

TENTATIVE BUDGET 2013-14

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) and posted on our website
 - + Approximately 50% of this tax will sunset in 4 yrs. and the balance in 7 yrs.

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. Somewhat buffered because of hybrid estimate of apportionment revenue.
 - + 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
 - + Chancellor's Office investigation of South Bay FTES has not been completed

MAY REVISE ECONOMIC ASSUMPTIONS

- ✘ State revenues are improving
 - + Recent \$4.5B surge in January is likely one-time in nature
 - ✘ 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
- ✘ Difference of \$2.8B between DOF and LAO revenue estimates
- ✘ 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	\$86,786	\$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)	(\$92,347)	(\$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	\$100,028	\$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):	\$49,183,000	\$99,183,000
Expanding the Delivery of Courses through Technology:	\$16,910,000	\$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



STATE BUDGET NEGOTIATIONS

- ✘ Difference between DOF and LAO revenue estimates have created opportunities for additional funding in 13-14
 - + Both Assembly and Senate subcommittees on education finance have released their recommendations on the Governor's May Revise
 - + Both houses are recommending additional funding primarily for categorical programs.
- ✘ Social Services are also competing for additional revenues to restore cuts

Matriculation Then & Now...

- 8 funded components →
- Colleges required to provide core matriculation services, but students not required to complete them →
- Stand-alone program planning →
- Funding allocated based on enrollment data for new and continuing students →
- Incomplete data reporting on matriculation services →
- 3 funded core services:
 - orientation, assessment, counseling/advising/other student education planning
- Institutional AND student requirements
- Incentivizes student completion of core services
- Clear link to student equity planning
- SSTF and BOG priority in restoration of matriculation funds
- Funding formula to include services provided as one element
- Linked to ARCC 2.0 Scorecard



The SSTF Recommendations & SB 1456

- First step to begin implementation of SSTF recommendations:
 - 2.2 (*mandated services*),
 - 3.2 (*BOGFW conditions*), and
 - 8.2 (*Student Support Initiative*)
- Links funding to support:
 - 7.3 *Student Success Scorecard*: Implement the accountability scorecard
 - 2.1 *Centralized Assessment*: **As a condition of receipt of funds, requires colleges to adopt common assessment if the college uses standardized assessment tests (when CCCAssess becomes available)**



Item	2012-13 Spending Level	2013-14 Governor May Revise	2013-14 Senate Subcmte	2013-14 Assembly Subcmte
Instructional Equipment	\$0	\$0	\$12 million (one-time funds)	\$0
Scheduled maintenance	\$0	\$0	\$12 million (one-time funds)	\$0
Professional Development	\$0	\$0	\$6 million (one- time funds)	\$0
Enrollment Growth	1%	1.63%	1.63%	2.2%
Cost-of-living adjustment	0	1.57%	1.57%	1.57%
Online education platform and prof. development	\$0	\$16.9 million	\$16.9 million	\$16.9 million
Student Success and Support (formerly Matric)	\$49.2 million	\$99.2 million	\$99.2 million	\$113.4 million
EOPS	\$73.6 million	\$73.6 million	\$98.6 million	\$134.1 million
CARE	\$9.3 million	\$9.3 million	\$10.6 million	\$9.3 million
DSPS	\$69.2 million	\$69.2 million	\$94.2 million	\$126.8 million
CaWORKs Services	\$26.7 million	\$26.7 million	\$34.5 million	\$44.3 million
Student Financial Aid Admin	\$71.0 million	\$67.5 million	\$67.5 million	\$72.1 million
Foster Care Education Program	\$5.25 million	\$5.25 million	\$5.25 million	\$5.34 million
Fund for Student Success	\$3.8 million	\$3.8 million	\$3.8 million	\$6.3 million
Nursing Support	\$13.4 million	\$13.4 million	\$13.4 million	\$22.4 million
Telecom/Technology	\$15.3 million	\$15.3 million	\$15.3 million	\$15.5 million
Academic Senate	\$318,000	\$318,000	\$415,000	\$474,000
Childcare Tax Bailout	\$3.3 million	\$3.3 million	\$3.3 million	\$7.7 million
Equal Employment Opportunity	\$767,000	\$767,000	\$767,000	\$779,000
Economic Development	\$22.9 million	\$22.9 million	\$22.9 million	\$23.3 million
Apprenticeship	\$7.2 million	\$7.2 million	\$7.2 million	\$15.5 million
Part-time Faculty Office Hours	\$3.5 million	\$3.5 million	\$5.9 million	\$7.2 million
Part-time Faculty Health Insurance	\$490,000	\$490,000	\$820,000	\$1.0 million
Part-time Faculty Compensation	\$24.9 million	\$24.9 million	\$24.9 million	\$51.6 million
Transfer Education and Articulation	\$698,000	\$698,000	\$698,000	\$1.4 million

2013-14 BUDGET ASSUMPTIONS

- ✘ A 1.57% COLA likely to materialize
- ✘ MPC apportionment revenue will be less than 12-13 because we have been below cap for 2 successive years.
 - + 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
 - + Criteria for funding allocation still being developed

2013-14 BUDGET ASSUMPTIONS

- ✘ Buy down of deferrals will not generate any new funding for MPC.
 - + It will help reduce reliance on internal borrowing
- ✘ Absent any new agreement(s), wage concession of 2012-13 will expire in June 2013.
- ✘ Absent any new agreement(s), the three phase medical plan will expire in June 2013.

2013-14 BUDGET ASSUMPTIONS

- ✘ Self Insurance – health benefits
 - + 3 phase medical plan implemented in 10-11 because of projected increase
 - + Employee behavior 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

- + Benefits consultant is recommending a 12.82% premium increase based on national trends
- + Reducing current funding rate from \$1,280 to \$1,200 because of recent past experience.
 - × If the consultant is right and HWCCC is wrong, we could be looking at a 20%+ increase in 13-14
- + HWCCC is recommending a 9% increase in rates for retirees (>65 yrs.) starting in January
 - × This is based on the cumulative CPI since the last increase in 09-10

Unrestricted General Fund 2013-14	
<i>Changes in Revenue from 12-13 adopted levels:</i>	
Reduction in Apportionment due to not making cap in 11/12 and 12/13	(\$768,072)
Projected COLA of 1.57%	\$526,000
Net Reduction in Fees from electronic transcript implementation	(\$15,000)
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Estimated Change in UGF Revenue	(\$257,072)
<i>Changes in Expenses from 12-13 adopted levels:</i>	
Expiration of 12/13 Wage Concession	\$400,000
AT&T Service Agreement for Marina	\$14,000
Property & Liability Insurance Premium Increase (10%)	\$33,789
Worker's Comp Insurance Premium Increase (2%)	\$10,000
Board Election (2 seats)	\$100,000
Attrition Savings:	
FT Faculty	?
Classified	\$0
Management	\$0
New Position / Personnel - PT Lab Assistant for Chem	\$13,338
Decrease PT Faculty Funding	(\$180,000)
ISA Budget	?
Decrease transfer from UGF to Self Insurance	(\$373,427)
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Estimated Change in UGF Expenses	\$17,700

CONCLUSION

- ✘ Structural deficit still exist because ongoing apportionment revenue does not equal ongoing expenses.
- ✘ Increases in state revenues for 2013-14 are helpful, but do not outweigh revenue loss from declining FTES
 - + State's growth funds must be earned
 - + Increasing reliance on South Bay ISA is necessary in the short run to arrest any further decline in FTES
- ✘ MPC Board must adopt Tentative Budget by June 30th regardless of whether state adopts their budget by the statutory date.

QUESTIONS