SANTA MONICA COMMUNITY COLLEGE DISTRICT
2024-25 PROPOSED ADOPTED BUDGET NARRATIVE

The Santa Monica Community College District Proposed Adopted Budget for fiscal year 2024-2025 is comprised of the following eight funds:

Unrestricted General Fund	$260,197,675
Restricted General Fund	$ 91,196,325
Total General Fund	$351,394,000
Special Reserve Fund (Capital)	$ 29,985,875
Bond Fund: Measure AA	$ 6,153,758
Bond Fund: Measure V	$194,411,304
Bond Interest & Redemption Fund	$101,732,357
Student Financial Aid Fund	$ 65,228,960
Scholarship Trust Fund	$ 45,000
Auxiliary Operations	$ 3,068,717
Total Other Restricted	$400,625,971
TOTAL PROPOSED ADOPTED BUDGET	**$752,019,971**

GENERAL FUND

General Fund Unrestricted (01.0)

These are the only funds available for the general operations of the District. All other funds are restricted in use.

Summary of 2023-24

The District closed the 2023-2024 fiscal year with an Unrestricted General Fund operating deficit, including one-time items, of <$6,868,552> *(Excluding one-time items, the structural deficit was <$6,783,146>)*.

For 2023-2024, total revenues, including one-time items, increased by $14,798,863 or 7.22% from the prior year. This increase is mainly attributed to the receipt of a Cost of Living Allowance (COLA) of 8.22% or $12,681,216; increase in non-resident tuition of $2,381,991 as a result of higher enrollment; increase in interest of $586,231; net prior year apportionment adjustments of $1,188,599; the non-repetition of the 2022-2023 apportionment deficit factor of $1,481,018; and ending of the backfill of lost revenue from the Higher Education Emergency Relief Fund (HEERF) in the amount of <$3,783,848>.

For 2023-2024, total expenditures, including one-time items, increased over the prior year by $11,775,320 or 5.48%. The increase is primarily due to increases in salary and related benefits for members of the Santa Monica College Faculty Association (SMCFA) related to a negotiated salary increase of 75% of COLA or 6.165% for Academic Year 2023-2024 totalling to $5,394,147, increases in salary and related benefits for members of the Classified School Employees Association (CSEA), classified confidentials and Santa Monica College Police Association (SMCPOA) related to negotiated salary increases of 75% of COLA or 6.165% effective July 1, 2023 totalling to $2,718,978, a salary increase of 75% of COLA or 6.165% effective July 1, 2023 for classified and academic administrators and managers totalling to $1,213,153; an increase in employment, retirement and health and welfare benefits of $4,346,747; step and longevity increases for all eligible groups of $2,563,165; net of expenditure decreases as a result of the non-repetition of the one-time retroactive salary and off-schedule pay for members of CSEA, SMCPOA and classified confidentials totalling to <$4,251,021> .

The combination of these and other items resulted in an unaudited Unrestricted General Fund ending balance, including designated reserves, of $27,153,961, or 11.99% of total expenditures and transfers.

2024-2025 Proposed Adopted Budget

The proposed, adopted budget is based on the 2024-2025 State budget, updated with the latest information provided by the Chancellor's Office. Changes to projections are expected as the year progresses, and updated information is received.

Major Highlights

Student-Centered Funding Formula – Hold Harmless

In 2018-2019, the State adopted a new funding formula to determine the Apportionment allocation for each District named the Student-Centered Funding Formula (SCFF). The SCFF calculates Apportionment to be distributed to three main factors: base allocation (*enrollment*) - 70%, supplemental allocation (*number of students receiving financial aid*) – 20%, and the student success allocation (*number of student success outcomes achieve*d) – 10%. The formula stipulates that for the fiscal years of 2018-19 through 2021-2022, the District will be funded at the greater of the amount calculated under the SCFF or at a "Hold Harmless" amount, which is equal to the 2017-2018 funding level adjusted for COLA. The 2022-2023 Budget Act extended the revenue protection in a modified form where starting in 2025-2026, districts would continue to receive funding at the greater of the 2024-2025 funding level, without further COLA increases, or the amount calculated under the SCFF.

For 2024-2025, the District projects that it will be funded under the hold harmless provision. Based on the projected resident enrollment through 2025-2026, the District will not be receiving a COLA increase due to this provision starting in 2025-2026.

Linking Budget and Planning

The District Planning and Advisory Council (DPAC) is the District's primary planning body and is responsible for developing the annual Master Plan for Education Update, overseeing long-term planning efforts, reviewing the Vision, Mission, Values and Goals, assessing the College planning process and developing new Strategic Initiatives.

For 2024-2025, the following Action Plan was developed by DPAC and has been approved by the Superintendent/President to be included in the Proposed Adopted Budget:

Identify the Retention and Persistence Components of Existing College Plans and Activities and Develop Recommendations on How to Improve the Coordination of the Plans and How to Assess the Annual Impact of Each Plan on Retention and Persistence

Budget: No cost to District

Purpose/Goal of Action Plan:

Identify the retention and persistence components of existing college plans and activities (e.g., Strategic Enrollment Management (SEM) Plan, Student Equity Plan, Guided Pathways, Facilities Master Plan, Professional Development, Onboarding, Student Engagement practices); Develop a means for assessment of the implementation and success of each plan or activity; Develop a written report to present to DPAC in Spring 2025 outlining recommendations to improve the coordination of the plans/activities and assessment of the impact of each plan/activity on retention and persistence.

Additional information regarding the District Planning and Advisory Council and the Annual Action Plans for 2024-2025 can be found at:

https://admin.smc.edu/administration/governance/district-planning-policies/dpac-members-reports.php

2024-2025 Major Assumptions

The major revenue assumptions include:

- An increase in non-resident tuition and intensive ESL revenue of $5,547,443 due to an increase in projected non-resident enrollment and State mandated increase in the fee amount;
- Transfer in from the Recovery Block Grant of $4,332,100;
- Revenue from a new fee-based instruction program of $2,000,000;
- The calculation of apportionment was made under the hold harmless clause of the SCFF, which guarantees that the District will receive the amount of apportionment collected in 2023-2024 plus Cost-of-Living Allowance (COLA) increase of 1.07% or $1,786,407;
- A one-time increase in Part-time Office Hours reimbursement of $1,804,338;
- Decrease in interest of <$526,302> due to expected lower interest rates;
- Non-repetition of prior year apportionment adjustment <$1,668,898>.

The net effect of all changes in revenues, including those discussed above, has resulted in a projected increase in total revenues of $13,381,931 or 6.09% from the prior-year unaudited actuals.

The major expenditure assumptions include:

- Step and longevity increases of $3,211,070;
- Increase in health and welfare for current and retired employees $2,737,062;
- Increases in employment and retirement benefits of $984,077;
- Salary and benefit increases of 75% of COLA or 0.8025% for all members of SMC Faculty Association, Academic and Classified Administrators and Managers totaling to $929,215;
- Inclusion of a vacancy list of 21 positions vital to ongoing operations and student success totaling to $718,155. The projected cost of the vacancy list reflects a discount of 66% to more accurately the current year's anticipated expenditures;
- Increases in insurance and utilities of $590,158;
- Reduction in hourly instruction and non-instruction <$1,361,087>.

The net effect of all changes in expenditures, including those discussed above, has resulted in a projected increase in total expenditures of $8,104,833 or 3.58% compared with prior year unaudited actuals.

The breakdown of the projected expenditures is as follows: 91.4% on salaries and benefits, 5.0% on contracts and services, 3.1% insurance and utilities; 0.4% on supplies and capital expenditures and 0.1% on transfers/financial.

Summary

The net effect of the projected changes in revenue and expenditures will result in a projected structural deficit of <$6,998,535> and projected operating deficit, including one-time items, of <$1,591,454>, resulting in a projected ending Unrestricted General Fund Balance of $25,562,507 including designated reserves, or 10.89% of total expenditures and transfers.

2024-2025 Information, Data and Other Assumptions

Revenues

Federal Revenue

The federal revenue levels for 2024-2025 represent projected federal grant administrative allowances, including Administrative Cost Allowance (ACA) for Financial Aid programs.

State Revenue – Principal Apportionment

In the form of Principal Apportionment, State funding under the new Student-Centered Funding Formula, constitutes 72.4% *($168,740,327)* of the District's operating revenue. The District receives Principal Apportionment through a combination of direct State funds known as General Apportionment, coupled with enrollment fees, property taxes *(including Redevelopment Agency Funds)* and the Education Protection Account *(EPA)*, which was created as a result of the passage of Prop 30, and extended by the passage of Prop 55. These funds are combined to equal the Total Computational Revenues. If actual receipts of revenue from EPA, Redevelopment Agency *(RDA)*, property taxes and/or enrollment fees differ from estimates, the general apportionment funding will be adjusted, subject to availability of state funding, to keep the total revenue constant.

Property Taxes

Based on preliminary projections, the District will receive $42,139,396 in property taxes in 2024-2025. This is a combination of property tax shift, homeowner's exemption, secured taxes, unsecured taxes, supplemental taxes, RDA pass through and prior years' taxes. If the receipt of property tax does not meet these projections, the State may impose a deficit factor or constrain State funding to offset the resulting loss in funding.

Lottery

State Lottery revenues are paid each year according to the annual enrollment figures reported on the annual *"320"* Enrollment Report that is submitted to the California Community College Chancellor's Office by the District. The proposed adopted budget projects a reduction of lottery revenue of <$264,647> from the prior year due decrease in the projected non-Prop 20 lottery rate from the prior year rate of $211.24 per FTES to $191.00 per FTES in 2024-2025. If lottery sales or enrollment falls below projections, lottery revenue will be adjusted accordingly.

Local Revenues

The Local Revenue section of the budget contains Non-resident Tuition, the District's largest revenue source outside of Principal Apportionment. The Non-resident Tuition line item includes both revenues generated from Non-resident Tuition and revenue from special Intensive ESL classes for international students. For 2024-2025, the District projects an increase in non-resident FTES of 99.7 or 3.16%, and an increase of non-resident tuition fee, mandated by the State, from the prior year rate of $316 per to $374 per unit resulting in a projected revenue increase of ~$5.5 million in Non-resident Tuition in 2024-2025 from the prior year.

The remaining local revenue categories include property taxes, enrollment fees, student fees, interest, rental of facilities, etc.

Full-time Equivalent Students Served (FTES)

The District is projecting an increase in resident enrollment of 876.3 credit FTES or 5.27% from the prior year actual FTES. The District is also projecting an increase in non-resident enrollment of 99.7 FTES or 3.16% from the prior year's actual.

Since 2018-19, total resident and non-resident FTES served are projected to have declined by ~ <11.5%> or <2,824.86> FTES.

Expenditures

Salary and Benefits

Salary expenditure projections reflect applicable step, column and longevity increases for all qualified employees.

Benefit expenditure projections reflect increases caused by projected increases in benefits rates.

For the proposed adopted budget, salary, benefit, and vacancy line item changes result in a projected increase from the prior year of $7,770,861 or 3.76%. For 2024-2025, salaries and benefits represent 91.4% of total expenditures and transfers for the District's unrestricted general fund.

Insurance and Utilities

Insurance and utilities are projected to increase by $590,158 or 8.69% based on prior year adjusted by projected change in rate and/or additional consumption due to the opening of additional facility. For 2024-2025, insurance and utilities represent 3.1% of total expenditures and transfers for the District's unrestricted general fund.

Supplies, Services, Capital and Transfers

Supplies, Services, Capital and Transfer expenditure projections reflect departmental requests based on operational needs. For the proposed adopted budget, changes in these line items account for a decrease of approximately <$256,186> or <1.95%> over the prior year adopted budget allocations. The decrease is mainly due to one-time consultant fees and settlement that will not repeat in 2024-2025. In addition, the District continues to be granted an exemption to required matches for Federal Work Study and SEOG, resulting in projected savings of approximately $400,000.

For 2024-2025, supplies, services, capital, and transfers represent 5.5% of total expenditures and transfers for the District's unrestricted general fund.

The largest line item of non-salary and benefit-related expenditure is Contracts/Services. The Contracts/Services line item in the adopted budget includes: Advertising 18%, Bank Fees and Bad Debt 13%, Repairs and Maintenance of Equipment 10%, Other Contract Services 8%, Rents/Leases *Big Blue Bus, etc)* 7%, Software Licensing 7%, Consultants 5%, District Copiers 5%, LACOE Contracts *(i.e. BEST, HRS)* 5%, Professional Growth 4%, Off-Campus Printing 4%, Legal Services *(including Personnel Commission*) 4%, Postage and Delivery Services 3%, Conferences and Training 1%, Memberships and Dues 1%, Audit 1%, Recruiting-Students 1% and Other Services *(i.e. Repair-Facility, Field Trips, Fingerprinting, etc.)* 3%.

RESTRICTED FUNDS

General Fund Restricted (01.3)

This fund represents restricted funding that is received by the District from Federal, State, and Local sources. All grants that do not end by June 30, 2025, will be carried over to the 2025-2026 budget, if permissible.

The ending fund balance contains prior year balances from the following programs: Lottery, Parking, Community Services, Contract Education, Health and Psychological Services and the SMC Performing Arts Center. These balances represent revenue recognized and earned in prior years in excess of expenditures and are unavailable for transfer to other programs or funds.

When received, new grants will be presented to the Board of Trustees for approval, and the District's budget will be augmented to reflect the increase.

Special Reserve Fund (40.0) Capital

This fund is also known as the Capital Expenditures Fund. These funds are used for capital outlay related projects, and any expenditures for scheduled maintenance/physical plant, special repair projects, and architectural barrier removal. State funding for capital projects is also accounted for in this fund. In addition, rents and leases for Madison site, the City of Santa Monica swimming pool are charged to Capital Outlay Fund.

All capital expenditures and revenue in the Special Reserve Fund, as well as 42.4 and 42.5, reflect the total expenditure allocation and the total revenue for all projects and are not limited to the current year, thus resulting in a zero-ending balance. Money in these funds may not be transferred into the general fund.

Bond Fund Measure AA (42.4)

This fund reflects the revenue from the sale of bonds approved through Measure AA and the interest earned in the fund. The expenditures in this fund relate to the District's construction plan approved under Measure AA.

Bond Fund Measure V (42.5)

This fund reflects the revenue from the sale of bonds approved through Measure V and the interest earned in the fund. The expenditures in this fund relate to the District's construction plan approved under Measure V.

Bond Interest and Redemption Fund (48.0)

This fund is administered by the Los Angeles County Auditor-Controller's Office and reflects the receipt of property tax revenue due to voted indebtedness for bond issues and the payment of interest on those bonds plus the redemption of the bonds that mature within the 2024-2025 fiscal year. This information is provided by the Los Angeles County Treasurer's Office through the Los Angeles County Office of Education.

Student Financial Aid Fund (74.0)

This fund consists of all student financial aid programs *(PELL, SEOG, Loans, Santa Monica College Promise, California Chafee Grant, Cal Grants, Disaster Relief Emergency Student Aid, Early Action Emergency Student Aid, Emergency Financial Aid Grant (Supplemental), Middle Class Scholarship Grant, and Student Success Completion)*. The transfer line items reflect a transfer from the Unrestricted General Fund to meet the match requirements of the individual grant programs. For FY 2024-2025 award year, the District is granted a waiver of the institutional share requirement under the Federal Work Study (FWS) Program and the Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

Scholarship Trust Fund (75.0)

This fund is to account for gifts, donations, bequests, and devises *(subject to donor restrictions)* which are to be used for scholarships or grants in aid to students.

Auxiliary Operations

This budget reflects the revenue and expenditures of the auxiliary operations of the District, the Bookstore, the food and vending concessions, and expenditures for community activities in programs such as Athletics, Music, Theatre Arts, the *Corsair* student newspaper, and transportation.

Other Post-Employment Benefits Irrevocable Trust - Informational

To improve transparency and assist the reader, an informational section has been added to the proposed Adopted Budget which details the annual activity, including gains and losses, of the irrevocable trust established by the District in 2008-2009 to assist in the long-term funding of retiree medical benefits.

CONCLUSION

This is the recommended budget for adoption. While it reflects the best information currently available, it is expected that changes will occur during the year. Some changes will be the result of revised state revenue allocations based on changes in the state budget, and others will be internal adjustments resulting from new or updated information.