



Santa Monica Community College District
Budget Planning Committee a Subcommittee of the
District Planning and Advisory Council
MINUTES– AUGUST 28, 2019

A special meeting of the Santa Monica Community College Budget Planning Committee, a subcommittee of the District Planning and Advisory Council (DPAC) was held on Wednesday, August 28, 2019 at 1:30 pm at the Loft, 1900 Pico Boulevard, Santa Monica, California.

I. Budget Planning Committee Members

- Mitch Heskell, District Representative
- Chris Bonvenuto, District Representative, Co-Chair
- Teresita Rodriguez, District Representative
- Delores Raveling, District Representative
- Jose Hernandez, Academic Senate Representative
- Nate Donahue, Academic Senate Representative
- Matt Hotsinpillar, Faculty Association Representative, Co-Chair
- Peter Morse, Faculty Association Representative
- Martha Romano, CSEA Representative(Absent)
- Dee Upshaw, CSEA Representative
- Gorman, Dagmar – CSEA Representative
- Mike Roberts, CSEA Representative (Absent)
- Skander Zmerli, Associated Student Representative(Absent)
- Daniel Cha, Associated Student Representative(Absent)
- Gabriella Montgomery, Associated Student Representative: ICC Vice Chair
- TBD, Associate Student Representative(Absent)
- Elaine Roque – Interested Party

II. Call to Order 1 :41 pm

III. Public Comments

Individuals may address the Budget Planning Subcommittee concerning any subject that lies within the jurisdiction of the Subcommittee by submitting an information card with name and topic on which comment is to be made. The Co-Chairs reserve the right to limit the time for each speaker.

IV. Minutes

- A) Approve minutes from August 21, 2019 - Passed
- B) Presentation of Adopted Budget by Chris Bonvenuto. A summary of the Adopted Budget is attached.

V. Adjournment 3:09 pm

VI. Future Budget Planning Committee Meetings (Meetings will be on 1st and 3rd Wednesdays of the month, except as noted, and will begin at 2:00, Library Conference Room, Library 275): September 4; September 18; October 2; October 16; November 6; November 20; December TBD

Summary

2018-2019

The District closed the 2018-19 fiscal year with an Unrestricted General Fund operating surplus, including one-time items, of \$3,027,765 (*Excluding one-time items, the structural deficit was <\$5,066,390>*).

The District received additional ongoing funding in the form of a Cost of Living Allowance (*COLA*) of 2.71% or \$3,520,794 and \$827,456 directed towards the hiring of full-time faculty. The District also received one-time revenues including a one-time reimbursement of \$1,537,287 for office hours paid to adjunct faculty. As projected there were one-time revenues (*prior year apportionment adjustment and mandated cost*) recognized in 2017-2018 totaling to \$6,679,584 that did not repeat in 2018-2019. The non-repetition of these revenues coupled with a decline in enrollment of non-resident students resulted in a year over year decrease in total revenues, including one-time items, of <\$1,368,540> or <0.73>%. Additionally, total expenditures, including one-time items, increased over the prior year by \$1,880,263 or 1.04% primarily as a result of increase in advertising/recruiting of \$469,704, bad debts expense of \$479,698, and one time items including a settlement related to the Airport Arts Campus lease renewal of \$250,000, elections of \$214,870, consultants of \$199,449 and postage \$118,095.

The combination of these and other items resulted in an unaudited Unrestricted General Fund ending balance, including designated reserves, of \$30,676,107 or 16.83% of expenditures and transfers.

2019-20

The proposed, adopted budget is based on the 2019-2020 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.

Significant Changes to the Student-Centered Funding Formula

In 2018-2019, the State adopted the Student-Centered Funding Formula (*SCFF*), which is the new methodology the State will use to allocate funding to community college districts. The new formula calculates funding based on three main factors: Base Allocation (*enrollment*), Supplemental Allocation (*number of low-income students served measured by financial aid distribution*) and Student Success (*number of student success outcomes achieved*). The 2019-2020 State Adopted Budget made five significant revisions to the SCFF in the areas of funding allocation implementation, student success allocation counts, student success allocation calculation, definition of a transfer related to the SCFF and the hold-harmless period. A summary of the revisions are as follows:

Funding Allocation Implementation: The original SCFF stipulated that the formula would be implemented over a three-year period by allocating funds between the three funding factors as follows: 70% Base Allocation, 20% Supplemental Allocation and 10% Student Success Allocation in the first year of the formula (*2018-2019*), 65% Base Allocation, 20% Supplemental Allocation and 15% Student Success Allocation in the second year of the formula (*2019-2020*), and 60% Base Allocation, 20% Supplemental Allocation and 20% Student Success Allocation in the third year of the formula (*2020-2021*). This funding allocation implementation plan has been revised as follows: Starting in 2019-2020 the SCFF funds allocated between the three funding factors will be 70% to the Base Allocation, 20% to the Supplemental Allocation and 10% to the Student Success Allocation. In 2020-2021, the rates associated with this allocation distribution will be increased by COLA.

Student Success Allocation Counts: The original SCFF awarded districts funding based on how many awards a student earned without a limitation. For example, if a student earned an Associates Degree and a Credit Certificate in the same year the district would be funded for both achievements. The 2019-2020 State Budget has revised the SCFF so that a district will only receive funding for a maximum of one award regardless of how many awards the student earns. Additionally, the revised language requires that the student must have been enrolled in the district in the year the award was granted. The order of the awards that will be funded, is defined as Associates Degree for Transfer, Associates Degree, Baccalaureate Degree and Credit Certificate. For example, under the revised language if a student earned an Associates Degree and Credit Certificate in the same year, the district would only be funded for the Associates Degree.

Student Success Allocation Calculation: The original SCFF allocated the Student Success Allocation based on achievement counts from the prior year. The revised SCFF will now base funding on a three-year average of student achievement.

Definition of a Transfer: For the purposes of the SCFF a Transfer is now defined as *“a student who transferred to a four-year university and completed 12 or more units in the district in the year prior to transfer”*.

Hold Harmless Period: The hold-harmless period has been extended through 2021-2022.

The SCFF contains a hold harmless provision which states that, through 2021-2022, districts will be funded at either the amount calculated under SCFF or at an amount calculated at the 2017-2018 funding level, plus COLA, whichever is greater. For 2019-2020 the District projects that it will be funded under the hold-harmless provision. By 2022-23, when the hold-harmless period ends, the District is projected to receive ~\$9.2 million less funding than it would under the Hold Harmless calculation.

New Initiatives/Projects

The proposed Adopted Budget includes five new initiatives/projects for the 2019-2020 fiscal year. These initiatives/projects include:

- **Safe Parking Pilot Program:** \$50,000 in one-time funding to develop and implement a Safe Parking pilot program. *(Board of Trustees Goals and Priorities Section 1 Sub-section 12 - Assess and focus on solutions to barriers related to students’ personal circumstances that may negatively impact student success)*
- **Gender Equity and Social Justice Center:** \$75,000 in one-time funding to provide start-up funds for furniture, equipment, materials, supplies, training and temporary staffing to assist in implementing the Gender Equity and Social Justice Center. *(Board of Trustees Goals and Priorities Section 1 Sub-section 12 Assess and focus on solutions to barriers related to students’ personal circumstances that may negatively impact student success)*
- **Veterans Resource Center:** \$25,000 in one-time funding to provide new equipment, furniture, materials, and supplies for the Veterans Resource Center to improve the student experience. *(Board of Trustees Goals and Priorities Section 1 Sub-section 12 Assess and focus on solutions to barriers related to students’ personal circumstances that may negatively impact student success)*
- **Student Ambassador Recruiter Corps:** \$156,500 in ongoing funding to create a new Student Ambassador Recruiter Corps to improve SMC Outreach and Recruitment efforts with local high schools. *(Strategic Initiatives and Objectives Section 2 Sub-section 4 Expand targeted marketing and communication to prospective students)*

- **Gender Equity and Social Justice Center Renovation:** \$250,000 in one-time funding, from the Capital Outlay Fund, to fund one-half of the budgeted cost of the renovation of the Associated Students computer lab to implement the new Gender Equity and Social Justice Center. (*Board of Trustees Goals and Priorities Section 1 Sub-section 12 Assess and focus on solutions to barriers related to students' personal circumstances that may negatively impact student success*)

Major Assumptions

The major revenue assumptions include the calculation of apportionment under the hold harmless clause of the new funding formula which guarantees the District will receive the amount of apportionment collected in 2018-2019, increased by an Inflationary Adjustment (COLA) of \$4,350,124 or 3.26%. The proposed adopted budget also assumes an increase in "State on behalf contribution to STRS" \$504,956, decrease in lottery revenue of <\$341,464>, the non-repetition of one-time revenue received in 2018-2019 for part-time office hours reimbursement program <\$1,537,287> and a decrease in non-resident tuition of <\$2,289,238> as a result of a projected enrollment decline of non-resident students. The net effect of all changes in revenues has resulted in a projected increase in total revenues of \$760,871 or 0.41% from the prior-year unaudited actuals.

The major expenditure assumptions include projected increases related to salary step and longevity (\$1,407,519), vacancy list (\$1,333,841), current employee and retiree health and welfare benefits (\$1,257,958), supplies, contracts and services (\$1,217,109), full-year net effect of hiring and termination (\$1,091,615), full-year effect of negotiated faculty salary increase and related benefits (\$884,142), employment and retirement benefits (\$832,081), "State on behalf pension contribution to STRS" (\$504,956) and insurance and utilities (\$490,661), net of decrease in hourly instruction and non-instruction <\$1,842,765>. The net effect of all changes in expenditures has resulted in a projected increase in total expenditures of approximately \$7,542,874 or 4.1% compared with prior year unaudited actuals. The breakdown of expenditures is as follows: 88.0% on salaries and benefits, 11.1% on contracts and services, 0.6% on supplies, 0.2% on transfers/financial aid and 0.1% on capital.

The net effect of the projected changes in revenue and expenditures will result in a projected structural deficit of <\$11,707,703> and projected operating deficit, including one-time items of <\$3,754,239>, resulting in a projected ending Unrestricted General Fund Balance of \$26,921,868 including designated reserves, or 14.18% of total expenditures and transfers.