El Camino College

Budget Forum

11/25/25

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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.

Agenda

- State & Federal Context
- 25-26 Budget to Actuals
- Looking Ahead

State & Federal Context

State Budget Overview (November 2025)

California's Fiscal Position: "Roughly Balanced" but Fragile

- LAO projects a **small $2B deficit** for FY 2025–26 — considered **roughly balanced** for a state budget this size.
- **No capacity for new ongoing commitments**, as higher revenues are being offset by even higher cost pressures.
- Stability is temporary — the structure underneath is weakening.

Revenue Conditions

Revenue Growth Driven by High-Income Volatility

- State revenues are **up ~$7B** vs. June Budget Act projections.
- Nearly all gains come from **stock market–linked income taxes**, bonuses, and stock compensation at tech firms.
- LAO warns these gains are **unstable,** heavily tied to market performance (Nvidia alone accounts for ~⅓ of S&P 500 growth).

Broader Economy Remains Weak

- Job growth **flat**; payroll jobs have not increased for over 18 months.
- Unemployment is **25% higher** than in strong years (2019 & 2022).
- Consumer spending continues to decline; taxable sales still below historical averages.
- Economic fundamentals **do not support** the revenue surge we're seeing.

Spending Pressures

Spending Growth Outpacing Revenues

- Statewide spending growth **5.8% annually**, far above historical 3.5% average.
- Major cost drivers include:
  - Medi-Cal expansions
  - In-Home Supportive Services (IHSS) caseload increases
  - Developmental services
  - Ballot measures (especially **Proposition 35**)
  - Fire response & disaster-related costs
- State operations savings from the 2024–25 budget remain **uncertain**.

Proposition 98 Outlook (K–14 Education)

Higher Revenues = Higher Required Spending

- Prop 98 guarantee **up $2.5B** for 2024–25 due to higher revenues.
- Nearly all new dollars go straight into the **Prop 98 reserve**.
- 2025–26 guarantee grows modestly to **$116.8B** (+1.3%).
- Legislature has **$2.8B in available Prop 98 funds** for 2025–26—mostly freed-up one-time funds.

Community College Implications

For CCC System (and ECC):

- COLA expected around **3%** for 26-27 (early LAO estimate).
- No new base augmentations anticipated before January.
- Prop 98 stability helps protect CCC funding despite broader state pressures.
- Enrollment growth funding **uncertain** until the Governor’s January proposal.

Multiyear Outlook: Structural Deficits

What happens after 2025–26?

- LAO projects **annual operating deficits of $20B–$30B** starting in 2026–27.
- Spending growth continues to exceed revenue growth by ~2 percentage points.
- The core problem: **revenues won't catch up to commitments already in the system.**
- "No capacity for new commitments" — repeated throughout the LAO report.

State Reserves

- ~$7.1B already withdrawn from the Rainy Day Fund.
- About **$11B remaining**, enough to cover ~⅔ of the deficit expected in 2026–27.
- Reserves cannot sustain ongoing gaps — structural corrections will be required.

Federal Budget Outlook (FY 2026 Cycle)

Major Federal Student Aid Impacts

- **Pell Grant:** Flat-funded at $7,395.
- **Federal Work-Study:** Proposed **37% cut** (House markup).
- **Supplemental Educational Opportunity Grant (SEOG):** Proposed for elimination.
- **FAFSA Simplification:** New formulas may shift need-based eligibility.

Implications for ECC:

- Reduced need-based aid likely increases pressure on Cal Grant, Promise programs, and **may impact enrollment/retention**.

Key Signals to Watch (Next 60 Days)

- **LAO Outlook** (already released) – sets the baseline for the Governor's budget.
- **January 2026 Governor's Budget** – will determine COLA, enrollment funding, and CCC priorities.
- **Economic Indicators** – hiring, capital gains volatility, interest rates.
- **ECC's Action:** Continue **budget conservatism**; align multi-year models to a **no-revenue-growth scenario** until the state picture stabilizes.

25-26 Budget to Actuals Report

Context

- **Purpose:** Provide 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)

- **Total Adjusted Budget:** $182.62M
- **Total Actual Expenditures:** $52.43M
- **Total Encumbrances:** $6M
- **Total Remaining Variance:** $124.2M
- **Overall spend rate:** 28.7%

**As of 11/12/25.*

Summary of Total Fund 11* (Districtwide)

Metric	October	November	Change	Observation
Total Adjusted Budget	$182.45 M	$182.62 M	▲ $0.17 M	Essentially unchanged — reflects minor mid-year budget adjustments or rounding corrections.
Total Actual Expenditures	$41.08 M	**$52.43 M**	▲ $11.35 M	Spending increased ~28%, reflecting ongoing payroll, instructional supply purchases, and mid-term operating activity.
Total Encumbrances	$6.97 M	**$6.02 M**	▼ $0.95 M	Continued decline — indicates that previously encumbered contracts and POs are being liquidated into actual expenditures.
Total Remaining Variance	$134.40 M	**$124.17 M**	▼ $10.23 M	Variance narrowed as expenditures caught up with planned budgets across all divisions.
Overall Spend Rate	22.5 %	**28.7 %**	▲ 6.2 pts	District spending remains on track — roughly one-third of the budget executed by mid-November, consistent with seasonal spending patterns.

Area-by-Area Highlights

VP Area	Adjusted Budget	Oct Actuals	Nov 12 Actuals	Δ Change ($)	Oct Spend Rate	Nov Spend Rate	Δ Rate
President's Office	$5.51M	$1.10M	$1.68M	**+ $0.58M**	20%	31%	▲ 11 pts
Human Resources	$2.92M	$0.67M	$0.90M	**+ $0.23M**	23%	31%	▲ 8 pts
Academic Affairs	$68.70M	$24.91M	$30.69M	**+ $5.78M**	36%	45%	▲ 9 pts
Student Services	$21.72M	$4.62M	$6.53M	**+ $1.91M**	21%	30%	▲ 9 pts
Administrative Services	$28.88M	$6.75M	$8.74M	**+ $1.99M**	23%	30%	▲ 7 pts
District-Wide Costs	$54.72M	$3.02M	$3.88M	**+ $0.86M**	6%	7%	▲ 1 pt
District Total	**$182.1M**	**$41.1M**	**$52.43M**	**+ $11.33M**	**23%**	**29%**	**▲ 6 pts**

Observations and Insights

- District **spending increased by $11.3M** from October to November 12.
- **Academic Affairs** contributed the largest share (+$5.78M).
- Student Services and Administrative Services also showed strong month-over-month growth.
- The **overall spend rate increased from 23% → 29%** (+6 percentage points).
- **District-Wide Costs remain low** due to timing of insurance, utilities, and systemwide expenses.
- All divisions show **healthy, proportional spending with no anomalies.**

Looking Ahead

Looking Ahead:

What this means for ECC (Next 12–18 months)

State Environment: Caution Required

- California's 2025-26 budget is technically balanced, but underlying conditions are fragile.
- LAO projects **$20B–$30B structural deficits** beginning in 2026-27.
- **No capacity for new ongoing commitments** at the state level; high likelihood of moderated COLA and limited new CCC investments.
- Revenue gains are **volatile** and tied to the stock market; broader economic fundamentals remain weak.

Looking Ahead:

What this means for ECC (Next 12–18 months)

Operational Implications for ECC

- Continue modeling **flat or minimal revenue growth** across the multi-year forecast.
- Expect **tight State budgets** heading into 26-27 and 27-28—prioritize essential initiatives.
- Maintain conservative spending patterns while protecting student-facing services.
- Avoid adding structural cost obligations until January's budget provides clearer signals.

Looking Ahead: Key Risks & Strategic Priorities

Major Risks

- **State structural deficits** could reduce future CCC augmentations.
- **Federal aid cuts** (FWS, potential SEOG elimination) may pressure Cal Grant/Promise resources and impact enrollment.
- **Volatile capital-gains revenue** introduces risk of mid-year or out-year state corrections.
- **Health & human services cost growth** at the state level may crowd out discretionary spending for higher education.

Looking Ahead: Key Risks & Strategic Priorities

ECC Strategic Priorities

- Keep multi-year projections aligned to a **no-growth revenue scenario** until more detail arrives in January.
- Protect reserves and avoid structural commitments that cannot be sustained.
- Continue monitoring Prop 98, COLA estimates, enrollment funding signals, and federal aid changes.
- Position ECC to respond quickly to January's Governor's Budget and the May Revise.

Q&A