the resources proposed in the May Revise, that would be a remarkable \$865M increase in revenue for community colleges, although it's much more likely that the final budget will be closer to the \$585M proposed by the governor. This increase would be the largest increase since the 2005-2006 fiscal year.
- The Assembly and Senate subcommittee further adopted language that would prohibit CCC from using public funds to pay any dues, special assessments, or other charges to the Accrediting Commission for community colleges in an amount greater in 14-15 than was paid in 12-13.

# Rate Increases, PERS and STRS

	<b>Planned 7-Year Increases to Employer PERS</b>								
Employee share 7%	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	
Employer% Plus Employee%	18.442%	18.700%	19.600%	22.000%	23.600%	25.200%	26.900%	27.400%	
Employer %	11.442%	11.700%	12.600%	15.000%	16.600%	18.200%	19.900%	20.400%	<b>Total Change</b>
% Change from Prior		0.258%	0.900%	2.400%	1.600%	1.600%	1.700%	0.500%	8.958%

	<b>Planned 7-Year Increases to Employer STRS</b>								
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	
Employer %	8.25%	9.50%	11.10%	12.70%	14.30%	15.90%	17.50%	19.10%	<b>Total Change</b>
% Change from Prior		1.25%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	10.85%

# 2014 May Revise

## What the State is proposing

\$50M is added to the Economic & Workforce Dev. Program on a one-time basis "to improve student success in Career Technical Education".

\$42.4M is added to offset decreases in local property tax and fee revenue estimates for the 14-15 year

\$6M for increased technology infrastructure (\$1.4M one-time, \$4.6M ongoing) to improve the reliability of internet connectivity and replace technology equipment at local campuses.

A decrease of \$14.8M to reflect a change from 3% to 2.75% in funds for new Access funding for the 14-15 fiscal year.

A decrease of \$1.2M to reflect a drop in the statutory COLA from 0.86 percent to 0.85 percent.

A decrease in funding for deferred maintenance from \$175M to \$148M, all funds to go toward deferred maintenance and no funds for instructional equipment. These funds use to be split 50/50 split between def maint and instructional equipment.

A decrease of \$1.5M for Proposition 39 funds, reducing funding to \$37.5M in 14-15.

Proposal to increase the funding rate for Career Development and College Preparation courses to the rate for credit courses starting with the 2015-16 fiscal year.

Pay off community college deferrals this year.

Proposal to fully pay the \$74 billion in unfunded CalSTRS liability over the next 30 years.

## What this means for MPC

May be able to offset some Unrestricted General Fund expenses. Funding will be on a "Regional RFP Grant" basis.

No impact to MPC General Fund.

May provide additional funding to MPC's Capital Facilities Fund-Restricted Account.

Access funding currently has no impact to MPC because we have not grown in FTES.

A COLA of 0.85 would give MPC \$287,824 which would be added to the base apportionment.

The district will need to budget \$68,000 in the Unrestricted General Fund for library materials. Library materials were being covered by instructional equipment funds.

Funds are reduced in the Capital Outlay Fund. No impact to the General Fund.

**For 2015-16**, the funding rate would move from \$3,232 to \$4,564 for Career Dev. and College Prep. courses. In FY 13-14 we reported 106 FTES which provided us ~ \$340K - the increase of \$1,332 would potentially provide ~ \$140K in **2015-16**.

No impact to MPC General Fund.

Additional expense to the Unrestricted General Fund. For 14-15 additional expense would be ~ \$175K.

# Questions