

BOARD OF TRUSTEES
PRESENTATION OF THE 2016-2017
TENTATIVE BUDGET REPORT
JUNE 7, 2016

SANTA MONICA COLLEGE

TENTATIVE IS..... TENTATIVE!!!

- Still waiting for P2
- Year end closing
- May Revise - Macro view
- Governor vs. Legislature
- CAUTION: For these reasons projections may significantly differ from final allocation

OVERVIEW

- Governor's Proposed Budget
- Tentative Budget

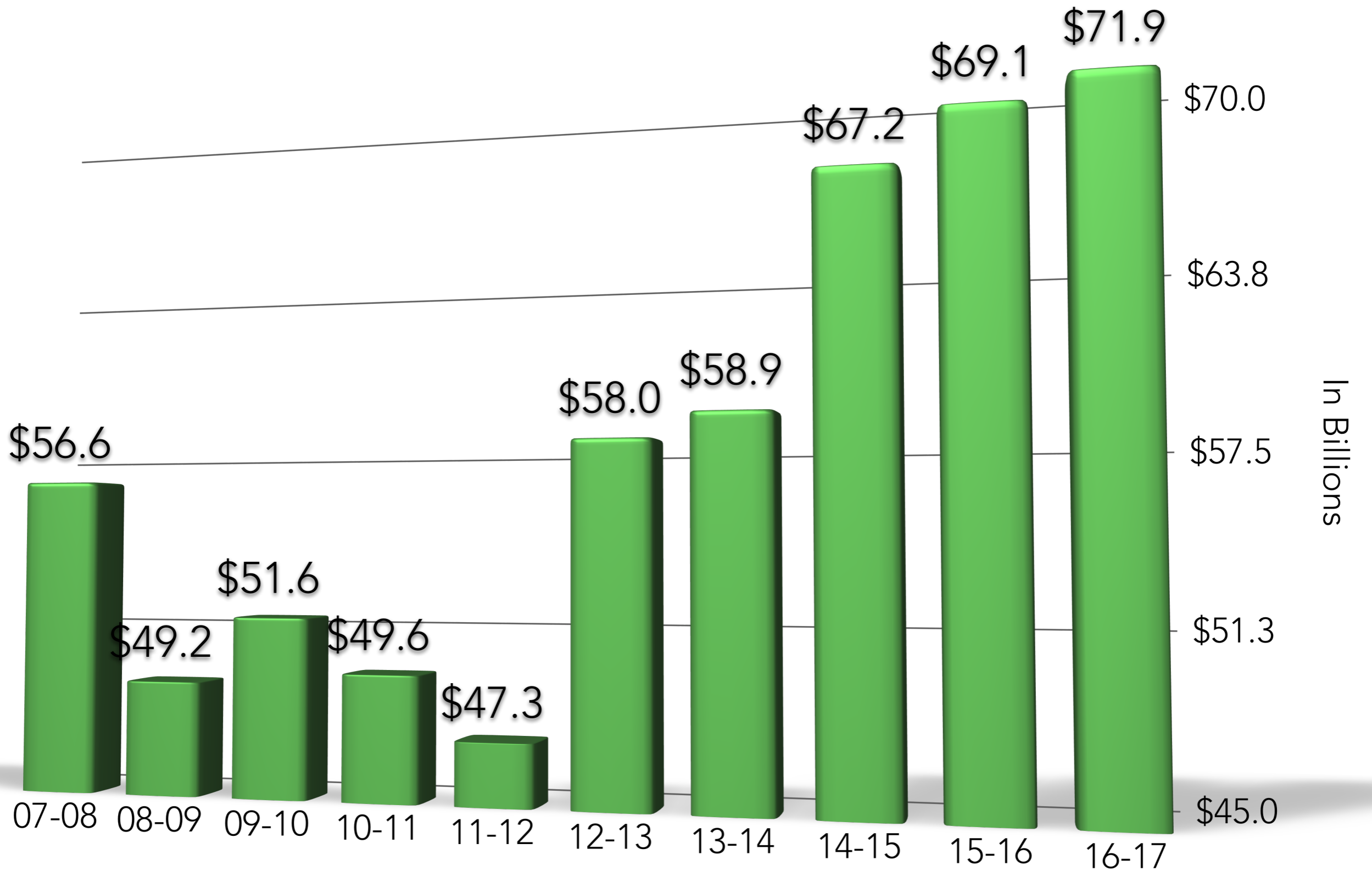
2016-2017

Governor's May Revise

GOVERNOR'S MAY REVISE

- Record \$122.2B General Fund Budget
- Prop 98 funding is \$71.9B
 - \$2.8B increase from 15-16
- Community Colleges share is 10.93% or \$7.9B
- No enrollment fee change

PROPOSITION 98 FUNDING AT MAY REVISE



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GOVERNOR'S MAY REVISE

- State revenue projections down \$1.9B
 - Poor April tax receipts (\$1.2B below estimates)
- “Dramatic increases in permanent spending”
 - Since 2012 \$19 B in increased General Fund costs
 - Minimum wage: \$3.4 B cost increase in future years
- Change in Prop 30 outlook
 - Without extension <\$4.0 B> deficit by 19-20

GOVERNOR'S MAY REVISE

- 2016-2017 marks the 7th year of economic expansion
 - In the post-war period the average recovery is 5 years
- Moodys report - California ranks 19th out of 20 large States in readiness for the next recession
 - Dependence on a volatile progressive income tax - Top 1% account for 48% of income taxes and two thirds of the General Fund taxes.
 - Size of reserves - 54% of target
 - Revenue and Spending flexibility
 - Fixed costs - 10% of General Fund spending is on debt and pensions

RECAP OF GOVERNOR'S BUDGET

RECAP OF GOVERNOR'S BUDGET

Unrestricted Fund	Ongoing	One-Time	Total
Inc. To Base - \$75 M	\$1,425,000	-	\$1,425,000
Growth - \$114.7M - 2.00%	-	-	-
Cola - \$0M - 0.00%	-	-	-
Mandated Cost Payment- \$105.5M	-	\$1,978,566	\$1,978,566
Total	\$1,425,000	\$1,978,566	\$3,403,566

RECAP OF GOVERNOR'S BUDGET

RECAP OF GOVERNOR'S BUDGET

Restricted Fund

Ongoing

One-Time

Total

Physical Plant And
Instr. Equip. -
\$219.4M

-

\$4,168,600

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Prop 39 - \$39.6M

-

\$936,700

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Total

-

\$5,105,300

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RECAP OF GOVERNOR'S BUDGET

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	Ongoing	One-Time	Total
Unrestricted (01.0)	\$1,425,000	\$1,978,566	\$3,403,566
Restricted (01.3)	\$-	\$5,105,300	\$5,105,300
Total	\$1,425,000	\$7,083,866	\$8,508,866

RECAP OF GOVERNOR'S BUDGET
2015-2016 TENTATIVE

RECAP OF GOVERNOR'S BUDGET 2015-2016 TENTATIVE

	Ongoing	One-Time	Total
Unrestricted (01.0)	\$8,974,183	\$11,978,846	\$20,953,029
Restricted (01.3)	\$3,529,029	\$3,579,395	\$7,108,424
Total	\$12,503,212	\$15,558,241	\$28,061,453

PROPOSALS NOT INCLUDED

- Systemwide
 - \$25M for Award for innovation
 - \$15M for TTIP - Technology
 - \$10M for Institutional effectiveness

PROPOSALS NOT INCLUDED

- Restricted
 - \$248M CTE and Workforce
 - \$30M Basic skills
 - \$20M Development of online course
 - \$5M Zero textbooks cost degree
 - \$2.3M Equal employment opportunity fund
 - \$5M Adult education
 - \$2.2M Cal B and C

2016 - 2017 Tentative Budget

Changes in Revenue

KEY POINTS

- 97% of revenue is from four sources:
 - Apportionment \$117.7M or ~73%
 - Non-resident tuition \$32.9M or ~20%
 - Lottery \$3.7M or ~2%
 - One-time payments - Mandated Costs ~\$2.6M or >2%
- Weakness in revenue streams include:
 - The "Big Four" are based on FTES
 - Apportionment and One-time are reliant on State budget health
- For 2016-2017 flat FTES is projected and State revenues are softening

PROJECTED CHANGES IN REVENUE 15-16 TO TENTATIVE PROJECTIONS

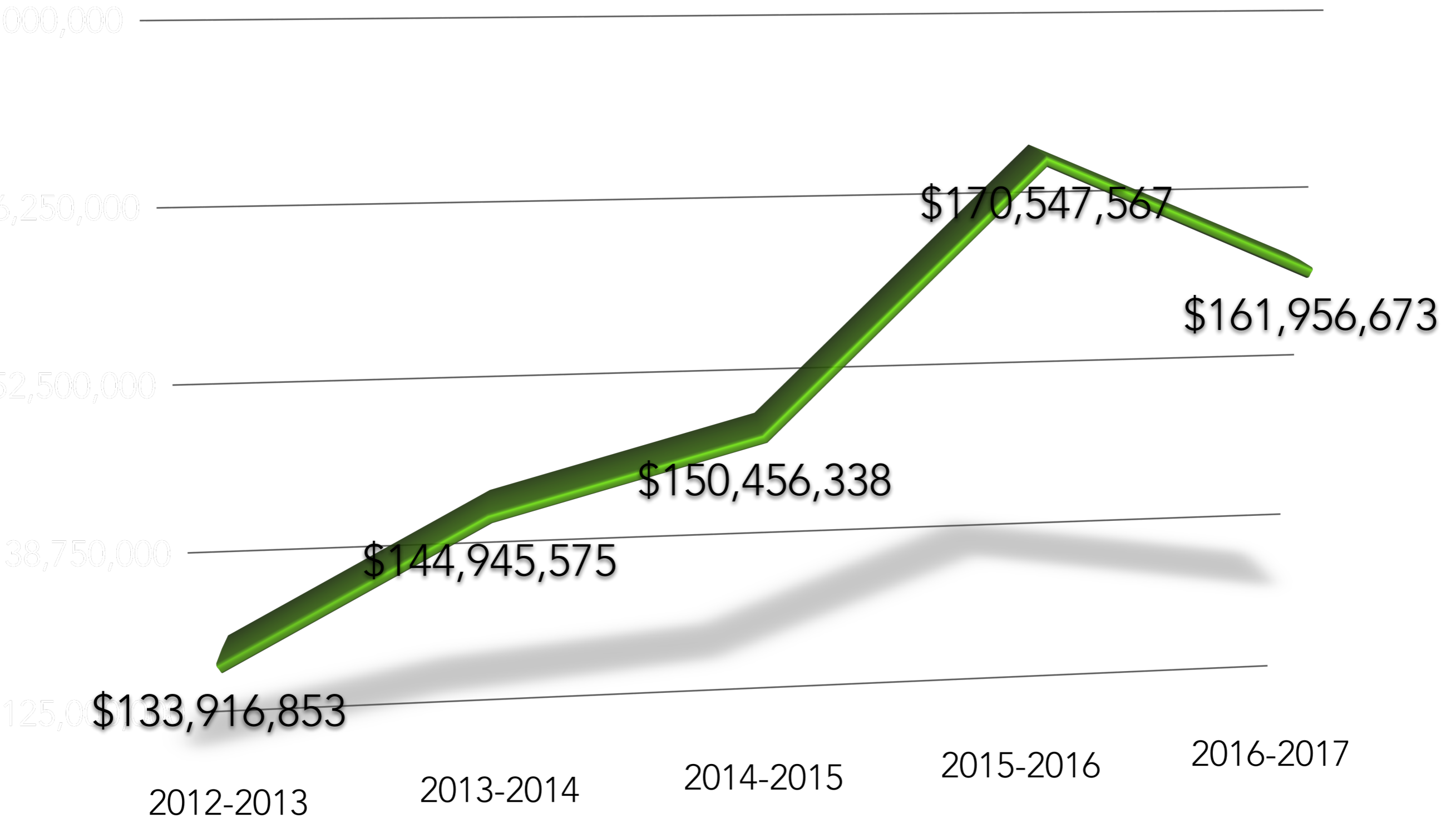
2015-2016 Revenue Projection:	170,547,567
Mandated Costs - One-Time	1,978,566
Apportionment - Base Change	1,425,000
Py Deficit Factor Net Py Adjustment	369,577
Ba Program	-350,000
Mandated Cost - One-Time	-12,027,332
Other	13,295
2016-2017 Tentative Revenue Projection:	161,956,673

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Other <\$8,590,894> or <5%>	13,295
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FIVE YEAR REVENUE TREND

Revenue



Changes in Expenditures

PROJECTED CHANGES IN EXPENDITURES 2015-2016 TO TENTATIVE PROJECTIONS

2015-2016 Expenditure Projection:	165,543,237
Non-Health And Welfare Benefits	1,826,148
Net Effect Of Hiring, Separation And Adj.	1,450,667
Health And Welfare Incl. Retiree	1,001,053
Step, Column And Longevity	818,987
Vacancy List	765,494
Opeb Contribution	500,000
Utilities And Insurance	265,341
Equipment Replacement And Tco	-190,894
Supplies And Other Operating	-499,190
One-Time Negotiations	-504,471
Decrease In Hourly Instru. & Non-Instruction	-1,198,955
Others	9,834
2016-2017 Tentative Exp. Projection:	169,787,251

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\$4,244,014 or 2.6%

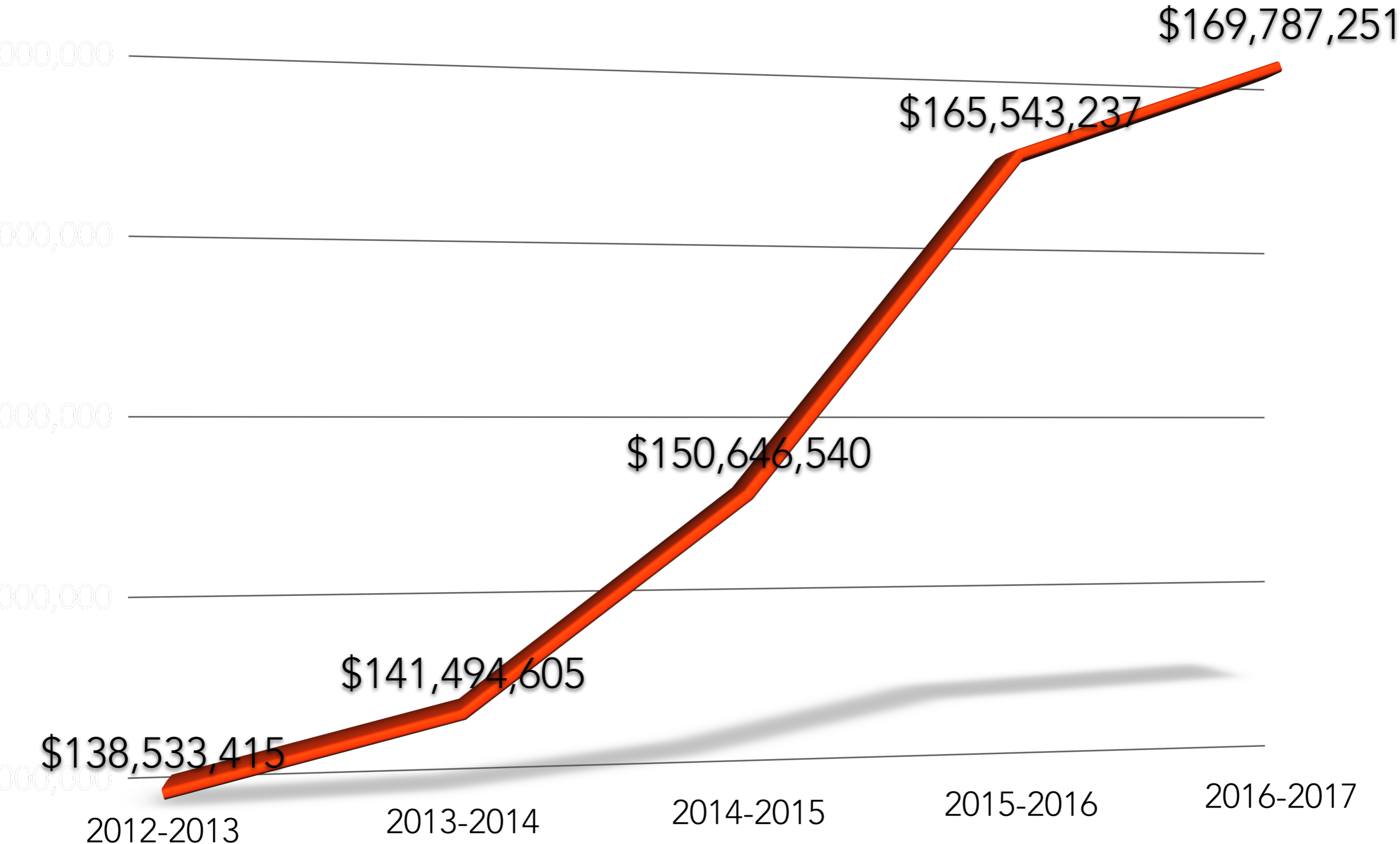
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169,787,251



FIVE YEAR EXPENDITURE TREND

Expenditures



Changes in Fund Balance

THE "BOTTOM LINE"

	2015-2016 Projected	2016-2017 Tentative
Beg. Fund Balance	\$13,781,577	\$18,785,907
Structural Surplus/Deficit	-\$4,156,970	-\$7,667,123
One-Time Items	\$9,161,300	-\$163,455
Ending Fund Balance	\$18,785,907	\$10,955,329
Fund Balance To Ttl Expenditures And Transfers	11.35%	6.45%

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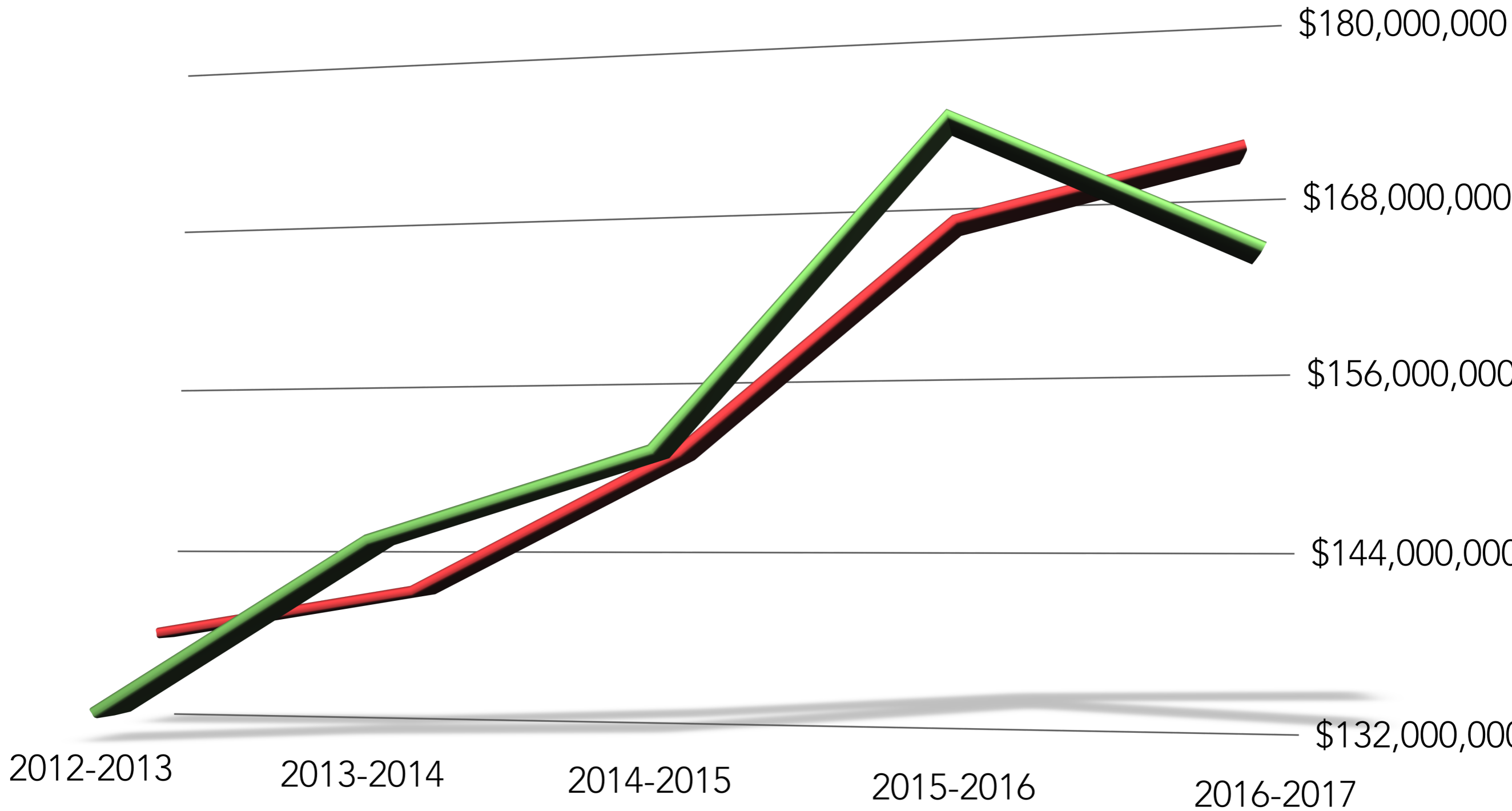
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FIVE YEAR REVENUE TREND

Revenue

Expenditures



OTHER ISSUES MOVING FORWARD

- FTES
- Revenue generation
- State economy
- Large fixed expenditure increases
- PERS and STRS increases

	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Strs	8.25%	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	19.1%
Pers	11.442%	11.771%	11.84%	14.24%	15.84%	17.44%	19.14%	19.64%

- Structural Surplus/Deficit - Need to reduce ongoing deficit ***significantly*** by Adopted Budget to ensure fiscal stability

Thank You!!!

The Accounting Team with Special Thanks To Veronica
Diaz, Jo Lau and Carla Spalding

Charlie Yen, Greg Brown and the Facilities Team

Budget Committee