

Budget Forum

March 2025

Rules of Engagement

- 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.

Before We Get Started:

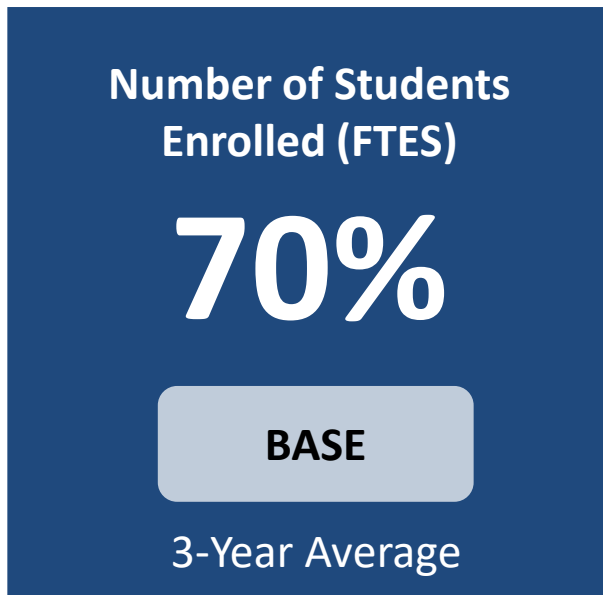
Let's go over some important definitions.

What is? FTES

- **Full-Time Equivalent Students (FTES)** is a measure of student enrollment used for funding purposes.
- 1 FTES equals one student enrolled in 15 units per semester for an academic year (30 units total).
- This metric determines a college's **base funding** under the **Student-Centered Funding Formula (SCFF)**

What is? The Student-Centered Funding Formula

- SCFF - Pronounced [*skiff*]
- The State gives Community Colleges money based on **three (3)** big categories called “**Allocations**”:



What is? Apportionment

- All community college districts receive funding from apportionments.
- The amount each district receives is **based on the state's Student-Centered Funding Formula (SCFF)**.
- Community colleges use their apportionment funding **to cover their core operating costs**.

What is? Proposition 98

- Guarantees **Minimum Funding for Education** in California.
- **Fluctuates with State Budget.**
- Provides the majority of **state funding for California Community Colleges**

What is? COLA

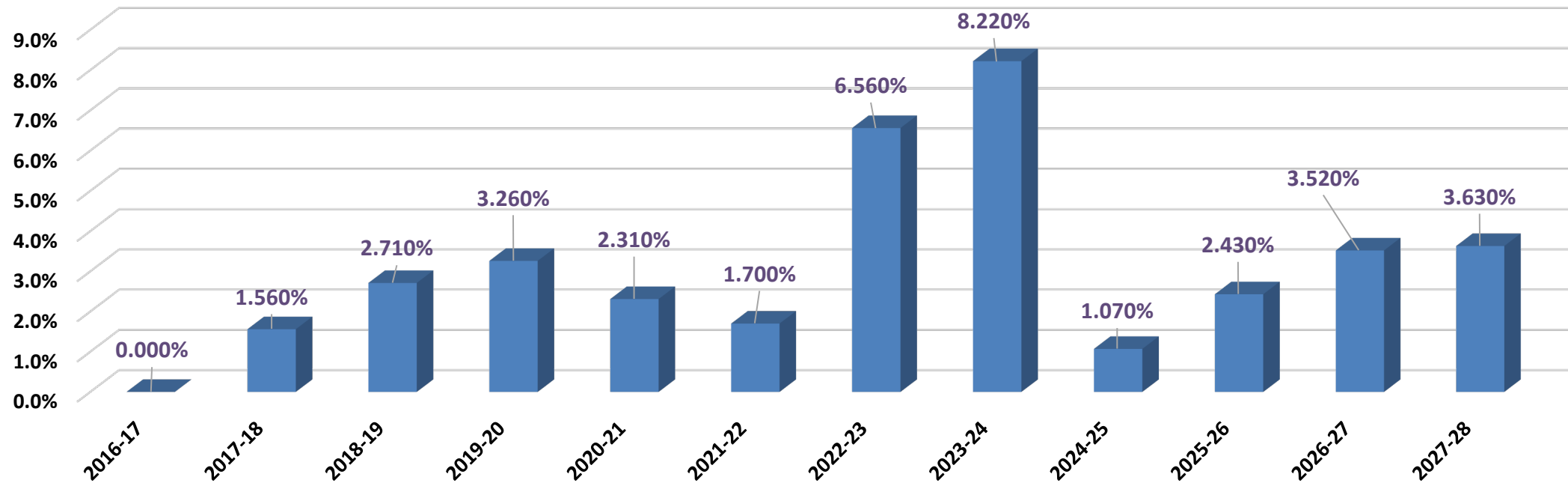
- A **cost-of-living adjustment** (COLA)
- A **state-funded** yearly increase to community college funding that's based on inflation.
- COLA is applied to the Student-Centered Funding Formula (SCFF) and some categorical programs.
- The COLA is designed to help Districts manage rising operational costs and maintain financial stability.

Not Guaranteed
Highly Variable

2025-2026

2.43%

COLA over the years



* 2025-26 to 2027-28 COLA's are estimated – source: School Services January Governor's Proposed Budget dashboard

Are we getting COLA in 25-26?

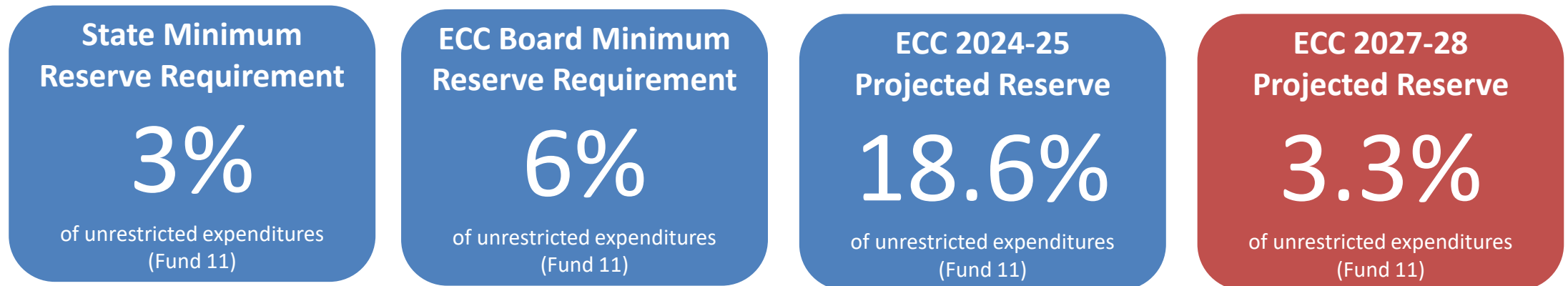
Single
Engaged
Divorced
☒ **It's Complicated**
Separated
In a Relationship
Married

What is? Stability Funding

- Stability funding is a **temporary funding protection**.
- **ECC is under stability funding**.
- Colleges are given **3 years** to restore sufficient enrollment and student outcomes.
- ECC is currently in its **2nd year of stability funding**.
- **COLA is impacted** when a district is in stability funding.
- Net result for ECC: Our **SCFF revenue is reduced**.

What is? The Local Reserve

- Funds set aside to cover **unexpected expenses** or **financial shortfalls**. Also known as “**Ending Fund Balance**”.
- **#1 factor** that oversight bodies and credit-rating agencies use to assess Districts’ fiscal health.



What is? The Local Reserve

- Let's put this into perspective

State Minimum
Reserve Requirement

3%

of unrestricted expenditures
(Fund 11)

= \$6M

ECC Board Minimum
Reserve Requirement

6%

of unrestricted expenditures
(Fund 11)

= \$12M

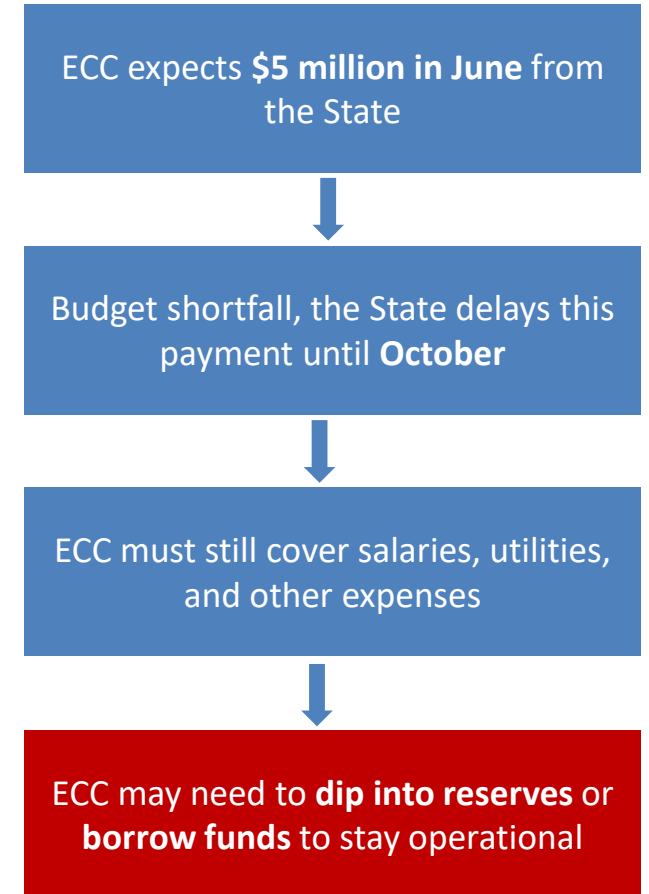
2 Months of ECC Payroll is

\$28M

(or 14%)

What do you mean by “Deferrals”?

- Deferrals are **late payments** to districts when the State cannot meet its funding obligations.
- Deferrals **don’t reduce funding**, but they force colleges to **manage cash flow carefully** to avoid financial strain.



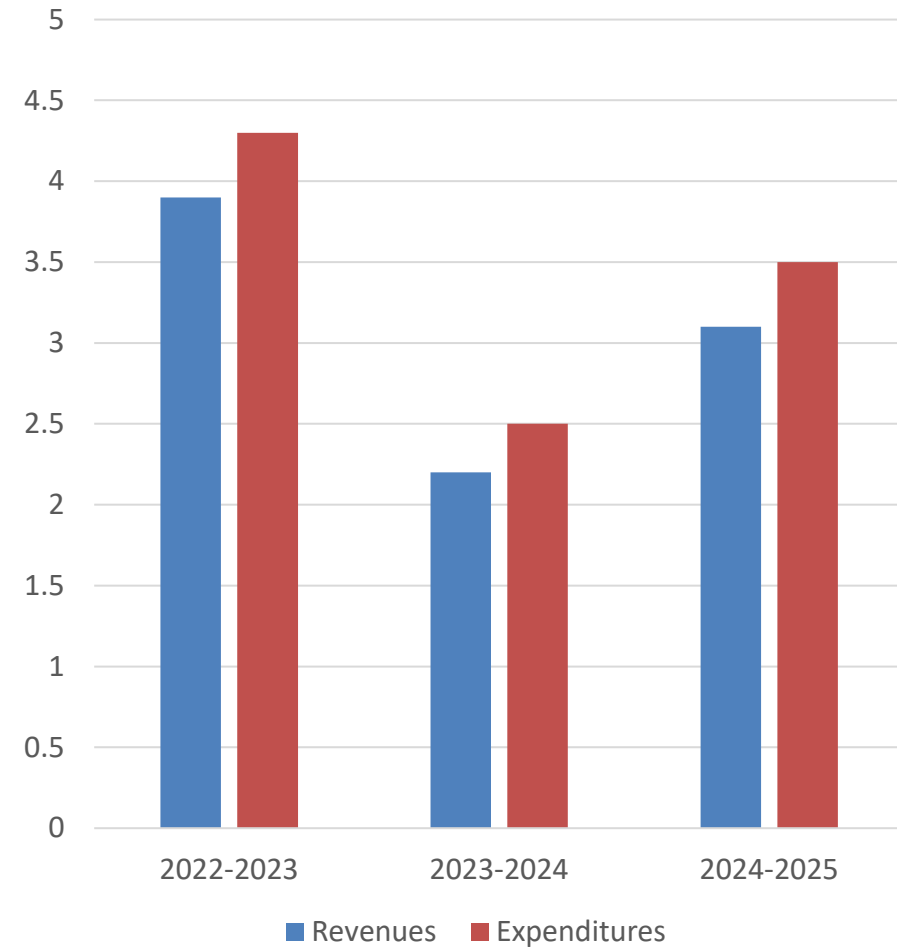
What do you mean by “Deficit”?

- A **State deficit factor (DF)** is a reduction applied to community college funding.
- This usually happens when state revenues fall short.
- Colleges must adjust their budgets to handle the shortfall (and use their reserve)



What do you mean by “Deficit”?

- A **structural deficit** occurs when the College's ongoing expenses **consistently** exceed its ongoing revenues.
- Unlike a temporary budget shortfall, **this is a recurring gap** that requires long-term solutions.



A Tale of Two Funds

Fund 11 - Unrestricted General Fund

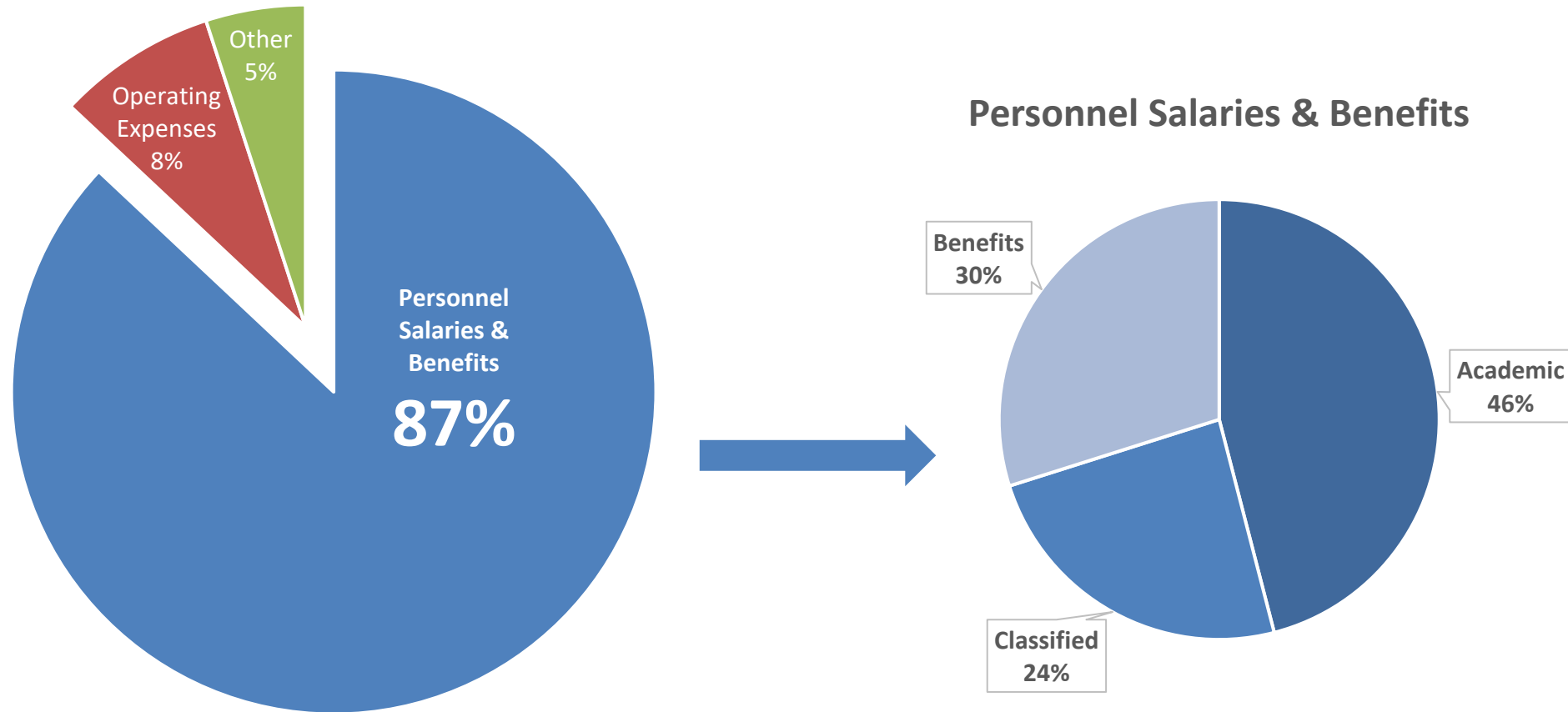
- General operations, like salaries, utilities, supplies, and other day-to-day costs.
- The college has discretion to spend it where it's needed most.
- Typically funded by state apportionment & local property taxes.



Fund 12 - Restricted General Fund

- Can only be used for specific programs or purposes.
- Restricted because the funding agency or grant provider tells ECC how the money should be used, so it can't be spent on general operations.
- AKA “**Categorical Funding**”.

Where is the money going?



Now that we are all
caught up:

Let's talk BUDGET.

State Budget

- **Governor's Proposed January Budget 25-26**
- **Balanced budget of \$322.3B with no deficit factor.**
- **Reduced COLA from 2.93% to 2.43%.**
- **Balanced budget but continued caution.**



Examples of External Threats

- Tariffs
- Tax Cuts & Rate Reductions
- Recession Risks
- Wildfires and Other Natural Disasters
- Interest Rates & Inflation
- Deportations – Impact on State Labor Force
- Aging Population & Workforce Declines
- Declining Birth Rates & Immigration Policies
- Interstate Migration & Remote Work
- Tax Competition Among States
- Government Shutdown Risks
- Stronger IRS Enforcement
- Economic Growth Policies

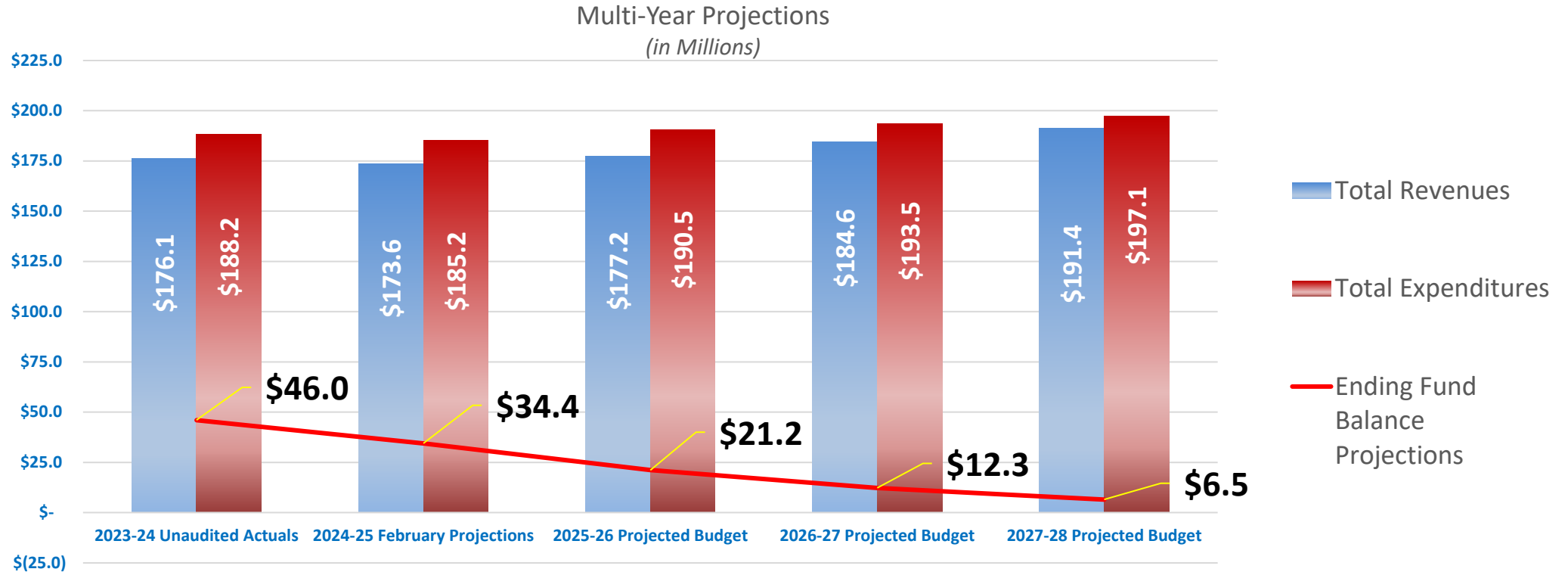
CA Community Colleges Budget

- **Proposition 98: \$119B (24-25)**
- \$358.5 million in ongoing funds for California Community Colleges.
- \$394.5M in one-time funds for special projects.
- + \$782M over the current year.

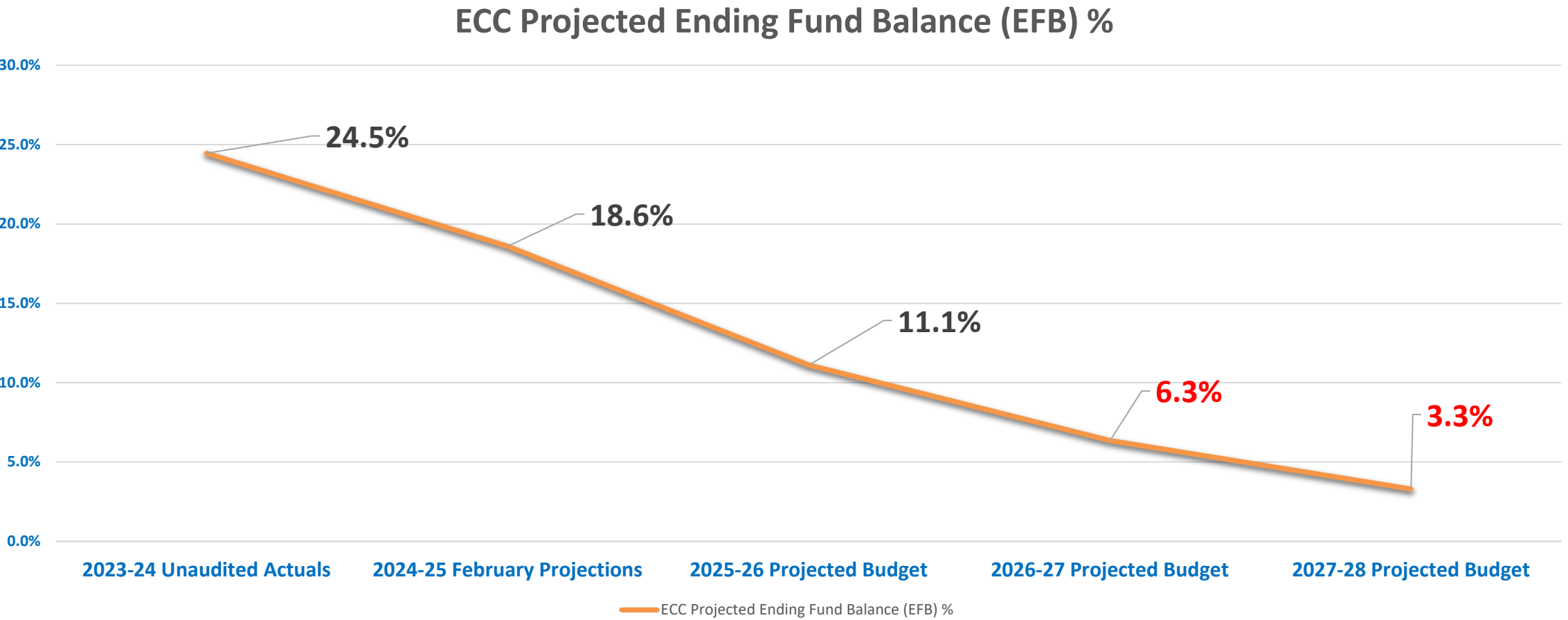
ECC Budget

- For the current fiscal year, ECC is in **stability funding status**.
- **COLA is impacted** when a district is in stability funding.
- Our **revenue** from the Student-Centered Funding Formula **is reduced**.
- All eyes on the **May Revision**.
- **Budget Strategies Leadership Team** still actively working on recommendations to address the District's **budget deficit**.

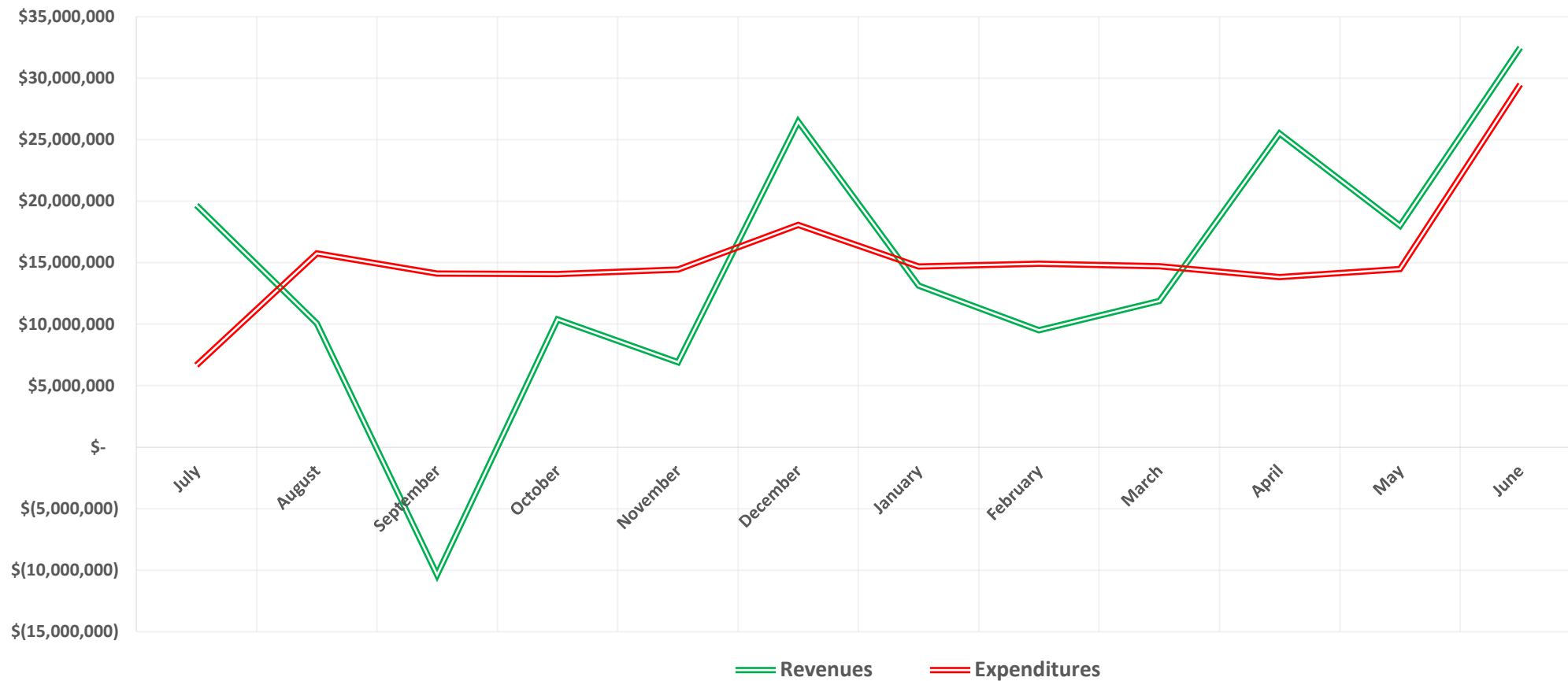
ECC Budget - Multi Year Projections



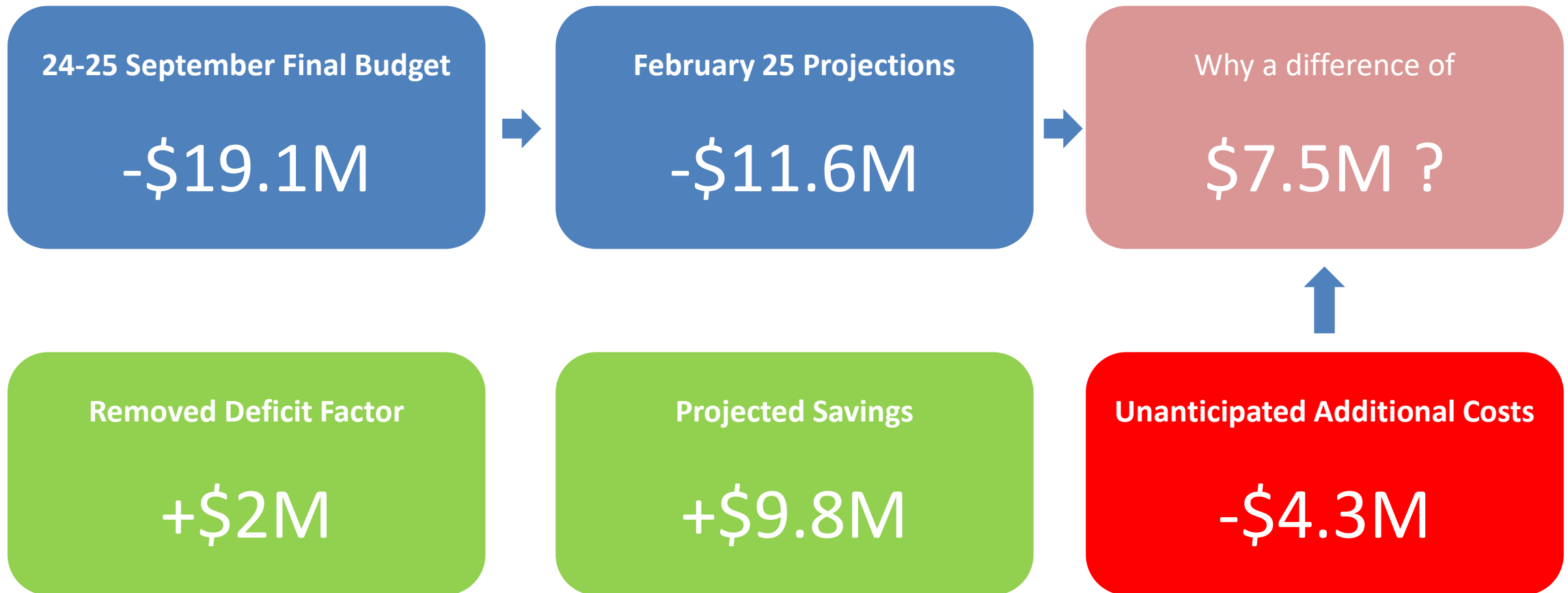
Ending Fund Balance (Fund 11)



F11 Revenue & Expenditures Cash Flow Cycle 24-25



F11 Deficit Projections 24-25 as of 1/31/25



Key Takeaways

1

General Fund Balance is projected to drop from \$46M to \$34.4M in FY 24-25 reducing reserves to \$34M (18.6%) of expenditures or **2 months of cash**.

2

District's December cash balance is \$30.7M, nearly half of last year's level.

3

Despite the \$5M annual savings from the SERP starting in FY 2025-26, **unrestricted expenditures are still increasing**.

4

Unless expenditures are curbed and revenues increased, **ECC's 27-28 fund balance will be 0.3% away from falling below the state-mandated 3% reserve**.

Wrap Up

- The financial outlook for ECC is **challenging**.
- **Proactive revenue and expense budget planning** is crucial.
- The **2025-26 enrollment growth** projected by Academic Affairs & Student Services is **imperative**.
- Collaboration across **all stakeholder groups** is needed.

Q&A

