



El Camino College

# Budget Forum

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April 2025

# Rules of Engagement

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- This forum is recorded.
- Feel free to type questions or comments in the Chat during the presentation.
- Hold **verbal** questions until the end
- At the end of the presentation, raise your virtual hand if you have questions or comments.

# Monthly Budget to Actuals Report

# Intro

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- **Purpose:** Provide monthly transparency on actual expenditures compared to the adopted and adjusted budgets.
- **Background:** Responds to longstanding campus requests for greater budget visibility by VP area.
- **Scope:** Unrestricted General Fund (Fund 11); excludes categorical and restricted funds.

# Summary of Total Fund 11 (Districtwide)

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- **Adjusted Budget:** \$192.2 million
- **Actual Expenditures:** \$136.8 million
- **Encumbrances:** \$3.1 million
- **Remaining Variance:** \$52.3 million
- **Overall spend rate:** ~71% of budget utilized (actuals only)

# Area-by-Area Highlights

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VP Area	Adjusted Budget	Actuals	Variance	Spend Rate
President's Office	\$6.2M	\$4.25M	\$1.68M	69%
Human Resources	\$3.09M	\$2.29M	\$773K	74%
Academic Affairs	\$99.5M	\$78.38M	\$20.97M	79%
Student Services	\$22.4M	\$15.13M	\$7.19M	68%
Admin Services	\$31.8M	\$22.27M	\$8.21M	70%
District-Wide Costs	\$29.2M	\$14.45M	\$13.49M	49%

# Observations and Insights

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- **Academic Affairs dominates** the unrestricted budget (52% of total), with a relatively healthy spend rate of 79%.
- **District-Wide Costs** appear under-utilized (49% spent), though this may be due to year-end accrual timing or delayed transfers (e.g., 57000 "Other Outgo").

# Observations and Insights

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- **Books & Supplies** often show large variances, especially where year-end purchases or encumbrances may still be pending.
- **Capital Outlay** has very low actuals across the board — likely deferred or low-priority expenditures this fiscal year.
- Some budget lines (e.g., Area 06 Supplies) show **negative variances** due to over-encumbrance or misclassification.



# Conclusion & Key Takeaways

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- **Increased Transparency:** This monthly report fulfills a longstanding campus request to view actual expenditures by VP area and aligns with our shared commitment to budget transparency.
- **Spending is on Track:** As of April 23, 2025, approximately 71% of the unrestricted budget has been spent, with **most areas showing responsible expenditure levels** relative to budget.
- **Informed Planning:** These insights will help shape 2025–26 budget priorities, particularly around underutilized funds, strategic reallocation opportunities, and operational needs.

# Budget Updates

# Agenda

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- The Economy, State Revenues, and Proposition 98.
- ECC 25-26 Proposed Budget Baseline.
- Managing the budget deficit.
- ECC Multi-Year Projections.

# The Economy, State Revenues, and Proposition 98

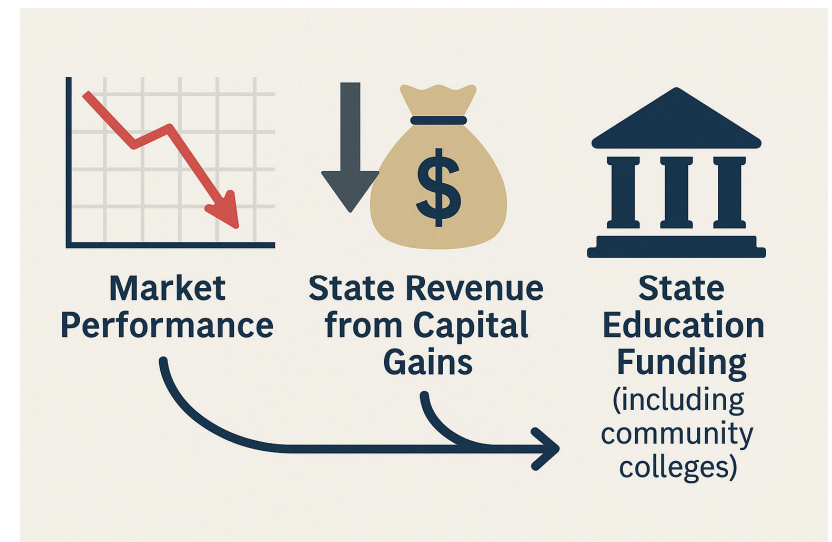
# Economic Conditions and Market Volatility

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- President Trump's **10% tariff policy** has sparked a **lawsuit** by California and contributed to **market instability**.
- Since the announcement (April 2, 2025), **major indices have dropped** (S&P 500 ↓ 6.3%, Dow ↓ 5.5%, NASDAQ ↓ 6.5%).
- Volatility reflects **uncertainty** in global trade and **investor concerns**.

# Relevance to ECC

- **Market performance directly affects state revenue** from capital gains, a major General Fund source.
- Lower capital gains = **potential reduction in state education funding**, including community colleges.



# Impact on State Revenues and Prop 98

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- California's **tax system** is highly **dependent on the wealthy and market performance**.
- **January 2025 Budget:** Capital gains taxes projected at 8.5% (2024-25) and 9.1% (2025-26) of General Fund revenues.
- **May Revision expected to adjust revenues downward** if market doesn't recover.

# Relevance to ECC

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- Proposition 98 funding guarantee may be **revised downward** in 2025-26.
- This could lead to a **deficit factor or delays** in new funding or program expansions.





# Proposition 98 and Budget Strategy

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- **2024-25 Prop 98 guarantee will increase slightly** due to higher-than-expected current revenues.
- But **2025-26 outlook is uncertain**, and could lead to:
  - Budget deferrals
  - Withheld disbursements
  - Tighter constraints on COLAs or categorical growth
- Gov. Newsom is **considering withholding \$1.6B** to avoid over-committing under Prop 98.

# Relevance to ECC

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- **Budget caution is warranted** for 2025-26.
- ECC may face **delayed apportionments**, pressure to self-fund certain initiatives and a greater need for local reserves or budget solutions
- Critical to **wait for the May Revision** to get clarity on:
  - Actual Prop 98 funding levels
  - Any changes to COLA, base apportionment, or categorical funding
- Until then, **budget assumptions for 2025-26 should remain conservative and flexible.**

# Proposed Budget Baseline 25-26

# 25-26 Budget Assumptions

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- The 2025-26 Preliminary **Fund 11** Budget is prepared using multiple assumptions:
  - Projected Beginning Fund Balance = \$ 47,669,918
  - General Apportionment (SCFF) Sources = \$ 156,393,383
  - Federal Sources = \$ 19,264
  - Other State Sources = \$ 12,263,200
  - Other Local Sources = \$ 9,627,445
  - Total Revenues = \$ 178,303,292
  - Total Expenditures = \$ 178,300,171
  - Estimated Ending Fund Balance = \$ 47,673,039

# 25-26 Budget Assumptions

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- 2025-26 Expenditures: Shift from "Roll-Over" to "**Right-Sized**" budgeting in 2025-26.
- Right-Sized Budgeting:
  - Aligns projected revenues with actual, prioritized expenses.
  - Reflects current fiscal realities and strategic goals.
  - Conducts an annual budget “scrub” to ensure only necessary, spendable resources are allocated.
  - Helps eliminate overbudgeting or unused allocations that distort financial planning.

# 25-26 Budget Assumptions

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- **Roll-Over Budgeting** (prior years):
  - Carried forward previous budgets with minimal adjustments.
  - Often sustained outdated spending and structural deficits.
- **Benefits of Right-Sizing:**
  - Proactively addresses cost pressures.
  - Optimizes resource allocation.
  - Supports long-term financial sustainability.

# 25-26 Budget Assumptions

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- **Salary and Benefits:**
  - **Full-Time Permanent Positions** - eliminates 45.67 FTES in Fund 11 positions.
  - **Part-Time/Hourly** – based on 2024-25 estimated actuals.
- **Books and Supplies** – based on 2024-25 estimated actuals.
- **Contracts, Services & Utilities** – Reduced by \$ 2,790,813 from 24-25 budget.
- **Equipment & Capital Outlay** – based on 2024-25 estimated actuals

# 25-26 Budget Assumptions

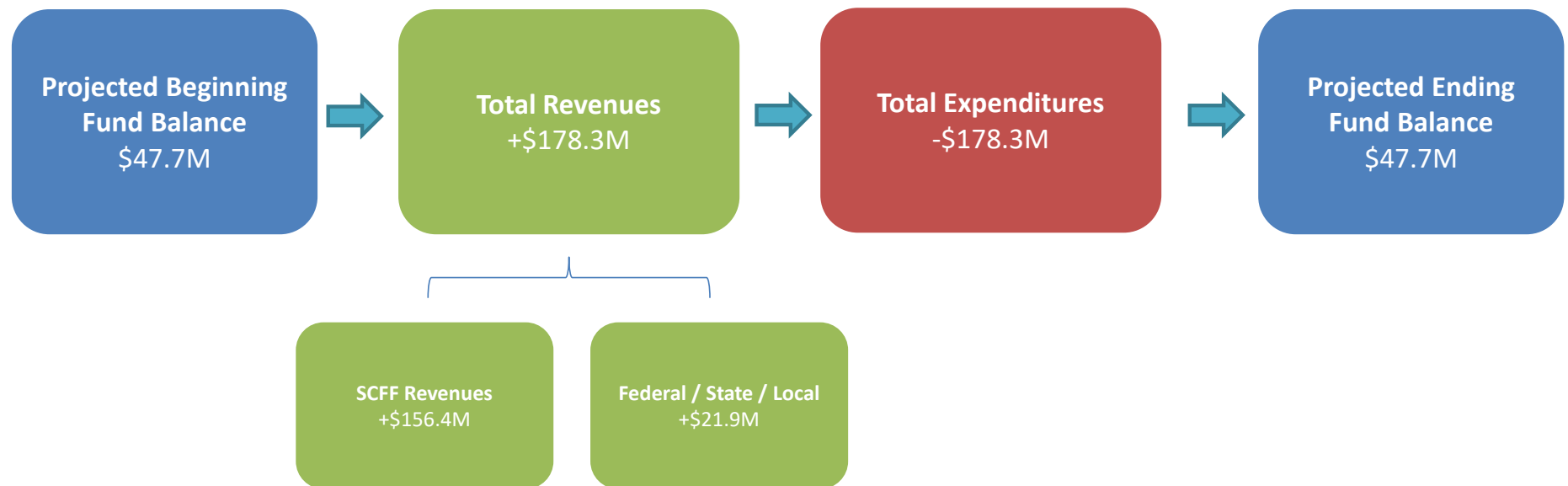
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- **Other Outgo** (Interfund Transfers Out) - Property & Liability (Fund 62), Campus Parking Services (Fund 12), Technology Refresh (Fund 12), Capital Outlay (Fund 41)
- **Other Adjustments:**
  - **Cost Additions** – SRP Payments to PARS, Addition of Facilities Director, Special Activities Budget (BP 6331)
  - **Cost Subtractions** – Transfer in from Fund 16 (STRS/PERS Liability), Salary shifts from Fund 11 to categorical and other funds, increase indirect recovery from Fund 12



# 25-26 Assumptions Summary

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# Budget Deficit Management

# From (-\$19M) to \$1.2M?

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- Board adopted a 24-25 budget with a **\$19M** projected deficit spending.
- Budget Strategies Leadership Taskforce (BSLT) and the Administration got to work.
- February projections included **\$7.5M** in identified savings.
- April projections included another **\$12.7M** in identified savings.

# Cost Reduction Details

1X or Ongoing?		2024-25 December Budget
	<b>Projected Deficit Spending</b>	<b>\$ (19,100,984)</b>
	<b>Items noted in April Projections:</b>	
One-Time	Reverse Chancellor's Office Revenue deficit factor (General Apportionment) - January 2025	\$ (2,043,288)
One-Time	General Apportionment Revenue - P2 (April 2025) adjustment	\$ (517,960)
One-Time	Unfilled Vacancies Savings	\$ (3,063,122)
Ongoing	Eliminated Fall 2024 Fund 11 Vacancies (20.00 fte's)	\$ (2,256,749)
Ongoing	Eliminated December 2024 vacated SRP retiree positions (9.00 fte's) (\$688,789 2024-25 One-Time, \$1,377,579 Ongoing)	\$ (688,789)
One-Time	Adjustment to Payroll Savings (Revised Projections & Unfilled Vacancies to June 30)	\$ (2,270,981)
Ongoing	Adjustment for Utilization of Adjunct Faculty	\$ 3,043,542
One-Time	Vacation Payout for SRP participants	\$ 1,113,373
Ongoing	SRP Payment to PARS	\$ 266,763
Ongoing	Miscellaneous Unencumbered/Unexpended Funds in Department Budgets - as of February 2025	\$ (3,878,594)
Ongoing	Revision to Miscellaneous Unencumbered/Unexpended Funds in Department Budgets-Additional PO's since February	\$ 151,564
Ongoing	Adjustment to Other Outgo Projections in Estimated Actuals (ie; IRS, PERS, STRS, SUI) penalties and fees	\$ (801,785)
Ongoing	Cancel 2024-25 Interfund Transfer from Fund 11 to Fund 69 (OPEB) (\$1,500,000) (at resent we are fully funded)	\$ (1,500,000)
One-Time	Reverse IRS Liability (\$4,000,000) One time (favorabe settlement from IRS)	\$ (4,000,000)
One-Time	COVID19 Block Grant (\$8.9M as of 2.25.25) Remainder to be expended through Fund 12 & Fund 41 costs as allowable	\$ (3,000,000)
Short-term	Transfer Dir Risk Mgmt (Risk Mgmt) to 50/50 FD61 & FD62 (\$171,045)	\$ (171,045)
Short-term	Transfer ADA Compliance Officer (Risk Mgmt) to 100% Prop & Liab FD62 (\$215,806)	\$ (215,806)
Short-term	Transfer Workers' Comp Tech (Risk Mgmt) to 100% WKCP FD61 (\$66,914)	\$ (66,914)
Ongoing	Transfer Dir Facilities Rentals (Facility Rental) to Aux FD79 - (\$228,132)	\$ (228,132)
Ongoing	Transfer Facilities Program Specialist (Facility Rental) to Aux FD79 - (\$136,003)	\$ (136,003)
	Subtotal of figures above (Reductions to Expenditures)=>	\$ (20,263,926)
	Revised Deficit Spending if all items enacted=>	<b>\$ 1,162,942</b>

# Preliminary Projected Budget 25-26

	2023-24 Actuals <sup>1</sup>	2024-25 April Projections	2025-26 Projected Budget
Total Revenues	\$ 176,629,391	\$ 175,292,114	\$ 178,303,292
Total Expenditures	\$ 188,222,926	\$ 174,129,172	\$ 178,300,171
Surplus / (Deficit)	\$ (11,593,535)	\$ 1,162,942	\$ 3,121
Beginning Fund Balance	\$ 58,127,316	\$ 46,506,976	\$ 46,506,976
Ending Fund Balance Projections	\$ 46,533,781	\$ 47,669,918	\$ 46,510,097
Reserves *	24.7%	27.4%	26.1%
State Required Reserve (3%)	\$ 5,646,688	\$ 5,223,875	\$ 5,349,005
Board Required Reserve (6%)	\$ 11,293,376	\$ 10,447,750	\$ 10,698,010

# But Wait!

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- A balanced 25-26 budget **doesn't mean we are in the clear.**
- **Apparent balance  $\neq$  structural stability:** The proposed 2025–26 budget may appear balanced, but our long-term deficit spending problem remains partially unresolved.
- **One-time solutions dominate:** Most identified cost-reduction strategies used to close the budget gap are one-time measures that cannot be repeated year over year.

# But Wait!

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- **Revenue projections are fragile:** Our revenue outlook is heavily dependent on FTES projections provided by Academic Affairs.
- **No buffer for State-level adjustments:** The budget does not yet account for potential deferrals or a deficit factor that may be imposed by the State after the May Revise.

# But Wait!

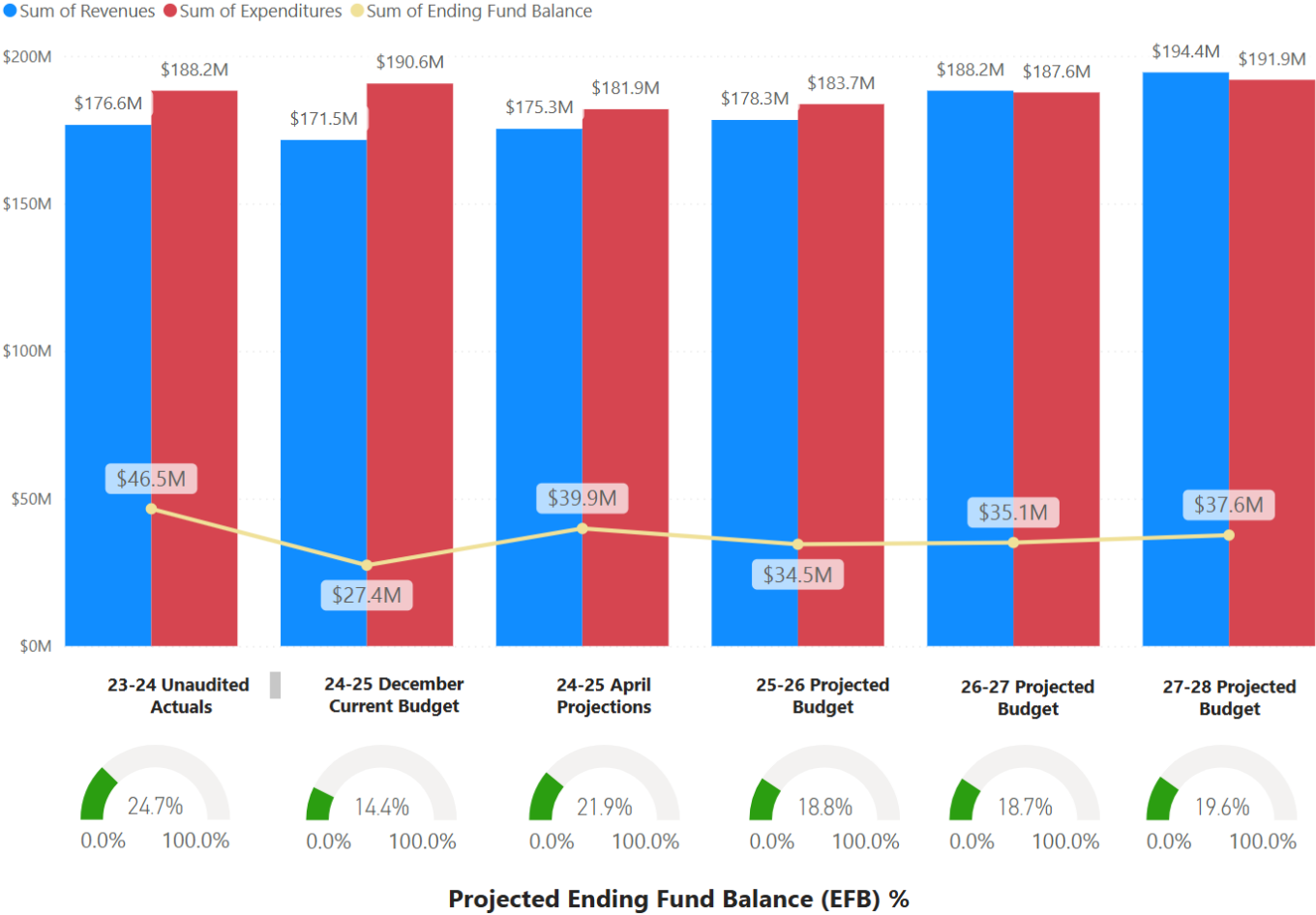
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- **Cash flow risks remain:** Even if the budget is balanced on paper, cash availability could be strained if the State defers payments or changes the timing of disbursements.
- **Sustainability requires structural fixes:** To truly stabilize ECC's finances, we must implement ongoing, systemic changes.



# Multi-Year Projections

Sum of Revenues, Sum of Expenditures and Sum of Ending Fund Balance by YearOrder

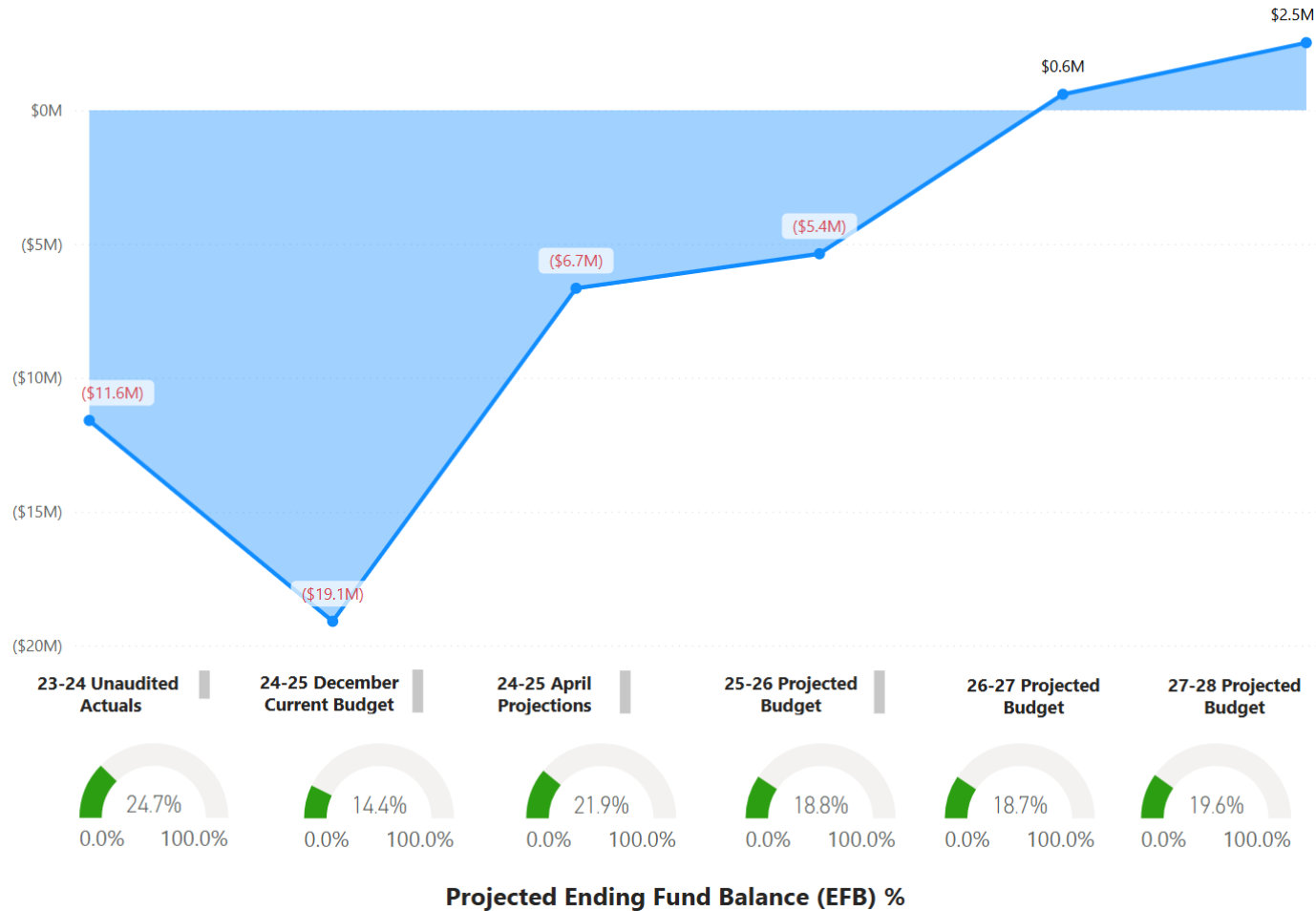


**Multi-Year Projections**  
Natural Structural Deficit  
No Budget Solutions  
Applied

Reserve Levels (%):

- State Required Reserve: (3%)
- Board Required Reserve: (6%)
- Two (2) Month Payroll: (14%)
- CCCO Recommended Reserve: (17%)
- ECC Fiscal Recommendation: (20%)

Sum of Structural Deficit by Year Order

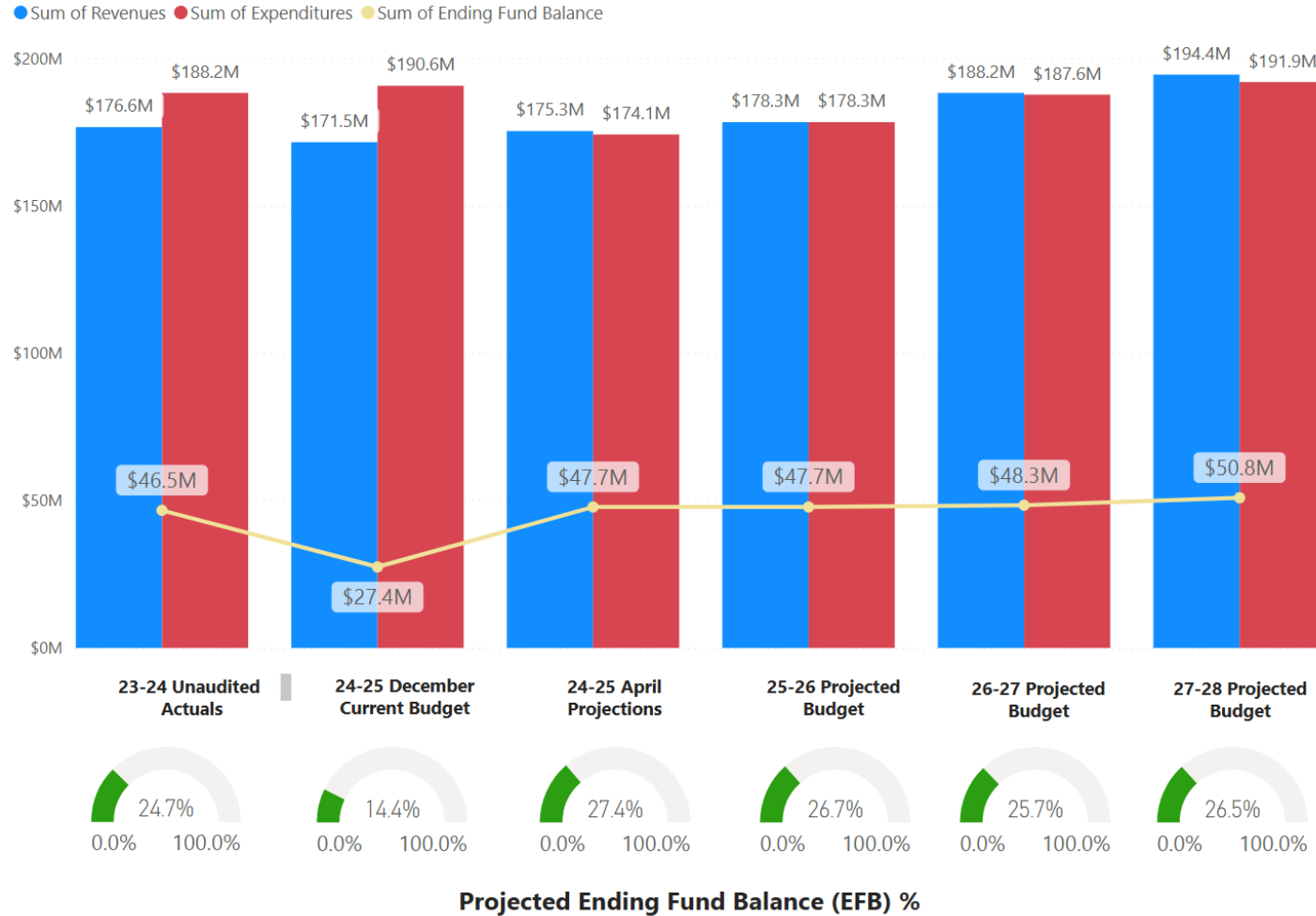


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Sum of Revenues, Sum of Expenditures and Sum of Ending Fund Balance by YearOrder



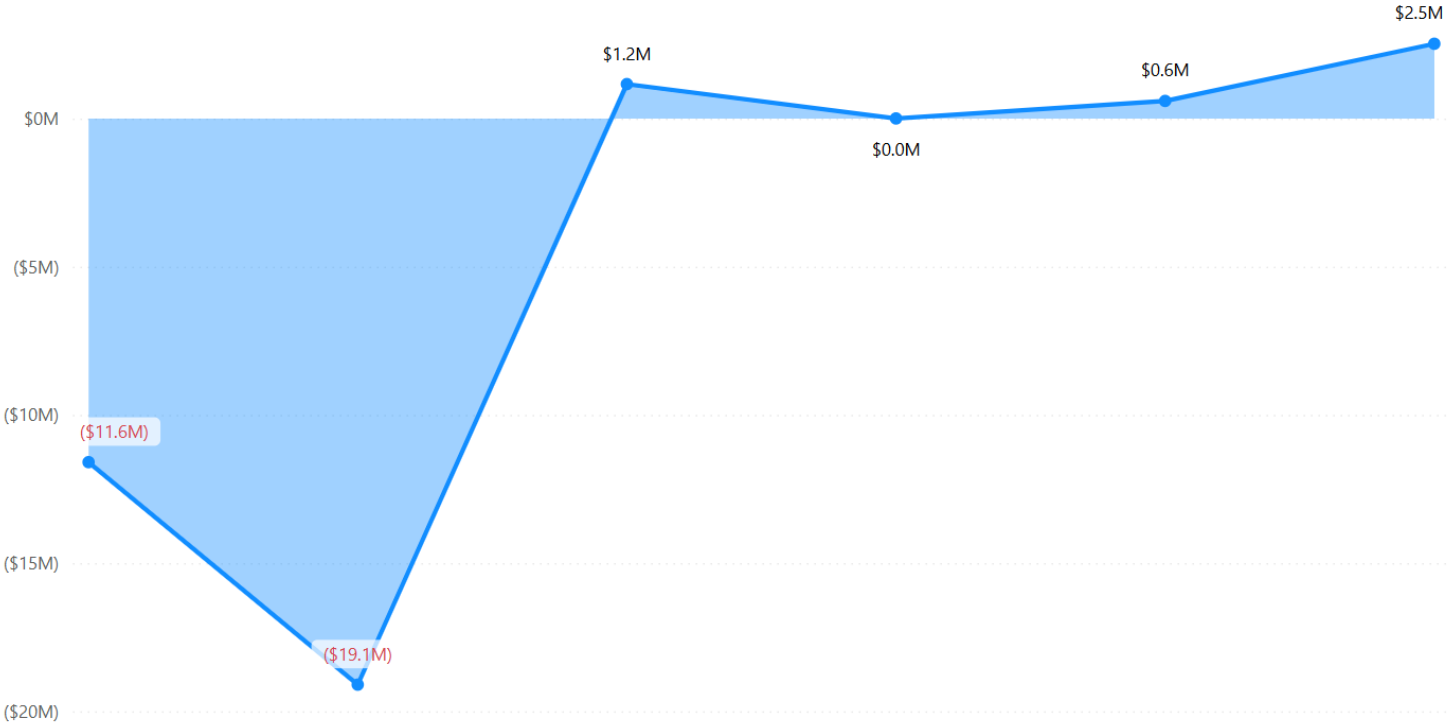
## Multi-Year Projections

Right Sized +  
Budget Solutions  
Applied

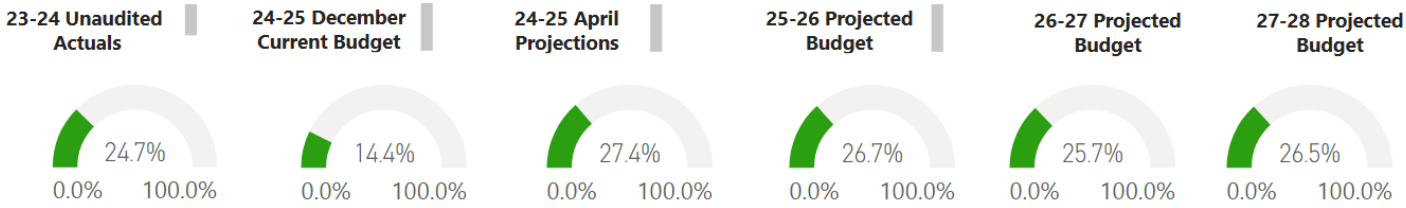
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Sum of Structural Deficit by Year Order



**Multi-Year Projections**  
Right Sized +  
Budget Solutions  
Applied



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Projected Ending Fund Balance (EFB) %

# Wrapping Up

# Key Takeaways & Next Steps

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- **Economic volatility and state revenue uncertainty** make cautious, flexible budgeting essential.
- While the **2025–26 proposed budget is balanced**, it relies on **one-time solutions** and **optimistic FTES projections**.
- The **May Revise will be pivotal** in shaping our final budget, particularly around Prop 98 funding, COLA, and apportionment deferrals.

# Key Takeaways & Next Steps

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- **Right-sizing our budget** is a positive shift, but **structural reforms are still needed** to ensure long-term sustainability.
- Multi-year projections reinforce that **our path forward must include ongoing cost containment, enrollment growth, and strategic investments.**
- Let's remain **vigilant, collaborative, and ready to pivot** as new data emerges.



# Q&A

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