August 5, 2026

Melynie Schiel
Vice President
Accrediting Commission for Community and Junior Colleges
428 J Street, Suite 400
Sacramento, CA 95814

Re: Santa Monica College Enhanced Fiscal Monitoring Update

Dear Vice President Schiel:

Thank you for your July 24, 2026, letter and for the productive discussion with ACCJC President Mac Powell, Fiscal Review Advisor Aaron Christopher, and Santa Monica College representatives regarding the College's 2026 ACCJC annual fiscal report.

Santa Monica College recognizes the fiscal concerns identified through ACCJC's annual fiscal monitoring process. The College has been actively and with intention addressing its structural imbalance through multiyear budget planning, expenditure reductions, workforce actions, enrollment and revenue initiatives, and regular review by the College's Board of Trustees and the participatory governance bodies.

The District remains committed to protecting its instructional mission and ensuring long-term fiscal stability. The following provides an update regarding each factor identified in ACCJC's letter.

1. Structural deficit and declining General Fund balance

The District acknowledges that unrestricted General Fund expenditures exceeded revenues during the three fiscal years (2022-23 through 2024-25) identified by ACCJC. The imbalance developed as temporary federal relief funding ended, enrollment and nonresident tuition revenues remained below historical levels, operating costs increased, and the College transitioned from state funding protections under the Student-Centered Funding Formula.

The District began formal budget-action planning in 2023. Since that time, it has implemented multiple rounds of reductions and revenue enhancements. Actions incorporated into the 2026–27 Tentative Budget include:

- Reductions in force affecting management, administrative and classified positions.
- Two furlough days per month for management and administration.

- One furlough day per month for represented classified employees.
- Salary freezes for management, administration, and classified employees;
- Continued reductions in supplies and contractual services;
- Position consolidation and management of vacancies;
- Funding shifts and reimbursements from appropriate restricted or auxiliary sources;
- Continued development of fee-based instructional revenue; and
- Enrollment recovery and student-success strategies intended to increase funding under the Student-Centered Funding Formula.

The 2026–27 Tentative Budget reflects approximately $8.29 million in year-over-year net expenditure reductions, including savings resulting from reductions in force and furloughs for management and classified employees.

These actions reduced the projected 2026–27 operating deficit to approximately $1.99 million, compared with a structural deficit of approximately $7.61 million. The projected ending unrestricted fund balance is approximately $14.42 million, representing 6.30% of expenditures and transfers.

Additionally, the District projects that in the current year (2026-27) it will move out of hold harmless funding status (a status that does not provide COLA) to funding under the Student Centered Funding Formula (SCFF) and will be able to benefit from State cost-of-living adjustments going forward.

The District recognizes that one-time resources and temporary measures do not resolve the underlying structural imbalance. The District is developing the next phase of permanent budget-balancing actions for consideration through collective bargaining, participatory governance and the Board of Trustees' public budget process.

The District will continue to update its multiyear projections as year-end results, the final state budget, enrollment data, and collective bargaining outcomes become available.

The administration intends to identify permanent measures sufficient to close the projected 2027–28 structural gap before adoption of the 2027–28 Adopted Budget.

2. Other Post-Employment Benefits liability

The District acknowledges that no employer contributions have been made to its irrevocable OPEB trust during the period identified by ACCJC. The trust remains restricted exclusively for retiree health-benefit obligations.

Because the District's immediate priority is restoring structural balance and preserving minimum operating liquidity, any proposed OPEB contribution schedule must be coordinated with the District's broader fiscal-recovery plan. The District will provide ACCJC with any Board-approved funding policy when developed.

3. Declining cash balance

The District acknowledges the decline in cash identified by ACCJC. This trend reflects the use of accumulated unrestricted reserves to support recurring expenditures during a period of structural imbalance.

The expenditure reductions included in the 2026–27 budget are intended to materially slow further reserve and cash depletion.

The administration will provide the Board of Trustees with regular budget updates during 2026–27, including:

- Actual-to-budget revenue and expenditure results;
- Fund-balance projections;
- Enrollment and apportionment trends;
- Progress toward permanent structural balance; and
- Updated multiyear projections.

The District will take additional corrective action if actual revenues, enrollment or savings fall below budget assumptions.

4. Extended open collective bargaining agreements

The District recognizes ACCJC's concern regarding multiple extended open labor agreements. Since the filing of the 2026 Annual Fiscal Report, the District has continued to engage in collective bargaining with its employee organizations that had open collective bargaining agreements and has remained committed to bargaining in good faith while reaching agreements that are fiscally sustainable.

Consistent with the District's multiyear fiscal recovery objectives and its commitment to avoiding unsupported ongoing financial obligations, the Board of Trustees ratified an agreement with the California School Employees Association (CSEA) covering the period from 2024-25 through 2026-27. The agreement resulted in no ongoing increases to salary schedules or benefits.

Additionally, on June 9, 2026, the Board of Trustees ratified an agreement with the Santa Monica College Police Officers Association (SMCPOA) covering the period from 2024-25 through 2026-27. This agreement likewise resulted in no ongoing increases to salary schedules or benefits.

The District remains engaged in negotiations with the Santa Monica College Faculty Association, whose collective bargaining agreement expired in August 2025. The District continues to approach these negotiations in good faith and in a manner consistent with the District's long-term fiscal recovery and sustainability objectives.

The District will provide ACCJC with appropriate updates regarding the status and fiscal effects of completed agreements while respecting the confidentiality and legal requirements of the bargaining process upon request.

Continuing oversight and communication

Santa Monica College understands the seriousness of enhanced monitoring and is committed to demonstrating measurable progress. The District proposes to provide ACCJC with periodic written updates on request including:

- Adopted Budget results;
- Updated multiyear projections;
- Actual savings achieved from approved actions;
- Progress toward eliminating the structural deficit;
- Cash and unrestricted fund-balance levels;
- OPEB planning developments; and
- The fiscal effects of completed collective bargaining agreements.

The District appreciates ACCJC's offer of assistance and welcomes continued dialogue with you and Mr. Christopher as a fiscal-recovery plan is implemented.

Sincerely,

Kathryn E. Jeffery, Ph.D.
Superintendent/President
Santa Monica College