

Governor's 2025-2026 Budget Proposal and Second Quarter Budget Update

BOARD OF TRUSTEES
FEBRUARY 4, 2025

Recap of the Governor's Proposed 2025-2026 Budget Proposal



Governor's Proposed Budget Summary

- 2025-2026 Budget Act
 - Projected \$363 million budget surplus
 - 2024-25 was a <\$45.8 billion> budget deficit
 - \$16.5 billion in additional revenue from 2024-25 Budget Act (*Note: Over three-year period*)
 - Prop 98 for 2024-25 from \$115.3 billion to \$119.2 billion
 - Governor proposes funding at \$117.6 billion
 - Governor notes risk but does not forecast a recession
 - Risks: Stock market volatility, geopolitical instability and new Federal Administration



Proposed Ongoing Changes for Community Colleges

- No change in hold harmless. Starting 2025-26 District will get the greater of SCFF or amount received in 2024-25.
- Inflationary Adjustment (COLA) of 2.43%
 - \$230.39 million Systemwide
 - \$0.00 for SMC due to hold harmless
- Inflationary Adjustment of 2.43% for:
 - EOPS, DSPS, CalWorks, CARE and MC Block Grant
- SCFF Growth of 0.5%
 - Not eligible – Hold Harmless



Proposed Ongoing Changes for Community Colleges

(Cont)

- \$30 million systemwide for Rising Scholars Network
 - Brings total ongoing funding to \$55 million
- \$29 million for Common Cloud Data Platform - CCCCCO
 - Integrates e-Transcripts, a Mapping Articulation Pathways Platform and a Program Pathways Mapper
- \$7 million to build and scale credit for prior learning and the Career Passport



Proposed One-time Changes for Community Colleges

- \$133.5 million for Common Cloud Data Platform - CCCCCO
 - Integrates e-Transcripts, a Mapping Articulation Pathways Platform and a Program Pathways Mapper
- \$93 million to build and scale credit for prior learning and the Career Passport
- \$168 million to establish a Collaborative Enterprise Resource Planning (ERP) platform – Statewide ERP



No New Funding for SMC

- With no change to hold harmless provision SMC will not receive any new unrestricted funding in the 2025-26 proposed budget
- Board will need to implement immediate and wide-reaching reductions as declines in non-resident FTES coupled with increasing costs and no additional unrestricted funding places the District in financial insecurity



2024-2025 Second Quarter Budget Update



FTES and Other Major Items of Note

- Deficit Factor of 0.00%
- FTES projections
 - Credit Resident FTES: 3.187% or 530.30
 - Adopted: 5.266% or 876.34
 - Credit Resident FTES History
 - 2020-21 = 19,101
 - 2021-22 = 17,013
 - 2022-23 = 16,075
 - 2023-24 = 16,640
 - 2024-25 = 17,171
 - Compared to 2020 – 2021 CR FTES is <1,930> or <10.10%> lower



FTES and Other Major Items of Note

- Non-resident FTES: <1.18%> or <37.13> FTES
- Adopted Assumption: 3.16% or 99.70 FTES
 - 2020-21 = 3,088 FTES; 2021-22 = 2,764 FTES; 2022-23 = 2,844 FTES; 2023-24 = 3,157 FTES; 2024-25 Proj. = 3,120
- International non-residents have been growing but domestic non-residents have been declining
 - New Federal Administration actions may affect international non-residents moving forward



FTES and Other Major Items of Note

- NR Tuition revenue increase of ~\$4,276,804 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 = \$25,304,446
 - 2024-25 = \$29,581,250 projected



23-24 Budget Savings Measures Efficiency Update

- Increase Efficiency in the Schedule
 - 20-21: 19,920 ResFTES with 22,068 WTH (90% Eff)
 - 22-23: 16,910 ResFTES with 21,504 WTH (79% Eff)
 - 23-24: 17,393 ResFTES with 18,842 WTH (92.3% Eff) (Adopted)
 - *Actual: 17,525 ResFTES with 20,972 WTH (83.6% Eff)*
 - 24-25: 18,429 ResFTES with 20,330 WTH (90.6% Eff)
 - *Proj: 18,085 ResFTES with 20,531 WTH (88.1% Eff)*



Beware of “melt”!

23-24 Budget Savings Measures

Attrition Update – Fund 01.0

- 2019-20 = 18,162 ResFTES
- 2020-21 = 19,920 ResFTES
- 2021-22 = 17,751 ResFTES
- 2022-23 = 16,910 ResFTES
- 2023-24 = 17,525 ResFTES
- 2024-25 = 18,085 ResFTES

Employee Group	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	10/24/2024
FACULTY-TEACHING	258.46	243.20	236.25	241.15	242.43	250.28
FACULTY-NON-TEACHING	49.56	52.25	48.96	59.87	57.74	57.76
ACADEMIC ADMINISTRATORS AND MANAGERS	36.19	34.55	36.25	38.25	39.50	40.50
CLASSIFIED MANAGERS	47.59	44.59	46.56	49.50	48.88	48.48
CLASSIFIED REGULAR	396.25	372.20	374.95	398.07	401.96	400.78
TOTAL	788.04	746.78	742.97	786.84	790.51	797.80

Projected Changes in Revenue

2024-25 Adopted Budget to Second Quarter Projections

2024-2025 Adopted Budget	\$233,043,714
Student Fees	<41,405>
Lottery	<102,743>
Non-Resident Tuition	<1,270,639>
Other	27,306
2024-2025 Second Quarter Revenue Projection	\$231,656,233

Increase in revenue of <\$1,387,481> or <0.60%>



Projected Changes in Expenditures 2024-2025 Adopted Budget to Second Quarter Projections

2024-2025 Adopted Budget	\$234,635,168
Utilities and Insurance	718,962
Supplies Contracts and Equipment	428,957
Hourly Instruction and Non-Instruction	397,587
Health and Welfare	252,307
Full Year Effect of Hiring and Termination	82,773
Employee and Retirement Benefits	55,369
Vacancy List	-336,542
2024-2025 Second Quarter Expenditure Projection	\$236,234,581

Increase in expenditure of **\$1,599,413** or **0.68%**



2023-2024 2 nd Quarter– Multi-Year				
	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
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%)
2024-2025 2 nd Quarter – Multi-Year				
	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>
Beginning Fund Balance	43,914,608	34,022,513	27,153,456	22,575,613
Operating Surplus/(Deficit)	(9,892,095)	(6,868,552)	(4,578,348)	(15,950,973)
Ending Fund Balance	34,022,513	27,153,961	22,575,613	6,624,640
Fund Balance Ratio to Total Expenditures and Transfers	15.84%	11.99%	9.56%	2.73%

Need to Reduce Expenditures by 6.6% to Balance 25-26 Budget

Immediate Actions are Needed

- Combination of no extension of hold harmless, no additional State funding and decline in non-resident FTES necessitates immediate action.
- For 2024-25 Recommended Action:
 - Freeze all approved hiring unless the position would stop a vital District function. This would lead to a reduction in service times.
 - Eliminate overtime unless reimbursed by outside entity or public safety.
 - Freeze any new contracts unless the contract is needed to continue a vital District function.
 - Reductions in Spring schedule and counseling hours to reflect not meeting FTES projections. (*5% reduction for Spring*)
- For 2025-26 implement wide reaching reductions to all expenditure areas



Special Thank You To...

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The Budget Committee



Questions?

