

Tentative Budget 2012-13



College Council
June 12, 2012

The Great California Budgetary Train Wreck

Can Governor Brown Avert This Dreadful Catastrophe?



© MONTE WOLVERTON

L.A. DAILY NEWS

caglecartoons.com

Governor's May Revise 2012-13

- May Revise is based on “best case” scenario
 - Assumes Governor's tax initiative will be approved by voters in November.
 - Would keep apportionment revenue level compared to 2011-12.
 - Additional revenue from tax initiative would be used to buy down deferral – no new monies for programs or growth in 2012-13.
 - Categorical funding levels would remain the same as 2011-12.
 - Flexibility expanded to more programs
 - Mandate Reimbursement process converted to block grant based on FTES.

Governor's May Revise 2012-13

- Significant downside risk even with “best case” scenario
 - Will there be another deficit coefficient (cents on the \$) applied mid-year?
 - Student fee increase and increase in BOG fee waivers
 - Property tax shortfall
 - Will RDA property tax revenue materialize at state level to augment school funding?
 - What is budgetary impact of ending 2011-12 below FTES cap = stability funding?

Governor's May Revise 2012-13

- Trigger Cut – if Governor Brown's tax initiative fails, then
 - \$5.5B trigger cut to K-14
 - CCC would lose \$313M in deferral buy down – cashflow management
 - \$300M in workload reduction to CCC
- MPC Trigger Cut = \$2.0M mid-year cut in apportionment equivalent to a workload reduction of 430 FTES or 6.2%.

Governor's Tax Proposal

- The Governor's tax plan:
 - on the November 6, 2012 ballot
 - simple majority required
 - raises sales tax by 0.25% from January 1, 2013 through December 31, 2016
 - raises personal income taxes on individuals > \$250,000 from 2012 through 2018 tax years
- Alternative tax initiative supported by Molly Munger does not help CCC

Governor's Reliance on RDA Revenues

- AB X126 calls for the dissolution of Redevelopment Agencies (RDA) that were created by the Redevelopment Act (1945)
 - RDAs were created to eliminate urban blight
 - Tax increment from redevelopment was to be shared by other public agencies including schools
- The dissolution of the RDAs was intended to redirect “tax increment” to the state to augment property tax revenue
- Governor is expecting \$116M in RDA property tax backfill in 2011-12 for CCC
- \$341.2 M in RDA backfill is expected in 2012-13 for CCC
- *Receipt of RDA funds to backfill property taxes for CCC is questionable in the short term because of contentious local politics. This will likely take years to unravel.*

Budget Development 2012-13

- Significant uncertainties exist and the magnitude of the trigger cuts are large, therefore, taking a measured approach makes sense:
 - *That is, we build in flexibility to our budget and collective bargaining agreements to address mid-year changes as they occur.*
- This approach allows us to meet state regulatory requirements on adoption dates and allows us to defer final action until more is known.

Budget Development 2012-13

- This approach is not without risks:
 - The tax initiative is not a panacea. If tax is approved, it will take 3 yrs. before we reach 07-08 Prop 98 level
 - *Regardless of whether the tax initiative passes or not, MPC has a structural imbalance between ongoing revenues and ongoing expenses.*
 - In 2011-12, we used \$1.1M in 1X funds to close the deficit at adoption. Because of unanticipated mid-year cuts, underperforming saving measures, and the need to generate additional FTES, another \$2.2M may be needed to balance the 2011-12 budget. These additional 1X funds will come from rate stabilization reserve.

MPC Budget Assumptions for 2012-13

- No restoration of prior year cuts or growth funds
- No COLA (estimated at 3.24%)
- Fee increase to \$46 per unit starting this summer
- Categorical funding = 2011-12 level
- Hybrid estimate of apportionment revenue
 - Assumes \$750K cut in revenue (could be deficit coefficient, workload reduction, RDA revenue shortfall, stability funding, or other)
 - MPC will earn back stability funding in 2012-13
- Collective bargaining agreements are approved
- \$2M in TRAN borrowing
- FT faculty replacements per agreement
- CDC will generate \$200K in savings thus requiring less GF support

Apportionment Revenue Estimate

	Budgeted 2011-12	Worst Case Actual 2011-12	Worst Case 2012-13	Hybrid w/ Trigger 2012-13
Apportionment	\$34,672,438	\$35,048,737	\$35,048,738	\$35,048,738
Trigger Cut - Workload Reduction	included	included	(\$1,935,850)	\$0
Deficit Coefficient - BOG Waivers	\$0	(\$670,000)	??	\$0
RDA Revenue Shortfall*	\$0	(\$777,000)	(\$938,700)	\$0
				(\$750,000)
Total Apportionment	\$34,672,438	\$33,601,737	\$32,174,188	\$34,298,738
		↘ \$34,672,438	↘ \$32,174,188	
Shortfall in Revenue		(\$1,070,701)		(\$2,124,550)
Increase in expenses (Adjunct, ISA, CDC & Dept)		(\$1,129,000)		
Amount Needed Balance Budget in 2011-12		(\$2,199,701)		

* Assumes 2012-13 trailer bill will be approved holding CCC harmless of \$200.9M of RDA liquid assets

Summary of All Funds 2012-13

Funds	Beginning	Budgets		Ending
	Fund Balance	2012-2013		Fund Balance
	<u>7/1/2012</u>	<u>Revenue</u>	<u>Expense</u>	<u>6/30/2013</u>
General				
Unrestricted	\$3,763,831	\$37,449,005	\$37,448,994	\$3,763,842
Restricted	\$0	\$5,194,405	\$5,194,405	\$0
Special Revenue				
Child Development - Unrestricted	\$0	\$552,372	\$552,372	\$0
Child Development - Restricted	\$0	\$254,316	\$254,316	\$0
Student Center	\$214,409	\$265,200	\$265,200	\$214,409
Parking	\$92,179	\$512,000	\$481,953	\$122,226
Debt Service				
Student Center	\$20,905	\$18,525	\$18,525	\$20,905
Lease Payments	\$52,285	\$275,324	\$275,324	\$52,285
Capital Projects	\$792,895	\$755,062	\$1,381,890	\$166,067
Building	\$54,046,985	\$200,000	\$31,021,614	\$23,225,371
Self Insurance	\$8,736,186	\$6,701,200	\$7,568,892	\$7,868,494
Fiduciary				
Financial Aid	\$12,881	\$5,500,000	\$5,500,000	\$12,881
Associated Students	\$50,475	\$90,274	\$90,274	\$50,475
Scholarship and Loans	\$272,948	\$2,500,000	\$2,500,000	\$272,948
Trust Funds	\$293,917	\$550,000	\$550,000	\$293,917
Orr Scholarship	\$61,262	\$50,000	\$50,000	\$61,262
Total	\$68,411,158	\$60,867,683	\$93,153,759	\$36,125,082

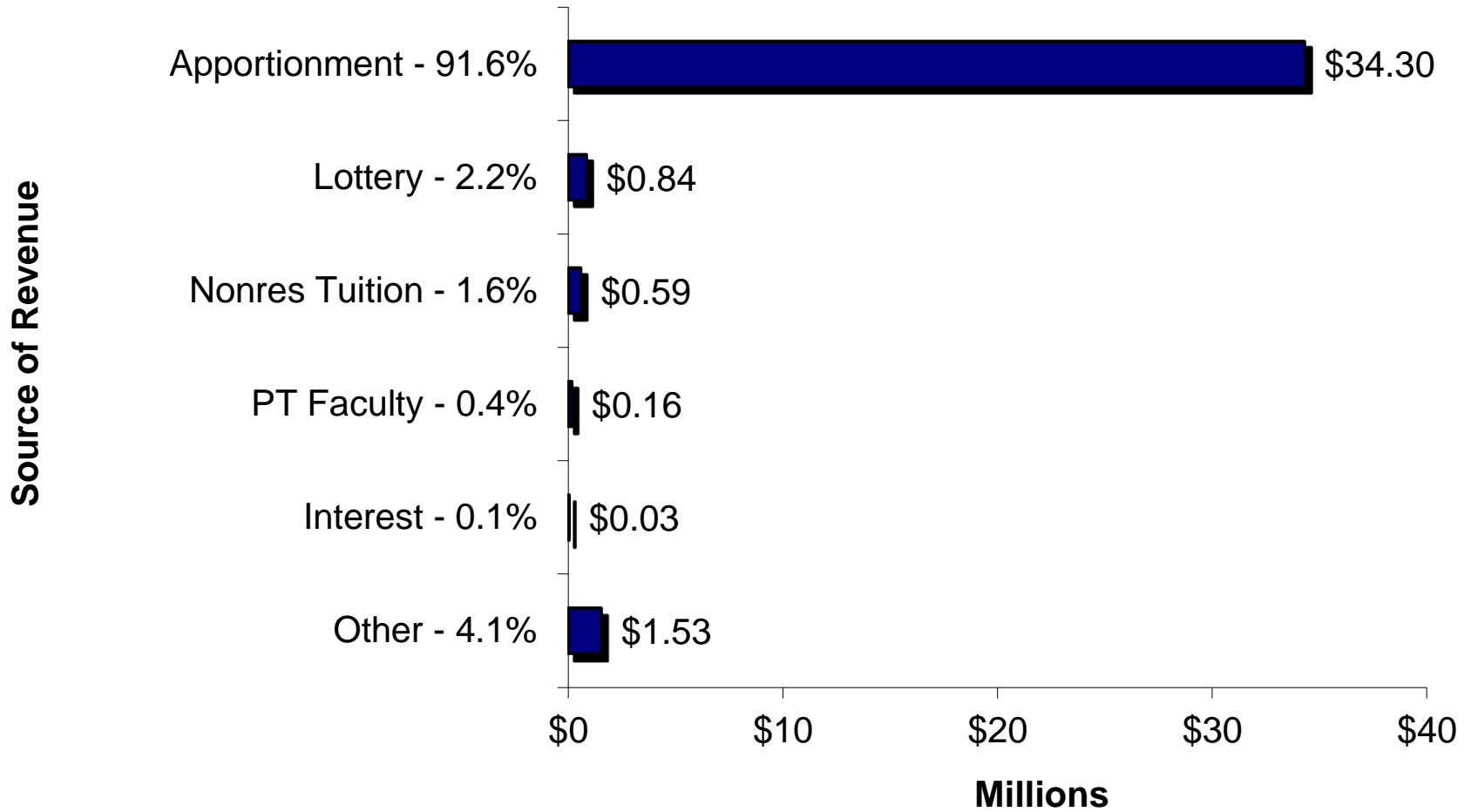
Categorical Flexibility

Basic Skills
Student Financial Aid Admin
EOPS
CalWORKs
Matriculation
Academic Senate
Equal Employment Opportunity
Part-time Faculty Health Insurance
Part-time Faculty Compensation
Part-time Faculty Office Hours
Fund for Student Success
Economic Development
Transfer Education and Articulation
Child Care Tax Bailout
Nursing
Disabled Students
Foster Care Education
Telecommunications and Technology

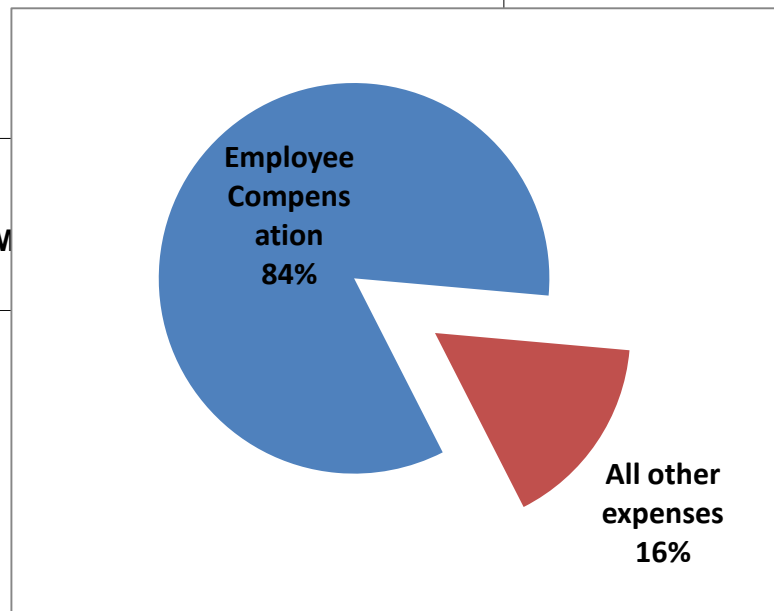
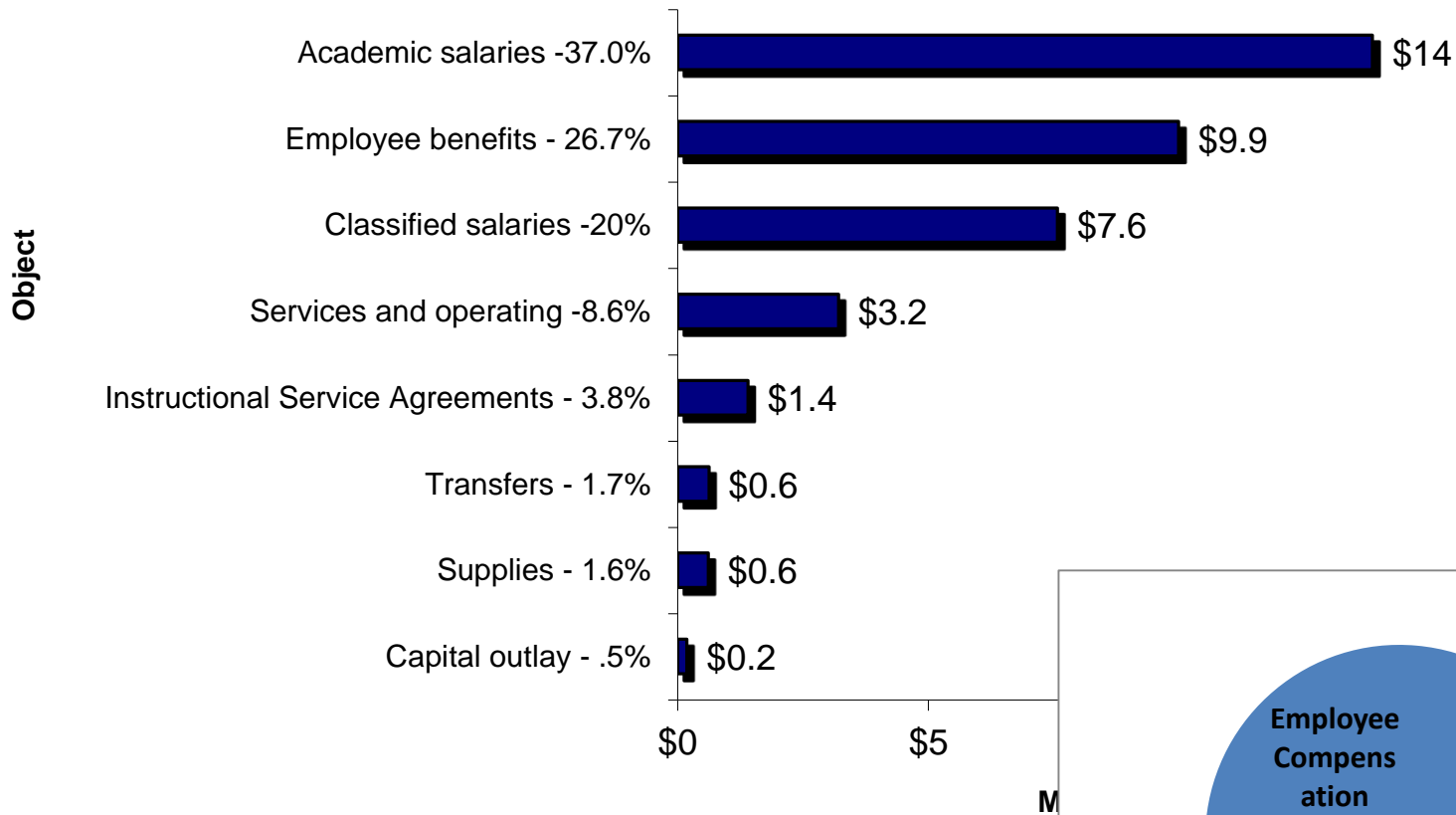
15 categorical programs would be made flexible, to be used for any categorical or “student service” purpose

3 categorical programs would be restricted to current use

Where the money comes from



Where the money goes



Self Insurance Fund

- Self insurance expenses are budgeted at \$7.56M
 - This includes a transfer of \$876,692 from “rate stabilization reserve” to GF revenue to cover a portion of the GF deficit.
- Medical /RX claims are holding steady – kind of
 - Still in Phase 1 of three phase plan
 - Continue to experience a significant number of large claims
 - stop loss policy are covering claims > \$150K
 - Stop loss policy has increased nearly \$500K in the last two years because of poor large claims experience.
- New medical consultant, Alliant, has estimated a funding premium increase of 7.14%, however, district and HWCCC have agreed to take a “rate pass” in 2012-13 because of sufficient reserves in Self Insurance Fund.

Next Steps and Actions

- Board must adopt Tentative Budget by June 30th
- When will state adopt their own budget?
- Will tax initiative(s) be approved by voters?
- Will there be any legislative relief for CCC for deficit coefficient and RDA revenue shortfall?
- Board must adopt Final Budget by September 15th.