Governor’s 2024-2025 Budget Proposal and Second Quarter Budget Update

BOARD OF TRUSTEES
FEBRUARY 6, 2024

Recap of the Governor's Proposed 2024-2025 Budget Proposal

Governor's Proposed Budget Summary

- 2024-2025 Budget Act
  - Projected <$37.9 billion> budget deficit
    - LAO projects a <$68.0 billion> budget deficit
    - Attributable to declines in Personal Income Tax (PIT)
      - PIT accounts for 66% of State Revenue
      - 50% of PIT is from Top 1% (180,000 taxpayers)
      - Specific issue is Capital Gains which dropped from 11.6% to 5%
      - Issue was "hidden" due to delayed tax filing related to winter storms
  - Governor notes risk but does not forecast a recession

Proposed Ongoing Changes for Community Colleges

- Inflationary Adjustment (COLA) of 0.76%
  - $69.15 million Systemwide or ~$1.27 million for SMC
- Inflationary Adjustment of 0.76% for:
  - EOPS, DSPS, CalWorks, CARE and MC Block Grant
- SCFF Growth of 0.5%
  - Not eligible – Hold Harmless
- <$111.92> million reduction to SCFF

Proposed One-time Changes for Community Colleges

- $60.0 million expanding nursing program capacity

Comparing 2022-2023 and 2023-2024 Enacted to 2024-2025 Proposed

- 2022-2023 Enacted Budget Act
  - $1.905 billion in on-going increases
  - $2.425 billion in one-time increases
  - Total Change: $4.33 billion

- 2023-2024 Enacted Budget Act
  - $748.9 million in on-going increases
  - <$468.4> million in one-time increases
  - Total Change: $308.6 million

- 2024-2025 Governor's Proposal
  - <$63.6> million in on-going increases
  - $60.0 million in one-time increases
  - Total Change: <$3.6> million

2023-2024 Second Quarter Budget Update

FTES and Other Major Items of Note

- Deficit Factor of 0.00%
- FTES projections
  - Credit Resident FTES: 3.375% or 542.51
  - Adopted Assumption: 3.000% or 482.20
  - Credit Resident FTES History
    - 2020-21 = 19,101
    - 2021-22 = 17,013
    - 2022-23 = 16,075
    - 2023-24 = 16,617
  - Since 2020 – 2021 Credit Resident FTES is <2,484> or <13.01%> lower

FTES and Other Major Items of Note

- Non-resident FTES: 11.39% or 323.94 FTES

- Adopted Assumption: 7.0% or 199.13 FTES
  - **2017-18 = 4,589 FTES**; 2018-19 = 4,259 FTES; 2019-20 = 3,702 FTES; 2020-21 = 3,088 FTES; 2021-22 = 2,764 FTES; 2022-23 = 2,844 FTES; **2023-24 = 3,168 FTES projected**

  - Decline of <1,421> or <30.9%> since 2017-18

FTES and Other Major Items of Note

- NR Tuition revenue increase of ~$2,594,807 from PY
  - 2017-18 = $33,973,786
  - 2018-19 = $33,029,528
  - 2019-20 = $28,384,549
  - 2020-21 = $23,987,221
  - 2021-22 = $21,657,241
  - 2022-23 = $22,922,455
  - 2023-24 = $25,517,262 projected
  - Decrease since 2017-18 of ~<$8,456,524> or ~<25%>

Budget Savings Measures - Update

- Tentative Budget
  - Identified 2024-2025 would have a negative fund balance w/o action
  - $20,000,000 in savings needed to meet 5% fund balance
- Adopted Budget
  - Identified ~$8.5 million in 23-24 savings
    - Carried into 24-25 = ~$17 million savings
  - Used $3.8 million one-time HEERF

Budget Savings Measures – Update (cont)

- Increase Efficiency in the Schedule
  - Budgeted for 92.3% WTH to ResFTES ratio
    - 20-21: 19,920 ResFTES with 22,068 WTH (90% Eff)
    - 22-23: 16,910 ResFTES with 21,504 WTH (79% Eff)
    - <3,010> FTES or <15.11%> decline with <564> WTH or <2.56%>

Budget Savings Measures – Update (cont)

- Efficiency Goals Not Met
  - Adopted Budget: 17,393 ResFTES with 18,842 WTH (92.3% Eff)
  - Q2: 17,487 ResFTES with 20,786 WTH (84.1% Eff)
    - ResFTES increase of 94 or 0.54% over AB
    - WTH increase of 1,944 or 10.32% over AB
  - It's the melt!
- Increase in Expenditure of $2,497,980

Budget Savings Measures – Update (cont)

- Attrition of Non-faculty FTE Positions
  - Adopted Budget: 66% attrition
  - 2Q: 41% attrition rate achieved

- Increase in Expenditure of $969,303

Balancing Action to Tentative	Projected Saving at Adopted Budget	Projected Savings at 2nd Quarter	Additional/<Less> Savings
Increase in Efficiency	$4,158,367	$1,660,387	<$2,497,980>
Management/Classified Attrition	$2,423,259	$1,453,956	<$969,303>
Contracts and Services	$500,024	$500,024	$0.00
Non-Instruction	$440,173	$440,173	$0.00
Student Help	$373,170	$324,428	<$48,742>
Conferences	$214,044	$214,044	$0.00
20% Supplies	$206,819	$206,819	$0.00
Overtime	$144,529	$144,529	$0.00
TCO	$67,070	$67,070	$0.00
Total Balancing Measures:	**$8,527,455**	**$5,011,430**	**<$3,516,025>**

Projected Changes in Revenue
2023-2024 Adopted Budget to Second Quarter Projections

2023-2024 Adopted Budget	$216,247,369
Non-resident Tuition	990,734
Interest	417,100
Other State Revenues – PT Office Hours	208,912
Mandated Cost Block Grant	81,849
Lottery	80,518
Transfer In – Indirect Cost	78,016
Other	11,227
2023-2024 Second Quarter Revenue Projection	$218,115,725

Increase in revenue of $1,868,356 or 0.86%

Projected Changes in Expenditures
2023-2024 Adopted Budget to Second Quarter Projections

2023-2024 Adopted Budget	$223,216,426
Savings Measures	3,516,025
Hourly Instruction and Hourly	1,118,607
Supplies and Contracts	412,171
Full Year Effect Hiring, Terminations and Adjustments – Pre-July 1 Approvals	393,099
Employment Benefits	347,871
Insurance - Deductible	50,000
Vacancy List	-451,726
Other	-21,716
2023-2024 Second Quarter Expenditure Projection	$228,580,757

Increase in expenditure of $5,364,331 or 2.40%

ADOPTED BUDGET – Multi-Year				
	2022-2023	2023-2024	2024-2025	2025-2026
Beginning Fund Balance	43,914,608	34,022,513	27,053,456	17,872,786
Operating Surplus/(Deficit)	(9,892,095)	(6,969,057)	(9,180,670)	(13,642,690)
Ending Fund Balance	34,022,513	27,053,456	17,872,786	4,230,096
Fund Balance Ratio to Total Expenditures and Transfers	15.84%	12.12%	7.66%	1.77%

SECOND QUARTER – Multi-Year				
	2022-2023	2023-2024	2024-2025	2025-2026
Beginning Fund Balance	43,914,608	34,022,513	23,557,481	13,567,531
Operating Surplus/(Deficit)	(9,892,095)	(10,465,032)	(9,989,950)	(15,493,388)
Ending Fund Balance	34,022,513	23,557,481	13,567,531	**(1,925,857)**
Fund Balance Ratio to Total Expenditures and Transfers	15.84%	10.31%	5.70%	(0.79%)

Issues Moving Forward

- Large State Budget deficit
- 0.76% Inflationary Adjustment (COLA) Proposal
- Hold Harmless Provision Not Proposed to Change
  - No COLA increases starting 2025-26

- The District Must Implement Additional Savings Actions

Special Thank You To…

Veronica Diaz and the Budget Team

John Greenlee, Charlie Yen and the Facilities Planning Team

Kim Tran, Irma Haro and the Accounting Team

The Budget Committee

Questions?

Append. Eff. With All FTES

- 20-21: 23,008 FTES (Res and Non-Res) with 22,068 WTH
- 22-23: 19,754 FTES (Res and Non-Res) with 21,504 WTH
- <3,254> FTES or <14.14%> decline with <564> WTH or <2.6%>

- Adopted Budget: 20,439 FTES (Res and Non-Res) with 18,842 WTH
- Q2: 20,655 FTES (Res and Non-Res) with 20,786 WTH
- 216 FTES or 1.0% increase with increase of 1,944 WTH or 10.3%

	Adopted Budget	Second Quarter
Beg. Fund Balance:	34,022,513	34,022,513
Revenue w/o One-time	216,181,256	218,041,573
Expenditure w/o One-time	222,346,419	226,961,762
Structural Surplus/Deficit	<6,165,163>	<8,920,189>
One-time Items	<803,894>	<1,544,843>
Surplus/Deficit with One-time	<6,969,057>	<10,465,032>
Ending Fund Balance	27,053,456	23,557,481
FB to Total Exp/Trfr	12.12%	10.31%