



MPC Notes
February 3, 2012
Budget Response Edition

Flex Notes: On January 25, we held our Flex Day convocation during which I shared some information on the financial conditions facing the college. On January 26, Vice President Steve Ma provided more information about the Governor's proposed budget for 2012-13. The Budget Committee began consideration of this information on January 31. I have had requests from faculty and staff to provide this information in a written form to promote understanding. It is important that everyone understand the elements of our fiscal condition so we can collectively develop a balanced budget response.

Governor's Proposal – The Governor presented his proposed 2012-13 budget in early January. It is designed to close a state-wide \$9.2B deficit with additional spending cuts and new tax revenues. The proposal does not restore any of the prior year cuts, does not provide any growth funds, and does not include a cost of living adjustment [COLA]. It does include an increase in student fees to \$46 a credit unit. The budget proposal assumes passage of a tax initiative in November that will increase sales tax by ½ percent for four years and increases personal income tax rates for high income earners. Because his budget assumes this initiative will pass, the community colleges are subject to a mid-year “trigger cut” if the voters do not approve it. MPC's portion of this “trigger cut” would be \$1.76M.

On-Going Deficit from 2011-12 - In addition to the threat of a mid-year “trigger cut,” MPC must contend with the on-going deficit from this academic year, 2011-2012. A significant portion of our budget response this year relied on short-term measures that expire on June 30. These measures are primarily wage concessions and one-time funds from the college budget reserve. Unfortunately, the 2011-12 budget deficit is a permanent, on-going reduction. Since the Governor's budget does not restore any of these cuts, we must fashion a budget response for 2012-2013 that addresses both the on-going 2011-12 deficit and the possible “trigger cut” if a November tax initiative does not pass.

Worst Case Scenario – Last year, we implemented a worst case scenario that assumed additional mid-year reductions would be implemented in December 2011. That approach allowed us to avoid any further painful reductions in the middle of the academic year because we had already absorbed the total reductions in the adopted budget. [Had there not been mid-year cuts, we would have restored a portion of the wage concessions.] This year, we are faced with the same situation, a “known” deficit [on-going deficit from 2011-12] and a “potential” deficit [additional trigger cut if the tax initiative does not pass]. As a result, we must continue to plan for a worst case scenario.

Budget Response – The Budget Committee has already begun examining possible responses to this situation, and the collective bargaining teams will begin discussions very soon. Last year, we collectively developed a budget response based on a core belief that we valued people’s jobs more than individual compensation. As a result, in addition to reductions in operational costs and use of one-time funds from the college reserve, we all accepted reductions in compensation. We must address this core belief again this year in order to plan on how to develop a budget response. The earlier we reach consensus on this, the earlier we can propose a response.

Personally, I believe that it is in the best interest for all of us to share equally in any reductions that are required. As we did last year, every effort will be made to limit any wage concession to the smallest possible percentage. In addition, I believe we are best served by developing a multi-year response with clear provisions to restore concessions as our first priority for new funds. At the same time, we must continue to serve students and do so in the most efficient manner possible.

I thank all of you for your dedication to MPC and its students. Together, we make a strong team.

Doug Garrison

If you have any questions or comments on any of this information, please let me know at 646-4060 or dgarrison@mpc.edu.