SPARC Presentation Overview from February 8, 2024 Meeting

State and SMCCCD Budget Outlook FY 24-25

**State Budget:**

- Governor projects a 38-billion-dollar deficit
- Proposes to use a combination of rainy-day funds, deferred spending and reductions in spending (one-time / continuing) along with improved revenues to spare community colleges any immediate impact **for now**.
- Provides a 0.76% COLA for select categorical programs
- Legislative Analyst indicates revenue projections by Governor are plausible but optimistic and spending reductions lack a plan. The Legislative Analyst also projects multi-year deficits moving forward and that "the Governor's budget runs the risk of understating the degree of fiscal pressure facing the state in the future".
- We are still early in the state budget process. The Assembly and Senate will be holding hearings in the coming months. The Governor will provide a May revise based on tax collections through April. The expectation is that the Assembly, Senate and Governor will agree on a budget in June for FY 24-25 that will be different than the Governor's original proposal. How different remains to be seen.
- Community Colleges have been advised to plan conservatively for FY 24-25 as uncertain / worsening economic conditions may necessitate further action to address the state deficit.
- While community supported, the state budget does impact SMCCCD and Skyline College. The 0.76% COLA for select categorical programs does not cover increased costs across programs creating the need to reduce current expenditures in discretionary areas to meet those rising costs. The lack of scheduled maintenance and instructional equipment funding also reduces our ability to maintain and replace infrastructure and equipment.

**Local Budget:**

- Skyline College aligns our internal budget guidelines with district budget guidelines.
- Board Initiatives for FY 24-25 include SB 893, Promise Scholars Program and Food / Housing Insecurity.
- Board Priorities and Initiatives have impacts on site allocations
- Shared district wide costs for technology, insurance and utilities are expected to increase. We are also expecting benefit costs to keep increasing.
- Unknows are property tax receipts, enrollment auxiliary's sustainability and the impacts of the adopted state budget.
- Skyline College remains and continues to be, based on FTES over the academic calendar year, the largest college in the district for the 13th consecutive year (FY 23-24 as of 2/8/2024)
- Current Data from the County Accessor's office shows and increase of 3.64% in the Assessment roll tracker as of 2/8/2024. This number is lower than the past two years at a similar time (5.5% on 2/10/22 and 4.7% on 2/8/23). The Assessment roll is used to project our budget for the next fiscal year (FY 24-25). It is early but it appears revenues will be lower for FY 24-25. There is also the probability of appeals on assessed values given the current state of the commercial real estate market.

- The current resource allocation model, based on 2/8/2024 numbers, indicates that projected expenses will exceed projected revenues by $9,221, 915. The net impact of expenditures exceeding revenues on the Skyline College resource allocation is 2.8 million dollars. This negative adjustment is made in Step 7 of the resource allocation model. Again, this is based on revenue numbers as of 2/8/2024. The expectation is that revenues will improve but also expenses may go up.
- The negative adjustment in Step 7 results in each site, including Skyline College, having to absorb some portion of the previous year COLA, including benefits, into their baseline budget reducing the ability of the sites to expend funds.
- If projections hold, this will be a fourth consecutive year with a negative adjustment to all sites in the district, including Skyline College, in Step 7. This adjustment, compounded by previous negative adjustments, reduces our ability to expend funds but has not yet created a projected deficit for FY 24-25. The VPAS office will continue to monitor the situation and update SPARC through the coming months. We too need to plan conservatively for next year.