

The background features a dark blue gradient with a series of curved, overlapping lines that create a sense of depth and movement. A grid of fine, light blue lines is visible, particularly on the right side, which appears to be part of a larger, curved structure. The overall effect is modern and dynamic.

# Santa Monica College 2022-2023 Tentative Budget Presentation

BOARD OF TRUSTEES  
JUNE 7, 2022

# Where to Begin.....

- Lots of information!
  - Santa Monica College Budget Office
  - <https://www.smc.edu/administration/business-services/budget/>
- Things will change....
  - Legislature and Governor Negotiations
  - Up-Dated Economic Projections
  - Year End Closing
  - District Adopted Budget in September



# Overview

- May Revise
- 2022-2023 Tentative Budget



# May Revision

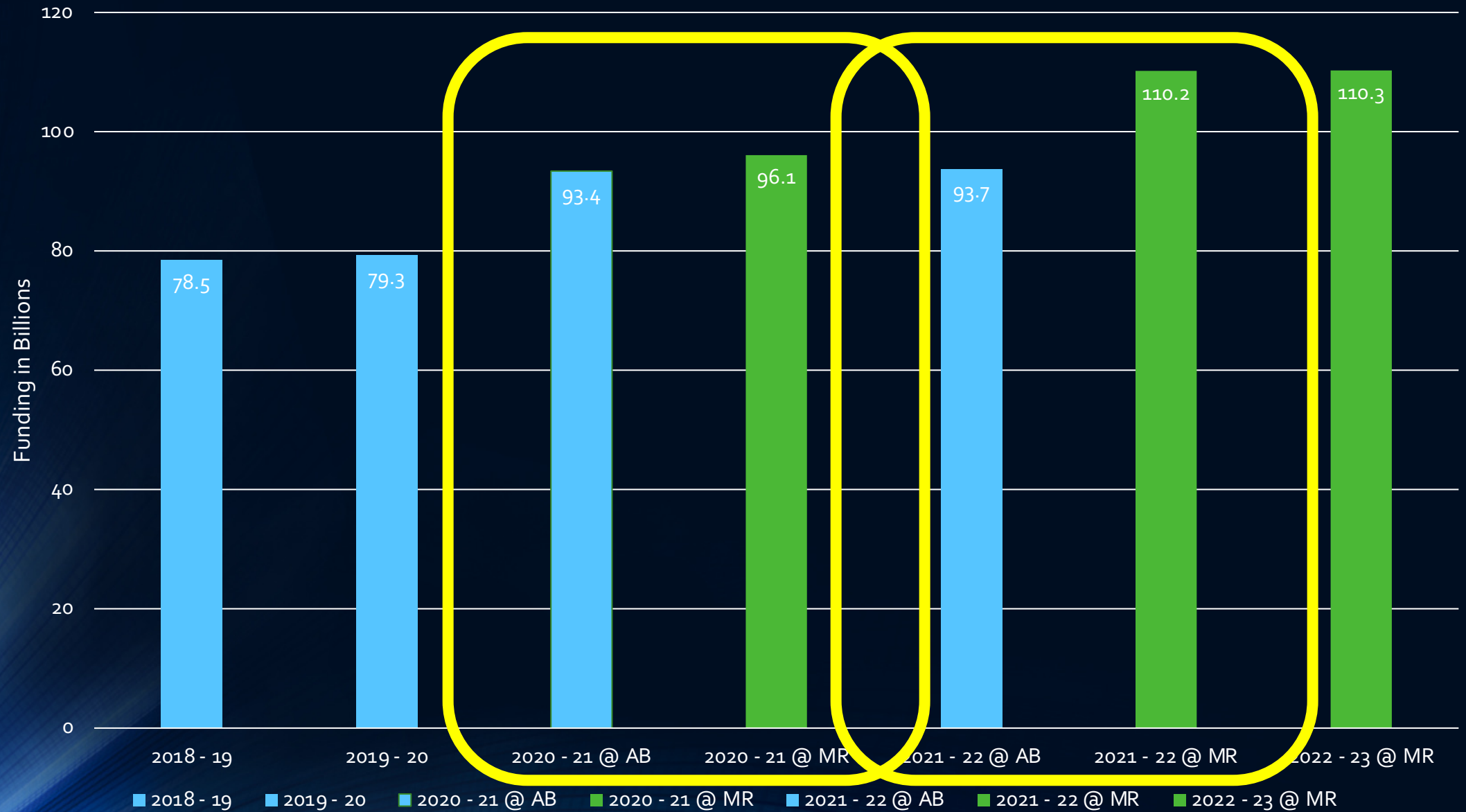


# 2022-2023 May Revision

- \$49.2 Billion discretionary surplus *(3 Year)*
- 94% of General Fund surplus on one-time items
  - Concerns of recession and GANN Limit
- \$37.1 billion in Reserves
  - \$23.3 billion “Rainy Day Fund” (Fully funded)
  - \$9.5 billion Public School System Stabilization Account (PSSSA)
  - \$900 million Safety Net
  - \$3.4 billion Operating Reserve



# Prop 98 Minimum Guarantee



# Apportionment

- \*6.56% COLA (*GJP: 5.33%*)
  - \$492.9 million systemwide
  - Estimated \$9,497,269 for SMC
- 0.5% Growth (*GJP: 0.5%*)
  - SMC is projecting a decline in FTES



# Apportionment

- **\*Base Increase to SCFF (May Revise)**
  - \$250 million to increase metrics by 9.89%
  - \$125 million to increase base allocation by 21.93%
  - SMC will not receive any of these funds as we are under Hold Harmless
    - SMC projected Hold Harmless is \$12.59 million or 2,685 FTES
- **\*\*Base Increase to SCFF (Legislature)**
  - \$250 million to increase metrics by 9.89%
  - \$125 million to increase base allocation by 21.93%
  - \$325 million additional – No details given
- Permanent Hold Harmless: No change from January



# Part-time Faculty Support

- No change from January proposal
- \$200 million ongoing to augment the Part-time Faculty Health Insurance Reimbursement Program
- Current program is \$490 k
  - District spent \$3.6 million
  - Reimbursed \$81 k
- Encourage Districts to provide PT Faculty with Health Insurance



# Student Enrollment and Retention

- No change from January proposal
- \$150 million one-time engage with former and prospective students who discontinued due to COVID-19
- Administration expects for 50% of sections to be on-ground in 2022-23
  - Should be consistent with demand and public health guidance



# College Affordability

- **\*Student Success Completion Grants (May Revise): \$50 million ongoing**
  - Reduction of <\$50> million from January proposal
- **\*\*Student Success Completion Grants (Legislature): \$200 million ongoing**
- **Financial Aid Offices: \$10 million ongoing**
  - No change from January proposal
- **Emergency Financial Aid: \$20 million AB 540 students**
  - No change from January proposal



# Expanding Student Support Programs

- \*COLA for DSPS, EOPS, CalWORKs, **Mandated Costs and SEAP**
  - **January proposal did not include COLA for MC and SEAP**
- A2MEND: \$1.1 million ongoing for expansion of African American Male Education Network and Development (A2MEND)
  - No change from January proposal
- \*NextUp: \$20 million ongoing to expand program from 20 to 40 Districts
  - \$10 M increase from January proposal
- Umoja: \$179,000 to study Umoja to better understand practices that promote student success for African American students
  - No change from January proposal



# Strengthen Academic Pathways

- Healthcare Vocational Pathway – Adult Ed: \$130 million over three years. One-time No change from January proposal
- Common Course Numbering: \$105 million one-time
  - No change from January proposal
- Transfer Reform: \$65 million one-time to implement AB 928.
  - Create and implement procedures to place students who declare a goal of transferring into a ADT for their major unless they opt-out.
  - No change from January proposal



# Strengthen Academic Pathways

- Curricular Pathways: \$25 million one-time to procure software that maps out Intersegmental curricular pathways
  - No change from January proposal
- High-Skill Fields Preparation: \$20 million one-time
  - No change from January proposal
  - **\*\*Legislature rejects**
- Teaching Credential Partnerships: \$5 million one-time
  - No change from January proposal
  - **\*\*Legislature rejects**
- **\*California Healthy School Meals Pathway: \$45 million one-time**
  - Pipeline for school food service workers



# Workforce and Diversity

- \$10 million ongoing implementation of Equal Employment Opportunity program targeted at diversifying faculty, staff and administrators
  - No change from January proposal
- \*\$10 million to establish a Classified Employee Summer Assistance Program
  - Optional District participation
  - Allows 11 month classified employees with pay up to \$62,400 have up to 10% of monthly pay withheld and paid during summer
  - State will contribute a prorated match depending on funding



# Technology Modernization

- 5 Districts faced major cyber attacks in 2021-22
- \$100 million
  - \$75 million one-time
  - \$25 million ongoing
- Improve technology infrastructure and security
- No changes from January proposal



# Physical Plant and Instructional Equipment

- **\*\$1.5 billion one-time (GJP \$511 m)**
  - Could be up to \$27.6 million for SMC
- **\*\* Legislature proposes \$800 million**
- Focus on energy efficiency projects and deferred maintenance



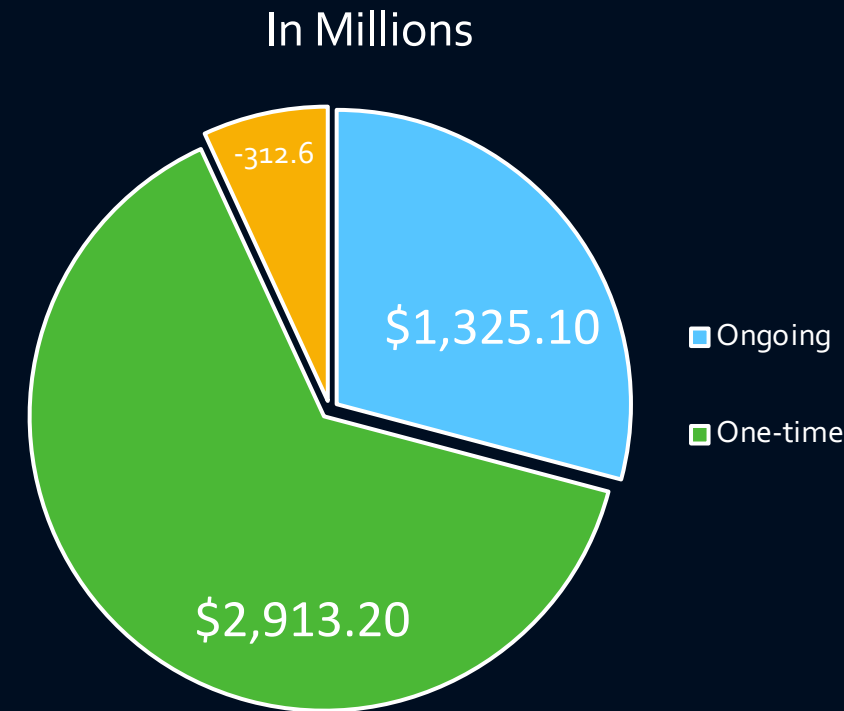
# Discretionary Block Grant

- \*\$750.0 million (May Revise)
  - Could be up to \$13.8 million for SMC
  - Focus on addressing pandemic related issues and long-term liabilities
- \*\*\$550 million (Legislature)
  - Focus on addressing basic needs, mental health and pandemic response



# May Revise System Budget

- Increase in Prop 98 Funding for CCC of \$3,925.7 million
- 36 Proposed Funding Changes
  - \$1,325.1 million Ongoing
  - \$2,913.2 million One-time
  - Adjustment to SCFF of <\$312.6> million



# LAO Comments of May Revise



# GANN Limit aka State Appropriations Limit (SAL)

- The GANN Limit is a calculation that limits the growth of government expenditures from tax revenue
- Proposition 4 (1979): Constitutional amendment
- If revenue exceeds the GANN Limit the revenue must be:
  - 1) Used on excluded activities such as capital
  - 2) Split between taxpayer rebates and one-time funds to education
  - 3) Reduction in taxes
- Revenues are growing faster than the limit
- LAO warns May Revise sets up for \$25 billion budget shortfall in 2023-24
  - Can't grow out of it. Increased revenue = more of an issue!
  - Recommends reducing \$10 B from May Revise



# Elevated Recession Risk

- LAO compared four economic indicators in normal times and in years leading to a recession. Data covered 1973 – Current
  - Rising Inflation
    - Normal = 0%
    - Before a recession = 1%
    - Current = 4%
  - Tight Labor Market - Unemployment Rate
    - Normal = 6.5%
    - Before a recession = 5.1%
    - Current = 5.3%



# Elevated Recession Risk

- Slowing Home Sales
  - Normal = 4%
  - Before a recession = -6%
  - Current = -9%
- Failing Consumer Sentiment
  - Normal = 1%
  - Before a recession = -3%
  - Current = -21%
- No one can predict a recession, but indicators are rising



# 2022-2023 Tentative Budget



# Tentative Budget

- Tentative Budget is preliminary
  - Allows for operations between July 1 and Adopted
- Not all May Revise proposals included in the Tentative
  - Cannot project due to lack of information
    - Guidelines
    - Application
    - Reporting
    - Allocation
  - CCCCO August Budget Workshop
- COLA assumption included



# Major Assumptions

- Apportionment at Hold Harmless
  - 2021-2022 level with 6.56% COLA
    - COLA: \$9,497,269
    - Apportionment: \$144.78 M to \$154.27 M
- Use of HEERF to Backfill Lost Revenue: \$0
  - 2021-2022: \$13,068,911
  - \$1.8 M unallocated remaining



- Credit Resident Enrollment Decline of **<8.0%>** or **<1,373.93>** FTES
  - Resident enrollment drives 80+% of revenue
    - Apportionment, Lottery, Fees
  - 2018-2019 Final: **19,501** Credit FTES
  - 2019-2020 Final Actual: **17,551** Credit FTES
  - 2020-2021 Projected: **19,101**
  - 2021-2022 Projected: **17,174**
  - 2022-2023 Projected: **15,800**
- **<19.0%>** or **<3,701>** Less Credit Resident FTES than 2018-2019



- Non-resident Enrollment Decline of  $\langle 0.00\% \rangle$  or  $\langle 0.00 \rangle$  FTES
  - Second largest source of revenue – 11.3% of UGF Revenue
- Adjust for \$9 per unit fee increase
- 2018-2019 = 4,259 Non-Resident FTES
- 2019-2020 Final Actual: 3,702 Non-Resident FTES
  - $\langle 13.1\% \rangle$  or  $\langle 557 \rangle$  decline in Non-Resident FTES from PY
- 2020-2021 Projected: 3,088 Non-Resident FTES
  - $\langle 16.6\% \rangle$  or  $\langle 614 \rangle$  decline in Non-Resident FTES from PY
- 2021-2022 Projected : 2,767 Non-Resident FTES
  - $\langle 10.41\% \rangle$  or  $\langle 321 \rangle$  decline in Non-Resident FTES from PY
- Since 2018-2019:
  - $\langle 1,492 \rangle$  or  $\langle 35.0\% \rangle$  decline in Non-Resident FTES



- 2018-2019 Final NRT Revenue = \$33,029,528
- 2019-2020 Final NRT Revenue = \$28,384,549
- 2020-2021 Final NRT Revenue = \$23,987,221
- 2021-2022 Projected NRT Revenue = \$21,603,455
- 2022-2023 Tentative NRT Revenue = \$22,231,777
- Annual decrease of ~<math>\\$10,797,751</math> since 2018-2019



- Salaries: Step, column and longevity for all groups
- Reduction in Weekly Teaching Hours of <10%> to adjust to declining demand
  - Academic Affairs has authority to add back WTH if demand increases or a low enrollment class is needed for students to finish their program
- Health and Welfare
  - Current Employees: 3.77% increase
  - Retirees: 5.77% increase
- 2017 Supplemental Retirement Plan
  - Last payment in 2021-2022



- *Important: Supplies, Contracts and Utilities actual expenditures continued to be artificially low in 2021-2022 due to the remote environment*
- Supplies: Maintain 2021-2022 adjusted for PBAR
  - Increase of **\$21,374**
    - Ceiling tiles of \$14,374
- Contracts: Maintain 2021-2022 adjusted for PBAR
  - Decrease of **<\$452,064>**
    - 5 Year Best Implementation Fee of **<\$306,231>**
    - One-time items in 2021-22 expiring: **<\$388,510>**
    - Annual Action Plans for 2022-2023: **\$192,750**
- Utilities: Increase of 6.89% for increase usage and price inflation



# Linking Budgeting to Planning

## Develop a Master Plan for Education, 2023-2028

**Budget:** \$185,000 One-time

**Budget Source:** Unrestricted General Fund

**Purpose/Goal of Action Plan:** To develop and implement a new Master Plan for Education. The Master Plan for Education shall establish a framework for serving SMCCD students, taking into consideration the major demographic, economic, and educational issues facing the SMC community.

## Relaunch “The Center” to be a learning and professional development center for all employee groups

**Budget:** \$692,000 On-going

**Budget Sources:** \$415,750 Unrestricted General Fund; \$276,250 Student Equity and Achievement Program

**Purpose/Goal of Action Plan:** To support the Institutional Effectiveness Partnership Initiative (IEPI) design and implementation of a comprehensive professional development plan for all employee groups with the outcome to improve student racial equity and sense of belonging on campus. The Center will increase professional development opportunities while seeking to increase participation in equity-related professional development activities for all employee groups



## Projected Changes in Revenue 2021-22 Projection to Tentative Budget

|  |               |
|--|---------------|
| 2021-2022 Projected                              | \$199,094,007 |
| COLA – 6.56%                                     | 9,497,269     |
| 2021-22 Deficit Factor Non-repeating             | 1,497,113     |
| Non-resident Tuition                             | 628,323       |
| State On-behalf STRS                             | 609,055       |
| Student Fees                                     | -116,802      |
| Other State Revenue                              | -234,678      |
| Lottery  | -437,438      |
| Prior Year Adjustment                            | -1,280,923    |
| HEERF Backfill of Lost Revenue and Indirect Cost | -13,068,911   |
| Other  | 13,021        |
| 2022-2023 Tentative Budget Revenue Projection    | \$196,200,035 |

Decrease in revenue of  
<\$2,893,970> or <1.45%>

**Projected Changes in Expenditures  
2021-2022 Projection to Tentative Budget**

|  |               |
|--|---------------|
| 2021-2022 Projected  | \$194,470,040 |
| Employment and Retirement Benefits   | 1,733,721     |
| Full Year Effect of Hiring and Terminations  | 1,352,234     |
| Step, Column and Longevity   | 1,025,651     |
| Health and Welfare – Current and Retiree   | 964,743       |
| Vacancy List   | 863,462       |
| Supplies and Contracts   | 750,484       |
| State On-behalf STRS   | 609,055       |
| Utilities  | 223,044       |
| End of 2017 Supplemental Retirement Plan Payments                                    | -1,298,771    |
| Non-repeat of Retroactive and One-time Salary Payments (CSEA, Unrepresented, SMCPOA) | -2,252,000    |
| Reduction in Hourly Instruction and Non-instruction                                  | -3,361,696    |
| Other  | 53,746        |
| 2022-2023 Tentative Budget Expenditure Projection                                    | \$195,133,714 |

**Increase in expenditures of  
\$663,674 or 0.34%**

# Fund Balance

|                                       | Projected<br>2021-2022 | Tentative<br>2022-2023 |
|---------------------------------------|------------------------|------------------------|
| Beg. Fund Balance:                    | 35,483,750             | 40,107,717             |
| Ongoing Revenue:                      | 185,810,283            | 195,811,943            |
| Ongoing Expenditure:                  | 192,286,970            | 194,388,825            |
| Operating/Structural Surplus/Deficit: | <6,476,687>            | 1,423,118              |
| One-time Items:                       | 11,100,654             | <356,796>              |
| Surplus/Deficit w/ One-time Items:    | 4,623,967              | 1,066,322              |
| Ending Fund Balance:                  | 40,107,717             | 41,174,039             |
| FB to Total Expenditure and Transfer: | 20.62%                 | 21.10%                 |

- Budget is balanced both in the current year and structurally
- Board can allocate up to \$1,423,118 in additional on-going expenditures



# Key Take Aways

- Tentative is tentative. Things will change before the Adopted Budget in September
- Large COLA has closed the structural and operating deficit caused by the end of HEERF backfill funds and leaves \$1.4 million for additional allocation or savings
- Non-Resident Enrollment is our most pressing financial issue
  - Non-resident Tuition decline is historic



Special Thank You To...

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