

# Monterey Peninsula College District Tentative Budget 2011-12



**COLLEGE COUNCIL  
MAY 31, 2011**

**PREPARED BY: ADMINISTRATIVE SERVICES**

# State Budget Timeline



- Governor releases 2011-12 budget proposal in **January 2011**
  - A \$26.6B deficit is identified
    - ✦ Deficit is the result of
      - Structural imbalance between revenues and expenses
      - Declining revenues because of “Great Recession”
      - Expiration of temporary taxes imposed in 2009
      - Lack of legislative discipline to put fiscal house in order (i.e. too many one-time solutions and accounting gimmicks)

# State Budget Timeline (continued)



- Governor's January Budget Proposal
  - ✦ A balance of expenditure reductions and revenue enhancement (extension of temporary tax increase)
  
- **Community College Proposal**
  - *\$400M cut to CC's apportionment*
  - *Census date reforms*
  - *\$10 fee increase from \$26 / unit to \$36 / unit*
    - *Used to pay for 1.9% in growth funding*
  - *No change to categorical program funding*
  - *Flexibility provision extended another 2 yrs*
  - *A new \$129M inter-year deferral*

# State Budget Timeline (continued)



- LAO releases “All Cuts” Budget in **February** if no extension to temporary taxes
  - *Possible options for further CC cuts*
    - ✦ *An increase fee from \$26 to \$66 per unit*
    - ✦ *A cap on state-funded credits of 90 units per student*
    - ✦ *Reduce credit basic skills funding to the non-credit rate*
    - ✦ *Eliminate the state subsidy for intercollegiate athletics*
    - ✦ *Eliminate state funding for repeat physical education and fine-arts activity classes*
    - ✦ *Eliminate state funding entirely for non-credit physical education and fine-arts activity classes*

# State Budget Timeline (continued)



- Senate and Assembly budget committees weigh-in on Governor's budget proposal
  - *Community college changes*
    - ✦ *Reject census date reforms*
    - ✦ *\$400 cut will be a “workload reduction” – reduce funded FTE cap*
    - ✦ *Fee increase revenue (\$110 M) should not be used for growth, but to offset \$400 apportionment cut*

# State Budget Timeline (continued)



- In **March**, Legislature passed \$13.4 B in budget solutions which included:
  - *Reducing CalWORKS and Medi-Cal*
  - *Closing up to 70 state parks*
  - *Eliminating Adult Day Health Care*
  - *Reducing state workforce by 5,500 positions*
    - ✦ *Requiring state employees to pay at least 3% more for their retirement costs*

# State Budget Timeline (continued)



- **Changing conditions and events**
  - *Tax revenue forecast is revised upward by \$2.8B for 2010-11 and \$3.5B higher for 2011-12*
  - *New revenues obligate state to increase Prop 98 (K-14) funding by \$3B*
    - ✦ *CC's share is approximately \$350M*
  - *Proposed shift of \$1B in children's health services (Prop 10) funding is in litigation – off the table*
  - *The sale and leaseback of 37 state building is deemed illegal and cancelled – off the table*

# State Budget Timeline (continued)



- **May Revision** is released
  - *Deficit is reduced from \$26.6B to \$10.8B because of prior actions and increased revenues*
  - *Focus on paying down debt and reducing state government*
    - ✦ *Eliminates 43 boards, commissions, task forces*
    - ✦ *Realign responsibilities to local government*
    - ✦ *End redevelopment and shift funds to Medi-Cal and trial courts*
  - *Extend temporary taxes to make up difference*



# State Budget Timeline (continued)



- ***Community College Proposal – all ready adopted***
  - *\$400M cut to CC's apportionment*
    - ✦ *Will be a workload reduction*
  - *\$10 fee increase from \$26 / unit to \$36 / unit*
    - ✦ *\$110M in fee increase will be used to offset apportionment cut*
  - *No change to categorical program funding*
  - *Flexibility provision extended another 2 years*
- ***May Revision – CC Proposal***
  - *Increase in Prop 98 funding (\$350M) will be used to reduce prior inter-year deferrals (\$960M)*
    - ✦ *No new money*

# Election or No Election?



- **Gov. JERRY BROWN**
  - Wants a special election as soon as possible, which realistically means September if the Legislature agrees on a budget by June.
  - To balance the budget until an election, he wants lawmakers to extend sales and vehicle taxes from July 1 until the election.
- **Senate President Pro Tem DARRELL STEINBERG,**
  - Wants to balance the 2011-12 budget by having the Legislature approve a one-year extension in taxes.
  - Wants the electorate to vote on extending the taxes for four more years some- time in 2012.
- **ASSEMBLY REPUBLICAN CAUCUS**
  - Opposes tax extensions and opposes an election, other than one on pension reductions and a spending cap.
- **Assembly Speaker JOHN A. PÉREZ**
  - Believes the Legislature should approve taxes on its own but says he is open to a "ratification" by voters at some later date.

# Implications to MPC Budget



- **May Revision's improved outlook most likely eliminates "All Cuts" budget scenario (\$5.4M cut)**
- **MPC's Tentative Budget now based on Middle Case (\$3.4M cut)**
  - Budget could very well improve to Best Case (\$1.9M cut), but is tied to extension of temporary taxes / revenues

# MPC's Budget Responses



- **Types of budget responses to the deficit**
  - Institutional (supplies, service contracts, vendors)
  - Workload related (ISA and FTES / offerings)
  - Compensation related (through collective bargaining)
- **Compensation related responses will address the lion's share of the deficit because salary and benefits make up 85%+ of the GF budget**

# Changes in Revenue / Expenses



- **See attached spreadsheet for details**

# Self Insurance Fund



- **Current year budget is \$6.9M**
  - *As of April 30<sup>th</sup>, \$5.5M has been expended*
  - *Two months to go in FY with average monthly expenses running \$600K to \$700K*
  - *Claims data shows*
    - ✦ *MPC avg. age is 3-7 years older than most districts*
    - ✦ *Avg. claims cost increased 28.93% in the last 12 months*
    - ✦ *The number of large claims doubled in the last 12 months, particularly for retirees.*

# Self Insurance Fund - continued



- Faculty / Mgmt adopted a three phase plan to mitigate 25% increase last year
  - *Classified only adopted Phase 1*
  - *Review of 12 months of “**active**” employee claims history in Feb did not trigger going to Phase 2 for Faculty / Mgmt*
- Latest renewal projection indicates self-funded rate should be increased another 16.5% (\$665K) starting in 2011-12.
  - *Increase due to industry trend (9% ) and increasing premium for “stop loss” insurance policy*
    - ✦ *Policy cost \$700K in 2010-11, but claims have exceeded \$2M in the past 12 months.*

# Self Insurance Fund - continued



- Some mitigating factors should offset projected increase
  - *Anthem Blue Cross has moved CHOMP from Tier 3 to Tier 1*
    - ✦ *\$390K in savings could be realized because of discount*
- Net increase to health plan for 2011-12 is \$382,600
- H&WCCC continues to examine options
- There are no silver bullets! It is a question of values....



# Conclusion



- **Tentative Budget for 2011-12 is still in flux**
  - *May Revision is encouraging for CC*
  - *When will State adopt budget?*
  - *Will there be an election to extend taxes?*
  - *Will increased State revenues materialize?*
- **MPC Board must adopt Tentative budget by June 28<sup>th</sup> regardless of state situation**
  - *Some budget responses have been identified*
  - *Collective bargaining is ongoing*
- **More to come.....**

# Tentative Budget - May 31, 2011

## MPC 2011-12 Unrestricted General Fund Budget Projections

<u>Changes in Revenue and Expenses</u>	<u>Middle Case</u>	Notes
<b>2010-11 Budgeted Excess Revenue over Expense</b>	\$4,331	
<b>Projected changes in revenues:</b>		
<b>Apportionment - Workload Reduction</b>	(\$3,398,000)	
COLA (2.37% not funded)	\$0	
Student Fee Increase Revenue	Included Above	
CCC Apportionment Deficit	\$0	
Interest Income	\$0	
Nonresident Fee Decrease - \$183 to \$176/Unit	(\$25,000)	
Lottery	?	
<b>Total change in revenue</b>	(\$3,418,669)	
<b>Projected changes in expenses:</b>		
<b><u>Compensation-Related</u></b>		
Medical Benefits Increase- Claims & Premium- \$665K - \$283K	\$382,657	**
Early Retirement Incentive savings (net of costs):		
Faculty	Collective Barg	**
Classified	Collective Barg	**
Increase PERS Employer rate 10.923%	\$38,462	
<b>Mgrs, Conf &amp; Admin - Step &amp; Long</b> (including benefits)	\$42,174	
<b>Mgrs, Conf, &amp; Admin - Turnover Savings.</b> (incl. Benefits)\	?	
<b>Faculty - Step &amp; Long</b> (including benefits)	\$130,854	**
<b>Classified - One-year cost of Reclass</b> (UGF share 82%)	\$115,552	**
<b>Classified - Payroll increases for Step, Long</b> (incl. Benefits)	\$108,391	**
Possible savings in FT Faculty Replacements	?	**
Reduction of Adjunct Salary because of workload reduction	(\$300,000)	**
Reduction of UGF support to Adjunct Salary because of prior state reduction of equity funding starting in 08/09	(\$180,000)	**
<b><u>Operational</u></b>		
Insurance ( Prop, Liability, WC) Increase est.	\$7,500	
Utilities increase est. %	\$72,063	
Backfill Categorical for Student Services programs	\$0	
MCOE financial system use charge	\$53,010	
Ed. Ctr. & PSTC increase phone/data line costs	\$34,005	
Reduction in ISAs	(\$400,000)	
Reduction target of 15% for 4000-6000	(\$100,000)	
Reduction in UGF support for CDC	(\$200,000)	
<b><u>One-Time</u></b>		
External Borrowing Cost (TRAN)	?	
Marina Ed Center Startup	\$25,000	
Trustee election expense	\$199,000	
Demographic Review Trustee areas	\$31,000	
Library Materials (incl. electronic)	\$70,000	
<b>Net difference in expenses</b>	\$129,668	
Difference	(\$3,548,337)	
District use of One-Time Funds	\$750,000	
<b>Net Deficit *</b>	(\$2,798,337)	
<b>* Options for closing remaining deficit include Reduction in Force (RIF), other institutional savings, or budget solutions developed through collective bargaining.</b>		
<b>** These budget items could be used to arrive at budget solutions through collective bargaining</b>		