

# Proposition 30: Temporary Taxes to Fund Education

**Yes 54.3%**

**No 45.7%**

**What happens now?**

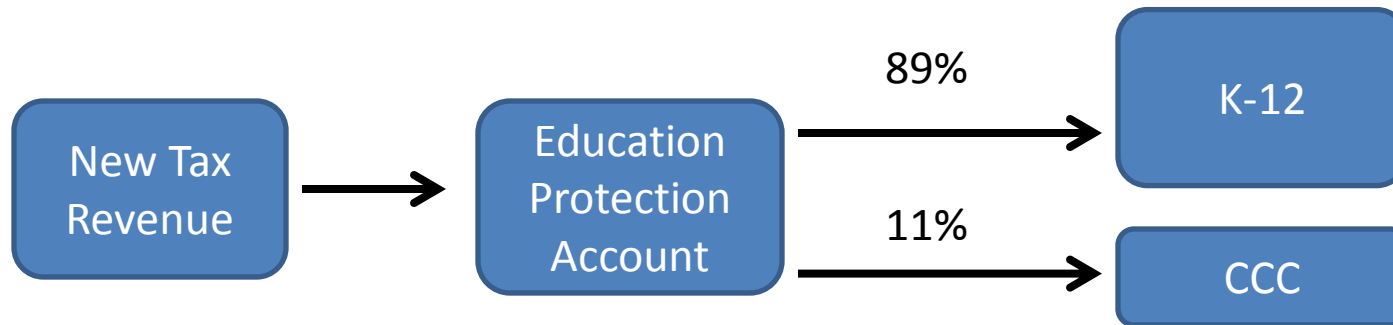
# Proposition 30

## Temporary Tax Increases

- Sales Tax Increase (.025 percent) for 4 yrs.
- Personal Income Tax Increase for 7 yrs.
  - 10.3% on \$250K to \$300K (single)
  - 11.3% on \$300K to \$500K (single)
  - 12.3% on \$500K + (single)
- New taxes would generate approx. \$6B in new revenue for the state annually.
  - New tax revenue would be used to fund schools and balance the budget

# Prop 30 Estimated Revenues

- Tax increases are estimated to generate \$6B in new revenues annually



- For 2012-13, Prop 30 increases the Prop 98 K-14 funding guarantee by \$2.8B.

# Prop 30 Revenues

- Education Protection Account
  - MPC's portion of this account is approx. \$5.7M in 2012-13
  - This is not new money! The state adopted their 2012-13 budget assuming Prop 30 would pass. The EPA funds now become part of our Prop 98 minimum guarantee.
  - Proceeds cannot be used for salaries or benefits of administrators or any other administrative costs

# Prop 30 Revenues

- Education Protection Account
  - Restricted vs. Unrestricted funds – measure does not contain “supplant” or “supplement language
  - District must publish an accounting of how funds are spent on their website
  - Time certain expiration of revenue

# What happens now?

- No mid-year cut
- No workload reduction of 7.3% or 515 FTES for MPC
  - FTES cap remains at 7,092
- Reduced inter-year deferral by \$1M to \$5.7M
- \$50M in enrollment restoration available for system in 2012-13
  - MPC eligible for approximately \$1M (233 credit FTES ) after making up “stability funding”.

# MPC Budget Implications

- Good News

- MPC adopted a budget assuming a \$750,000 reduction from the “best case” apportionment estimate (Best Case = Prop 30 passes)

- Bad News

- We have been deficit spending for the last 2 yrs. and must begin to balance ongoing revenues with ongoing expenses.
- MPC is on “stability funding” totaling \$1.4M or 297 FTES.
- Top priority for MPC to make up the “stability funding” this year otherwise apportionment will be cut.

# MPC Budget Implications

- Risks & Threats
  - Will there be a “deficit coefficient” applied to apportionment revenue?
    - The League has advised we should expect a large deficit. Last year, deficit coefficient was \$823K.
  - How will legislative changes affect MPC’s ability to restore FTES?



# How do we get off “stability funding”?

- Continue to improve our efficiency
  - Need to reverse trend of smaller class size
- Add sections where appropriate to generate additional FTES
  - *Will need to increase adjunct budget*
- Purchase additional contracts from ISAs
  - *Will need to increase ISA budget*

# Prospects for 2013-14 and Beyond

- The bleeding (cuts) has stopped
- Public education should begin to see a slow recovery because of an improving economy and additional tax revenues
- The legislature will face many competing priorities when looking at how to restore the cuts to public education

# Prospects for 2013-14 and Beyond

## – Competing Priorities

- The State has over \$12.8B in one-time obligations to public education including paying back deferrals, mandates, and emergency repairs
- Restoring prior-years workload reductions
- Making up foregone COLA's (16%)
- Addressing the end of “categorical flexibility” provision

# Prospects for 2013-14 and Beyond

- Should get a glimpse of what the Governor is thinking when he releases his January budget proposal for 2013-14
  - Governor’s original proposal for Prop 30 funds was to buy down the “Wall of Debt”
  - Probably “a little bit of this and a little of that” when 2013-14 budget is finally approved.

QUESTIONS???