



SANTA MONICA COLLEGE

Presentation of the 2020-2021 Proposed Adopted Budget

Board of Trustees

October 6, 2020

THINGS CAN AND WILL CHANGE

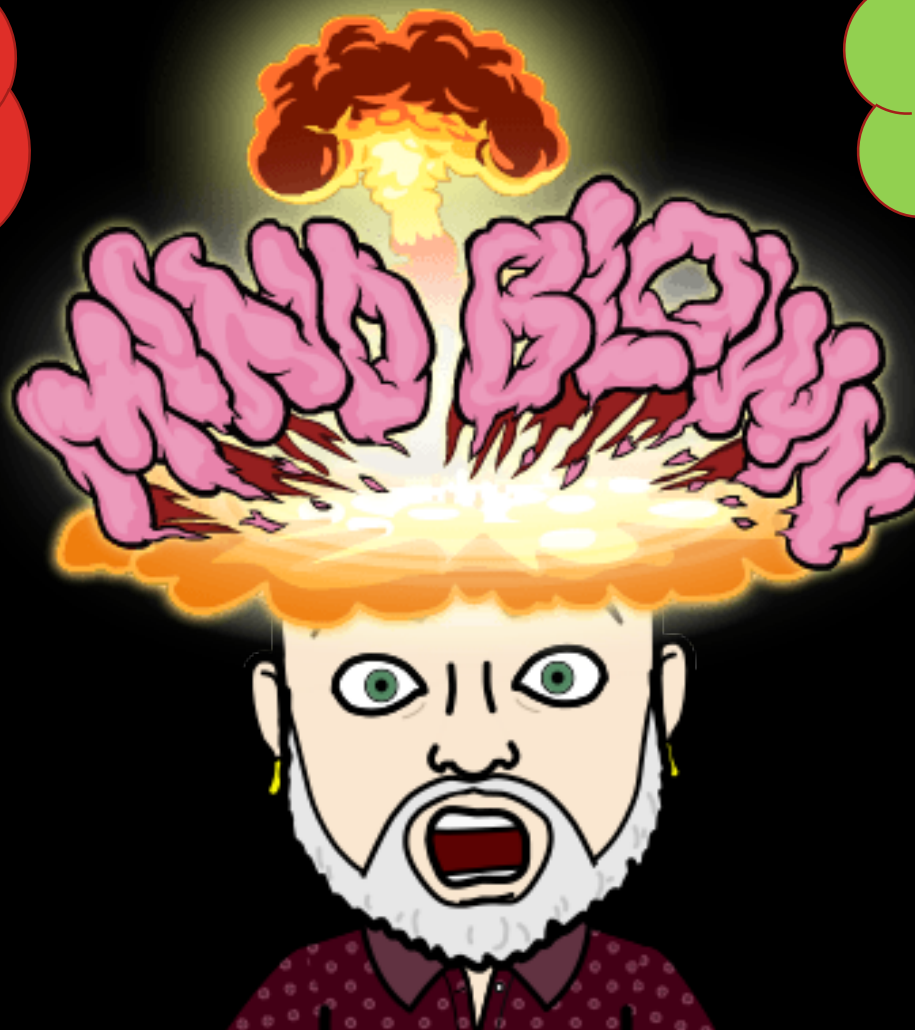
- Most Unstable Budget in 20 Years
- COVID-19 Spike
- Economic Recovery
- Possible Federal Assistance
- Most difficult budget to explain in years

Reductions

Deferrals?!?

What about?!?

Still a deficit?!?





2019-2020 RECAP

	2018-2019 Final Audited	2019-2020 At AB (Sept '19)	2019-2020 At Tentative (July '20)	2019-2020 Final Unaudited
Beg. Fund Balance	27,648,342	30,676,107	30,676,107	30,676,107
Apportionment	133,439,383	137,789,507	137,789,507	136,480,292
Non- Apportionment	18,852,721	17,552,705	19,872,079	20,690,871
Non-Resident Tuition	33,029,528	30,740,290	29,448,180	28,384,549
Total Revenue	185,321,632	186,082,502	187,109,766	185,555,712
Academic	78,682,237	79,969,037	82,648,908	83,242,162
Classified	33,496,849	34,781,719	37,440,444	37,204,186
Benefits	49,274,742	52,326,322	53,928,344	55,466,408
Supplies/Other Operating/Trfr	20,840,039	22,759,663	20,960,495	19,278,308
Total Expenditure	182,293,867	189,836,741	194,978,191	195,191,064
Surplus/Deficit	3,027,765	<3,754,239>	<7,868,425>	<9,635,352>
Ending Fund Bal	30,676,107	26,921,868	22,807,682	21,040,755



STATE FINANCIAL UPDATE

STATE FINANCIAL SITUATION

- January Budget Proposal - \$6 B Surplus!
- COVID -19 Unprecedented
- Stay-At-Home Order Success
 - March 19th: 56% or 25.5 million
 - October 5th: 1.82% or 826,784 (Source CDPH)
- Economic Impact



- State Sources of Revenue

- Personal Income Tax: 68.5%

- Sales Tax: 18.3%

- Corporation Tax: 10.3%

- Other: 2.9%

- Unemployment Rate

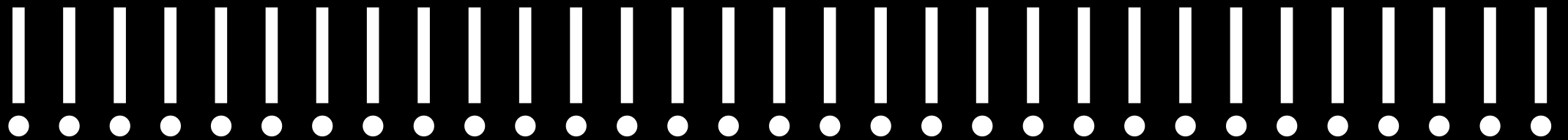
- Steady Decline Since 2010

- 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: 16.4%
- June: 14.9%
- July: 13.5%
- August: 11.4%
- Fewer than 16.6 million Californians employed as of August – February 18.75 million Californian employed - <2.15M> or <11.5%>

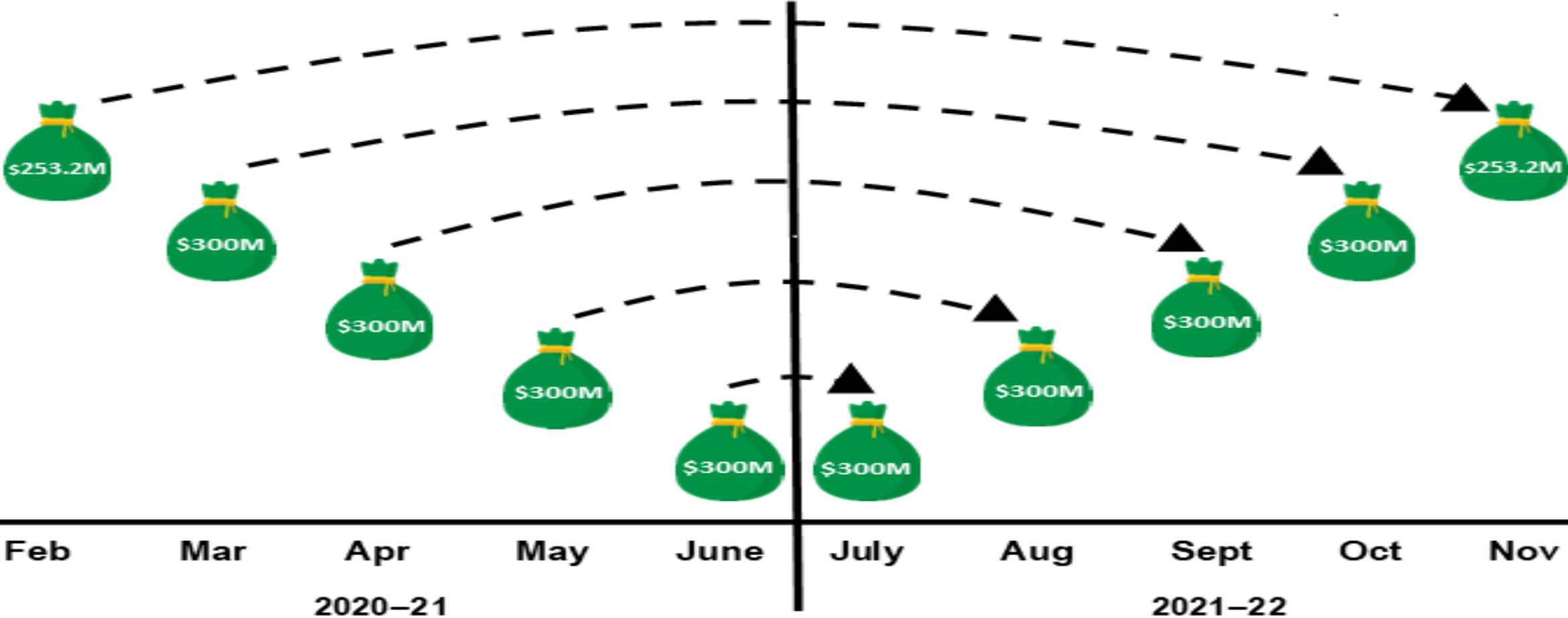
Turned a \$6 billion
surplus into a
<\$54.3> billion deficit



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
- **Use of Federal Funds:** \$10.1 billion
- **Updated Assumptions/Increased Efficiencies:** \$10.6 billion
 - Revision of PIT decline from <25.5%> to <18.8%>
- **Borrowing/K-14 Deferrals/Transfers From Special Funds:** \$9.3 b
- **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 \$31.2 million for SMC - \$23.1M UGF - \$8.1 RGF

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SYSTEMWIDE BUDGET

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 PROPOSED ADOPTED

LINKING PLANNING TO BUDGETING

- District Planning and Advisory Council (DPAC)
 - Primary planning body
- Revised annual planning process
- Allows for Budget Committee review and input
- Allows for inclusion into the Proposed Adopted Budget
- 6 plans included in the Proposed Adopted Budget
 - Grant Funded - \$922,000
 - Unrestricted Funded - \$158,403



2020-2021 MAJOR ASSUMPTIONS

MAJOR ASSUMPTIONS

- Apportionment
 - No COLA
 - No Growth
 - Deficit Factor: 0.85% = $\langle \$1.18 \rangle M$
- Reported Credit Res. FTES: $\langle 3.0\% \rangle$ or $\langle 585 \rangle$ FTES
 - Credit FTES = 18,938; NC = 585; Total: 19,523 FTES
 - Medium District: Loss of $\langle \$1,348,501 \rangle$
 - Hold Harmless: \$12,369,464
 - Need 2,713 CrFTES growth before funding begins

- Actual Non-resident FTES: <15.6%> or <577> FTES
 - 2007-08 = 5,071 FTES; 2012-13 = 4,049; 2017-18 = 4,589;
2020-21 = 3,126
 - NR Tuition revenue decrease of ~<\$4,023,686> from PY
 - Intensive ESL revenue decrease of ~<\$210,353> from PY
 - 2017-2018 = \$33,973,786
 - 2018-2019 = \$33,029,528
 - 2019-2020 = \$28,384,549
 - 2020-2021 = \$24,150,510
 - 3 Year Decrease of ~<\$9,823,276> or <28.9%>
- All revenues driven by FTES adjusted

- Salaries: Step, column, longevity for SMCFA and SMCPOA
- Health and Welfare *(adjusted for SRP)*
 - Current employees: 6.17%
 - Retirees: 3%
- Utilities: Increased by 1.3%. (Adjusted for usage)
- Insurance: 9%
- No Equipment – Emergency Need Fund 40.0
- \$300,000 budgeted for borrowing costs
- Carry-over of 2019-2020 Initiatives

BUDGET ACTIONS

- At May Revise 20-21 deficit was projected at **<\$32,001,777>**
- Reversal of May Revise reductions (\$11,006,613)
- Additional budget actions needed

Budget Action	Amount of Budget Reduction/Action
Faculty Supplemental Retirement Plan	\$3,270,966
Reduction in Hourly Instruction	\$2,334,192
1 Day Furlough and Salary Freeze (CSEA)	\$1,940,928
Student Bad Debt	\$1,800,000
Lease for Pool, Madison Campus, Airport – Funding Shift	\$1,780,163
2 Day Furlough and Salary Freeze (Mgmt)	\$1,494,967
Mgmt and Classified Supplemental Retirement Plan (Net)	\$1,270,460
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	\$212,879
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:	\$15,950,735



CHANGES IN REVENUE

Projected Changes in Revenue

2019-2020 Projection to 2020-2021 Proposed Adopted Budget

2019-2020 Unaudited Revenue	\$185,555,712
Rent	-96,365
Parking Fines	-108,553
Lottery	-314,500
Interest	-499,501
Part-time Faculty Office Hour – One-time	-813,281
STRS On-behalf	-1,050,522
Prior Year STRS Employer Contrib. Reimb. – One-time	-1,151,301
Non-resident Tuition/IESL	-4,234,039
Other	190,146
Proposed Adopted Budget Projection:	\$177,477,796

Total Decline in Revenue is <\$8,077,916> or <4.35%>



CHANGES IN EXPENDITURE

Projected Changes in Expenditure

2019-2020 Projection to 2020-2021 Proposed Adopted Budget

2019-2020 Projected Expenditure	\$195,191,064
Health and Welfare Benefits	1,289,736
Vacancy List	762,855
Step, Column and Longevity (Excludes Mgmt,Confidentials and Classified)	736,646
SEAP Expenditure Transfer	735,863
Employment and Retirement Benefits	407,510
Full-year Effect on Hiring and Separations (Non-SRP)	361,293
Utilities and Insurance	309,664
Deferral and Borrowing Costs	300,000
STRS On-behalf	-1,050,522
Classified One-time Off Schedule Pay and Retroactive Increase	-1,223,353
Budget Reduction – Year Over Year Actual Exp. Reduction	-12,839,087
Other <u>Total Reduction in Expenditure is \$9,955,308 or 5.1%</u>	254,087
Proposed Adopted Budget Projection:	\$185,235,756



CHANGES IN FUND BALANCE

Projected Changes in Expenditure 2019-2020 Projection to 2020-2021 Tentative Budget

	Unaudited 2019-2020	Proposed 2020-2021 ADOPTED
Beg. Fund Balance	\$30,676,107	\$21,040,755
Surplus/Deficit w/ One-time Items	<\$9,635,352>	<\$7,757,960>
Projected Ending Fund Balance	\$21,040,755	\$13,282,795
Fund Balance to Ttl Exp. And Transfers	10.78%	7.17%



ISSUES MOVING FOWARD

- State financial health
- Future revenue growth
 - Deferrals equal to ~20% COLA Adjustment
 - State must payback \$1.78 B before new funding
- 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