



SANTA MONICA COLLEGE

Presentation of the 2020-2021 Tentative Budget

Board of Trustees

July 7, 2020

THINGS CAN AND WILL CHANGE

- Tax Revenue Collection – July 15th
- Additional Trailer Bills
- Possible Federal Assistance
- Year End Closing
- Adopted Budget in October

OVERVIEW

- State Adopted Budget
- 2020-2021 Tentative Budget



2020-2021 STATE ADOPTED BUDGET

STATE FINANCIAL SITUATION

- COVID -19 Unprecedented
- Stay-At-Home Order Success
 - March 19th: 56% or 25.5 million
 - June 7th : 0.7% or 277,774
- Economic Impact



- State Sources of Revenue

- Personal Income Tax: 68.5%

- Sales Tax: 18.3%

- Corporation Tax: 10.3%

- Other: 2.9%

- Unemployment Rate

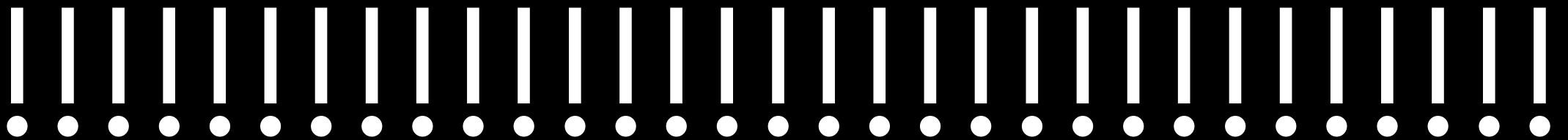
- Steady Decline Since 2010

- Previous Highest Level: 12.3%

- January Proposal: 4.0% CY: 3.9% Budget Year

- February: 3.9%
- March: 5.5%
- April: 16.4%
 - Loss of 2.4 million jobs
 - Previous month-over-month was 132,800 (Dec 2008-January 2009)
- May: 16.3%
 - 9 of 11 sectors grew
 - Construction and hospitality largest growth
 - Government largest decrease
- Since February 1 million left the job market
- Fewer than 15.5 million Californians employed – Lowest since April 1999

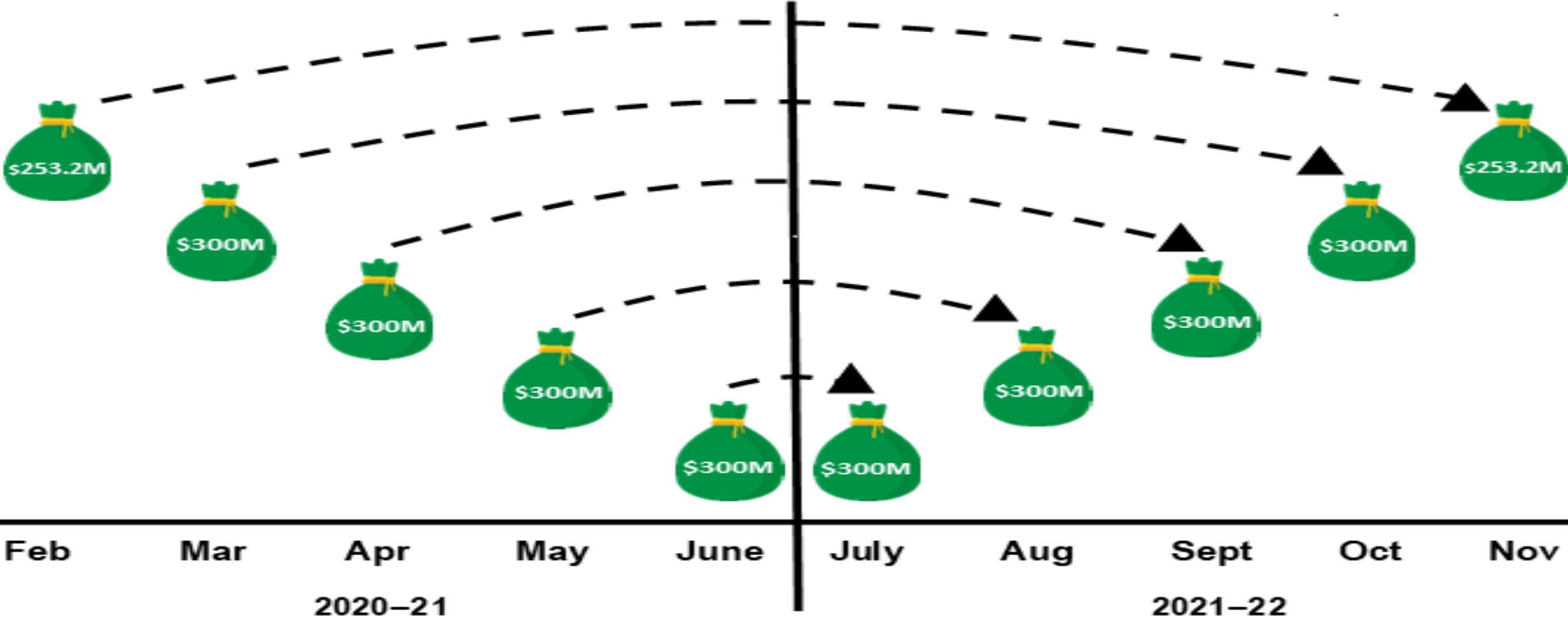
Turned a \$6 billion
surplus into a
<\$54.3> billion deficit



BUDGET SOLUTIONS

- **Revenue Generation: \$4.4 billion**
 - Suspending and capping the net operating loss deductions for medium and large businesses.
- **Greater Use of Reserves: \$8.8 b**
 - Approximately 50% of the Rainy Day Fund
- **Borrowing/K-14 Deferrals/Transfers From Special Funds: \$9.3 b**
- **Use of Federal Funds: \$10.1 billion**
- **Updated Assumptions/Increased Efficiencies: \$10.6 billion**
 - Revision of PIT decline from <25.5%> to <18.8%>
- **Reductions and Deferrals: \$11.1 billion**
 - Triggered off if \$14 billion received from Federal Government
- **Total Solutions: \$54.3 billion**

Cash Deferrals 2020–21 (in millions)



*Graph by School Service of California


Equal to between \$19.9 million and \$41.3 million for SMC

BUDGET SOLUTIONS

- **Revenue Generation: \$4.4 billion**
 - Suspending and capping the net operating loss deductions for medium and large businesses.
- **Greater Use of Reserves: \$8.8 b**
 - Approximately 50% of the Rainy Day Fund
- **Borrowing/K-14 Deferrals/Transfers From Special Funds: \$9.3 b**
- **Use of Federal Funds: \$10.1 billion**
- **Updated Assumptions/Increased Efficiencies: \$10.6 billion**
 - Revision of PIT decline from <25.5%> to <18.8%>
- **Reductions and Deferrals: \$11.1 billion**
 - Triggered off if \$14 billion received from Federal Government
- **Total Solutions: \$54.3 billion**

2020-2021 STATE BUDGET CCD'S

- Funding equal to 2019-2020
 - No COLA, No Growth, No Reductions
- Deferrals of \$1.78 billion
 - \$330.1 million: 2019-2020 to 2020-2021
 - \$662.1 million: 2020-2021 to 2021-2022 (No elimination)
 - \$791.1 million: 2020-2021 to 2021-2022 (Elimination w/ Federal Funds)
- Hold Harmless extended through June 30, 2024

- 
- One-time COVID-19 Block Grant: \$120.2 million
 - Restricted to:
 - Reengagement
 - Development of accelerated online classes
 - Professional development including supporting students
 - Technology infrastructure and equipment
 - Basic Needs for students
 - Mental Services for students
 - Cleaning supplies and PPE

- Dreamer Resource Liaisons: \$5.8 m systemwide
- Legal Services to Immigrant Students:
Ongoing \$10 m systemwide
- Calbright College: Decrease of \$5 m ongoing and \$40 m one-time
- Revised STRS and PERS rates:
 - \$2.3 billion re-appropriated from LTL to ECR
 - **PERS:** 19-20 = 19.721%; Planned = 22.705; Revised = 20.7%
 - **STRS:** 19-20 = 17.10%; Planned = 18.41%; Revised = 16.15%



2020-2021 TENTATIVE BUDGET

MAJOR ASSUMPTIONS

- Apportionment at 2019-2020 level
 - No COLA; No Growth; No Reduction
- Credit Resident FTES: 3.36% or 714 FTES Increase
 - Hold Harmless: \$9,458,987
 - Revenue per CrFTES: \$4,062
 - Need 2,328 CrFTES growth before funding begins
- Non-resident FTES: ~~<15%>~~ or ~~<571.95>~~ Decrease
 - 2007-08 = 5,071 FTES; 2012-13 = 4,049; 2017-18 = 4,589;
2020-21 = 3,241
 - NrFTES Revenue decrease of ~~~<\$4,002,792>~~
- All revenues driven by FTES adjusted

- Salaries: Step, column, longevity for all groups but Administrators, Managers, and Confidentials
- No external hiring
- Health and Welfare *(adjusted for SRP)*
 - Current employees: 5.9%
 - Retirees: 4%
- Utilities: Increased by 3 year average 2.5%
- Insurance 12%
- Equipment and TERP continues in fund 40.0

REDUCTIONS

- At May Revise 20-21 deficit was projected at **<\$32,001,777>**
- Combination of reversal of May Revise reductions (\$11,006,613), budget reductions (\$11,005,712), change in assumptions (\$1,484,912).
- Tentative Budget projected deficit at **<\$8,504,540>**

| Budget Item | Amount of Budget Reduction |
|---|----------------------------|
| Student Bad Debt | \$1,800,000 |
| Rent for Pool, Madison Campus, Airport | \$1,780,163 |
| Reduction in Hourly Instruction - ~5% | \$1,674,452 |
| Furlough and Salary Freeze (Mgmt) | \$1,597,221 |
| Faculty Supplemental Retirement Plan (Net) | \$1,490,881 |
| Proposed SRP for Mgmt and Classified (Net) | \$603,236 |
| Renegotiation of BBB Contract | \$528,337 |
| Hourly Classified, Overtime, Contracts, and Supplies – 5% Reduction | \$468,291 |
| HSI Federal Match Exemption | \$414,552 |
| Reduction in Hourly Counseling - ~5% | \$213,579 |
| Global Citizenship | \$125,000 |
| Legal Fees | \$90,000 |
| ISC Community Services Specialists – Intensive ESL Program | \$80,000 |
| Broad Stage Mailing | \$60,000 |
| Transportation | \$50,000 |
| Public Policy Institute | \$30,000 |
| Total Budget Reductions: | \$11,005,712 |



CHANGES IN REVENUE

Projected Changes in Revenue

2019-2020 Projection to 2020-2021 Tentative Budget

| 2019-2020 Projected Revenue | \$187,109,766 |
|---|---------------|
| State On-behalf STRS | 750,877 |
| Prior Year Apportionment Adjustment | -50,655 |
| Lottery | -56,698 |
| Interest | -265,700 |
| Part-time Faculty Office Hour – One-time | -854,901 |
| Prior Year STRS Employer Contrib. Reimb. – One-time | -1,163,101 |
| Non-resident Tuition | -4,002,792 |
| Other | -98,859 |
| Tentative Budget Projection: | \$181,367,937 |

Total Decline in Revenue is \$5,741,829 or 3.07%



CHANGES IN EXPENDITURE

Projected Changes in Expenditure

2019-2020 Projection to 2020-2021 Tentative Budget

| | |
|---|---------------|
| 2019-2020 Projected Expenditure | \$194,978,191 |
| Prior Year Budget Savings | 1,789,000 |
| Health and Welfare Benefits | 1,372,096 |
| Step, Column and Longevity (Excludes Mgmt and Confidentials) | 1,129,017 |
| State On-behalf STRS | 750,877 |
| SEAP Expenditure Transfer | 727,026 |
| Employment and Retirement Benefits | 516,223 |
| Deferral and Borrowing Costs | 300,000 |
| Utilities and Insurance | 290,455 |
| Classified One-time Off Schedule Pay and Retroactive Increase | -1,223,353 |
| Budget Reduction | -11,005,712 |
| Other | 248,657 |
| Tentative Budget Projection: | \$189,872,477 |

Total Reduction in Expenditure is **\$5,105,714** or **2.6%**



CHANGES IN FUND BALANCE


Projected Changes in Expenditure

2019-2020 Projection to 2020-2021 Tentative Budget

| | Projected 2019-2020 | Proposed 2020-2021 Tentative |
|---|------------------------|---------------------------------|
| Beg. Fund Balance | \$30,676,107 | \$22,807,682 |
| Surplus/Deficit w/ One-time Items | <\$7,868,425> | <\$8,504,540> |
| Projected Ending Fund Balance | \$22,807,682 | \$14,303,142 |
| Fund Balance to Ttl Exp. And Transfers | 11.70% | 7.53% |



ISSUES MOVING FOWARD

- 
- State financial health
 - Future revenue growth
 - Deferrals equal to ~20% COLA Adjustment
 - Non-resident Tuition
 - New federal regulations
 - Continued increase in costs
 - Additional reductions will be extremely difficult
 - Declining Fund Balance



The Budget Team with Special
Appreciation to Veronica Diaz

Charlie Yen, John Greenlee and the
Facilities Team

Budget Committee