

FINAL BUDGET 2012-13

College Council – First Reading
August 7, 2012

STATE BUDGET 2012-13

- Approved state budget is based on “best case” scenario
 - Assumes Governor’s tax initiative (Prop 30) will be approved by voters in November.
 - Would keep apportionment revenue essentially the same as 2011-12
 - \$50M available for restoration / growth
 - Additional revenue (\$213M) from tax initiative would be used to buy down system wide deferral of nearly \$1B
 - Categorical funding levels would remain the same as 2011-12
 - Expanded flexibility not approved in final budget
 - Mandate Reimbursement process converted to block grant based on FTES or district can file claims using old method

STATE BUDGET 2012-13

- Trigger Cut – if Governor Brown’s tax initiative fails, then
 - \$5.5B trigger cut to K-14
 - CCC would lose \$213M in deferral buy down – cashflow management
 - \$338M in workload reduction to CCC
- MPC Trigger Cut = \$2.28M mid-year cut in apportionment equivalent to a workload reduction of 515 FTES or 7.3%.

TENTATIVE BUDGET ASSUMPTIONS FOR 2012-13

- No restoration of prior year cuts
- No funded COLA (statutory 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, stability funding, or other)
 - MPC will earn back stability funding in 2012-13
- \$2M in TRAN borrowing
- FT faculty replacements per agreement
- CDC will generate \$200K in savings thus requiring less GF support
- Use \$1.3M of District Reserves and 1X funds to balance the budget

WHAT HAS CHANGED IN THE FINAL BUDGET?

○ Revenues:

- Apportionment estimate is the same as Tentative Budget
 - ✓ Hybrid estimate is closer to “best case” than “worst case”
- Increase use of District reserves and 1X funds by \$526,000 to cover imbalance between ongoing revenues and expenses. Total now \$1.82M (\$1.3 + \$0.52)

○ Expenses:

- Increase in instructional contracts of \$476,000
 - ✓ Fire courses and contingency for additional South Bay commitment
- Increase in hourly adjunct for counseling totaling \$46,000.
- Increase in HR budget of \$4K due to purchase of applicant tracking software

○ Other:

- Update to OPEB set aside (\$3.7M) towards long term liability of \$10.8M.
- Increase in Capital Outlay Fund of \$114,353 for technology and infrastructure emergencies. Funds come from return of insurance (P&L and WC) equity

WE ARE ON STABILITY FUNDING!

- Apportionment cap for 2011-12 was 7,093 FTES
 - Final reported 2011-12 FTES = 6,804
 - Short of apportionment cap by 289 FTES or \$1.39M even with maximum summer borrowing
 - The \$1.39M was paid and spent in 2011-12, but not earned
 - Top priority for district to earn the 289 FTES back in 2012-13
 - If we don't earn FTES back, our apportionment will be cut by the amount unearned.



HOW DO WE GENERATE FTES?

- Using existing resources
 - Increase efficiency - most cost effective method
 - Offer more classes and sections to growth areas (Marina and DE)
- Purchase additional instructional contracts where it makes financial sense



CLASS SIZE EFFICIENCY

	<u>Credit</u>	<u>Non-credit</u>
Apportionment/FTES/525 contact hrs	\$4,564.83	\$2,744.96
Apportionment/contact hr	\$8.69	\$5.23
Ave FT faculty comp*/contact hr	\$196.32	
Students/class to cover FT comp	23	38.3
Students/class to cover FT comp w/50% overhead	46	76.6
Average PT faculty comp**/contact hr	\$67.37	
Students/class to cover PT comp	7.8	12.9
Students/class to cover PT comp w/50% overhead	15.5	25.9

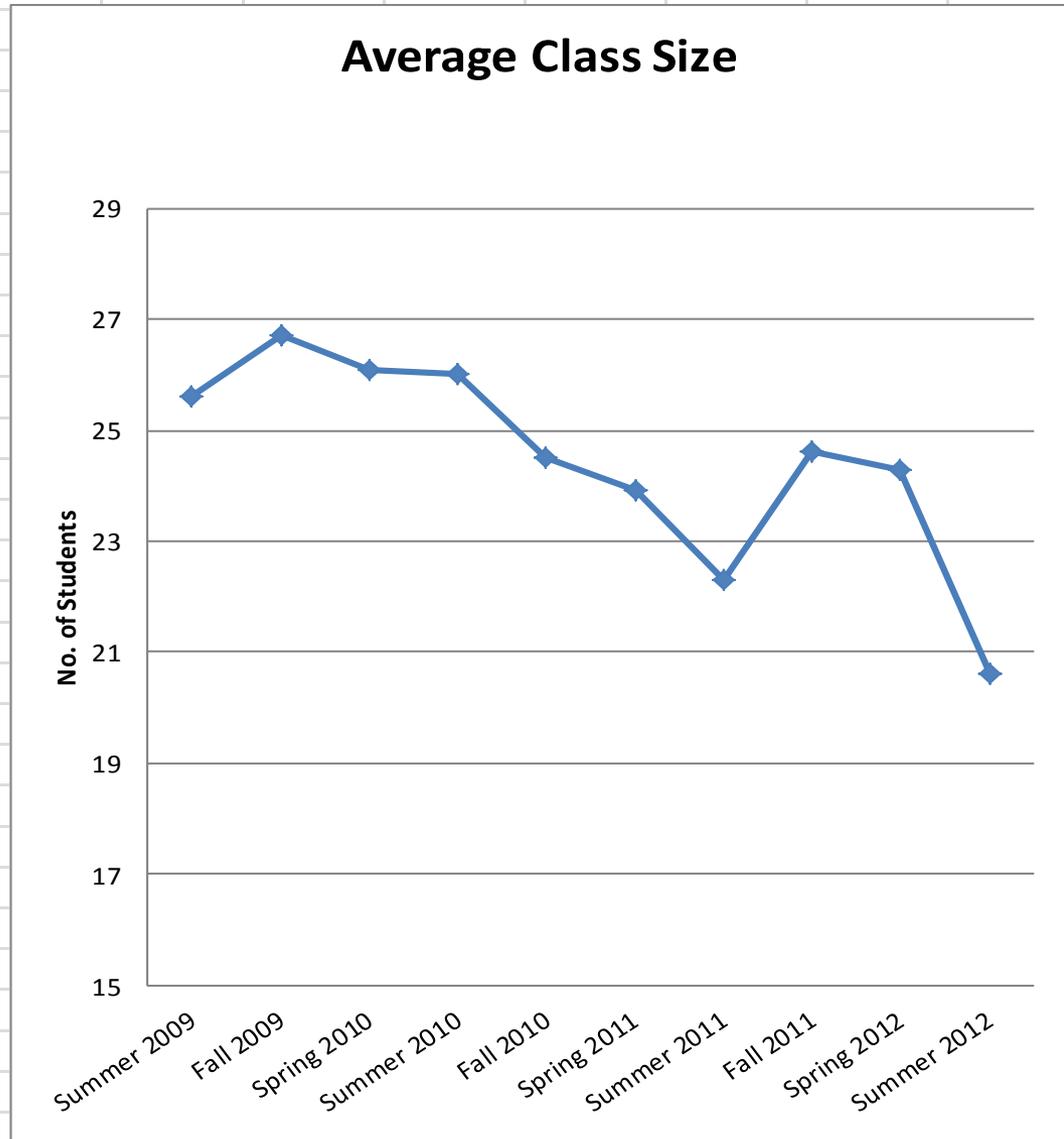
Notes * uses \$71,259 salary (\$103,067 total comp) for full-time annual teaching salary

** uses \$59.82 (\$67.37 total comp) for adjunct hourly teaching salary



EFFICIENCY TRENDS

Average Class Size	
Summer 2009	25.6
Fall 2009	26.7
Spring 2010	26.1
Summer 2010	26
Fall 2010	24.5
Spring 2011	23.9
Summer 2011	22.3
Fall 2011	24.6
Spring 2012	24.3
Summer 2012	20.6



TAX INITIATIVE(S)

- Approved state budget assumes passage of Governor's tax initiative (Prop 30)
 - Would increase sales tax by $\frac{1}{4}$ percent for 4 yrs.
 - Increase income taxes for those making more than \$250,000 per year.
- Passage of Prop 30 would raise \$6B annually in additional state revenues
- Prop 30 and Prop 38 (Munger) both support public education, but only Prop 30 helps CC
 - If both are approved by voters, the one with the most votes is implemented



DO YOU FEEL LUCKY?

- Most recent field poll shows 54% approval rating for Prop 30.
 - Pollsters expect this will drop by 10 points when negative ads start running (Munger and anti-tax advocates) in September.
 - Legislature could improve the likelihood of Prop 30 passing if they move on public employee pension reforms.
- Hope for the best and plan for the worst!
 - How would we address a \$2.3M mid-year cut?
 - Start developing a “contingency plan” now!