CITRUS COLLEGE

2026-27 Proposed Budget

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Presentation Overview

- Presentation Definitions – Commonly-Used Acronyms
- State Budget Overview
- State Budget Concerns and LAO Analysis
- Citrus College Budget Priorities
- Citrus College 2026-27 Proposed Budget
    - Focus on Ongoing Revenues & Expenses
- Status of Long-term Obligations – OPEB and PERS/STRS
- Long-Term Fiscal Planning and Future Budget Considerations

Presentation Definitions Commonly-Used Acronyms

- BSA – Budget Stabilization Account
- CCC – California Community Colleges
- COLA – Cost of Living Adjustment
- ECA – Emergency Conditions Allowance
- FTEF – Full-Time Equivalent Faculty
- FTES – Full-Time Equivalent Students
- GASB – Governmental Accounting Standards Board
- GF – General Fund

Presentation Definitions Commonly-Used Acronyms (cont.)

- GFOA – Government Finance Officers Association
- LAO – Legislative Analyst's Office
- OPEB – Other Post-Employment Benefits
- PERS – Public Employees' Retirement System
- SCFF – Student-Centered Funding Formula
- SEAP – Student Equity and Achievement Program
- STRS – State Teachers Retirement System
- TCR – Total Computational Revenue

2026-27 State Budget Overview

2026-27 State Budget Overview

- Governor Newsom’s final state budget package, signed on June 29, 2026
- Contains components of the May Revise, with additions or modifications adopted by the Legislature on June 15, along with other items that appeared for the first time in the final two weeks of June – “agreed-upon changes between the Legislature and the Governor”
- Overall, the enacted budget reflects higher revenues, resulting in:
    - Total state expenditures of $351.7 billion; 9.5% increase over prior year’s enacted budget
    - Total General Fund expenditures of $251.5 billion; 10% over prior year’s enacted budget

2026-27 State Budget Overview

- Legislature attributes the increased revenues to a stronger-than-expected stock market
  - Reflects investor enthusiasm primarily related to artificial intelligence (AI)
- LAO cautions these revenues are likely unsustainable
- Administration continues to emphasize long-term structural balance
  - Outlines significant increases in Medi-Cal and CalFresh programs, noting federal policy changes
- Consistent with Administration's commitment to two-year budget planning, the enacted budget is aimed at balancing the budgets for 2026-27 and 2027-28

2026-27 State Budget Overview

- The state budget begins to address "Budget Stabilization" efforts:
  - Includes $15 billion in the Budget Stabilization Account (BSA) - also known as the Prop. 98 Reserve Account or "Rainy Day Fund"
  - Places a new constitutional amendment on November 2026 ballot to:
    - Increase the size of the BSA, from 10% to 20% of state budget
    - Modify required transfer amounts
    - Exclude deposits from the state appropriations limit
  - Includes $9.2 billion in Public School Stabilization Account to maintain funding for core TK-14 programs
  - Includes $4.5 billion in a discretionary reserve account

2026-27 State Budget Overview

- Reflects a combination of spending reductions, fund shifts, revenue-related solutions, and General Fund offsets
- New Tax Measures - applies a sales tax to computer software; caps business tax credits; raises the tax rate on private health insurance providers
- Delays most cuts and changes to Medi-Cal until 2027
- Provides funds to support designated public hospitals and to augment CalFresh, to mitigate threats from federal cuts
- Moves oversight of the State Department of Education to the State Board of Education
    - Establishes new Education Commissioner, appointed by Governor
    - Redefines role of State Superintendent of Public Instruction (SPI)
    - Adds SPI position as 19th voting member to the CCC Board of Governors

2026-27 State Budget Overview
Community Colleges

Proposition 98

- Revises the Prop 98 split percentage to 88.9% for TK-12 and 11.1% for community colleges, from 89.1% and 10.9%, respectively
  - Results in $217.7 million in ongoing funding to community colleges

COLA for Apportionments

- $291.9 million in ongoing funding to provide a statutory COLA of 2.87% to SCFF allocation rates
- Additional $159.7 million to fund a conditional “discretionary COLA” of 1.44% - to be used to offset districts’ costs of implementing a “new mandate” to provide up to 14 weeks of paid pregnancy disability leave

2026-27 State Budget Overview
Community Colleges

Enrollment Growth

- 1.5% growth rate in 2026-27, and 1% growth rate in previous year, providing a systemwide growth funding of 2.5% ($97.8 million) over the two years (2025-26 and 2026-27)
- Additionally, includes a new provision to modify the SCFF to fund credit FTES at the higher of:
  - The actual current year amount
  - Or the three-year average
- These funds must be “earned” by colleges through the generation of additional full-time equivalent students (FTES)

2026-27 State Budget Overview
Community Colleges

Restricted COLA

- 2.87% for select programs (EOPS, DSPS, CalWORKs, CARE)
- 5.74% to SEAP - first augmentation in many years
- No augmentations to other categorical programs

Student Support Block Grant

- One-time funding of $147.2 million to continue the Student Support Block Grant, established in the 2025 Budget Act
  - To enhance existing support - food, housing, transportation, childcare, academic/financial advising, mental health support, legal/other support services, job placement/other employment assistance

2026-27 State Budget Overview
Community Colleges

Deferrals

- Provides $408.4 million to fully repay the amount deferred from community college apportionments in the 2025-26 fiscal year

Deferred Maintenance (Facilities Needs)

- Does not address system's request for ongoing support to fund $2+ billion in estimated needs
- Provides one-time funding of $120.7 million
  - This is the first time CCC's have received any funding for deferred maintenance since the 2022-23 Budget Act

2026-27 State Budget Overview
Community Colleges

Capital Outlay

- Provides $736.9 million in one-time capital outlay funding (from Prop. 2) to support 29 continuing projects, including Citrus College's new CTE Building, and 10 additional projects

Use of Strong Workforce for Nursing Program Expansion

- Does not address system's request for one-time funding to fully restore the Strong Workforce Program to its base funding level
- Diverts $60 million from the Strong Workforce Program funds to the Rebuilding Nursing Infrastructure (RNI) Grant Program
- This is the 3rd year of what the state intends to continue for a total of 5 years

2026-27 State Budget Overview
Community Colleges

Hold Harmless

- Modifies the hold harmless “floor” (previously “frozen” at 2024-25 amount) to add the 1.44% additional discretionary COLA for apportionments

Other Items

- Common Cloud Data Platform - $36 million (one-time) and $5 million (ongoing)
- Credit for Prior Learning - $35 million (one-time) and $2 million (ongoing)
- Modifies funding proposal for Calbright College
  - Additional $38.1 million (for two years, instead of ongoing), on top of $15 million (ongoing), with future funding decisions to be based on required data and reports

State Budget Concerns

State Budget Concerns

- Conditional “Discretionary COLA”
  - Ongoing obligation of paid pregnancy disability leave creates a long-term budgetary constraint, leaving districts with limited flexibility over these funds
- LAO’s Analysis of Enacted Budget for 2026-27
  - Cautions the budget’s over-reliance on the state’s discretionary reserve account leaves a structural imbalance of an accumulated $29.2 billion
  - Indicates a disconnect between exceptionally strong revenues, due to a stock market boom that reflects investor enthusiasm around AI, and the state’s underlying fiscal condition
  - Instead of using temporary surge in revenues to reduce/eliminate the structural deficit and repay borrowings, the budget adds spending, suspends required reserve deposits and increases borrowing

Citrus College
Budget Priorities

Citrus College Budget Priorities

- Ensure mindfulness of Diversity, Equity, Inclusion and Accessibility+ (DEIA+) initiatives in budgetary considerations
- Ensure student access, success and completion in conjunction with budgeted FTES and the SCFF
- Maintain a commitment to regular/permanent employee positions
- Maintain minimum reserve level of two months of total GF operating expenditures, in accordance with GFOA Budgeting Best Practices and Chancellor's Office guidance
- Ensure compliance with state and federal regulations
- Support critical new hires and replacement of vacant positions (staffing)
- Support the completion of construction projects in progress
- Maintain a commitment to support scheduled maintenance needs
- Ensure funding for long-term employment obligations (STRS/PERS retirement systems; District's post-employment medical/cash-in-lieu benefit programs)
- Maintain multi-year fiscal planning perspective, honoring institutional priorities

2026-27
Proposed Budget

Full-Time Equivalent Students (FTES) - 2025-26

- 2025-26 Actual FTES of 9,659.47, as of Annual Reporting Period
  - 34.91 FTES (0.36%) above 2024-25 actual (9,624.56)
- ECA ended in 2022-23
- Restoration Period ended in 2025-26
- District's "base" FTES has been "re-based" from 11,413.77 to 2025-26 level (9,659.47)
- Citrus College is a small-size college instead of historic medium-size college
- Due to additional, discretionary COLA applied to Hold Harmless, Citrus College is in Hold Harmless for 2026-27, for the first time since the implementation of the SCFF in 2018-19
- No FTES shifted from Summer 2026 to 2025-26 reporting year

Full-Time Equivalent Students (FTES) 2026-27 Base Allocation

2026-27 Funding Rates	2024-25 Actual FTES	2025-26 FTES (as of Annual)	2026-27 Budgeted FTES (4.56% Growth)
Credit ($5,650)	8,595.14	8,521.10	8,909.75
Noncredit ($4,764)	110.14	127.35	133.16
CDCP ($7,923)	101.50	98.13	102.61
CCAP ($7,923)	817.78	912.89	954.52
Total	**9,624.56**	**9,659.47**	**10,100.04**

CDCP = Career Development & College Prep (Enhanced Noncredit)
CCAP = College and Career Access Pathways (Dual Enrollment; Special Admit - Credit)

Ongoing Revenue Assumptions

- **Hold Harmless Floor (TCR “C” - Guarantee) - $94.2 million**
  - 2024-25 TCR ($92,894,198 multiplied by 1.44%)

- For Reference: Earned SCFF Apportionment (TCR “A”) - $92.1 million:
  - Base Allocation (70%) - $66.3 million
    (Includes Small-Size College Allocation of $6.9 million)
  - Supplemental Allocation (20%) - $14.8 million
  - Student Success Allocation (10%) - $11 million

- For Reference: Other Funding Provision (TCR “B”) - $93.1 million:
  - PY (2025-26) SCFF Apportionment Revenue + Budget Year (2026-27) COLA of 4.31%

Ongoing Revenue Assumptions

- Unrestricted Lottery at $190 per FTES - $1.9 Million
- Nonresident Tuition budgeted at $2 Million:
  - Assumes nonresident FTES, at current adopted rates of $409 per semester unit
- Interest Earnings/Other Local Revenues - $1.7 million
- Mandated Cost Block Grant Program at $37.51 per FTES - $378,853
- 2% Enrollment Fees/Transcript/Parking - $231,464
- Recommendation to Balance Budget - Transfer in from Retirement Health Fund - $1,865,117
- Recommendation to Balance Budget - Transfer in from One-Time General Fund (Ending Balance) - $5,200,000

2026-27 Unrestricted General Fund - Ongoing Revenues

Apportionment	$ 94,231,874	
Nonresident Tuition	2,017,765	
Unrestricted Lottery	1,919,008	
Mandated Cost Block Grant	378,853	
FT/PT Faculty Compensation	1,914,008	
Interest Earnings/Other Local Revenues	1,691,000	
Transcripts/Parking/Other Student Fees/Fee Waiver Admin	231,464	
Transfer in from Retirement Health Fund	1,865,117	(1)
Transfer in from One-Time General Fund (Ending Balance)	5,200,000	(2)
Total	**$ 109,449,089**	

(1) One-time transfer from Retirement Health Fund
(2) One-time transfer from Unrestricted General Fund "Reserves" (Ending Fund Balance)

Ongoing Expenditure Assumptions

- Salary and Benefits - $75.1 million
  - Accounts for step/column movements, retirements/separations, new hires, and approved recruitments
  - Assumes medical benefit premium increases of 5.72% for Kaiser and 7% for Anthem
  - Includes 0.41% decrease in PERS employer contribution rate; from 26.81% to 26.4%
  - Includes STRS employer contribution rate of 19.1%; no change
  - Makes no estimate for 14 weeks of paid pregnancy disability leave
  - Makes no assumption for negotiations

Ongoing Expenditure Assumptions

- Adjunct/Overload budgets - $9.9 million
- Excess Adjunct/Overload budgets - additional $8.5 million
    - Based on 3-year average of actual excess expenditures
- Retiree medical and in-lieu costs - $1.9 million
- Cost Center Allocations - $12.1 million; <u>no change from prior year</u>
- Utilities Expense - $2.4 million
- Transfers/Contributions - $582,772 made up of:
    - Golf Driving Range - $50,000
    - Federal Work Study match requirement - $7,190
    - DSPS match requirement - $25,582
    - Self-Insurance Property and Liability Fund - $500,000
    - <u>Suspends $1.5 million in additional transfers</u>

2026-27 Unrestricted General Fund - Ongoing Expenditures

Personnel (Salaries & Benefits)	$ 74,100,759	
Adjunct/Overload Budgets (Ongoing)	9,896,627	
Adjunct/Overload Budgets (Excess Costs)	8,482,626	(2)
Cost Center Allocations	12,141,583	(3)
Retiree Benefits	1,865,117	(1)
Utilities	2,351,276	
Transfers	582,772	(4)
Total	**$ 109,420,760**	

(1) Offset is from one-time transfer from Retirement Health Fund

(2) Offset is from one-time transfer from Unrestricted General Fund "Reserves" (Ending Fund Balance)

(3) No augmentation of prior year COLA (2.3%)

(4) Temporary suspensions of ongoing transfers ($750,000 to Retirement Health Fund; $250,000 to PERS/STRS set-aside fund; $500,000 for scheduled maintenance)

2026-27 Unrestricted General Fund Ongoing Summary

Ongoing Revenues	$ 109,449,089
Ongoing Expenditures	109,420,760
Ongoing Revenues over Ongoing Expenditures	$ 28,329

Status of Long-Term Obligations

OPEB and PERS/STRS

Actuarially-Determined Liability
Retiree Health Benefit Plan (GASB 74/75)

	Total	Certificated	Classified	Management
Active: Pre-65 Benefit	$8,933,420	$3,078,094	$4,965,622	$889,704
Active: Post-65 Benefit	8,344,739	3,339,558	4,303,075	702,106
Subtotal	**$17,278,159**	**$6,417,652**	**$9,268,697**	**$1,591,810**
Retiree: Pre-65 Benefit	$1,431,680	$365,986	$857,153	$208,541
Retiree: Post-65 Benefit	4,154,879	1,013,695	1,413,415	1,727,769
Subtotal	**$5,586,559**	**$1,379,681**	**$2,270,568**	**$1,936,310**
Subtotal: Pre-65 Benefit	$10,365,100	$3,444,080	$5,822,775	$1,098,245
Subtotal: Post-65 Benefit	12,499,618	4,353,253	5,716,490	2,429,875
Total OPEB Liability @ 6/30/24	**$22,864,718**	**$7,797,333**	**$11,539,265**	**$3,528,120**
Roll-Forward: Increase In Liability @ 6/30/25	977,403			
Total OPEB Liability @ 6/30/25	**$23,842,121**			

Actuarially-Determined Liability
Retiree Health Benefit Plan (GASB 73)

	Total	Certificated	Classified	Management
Active: Pre-65 Benefit	$348,679	$182,287	$138,154	$28,238
Active: Post-65 Benefit	1,553,414	889,523	528,463	135,428
Subtotal	**$1,902,093**	**$1,071,810**	**$666,617**	**$163,666**
Retiree: Pre-65 Benefit	$0	$0	$0	$0
Retiree: Post-65 Benefit	1,468,886	820,590	625,836	22,460
Subtotal	**$1,468,886**	**$820,590**	**$625,836**	**$ 22460**
Subtotal: Pre-65 Benefit	$348,679	$182,287	$138,154	$28,238
Subtotal: Post-65 Benefit	3,022,300	1,710,113	1,154,299	157,888
Total OPEB Liability @ 6/30/24	**$3,370,979**	**$1,892,400**	**$1,2932,453**	**$186,126**
Roll-Forward: Decrease In Liability @ 6/30/25	(590,406)			
Total OPEB Liability @ 6/30/25	**$2,780,573**			

Funding Status - Retiree Health

Total OPEB Liability @ 6/30/25	**$23,842,121**
Fiduciary Net Position - Irrevocable Trust Balance @ 6/30/26	23,210,705
Net OPEB Liability @ 6/30/26	**$ 631,416**

Unfunded Liability – Retiree Health	$ 631,416
Unfunded Liability – Cash-in-Lieu	2,780,573
Total Unfunded Liability	$ 3,411,989
District's Retirement Health Fund - Balance @ 6/30/26	$ 8,864,092
Budgeted Transfer out of Retirement Health Fund - 2026-27	(1,865,117)
Projected Balance @ 6/30/27	$ 6,998,975

PERS & STRS - Employer Contribution Rates

- PERS Rate for 2026-27 is 26.40% - 129% increase since 2014-15
    - (11.77% in 2014-15)
- STRS Rate for 2026-27 is 19.10% - 115% increase since 2014-15
    - (8.88% in 2014-15)

PERS/STRS Stabilization Trust - Balance @ 6/30/26	**$ 6,443,149**

Note: Contributions into the PERS/STRS Stabilization Trust suspended in 2025-26 and 2026-27

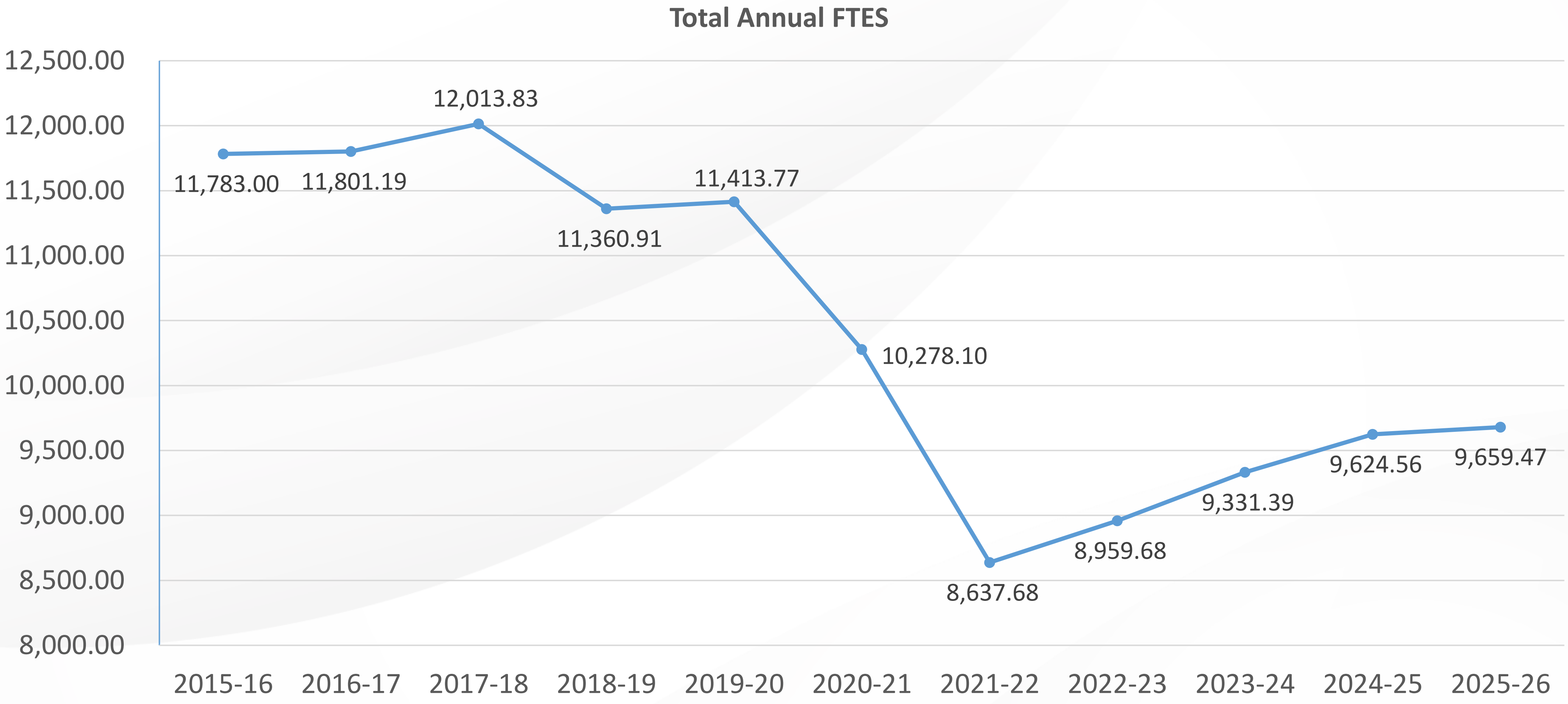
Long-Term Fiscal Planning and Future Budget Considerations

Long-Term Fiscal Planning & Future Budget Considerations

Slow Grow-Back of FTES, Post-COVID

- Citrus College remains approximately 15.4% below pre-pandemic FTES level, and approximately 3.4% below minimum FTES level for medium-size college
    - Citrus College's 10-year peak FTES - 12,013.83 (2017-18)
    - Citrus College's pre-pandemic FTES - 11,413.77 (2019-20)
    - Citrus College has declined from its historical medium-size college status (10,000+ FTES)
- FTES Protections (ECA and Restoration) have concluded (2022-23 and 2025-26, respectively)
- Citrus College is in Hold Harmless in 2026-27 and likely for 2027-28
    - Will need to closely monitor financial situation to ensure adaptability to a stagnant multi-year funding level, until sufficient FTES growth is experienced, to "grow out of Hold Harmless"

History of Actual FTES



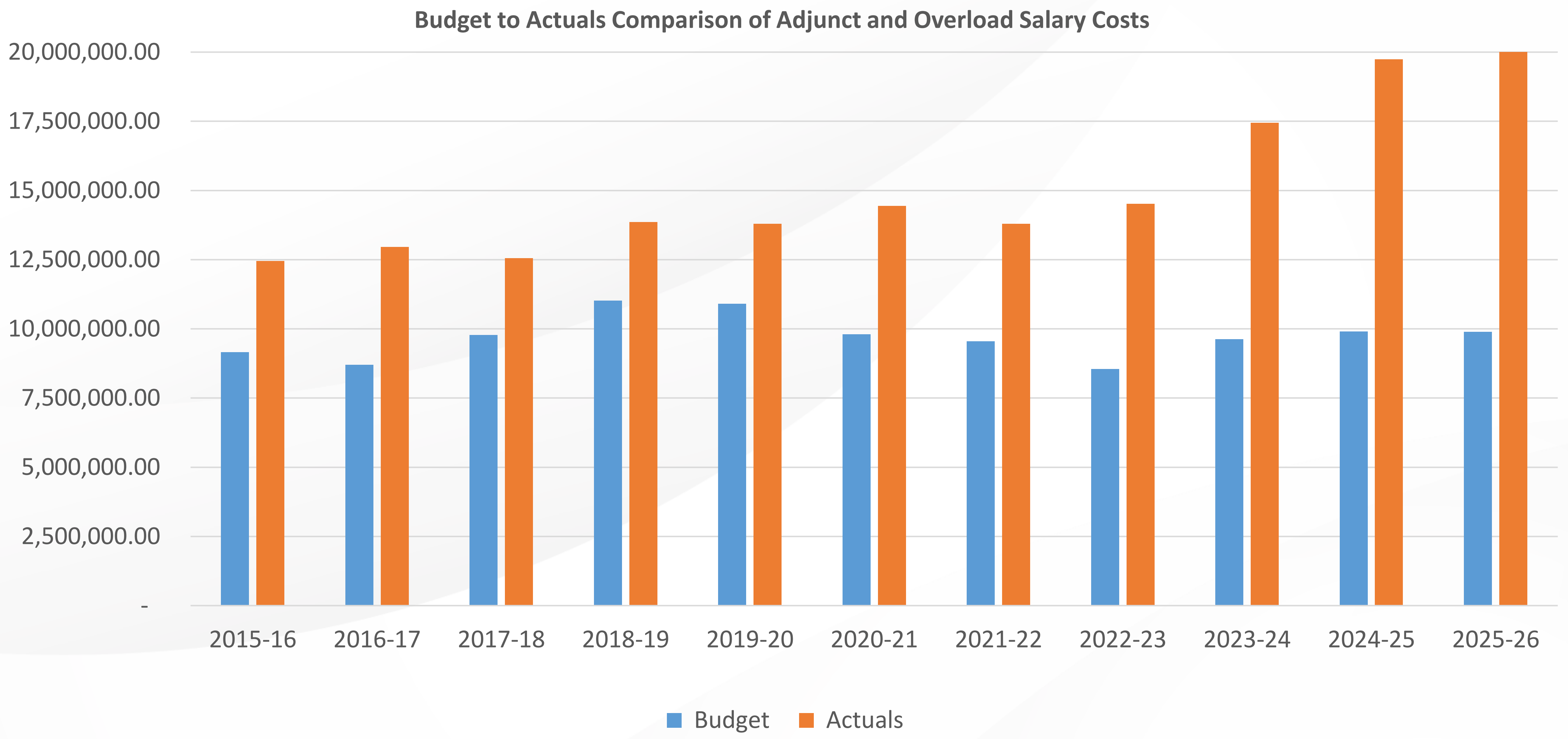
Long-Term Fiscal Planning & Future Budget Considerations

Expenditures exceeding budgeted amounts is not a sustainable practice

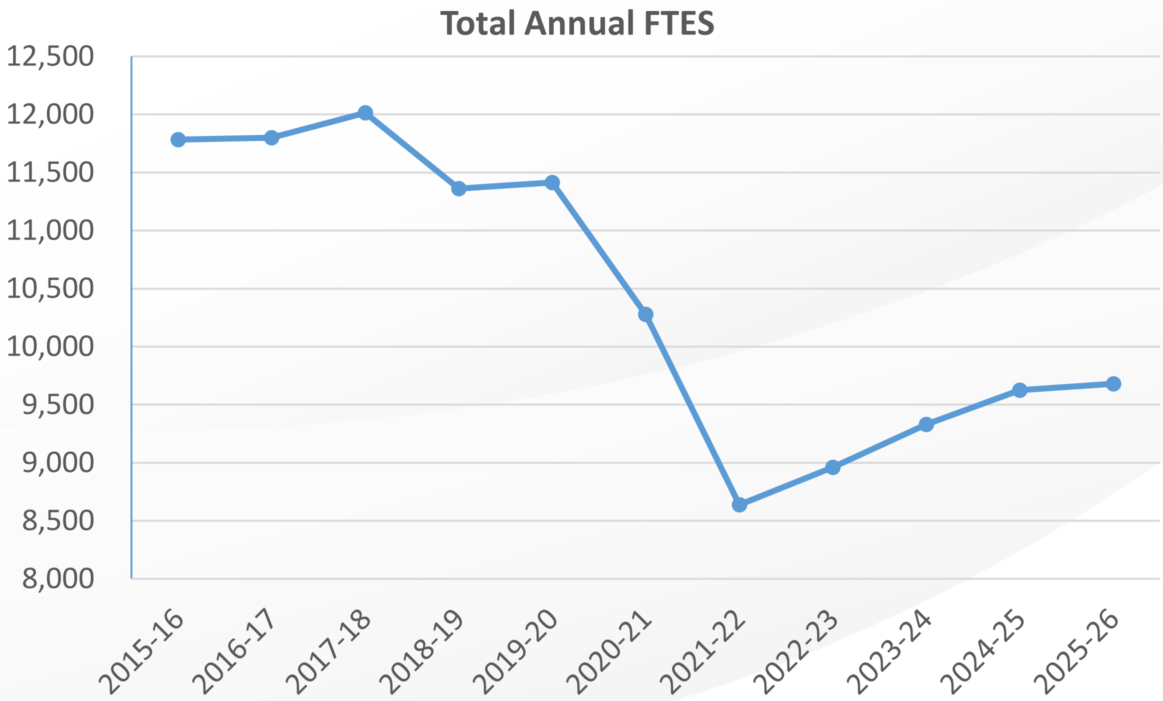
Need to reprioritize FTES budgeting (FTES per FTEF)

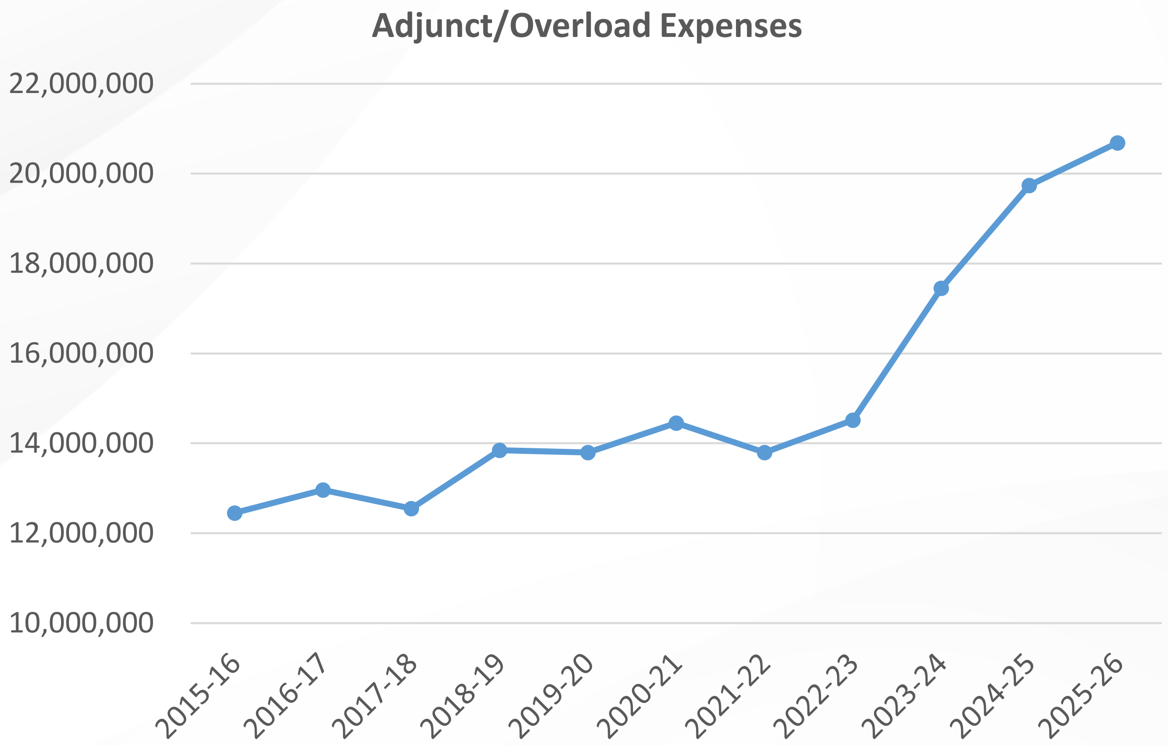
- To ensure sound financial budgeting practices, it is necessary to establish the right balance between generating FTES and monitoring the costs associated with generating those FTES
- FTES per FTEF is a standard statewide measurement, with a break-even target of 17.5 (525 total student contact hours) for a Traditional Calendar
  - 1 FTES = 15 units per semester, for two 17.5-week semesters = ((15 x 2) x 17.5) = 525
- For a Compressed Calendar (16-week semester), the standard break-even target becomes 18.8 (565 total student contact hours)
  - 565 / (15 x 2) = 18.8
- Citrus College's FTES per FTEF Ratio for Credit FTES is approximately 8.65 for Fall. This indicates the college's costs to generate FTES are in excess of the statewide average, resulting from section offerings of below the standard break-even target of 18.8 for a Compressed Calendar college

Adjunct/Overload Expenditures

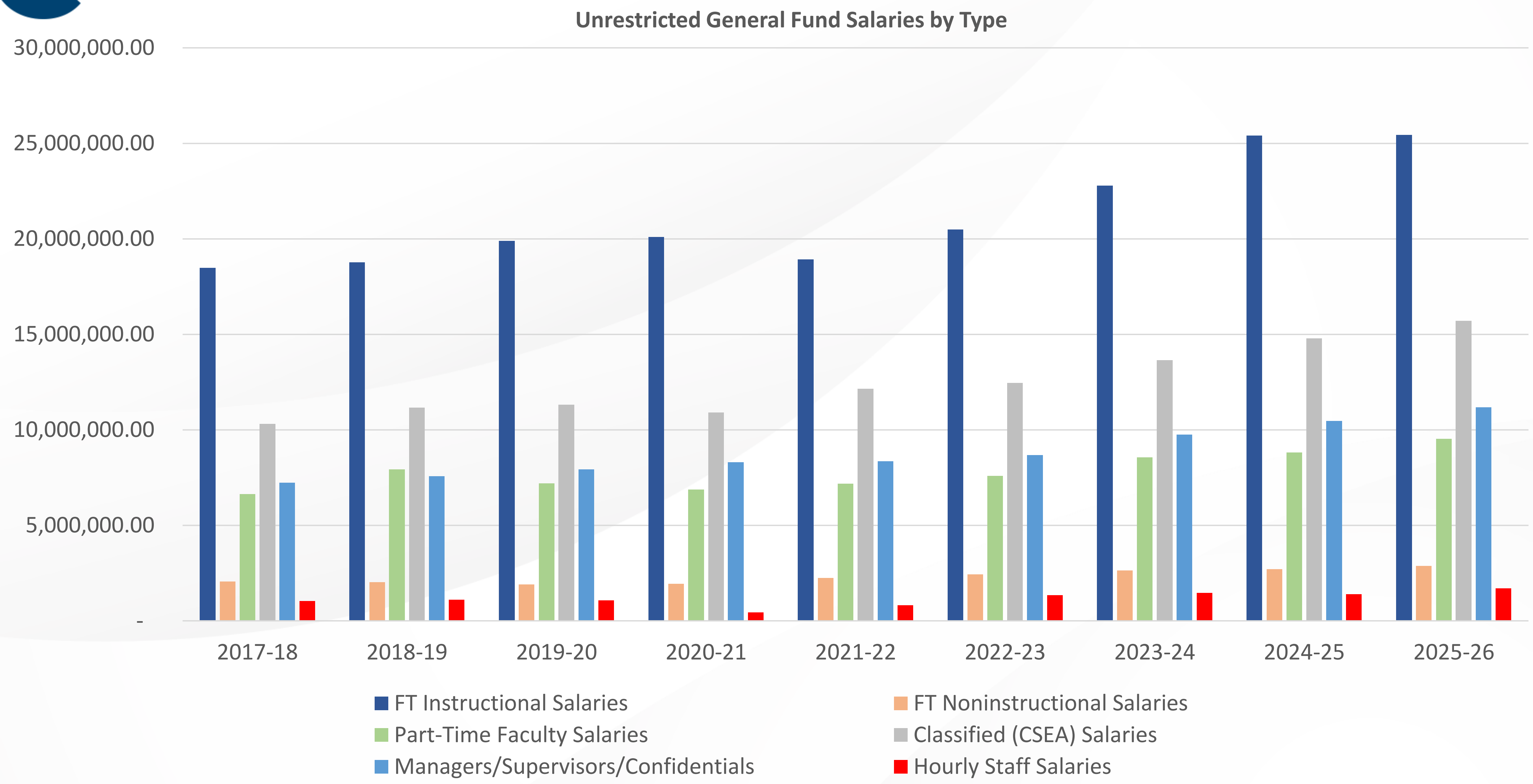


FTES and Adjunct/Overload Comparison





History of Salary Expenditures by Type



Long-Term Fiscal Planning & Future Budget Considerations

<u>PERS and STRS employer contribution rates</u>

- PERS has increased 129% since 2014-15, from 11.77% to 26.40%
  - 2025-26 Unrestricted General Fund Expenditures - $6,144,137
  - 2025-26 All Funds Expenditures - $7,430,990
- STRS has increased 115% since 2014-15, from 8.88% to 19.10%
  - 2025-26 Unrestricted General Fund Expenditures - $6,989,315
  - 2025-26 All Funds Expenditures - $ 11,040,449

Long-Term Fiscal Planning & Future Budget Considerations

Employee Health Benefits

- District is in a sole, fully-funded medical, dental and vision program
- District contributes 100% of the full cost of the program
- Current Structure and Plan Designs - unchanged for approximately 40 years
- Results in unpredictable cost volatility and creates significant budgetary challenges
    - Employee Health Benefit Expenditures have increased 87% since 2014-15 ($7.5 million in 2014-15)
    - 2025-26 Unrestricted General Fund Expenditures - $14,140,675
    - 2025-26 All Funds Expenditures - $16,081,220
    - 2026-27 (Projected) All Funds Expenditures - $17,478,098

Long-Term Fiscal Planning & Future Budget Considerations

Concern Remains Regarding State's Overall Fiscal Health

- LAO cautions that the state budget's over-reliance on discretionary reserve account leaves a structural imbalance of an accumulated $29.2 billion
- LAO indicates the state's spending plan reflects a disconnect between exceptionally strong revenues and the state's underlying fiscal condition
- LAO notes that instead of using temporary surge in revenues to reduce or eliminate the structural deficit and repay borrowings, the enacted state budget:
    - Adds $5.7 billion in discretionary spending
    - Suspends nearly $6 billion in a required state reserve deposit
    - Borrows another $3.9 billion in Proposition 98 funding

2026-27 Proposed Budget

Questions?