

SPARC Presentation Overview from April 11, 2024 Meeting

State Budget:

- No substantial updates on the state budget to report since the February 29, 2024 SPARC Meeting. The three main drivers of state revenues are; Personal Income taxes, Corporate Income taxes and Sales taxes. April 15th is the deadline for personal taxes except for those who are granted an extension. The state will be assessing all three streams of revenue over the remainder of April. The projected state budget deficit is primarily due to personal and corporate income taxes coming in below expectation through March. Hopefully, we get some good news this April.
- Based on all tax revenues through April, the Governor will offer a “revise” of his January budget proposal by May 14, 2024. This revise will be the starting point between the Governor and legislature to negotiate, approve and sign a final budget that will be balanced for fiscal year 2024-2025.
- The anticipated deficit has been projected as low as 38 billion dollars (Governor’s January Budget estimate) to as high as 73 billion dollars (LAO’s revised estimate in February). The governor and legislature will likely use all tools (cuts in spending, deferrals in spending, shifts of costs, claw backs of unused / reserve funds and rainy-day funds) to try and mitigate impacts to the Fiscal Year 24-25 budget but such strategies may have negative impacts in future years.

Local Budget:

- While community supported, the San Mateo County Community College District, and Skyline College specifically, utilizes state (categorical) funds for a number of high profile and important initiatives, programs and services. Holding spending flat or reduced funding will result in reductions because our local costs increase. Reductions and / or “claw backs” could have significant negative impacts on programs and services currently being funded with state dollars.
- I reviewed the SPARC Presentation FY 24-25 Tentative 20240408 Final excel document. Tabs covered were the Fund 1 tracking document and the 2024-2025 RA 20240408. Key items are: 1) Out site allocation has increased since the March 8 update. 2) Our primary source of revenue is from assessed property values and this is trending upwards but not at the same rate as the previous two years. 3) We anticipate future increases to the AV although final property tax payments were not due until this week and appeals are on-going. The AV will lock at the end of June and be finalized. 4) Even with increased revenues we are still projecting a negative (reduction) adjustment in Step 7. This reduction reduces the COLA (Cost of Living Adjustment and includes not only salaries but step / column increases, benefit increases, parity increases and statutory costs) from the current fiscal year that should go into our baseline budget for next year to be made whole. Thus, as of April 8, 2024, we project a net reduction in funds (ability to spend) of almost 2.3 million dollars. This coupled with the state budget picture is a reason for prudence and caution.
- Further updates will be provided at our April 25 and May 9 meetings. In the past SPARC has made tentative recommendations for the next fiscal year at our last May meeting and then a final recommendation after the adopted budget is approved in September. I will recommend that given the uncertainty around the state budget that we wait until we return next fall and then just make a final recommendation.