

PRESENTATION OF THE 2018-2019  
ADOPTED BUDGET TO BOARD OF TRUSTEES  
SEPTEMBER 4, 2018

# SANTA MONICA COLLEGE

# OVERVIEW

- 2017-2018 Recap
- New Student Centered Funding Formula
- 2018-2019 General assumptions
- 2018-2019 Changes in projected revenues
- 2018-2019 Changes in projected expenditure
- 2018-2019 Changes in projected fund balance



2017 - 2018 Recap

# 2017 - 2018 IN REVIEW

- Adopted Budget
  - Projected structural deficit <\$12,364,691>
  - Projected operating deficit with one-time items was <\$6,627,027>
- Continued FTES decline

# 2017 - 2018 IN REVIEW

- Strategy
  - Shift of FTES
    - “Borrowed” 2,065 CrFTES into 2016-2017
      - ~\$6 M for 2016-2017
        - Funded 22,258 CrFTES - Served 20,506
    - ~\$11.7 M for 2017-2108
      - Funded 22,258 CrFTES but served 19,992 CrFTES
- Supplemental Retirement Plan
  - 78 employees; \$9.4 M of annual salary and benefits

# 2017 - 2018 IN REVIEW

- Result
  - **<\$3,818,635>** structural deficit
  - **\$6,276,568** operating surplus including one-time items
- Ending Fund Balance of \$27,648,342 or 15.32%





# Student Centered Funding Formula

# OVERVIEW

- SB 361 enacted in 2006-2007 to normalize funding between Districts
  - Funding formula based on FTES served
- Major issues in California Community Colleges: Completion, time to completion and achievement gaps

# OVERVIEW

- Student Centered Funding Formula
  - Encourage progress towards the goals outlined in the Vision for Success through incentivizing Districts
    - Increase number of students who acquire an associated degree, credential, certificate or specific skill needed for an in-demand job
    - Increase transfers to UC or CSU
    - Decrease time to completion by reducing number of units a student earning an associate degree acquires
    - Reduce equity gaps through faster improvements among traditionally underrepresented student groups
    - Reduce regional achievement gaps across all of the above measures

# GENERAL FORMULA FRAMEWORK

- Three major allocations:
  - Base Allocation: FTES served
  - Supplemental Allocation: Counts of low-income students
  - Student Success Allocation: Counts of outcomes related to the Vision for Success, with “premiums” for outcomes of low-income students
- Total of 25 funding factors
- Noncredit FTES will continue to be funded under SB 361 methodology (*\$5,530 CDCP, \$3,325 NC*)
- Three year implementation
- Three year hold harmless with one stability year

# BASE ALLOCATION

- Basic Allocation:
  - District will receive a flat allocation for the FTES served by the District as a whole and FTES served at Centers
- Districtwide:
  - $>20,000$  FTES = \$6,247,565;
  - $10,000 - 20,000 = \$4,998,052$
- Center:
  - $>1,000 = \$1,249,513$ ;
  - $750$  to  $<1,000 = \$937,134$
- FTES Served: Based on a three year average

# SUPPLEMENTAL ALLOCATION

- Funding for counts of:
  - Pell Grant recipient
  - California College Promise Grant recipient
  - AB 540 student

# STUDENT SUCCESS ALLOCATION

- Funding for counts of :
  - Associate degrees for transfer granted
  - Associates degrees granted (excluding ADT)
  - Baccalaureate degrees granted
  - Credit certificates (16 units or more) granted
  - Completion of transfer-level Mathematics and English courses within the first academic year of enrollment
  - Successful transfer to a four-year university
  - Completion of 9 or more CTE units
  - Attainment of a living wage within one year of completion
  - "Premiums" for Pell and California College Promise Grant recipients

# EXAMPLES

- SB 361 - Full-time Student w/ Associate Degree:
    - FTES
    - Total Funding: \$10,302
- 

- SCFF - Full-time student w/ Associate Degree:
  - FTES
  - Associates degree
  - Total Funding: \$9,094



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# EXAMPLES

- SCFF - Full-time student, California College Promise Grant (CCPG) w/ Associate Degree:
  - FTES
  - CCPG
  - Associates degree
  - CCPG premium for AS degree
  - Total Funding: \$11,433

# EXAMPLES

- SCFF - Full-time student, California College Promise Grant (CCPG) w/ Associate Degree:
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  - Total Funding: \$14,023

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  - FTES
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# THERE YEAR IMPLEMENTATION

- Year One

- 70% Funding based on Base Allocation
- 20% Funding based on Supplemental Allocation
- 10% Funding based on Student Success Allocation

- Year Two

- 65% Funding based on Base Allocation
- 20% Funding based on Supplemental Allocation
- 15% Funding based on Student Success Allocation

- Year Three

- 60% Funding based on Base Allocation
- 20% Funding based on Supplemental Allocation
- 20% Funding based on Student Success Allocation

# HOLD HARMLESS

- 2018-2019, 2019-2020, 2020-2021 Districts will receive funding under the SCFF or what they received in 2017-2018 plus COLA, whichever is greater. In 2021-2022 all Districts will be under SCFF.

# HOLD HARMLESS

- 2017-2018 Funding Under SB 361:
  - Served FTES: \$118.2 M
  - Borrowed FTES: \$11.7 M
  - Total Apportionment: \$129.9 M
  - Add 18-19 COLA: \$3.5 M
  - 2018-2019 Total Hold Harmless Apportionment: \$133.4 M
- Under SCFF:
  - Base Allocation: \$84.6 M
  - Supplemental Allocation: \$27.3 M
  - Student Success Allocation: \$13.5 M
  - Total Apportionment: \$125.4 M
- \$8.0 M Hold Harmless

# OTHER

- Positives

- Incentivizes Districts to close gaps
- Reduces the dependence on enrollment numbers
- Gives multiple avenues to generate revenue

- Negatives

- Much more complicated - SB 361 = 1 funding factor; SCFF = 25 funding factors
- Data is not available until late Fall - Final allocations will be issued at P1 in February
- Difficult to project revenue

# OTHER

- Funding
  - BSI, SSSP, Equity combined to create the Student Equity and Achievement Program
- Oversight Committee
  - Purpose is to continually evaluate implementation
  - Chosen by the Legislature and Governor
- Other Requirements
  - By January 1, 2019 Boards must adopt goals that align with the Vision for Success
  - All comprehensive plans must align with those goals





2018 -2019

Proposed Adopted Budget  
General Assumptions

# MAJOR REVENUE ASSUMPTIONS

- General Apportionment
  - District will fall under hold harmless provision and receive the 2017-2018 apportionment amount of ~\$129.9 M plus;
  - COLA of 2.71%: ~\$3.5 M
  - Total apportionment of ~\$133.4 M
    - Under SB 361 apportionment = ~\$117.3 M
    - Under SCFF apportionment = ~\$125.4 M

# MAJOR REVENUE ASSUMPTIONS

- FTES: Projected <615> credit FTES decline or <3.1%>
- Credit FTES Growth/Decline:
  - 13-14 = 197 CrFTES; 14-15 = 181 CrFTES; 15-16 = 47 CrFTES; 16-17 = <445> CrFTES; 17-18 = <514> CrFTES; 18-19 projected <615> CrFTES
- Total 3 year decline of <1,574> CrFTES or <7.5%>
- During the same period expenditures increased by 9.9%

# MAJOR REVENUE ASSUMPTIONS

- Non-resident tuition
  - Projected  $\langle 454 \rangle$  decline in NR FTES or  $\langle 9.9\% \rangle = \langle \$3.3 \rangle$  M
    - 13-14 = 228 FTES; 14-15 = 348 FTES; 15-16 = 117 FTES; 16-17 = 55 FTES; 17-18 =  $\langle 197 \rangle$  FTES; 18-19 projected  $\langle 454 \rangle$  FTES
  - Fee increase of 5.26% = \$1.6 M
  - Decrease in revenue of  $\langle \$1.7 \rangle$  M
- All revenues driven by FTES adjusted
- Deficit factor of  $\langle \$468,949 \rangle$  not budgeted
- Full-time faculty allocation from the State not included

# EXPENDITURE ASSUMPTIONS

- Salaries: Step, column, longevity and all Board approved changes to the salary schedules
- Inclusion of vacancy list reduced at 66%
- Pension Benefits:
  - STRS: 14.43% to 16.28% = 12.82% increase in cost
  - PERS: 15.53% to 18.062% = 16.3% increase in cost
  - GASB 68 - On-behalf pension contribution to STRS
- Health and Welfare: 3 Year Average
  - Current Employees: 7%; Retirees 11%
- OPEB: Continue suspension of funding

# EXPENDITURE ASSUMPTIONS

- Supplies and Services budgeted based on approved departmental requests and reflect requested reallocations and contractual increases
  - Major one-time item: Web design/content strategy project: \$167,662
- Equipment expenditures continue to be shifted to Fund 40.0 - TERP \$212,700





# Changes in Revenue

# PROJECTED CHANGES IN REVENUE 2017-2018 TO PROPOSED ADOPTED

2017-2018 Unaudited Actual Revenue:	186,690,172
Apportionment - Cola	3,521,260
Strs On Behalf Payment	732,479
Interest	73,144
Student Fees	-70,332
Other State Revenue	-123,239
Fee Based Revenue	-162,563
Lottery	-181,185
Non-Repeat Mandated Cost Block Grant	-599,593
Non-Resident Tuition	-1,719,763
Non-Repeat Of Prior Year Apportionment	-6,079,991
Other	-17,203
2018–2019 Proposed Adopted Revenue Projection:	182,063,186

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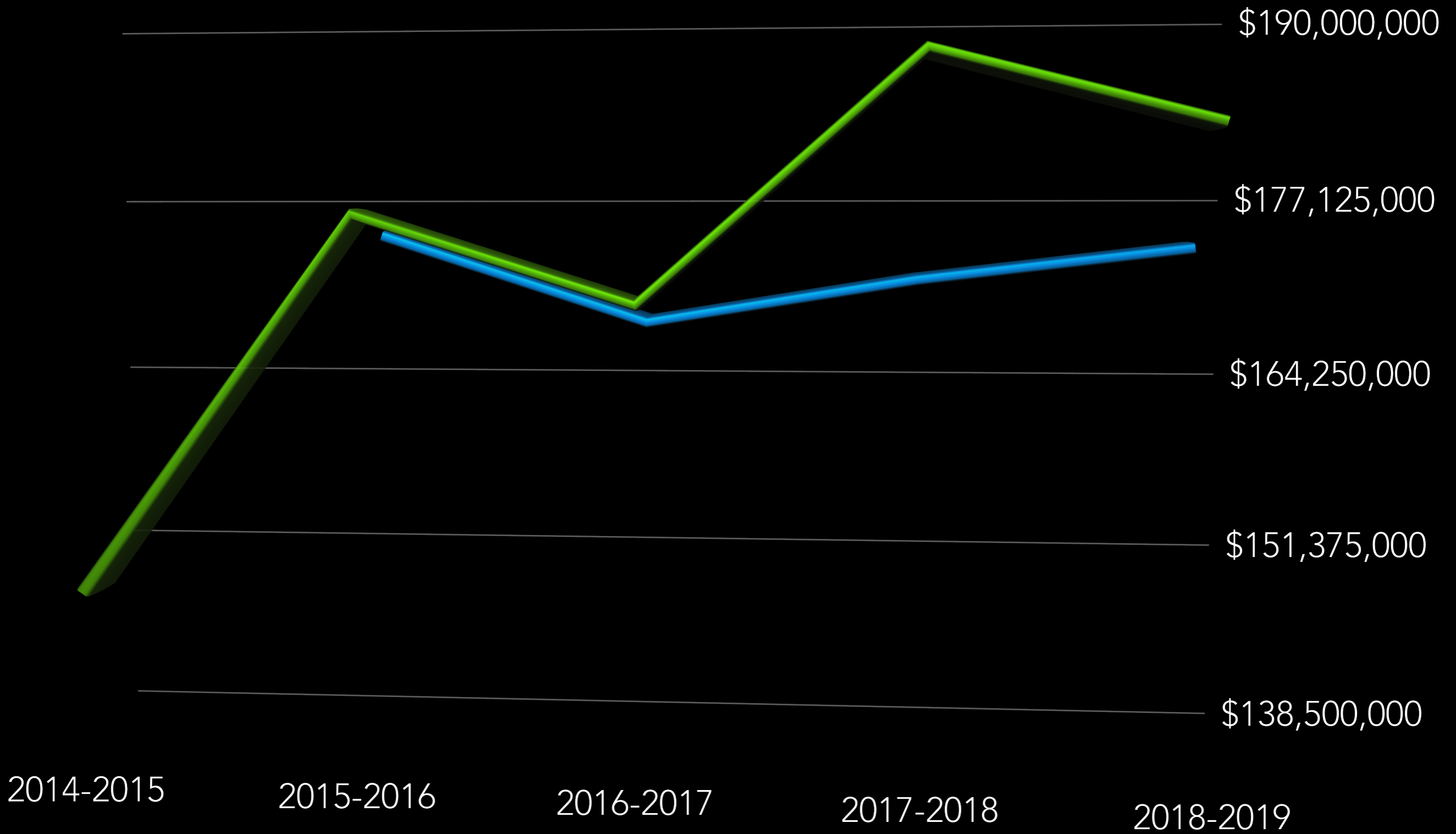
PROJECTED CHANGES IN REVENUE  
2017-2018 TO PROPOSED ADOPTED

\$8,095,811  
OF REVENUE IS  
HOLD  
HARMLESS!!!!

# FIVE YEAR REVENUE TREND

Revenue

No "Borrowing"







# Changes in Expenditures

# PROJECTED CHANGES IN EXPENDITURES 2017-2018 TO PROPOSED ADOPTED

2017-2018 Unaudited Actual Expenditures:	180,413,604
Health And Welfare Including Retirees	1,300,744
Supplies And Contract Services	1,153,744
Step, Column And Longevity	1,114,317
Vacancy List	800,887
Strs On Behalf Payment	732,479
Insurance And Utilities	597,679
Employment/Pension Benefits	251,746
Full Year Effect Hiring And Separations	-1,282,438
Supplemental Retirement Plan	-2,767,775
Others	8,471
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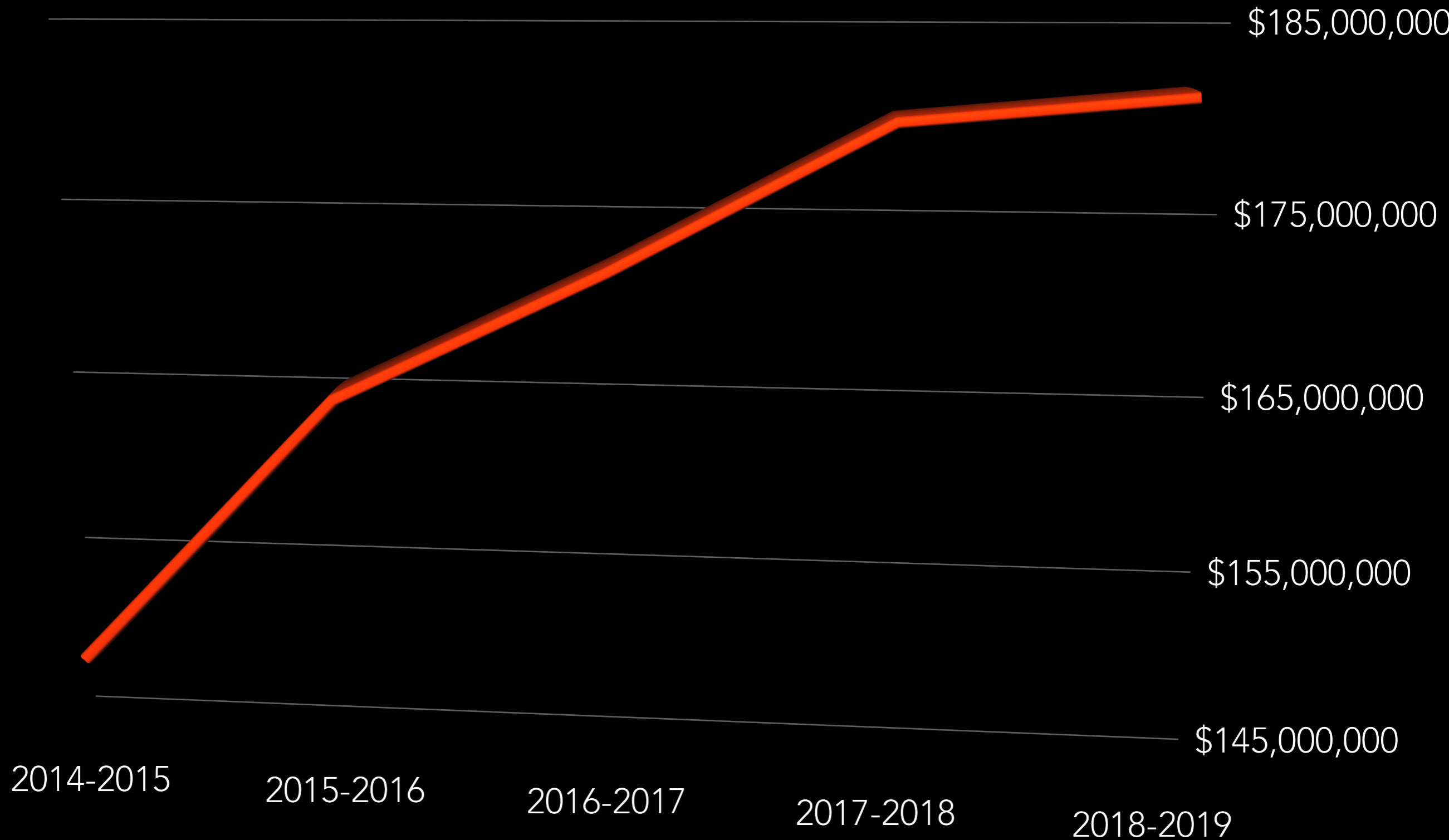
\$1,909,854 or 1.06%





# FIVE YEAR EXPENDITURE TREND

— Expenditures





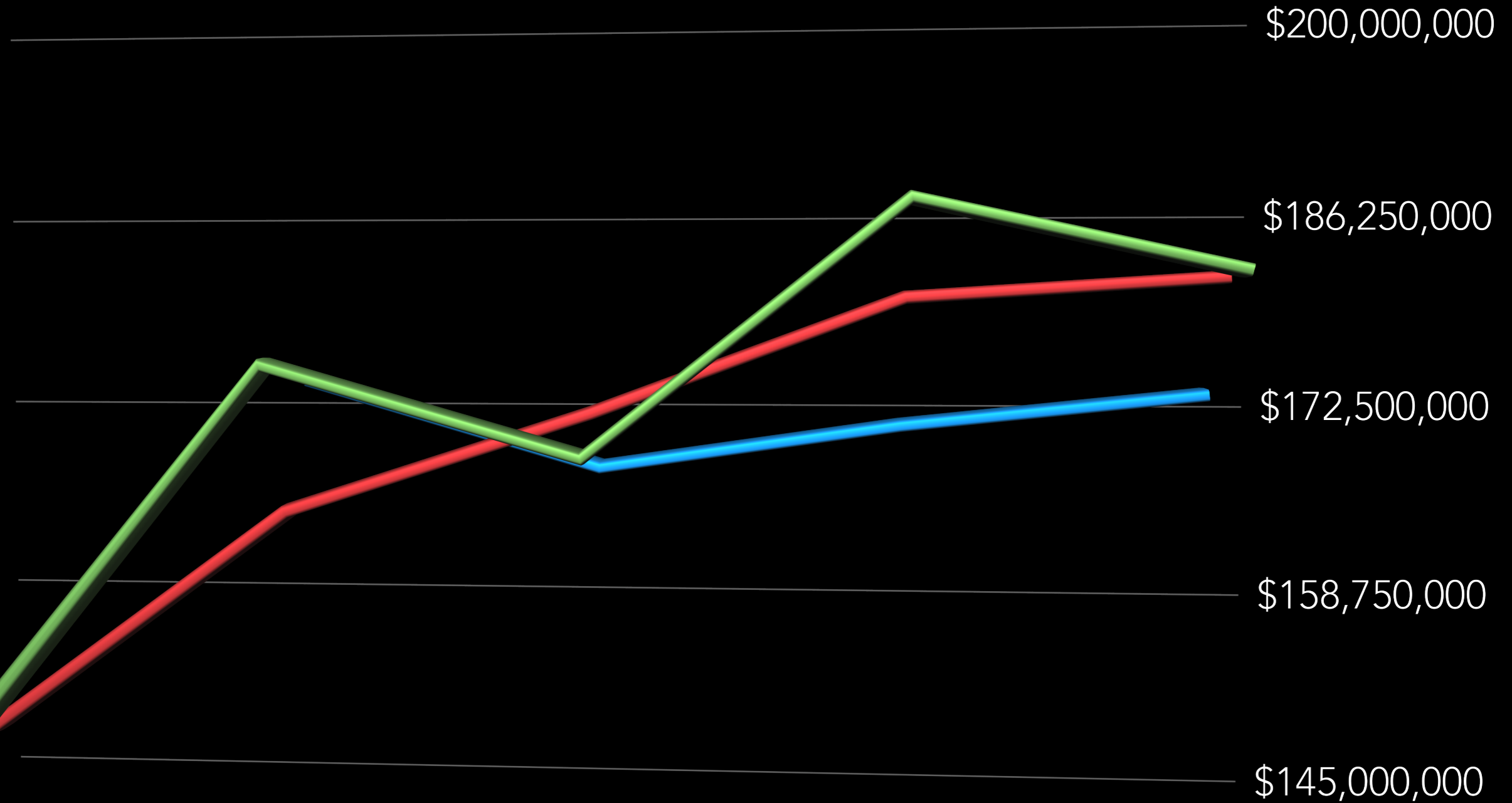
# Changes in Fund Balance

# THE "BOTTOM LINE"

	2017-2018 Unaudited	2018-2019 Proposed Ab
Beg. Fund Balance	\$21,371,774	\$27,648,342
Structural Surplus/Deficit	-\$3,818,635	-\$7,464,344
One-Time Items	\$10,095,203	\$7,204,072
Ending Fund Balance	\$27,648,342	\$27,388,070
Fund Balance To Ttl Expenditures And Transfers	15.32%	15.02%

# FIVE YEAR TREND

Revenue Expenditures No "Borrowing"



2014-2015

2015-2016

2016-2017

2017-2018

2018-2019

MAJOR ISSUES MOVING FORWARD

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- Significant decline in resident enrollment
- Significant decline in non-resident enrollment

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- Significant decline in non-resident enrollment
- 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%	11.85%	13.89%	15.53%	18.1%	20.8%	23.5%



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PERS	11.442%	11.771%	11.85%	13.89%	15.53%	18.1%	20.8%	23.5%

- Structural deficit is <\$7,464,344> and District is receiving \$8.0 in hold harmless.

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- Projected fund balance decrease of  $\langle \$260,272 \rangle$  and is projected to be  $15.02\%$  (17-18  $15.32\%$ ) of TTL expenditures and transfers

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- Structural deficit is  $\langle \$7,464,344 \rangle$
- Hold harmless is  $\$8,095,811$  and will Rebase in 3 years - Maintaining expenditure levels while increasing revenue is required to maintain fiscal stability





Thank You!!!

The Budget Team

with Special Thanks To Veronica Diaz

Charlie Yen, Charlie Yen, Charlie Yen

and the Facilities Team

Budget Committee