

# **Monterey Peninsula College**

## **2011-12 Final Budget Assumptions**

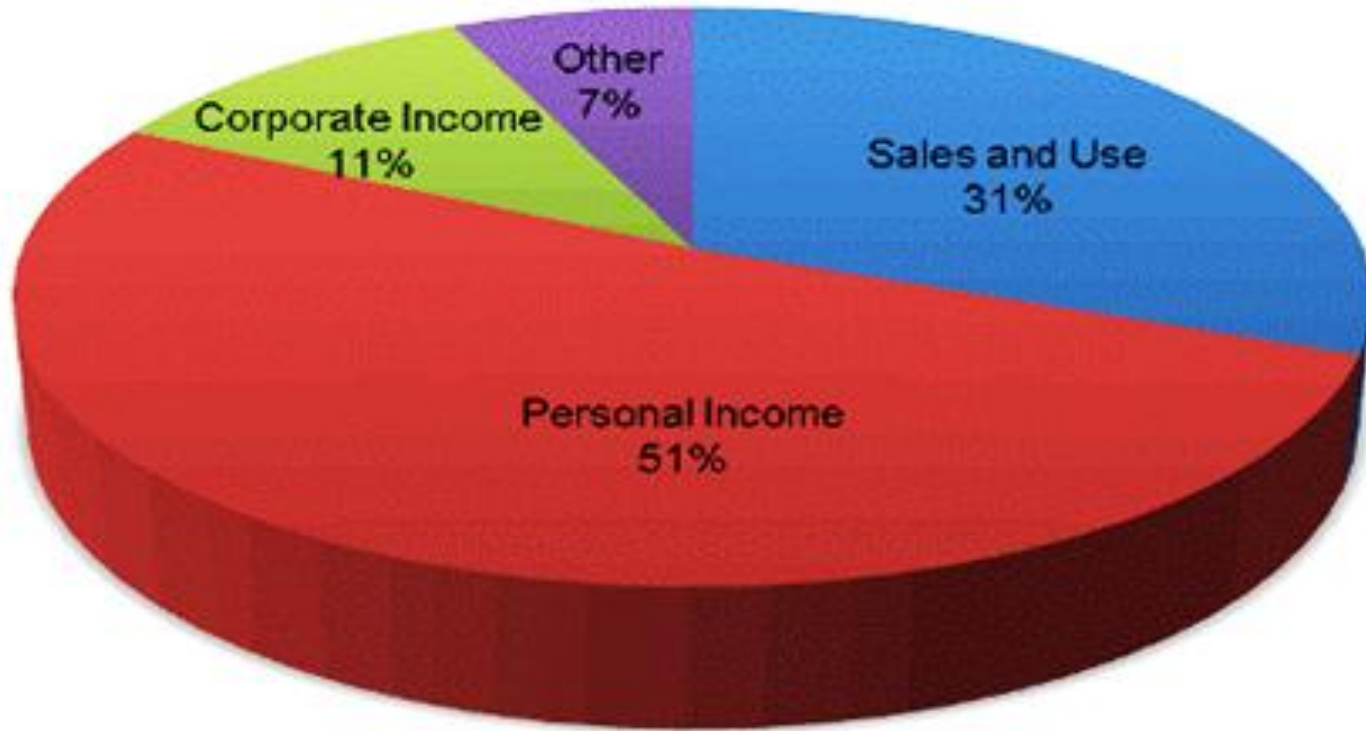
**Presentation to College Council  
August 9, 2011**

# State Approved Budget 2011-12

- CC system will be cut \$290M in apportionment from 2010-11 levels
- Student fees will be increased from \$26 to \$36 per unit
- New inter-year deferral of \$129M
- Potential for mid-year trigger cuts of \$30 million and \$72 million if certain statewide revenue estimates are not met

# It's About Revenue !

**Sources of General Fund Revenues**  
FY 2009-10



# State Adopted Budget

## Closing the Budget Gap From DOF official budget document

	Two - Yr. Total	%
Expenditure Reductions	\$15,043	55.3
Revenues	\$947	3.5
Other	\$2,920	10.7
Natural Changes*	\$8,287	30.5
<b>Total Solutions and Changes</b>	<b>\$27,197</b>	

*\* Changes are from the improvement in the state's revenue outlook*

State unemployment rate was 12.1% as of June 30.

# State Adopted Budget

- Redevelopment Agencies (RDA) are to contribute \$1.7B to schools (Prop 98) and local governments as part of the 2011-12 budget solution or face elimination.
- A lawsuit has been filed challenging required contribution saying state violated voter-approved Prop 22.
- Who will prevail and what does it mean?

# Mid-year Trigger Cuts

- The budget allows mid-year trigger cuts if Dept. of Finance determines on or before December 15th that revenues are falling short of budget assumptions.
  - Tier 0 – There will be no midyear cuts if at least \$3 billion of the \$4 billion of the higher revenues materialize.
  - Tier 1 – If only \$2 billion to \$3 billion of the revenues materialize, the CC system could see a \$30M cut to apportionment at Spring semester which could be offset by another \$10 increase to student fees.
  - Tier 2 – If less than \$2 billion of the revenues, the CC system would receive a reduction to apportionments of up to \$72 million beyond the Tier 1 cuts.



# MPC Budget Assumptions

## Tentative Budget

- No funded COLA (statutory COLA estimated at 2.24%)
- No growth funding
- \$3.39M reduction to state apportionment (9% reduction from 10-11)
  - Workload reduction (reduced FTE cap)
- Fee increase from \$26 to \$36 per unit
- No change to state categorical funding levels
  - Categorical flexibility extended for another two years
- No buy down of inter-year deferrals

## Final Budget

- No funded COLA (statutory COLA estimated at 2.24%)
- No growth funding
- **\$2.94M reduction to apportionment (Tier 2 worst case scenario)**
  - Workload reduction (reduced FTE cap)
- **Mid year fee increase from \$36 to \$46 per unit – (Tier 1 & 2)**
- No change to state categorical funding levels
  - Categorical flexibility extended for another two years
- **New inter-year deferral**

# Self Insurance Fund

- Preliminary indications are that health benefit expenses are \$500K less than budgeted for 2010-11
- Keenan analysis of the data suggests the following
  - CHOMP discounts from 1-1-11 to 6-30-11:       -\$168K (6 months)
  - CHOMP moving from tier 3 to tier 1:               +\$20K (2 months)
  - Removing grandfathering of maintenance Rx:   -\$24K (6 months)
  - Higher Keenan discounts due to Coalition size increase:   -\$9K (9 months)
  - Employee's making more cost effective choices – changing behavior?
  - Favorable Utilization Variance



# Self Insurance Fund

- Health benefit costs continue to rise
  - Stop Loss Premium increased \$305K for 2011-12
  - Increased attachment point (deductible) from \$125K to \$150K per claim
    - This reduced cost of MPC policy, however also increases dollar exposure to claims above \$125K
- Since Faculty and Management have a three phase plan to deal with future increases, no trend increase will be factored into 2011-12 medical composite rate
- Savings from 2010-11 will be used to offset increase in 2011-12 health benefit costs

FOR BUDGET COMMITTEE 8/1/11	<i>Changes From FY 2010-11 Final</i>		
<b><i>Changes in Revenue and Expenses</i></b>	<b>Tentative Budget</b>	<b>Final Budget</b>	
<b><i>2010-11 Budgeted Excess Revenue over Expenses</i></b>	\$4,331	\$4,331	
<b><u>Projected changes in revenues:</u></b>			
<b>Apportionment - Workload Reduction</b>	(\$3,398,000)	(\$2,943,808)	Assume Tier 2 trigger cut in December 2011
COLA (2.37% not funded)	\$0	\$0	
Student Fee Increase Revenue	Included Above	Included Above	
CCC Apportionment Deficit	\$0	\$0	
Interest Income	?	?	
Nonresident Fee Decrease - \$183 to \$176/Unit	(\$25,000)	(\$25,000)	
Lottery	?	?	
<b>Total change in revenue</b>	<b>(\$3,418,669)</b>	<b>(\$2,964,477)</b>	
<b><u>Projected changes in expenses:</u></b>			
<b><u>Compensation-Related</u></b>			
Medical Benefits Increase-	\$382,657	\$0	Savings from 2010-11 used to offset increase in 2011-12
Early Retirement Incentive savings (net of costs):			
Faculty	Silo offset	Silo offset	
Classified	Silo offset	Silo offset	
Savings in FT Faculty Replacements	Silo offset	Silo offset	
Increase PERS Employer rate to 10.923%	\$38,462	\$38,462	
Increase SUI rate to 1.61%	\$0	\$187,518	State UI Rate increased 0.72% to 1.61%
<b>Mgrs, Conf. &amp; Admin-</b> Step & Long (incl. Benefits)	\$42,174	\$42,174	
<b>Mgrs, Conf. &amp; Admin-</b> Turnover Savings (incl. Benefits)	Silo offset	Silo offset	
<b>Faculty-</b> Step (incl. Benefits)	\$130,854	\$130,854	
<b>Classified-</b> One-year cost of <u>Reclass</u> (UGF share 82%) (incl. Benefits)	\$115,552	\$115,552	
<b>Classified-</b> Payroll increases for Step, Long (incl. Benefits)	\$108,391	\$108,391	
Reduction of Adjunct Salary because of workload reduction	(\$300,000)	(\$300,000)	
Reduction of Adjunct Salary because of reduced state support	(\$180,000)	(\$180,000)	
<b><u>Operational</u></b>			
Insurance Rates ( Prop, Liability, WC) Increase est.	\$7,500	\$17,000	Rates stayed flat. But Work Comp Rebate for 2010-11 was one-time only
Utilities increase est. %	\$72,063	\$72,063	
Backfill Categorical for Student Services programs	\$0	\$0	
MCOE financial system use charge	\$53,010	\$53,010	
Ed. Ctr. & PSTC increase phone/data line costs	\$34,005	\$34,005	
Reduction in ISAs	(\$439,000)	(\$439,000)	
Reduction target of 15% for 4000-6000	(\$100,000)	(\$100,000)	
Reduction in UGF support for CDC	(\$200,000)	(\$200,000)	
<b><u>One-Time</u></b>			
External Borrowing Cost (TRAN)	\$0	\$0	
Marina Ed Center Startup	\$25,000	\$25,000	
Trustee election expense	\$199,000	\$199,000	
Demographic Review Trustee areas	\$31,000	\$31,000	
Library Materials (incl. electronic)	\$70,000	\$70,000	
<b>Net difference in expenses</b>	<b>\$90,668</b>	<b>(\$94,971)</b>	
<b><i>Difference (excess expenses)</i></b>	<b>(\$3,509,337)</b>	<b>(\$2,869,506)</b>	
<i>Subject to Collective Bargaining</i>			

# Conclusion

- State's budget assumptions are tenuous
- MPC will be conservative in its revenue estimate and will budget for "worst case"
- If state revenues materialize, there will be provisions for restoration of cuts and concessions
- Full restoration of funding to pre-recession (2007) levels is likely still 2 to 3 years away.