

Tentative Budget 2012-13



College Council
May 29, 2012

Governor's May Revise 2012-13

- Very similar to January proposal
- Best case remains the same, but “worst” case reflects deeper cuts (trigger cuts) because of increased deficit (\$9.2B to \$15.7B)
- Prop 98 (minimum funding for K14) is projected to increase from \$52.4B to \$54B assuming tax initiative passes
 - No new net funding because increase will be used to pay down deferral and GO bond debt service has been added to Prop 98 obligation.
- Increased categorical flexibility

Governor's May Revise 2012-13

- Trigger Cut – if Governor Brown's tax initiative fails, then
 - \$5.5B trigger cut to K14
 - 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%.

Community College Scenarios

Scenario A
Tax initiative Passes

- ◆ \$313.1 million “deferral buy-back”
- ◆ Mandates block grant of \$28/FTES

Scenario B
Tax initiative
Does Not Passes

- ◆ ~\$300 million triggered cut
- 6.2% workload reduction (-63,888 FTES)
- ◆ Mandates block grant of \$28/FTES

Categorical Consolidation Both Scenarios
\$411.6 million

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 CC

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

Reliance on RDA Revenues to Backfill Property Taxes for CCC

- 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
 - \$140.3 million ongoing revenue from redirection of tax increment to property taxes
 - \$200.9 one-time from a “recovery of cash assets”
 - Community colleges would get to keep \$16M as incentive to wind down redevelopment
- Receipt of RDA funds to backfill property taxes for CCC is questionable in the short term. This will take years to unravel.

Budget Development 2012-13

- By law, MPC must approve a budget by June 30th regardless of what the state does and the outcome of the tax initiative(s)
 - Uncertainty and unknowns have never been greater
- A “worst case” case scenario for 2012-13 would have the tax initiative not passing and RDA funds not materializing
 - MPC would be subject to a mid-year loss of apportionment revenue totaling \$4.2M.

Budget Development 2012-13

- Significant uncertainties exist and the magnitude of the trigger cuts are big, 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 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.

MPC Budget Assumptions

- No restoration of prior year cuts
- No COLA (estimated at 3.24%)
- No growth funds
- Fee increase to \$46 per unit starting this summer
- Categorical funding = 2011-12 level
- Hybrid estimate of apportionment revenue
 - Results in a tale of two budgets

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	\$0
RDA Revenue Shortfall	\$0	(\$777,000)	(\$2,304,000)	\$0
				(\$750,000)
Total Apportionment	\$34,672,438	\$33,601,737	\$30,808,888	\$34,298,738
		\$34,672,438	\$30,808,888	
Shortfall in Revenue		(\$1,070,701)		(\$3,489,850)
Increase in expenses (Adjunct, ISA, CDC & Dept)		(\$1,129,000)		
Amount Needed Balance Budget in 2011-12		(\$2,199,701)		

Budget Development 2012-13: Tentative Budget		4.1.1
	Hybrid	Worst Case
Worst Case Trigger Cut 2012-13	\$0	\$1,935,850
Deficit Coefficient 2012-13	\$0	??
RDA Shortfall	\$0	\$2,304,000
Loss of Apportionment Revenue	\$750,000	\$4,239,850
Estimated Increases in 2012-13:		
TRAN Cost - \$2M borrowing	\$25,000	
SIS Fee Increase	\$50,000	
New PERS increase	\$37,711	
Increase in ISAs	??	
Increase in adjunct cost	??	
Search Consultant	\$25,000	
Property & Liability (6%)	\$15,169	
Water Use Fee	\$12,740	
PT Faculty Salary Backfill	\$0	
Employee Related Increases:		
Classified Reclash / Equity increase	\$122,078	
Step/Long - Classified	\$84,361	
Step/Col/Long - Faculty	\$131,609	
Step/Long - Management	\$48,967	
Wage Concession:		Cost of 1%
Management	??	\$31,507
Classified	??	\$93,512
Faculty	??	\$159,305
		\$284,324
Attrition Savings:		
Classified 12-13	??	
Management 12-13	??	
Faculty 12-13 - Three including RU (T, D & E)	(\$284,087)	
Estimated Savings in 2012-13		
FORA Environmental Insurance Expires	(\$50,000)	
Reduce Adjunct Budget because of workload reduction	\$0	
CDC Savings through re-structure	\$0	Assume \$200K 11-12
5 vacant FT Faculty (3 ZZ + B&H + HB phase out)	(\$522,360)	
Deficit for 2012-13	\$446,188	
Carry Forward Deficit from 2011-12	\$1,100,000	
Deficit before Budget Responses	\$1,546,188	

What is MPC doing about expenses?

Chancellor's Thoughts

- We agree with the governor's call for new revenue.
- Community colleges have been cut \$809 million since 2008-09, and have foregone 15.8% in cost-of-living adjustments. Tax measure would restore Prop. 98 to 2007-08 funding levels in 2014-15.
- The manipulation of Prop. 98 by adding general obligation bond debt service may be unconstitutional and is a sleight-of-hand cut to schools/CCC.
- We are very concerned about programming all these funds into a "positive trigger" given the tremendous amount of downside risk. K-12 groups are lining behind deferral buy-down

