

# **Tentative Budget 2026/27**

**Palomar Community College District**

**June 9, 2026**

## **INTRODUCTION**

A college district must enact a Tentative Budget to establish funding for the first two months of the new fiscal year (July and August) while it prepares its final Adopted Budget for approval in September.

The Tentative Budget is the college's first exposure to **actual costs** for the 2026/27 fiscal year. All prior budget presentations contained **cost estimates**. The State of California enacts the 2026/27 budget at the end of June, and colleges will know their final revenue and expenditure numbers at that time, which allows districts to finalize their budgets in September.

## **CONTENT**

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# 1. All Funds Used by the College

This table shows estimates of both revenues and expenditures as of the Tentative Budget. A more detailed display of expenditures will be provided in the Adopted Budget.

	Unrestricted General Fund	Restricted General Fund	Debt Service Funds	Child Development Fund	Capital Outlay Project Fund	Prop M Bond Construction Fund	Retiree Health
	11	12	22-25	33	41	42	69
<b>Total Revenues</b>	\$218,484,464	\$85,836,297	\$45,975,532	\$3,853,661	\$46,746,198	\$115,243,988	\$15,525,621
<b>Total Expenses, Debt, Transfers, &amp; Other</b>	\$218,484,464	\$85,836,297	\$45,975,532	\$3,853,661	\$46,746,198	\$115,243,988	\$15,525,621

  

	Associated Student Trust	Student Representation Fee Trust	Student Body Center Fee	Student Financial Aid Trust	Scholarship and Loan Trust	Retiree Health Trust	<b>TOTAL ALL FUNDS</b>
	71	72	73	74	75	79	
<b>Total Revenues</b>	\$305,147	\$522,296	\$208,038	\$28,549,732	\$1,014,140	\$18,567,685	<b>\$580,832,799</b>
<b>Total Expenses, Debt, Transfers, &amp; Other</b>	\$305,147	\$522,296	\$208,038	\$28,549,732	\$1,014,140	\$18,567,685	<b>\$580,832,799</b>

## Fund 11 (Unrestricted General Fund)

Funds are UNRESTRICTED and available to meet the district's education mission. Palomar's main operating budget supports MOST of the district's ongoing operations.

## Fund 12 (Restricted General Fund)

Funds are RESTRICTED. Funds provided by federal, state or local agencies through grant agreements to serve specific educational needs or populations (e.g. Disabled Students Funds).

## Fund 22 -25 (Debt Service Fund)

Funds are RESTRICTED to pay for Measure M bonds. Property tax levies are deposited in these funds, and then payments are made to bond holders.

## Fund 41 (Capital Outlay Fund)

Funds are both RESTRICTED and UNRESTRICTED. Funds from the state - Scheduled Maintenance - are RESTRICTED. Redevelopment Agency (RDA) funds are UNRESTRICTED.

## Fund 42 (Proposition M Bond Fund)

RESTRICTED to construction projects funded with approved bonds.

## Fund 69 (Retiree Health Benefits Payment Account)

RESTRICTED to pay part of the annual retiree health benefit costs each year.

## Fund 79 (Retiree Health Benefits Trust Account)

RESTRICTED to pay future retiree health benefit costs.

## Other Funds

This is a Scholarship Fund, Student Trust Funds, Energy Fund, Child Development Fund

## 2. Revenues & Expenditures – Big Picture Summary

	2025-26 Adopted Budget	2026-27 Tentative Budget	Change
<b>Revenues</b>	\$ 166,586,249	\$ 173,930,445	\$ 7,344,196
<b>Expenditures</b>	\$ 173,821,615	\$ 181,487,950	\$ 7,666,335
Surplus/(Deficit)	\$ (7,235,366)	\$ (7,557,505)	\$ (322,139)
Reserves	\$ 44,662,849	\$ 37,105,343	\$(7,557,505)
Board Reserve Policy (16.67%)	\$ 28,976,063	\$ 30,254,041	

**Note:**

- District's deficit grows by \$322K compared to the prior year going from \$7.2 million to \$7.5 million.
- The district will continue to rely on its large reserve (fund balance) to cover the expected \$7.55 million deficit, leaving the reserves at \$37.1 million
- District is projected to remain roughly \$7 million above the board reserve policy level of \$30.2 million.
- District revenues are higher by \$7.3 million compared to last year's budgeted amount due to higher STRS retirement revenues & office hours revenues, and with \$5.62 million Redevelopment Agency (RDA) Interfund Transfer.
- District expenditures are up by \$7.6 million compared to last year with a significant health care cost increase of 13%, salary increases for all eligible employees and modest increases in operational costs.

### 3. Revenue Details

	2025-26 Adopted	2026-27 Tentative	Change	% of Funds
<b>A. Apportionment Revenue</b>	\$140,984,443	\$140,984,443	\$0	84.6%
<b>B. Other State Revenues</b>				
Apprenticeship	\$2,751,041	\$2,922,156	\$171,115	1.7%
Full & Part Time Faculty Funding	\$6,995,932	\$8,215,011	\$1,219,079	4.2%
Lottery (per FTES)	\$2,829,370	\$3,005,357	\$175,987	1.7%
Mandated Costs	\$572,422	\$608,027	\$35,605	0.3%
Other Misc. State Revenues	\$5,017,431	\$5,521,401	\$503,970	3.0%
<b>C. Local Revenue</b>				
Nonresident Tuition	\$1,397,957	\$1,484,909	\$86,952	0.8%
Other local revenues	\$5,933,903	\$5,566,641	(\$367,262)	-3.6%
RDA interfund transfer		\$5,000,000	\$5,000,000	0.0%
RDA Funds for RB Ctr FTES	\$103,750	\$622,501	\$518,751	0.1%
<b>Total Revenues</b>	<b>\$166,586,249</b>	<b>\$173,930,446</b>	<b>\$7,344,197</b>	

**Notes:**

**A.** Apportionment revenue is unchanged from prior year. District remains in hold harmless in 26/27 (as it has for the prior two fiscal years) and will not receive a COLA increase on these funds.

**B.** Other State Revenues

- Apprenticeship: State reimbursement program for businesses that hire apprentices. Funding is based on state's estimate.
- Higher Faculty Funding: Reflects increase in Part-Time Faculty Office Hours logged & Health Insurance enrolled, which the district gets reimbursed by the state to cover 90% of office hours and 100% of health insurance costs.
- Lottery funds are based on prior year FTES (resident and nonresident). This revenue is volatile and warrants monitoring given that funding is dependent on the purchase of lottery tickets.
- Other Misc. Revenues: State estimates a higher level of funding for STRS retirement costs, which is \$5.2 million.
- Nonresident Tuition slightly up: \$785K non-CA students & \$700K international students est.

**C.** Other local revenues consist of interest income - Interest income slightly decreased due to prior rate cuts. This revenue line is volatile due to interest rate fluctuations and warrants monitoring. We conservatively budgeted lower designated income due to uncertainty about ticket sales, vending, commissions, and rent leases.

Redevelopment Agency (RDA) Funds: The Tentative Budget includes a transfer of RDA funds of \$5 million to support the general fund for this year and the following two fiscal years with the transfer ending in 2028/29.

We are also transferring \$622K to fund FTES enrollment generation at the Rancho Bernardo Center, with a similar action taken in 2025/26 consisting of \$103K.

#### 4. Expenditure Details - Labor

	<b>2025-26 Adopted</b>	<b>2026-27 Tentative</b>	<b>Change</b>
<b>Salaries</b>			
Instructional Salaries - Full-Time Faculty	\$ 28,898,512	\$ 27,359,012	\$ (1,539,500)
Administrative Salaries	13,584,062	13,830,825	246,763
Instructional Salaries - Part Time Faculty	22,022,817	24,752,922	2,730,105
Non-Instructional Salaries - Part Time Faculty	1,677,373	1,458,494	(218,879)
Cost of FTES Increases at RB Center	103,750	622,501	518,751
<b>Total Academic Salaries</b>	<b>\$ 66,286,514</b>	<b>\$ 68,023,754</b>	<b>\$ 1,737,240</b>
Classified Salaries & Classified Adm.	\$ 31,213,528	\$ 31,793,282	\$ 579,754
Instructional Aides - Full-Time	1,872,845	2,004,192	131,347
Short-Term & Student Hourly	1,867,448	1,852,448	(15,000)
Instructional Aides Hourly- Part-Time	617,334	622,334	5,000
<b>Total Classified Salaries</b>	<b>\$ 35,571,155</b>	<b>\$ 36,272,256</b>	<b>\$ 701,101</b>

**Notes:**

- All full-time eligible employees received a salary increase based on an additional year of service (step increase) per contracts.
- Overall, academic salaries increased by \$1.7 million compared to the prior year. Full-time faculty salaries decreased by \$1.5 million compared to last year. This reduction is the result of filling only nine of the sixteen vacant faculty retirements from the past two years. In addition, the full-time faculty positions are budgeted much lower than the salaries of the retiring faculty resulting in lower costs to the district. In contrast, part-time faculty costs increased by \$2.5 million over the prior year. This increase is due to the adding additional funding to help generate FTES enrollment growth of 3.8%, or 570 FTES and to cover the additional workload of the full-time faculty retirements not budgeted in 2026/27.
- We are also increasing faculty costs by \$622K specifically to fund FTES enrollment growth at the Rancho Bernardo Center with the aim of achieving 1,000 FTES enrollments and increased state funding of \$2.4 million in 2027/28.
- Total classified salaries increased by \$700k as a result of staff costs going up by annual step increases per contract. In addition, some of the increased costs are associated with out of class, interim assignments and reclassifications.

## 5. Expenditure Details - Benefits

	<b>2025-26 Adopted</b>	<b>2026-27 Tentative</b>	<b>Change</b>
STRS - State Teachers Retirement Costs	\$ 15,581,144	\$ 16,293,692	\$ 712,548
PERS - Public Employee Retirement Costs	9,642,003	10,182,744	540,741
Social Security and Medicare Costs	3,711,307	3,858,593	147,286
Health & Welfare - Medical, Dental, Vision, etc.	20,109,945	23,172,994	3,063,049
Unemployment Insurance	251,160	209,871	(41,289)
Workers' Compensation Ins.	1,494,302	1,669,876	175,574
APPLE - Retirement costs for part-time staff	164,531	188,028	23,497
Other Benefits - TB Tests	15,700	4,180	(11,520)
<b>Total Benefits</b>	<b>50,970,092</b>	<b>55,579,978</b>	<b>4,609,886</b>
<b>Salaries and Benefits</b>	<b>\$152,827,761</b>	<b>\$159,875,988</b>	<b>\$7,048,227</b>
<i>Contra Expense, Salary/Ben Savings</i>	<i>(1,833,591)</i>	<i>(1,831,824)</i>	<i>1,767</i>
<b>Salaries and Benefits including savings</b>	<b>150,994,170</b>	<b>158,044,164</b>	<b>7,049,994</b>

### Notes:

- Benefit costs increased from \$50.9 million to \$55.5 million or \$4.6 million between 2025/26 and the new budget year.
- The largest year over year budgeted increase is in medical insurance costs accounting for \$3 million, or 15%, of the new costs in 2026/27. All medical plans increased significantly compared to last year with Anthem rates increasing by 11.8%; Kaiser rates by 11.6% (Active) and 11.9% (HSA) to give just an example of the cost increases. Also, like last year, costs increased as employees moved from two-party to family plans by a significant number (20%).
- The costs for the two public retirement systems (PERS & STRS) increased as salaries increased, as has Social Security and Medicare. We note that we will adjust at Adopted Budget in September the PERS cost to reflect a recent change that lowers the rate from 27.50% to 26.40%.
- Contra Expense- Salary/Ben savings will continue to be used in 2026/27. This is the budget amount of anticipated turnover in staff and the savings associated with that turnover. For 2026/27, we will continue to budget \$1.8 million in salary savings.

## 6. Expenditure Details – (Non-Labor/Transfer Costs)

### Operations

	FY 2025-2026	FY 2026-27	Change
Supplies	1,415,216	1,453,427	38,211
Services & Operations	15,773,635	16,199,523	425,888
Capital Outlay	1,223,842	1,256,886	33,044
Transfers	4,414,752	4,533,950	119,198
<b>Total</b>	<b>\$22,827,445</b>	<b>\$23,443,786</b>	<b>\$616,431</b>

FY 2025-2026	FY 2026-27	Change
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- For the Tentative Budget, we increased all the operation lines for 2026/27 by 2.7%, which is the Consumer Price Index. However, we have set all department budgets at this time at 2025/26 funding levels. We will adjust department budgets as needed as we finalize operational budgets for the September Adopted Budget.
- Transfer expenses represent \$3.32 million for police/security and \$423K for the student wellness center and remaining funds for commencement, co-curricular activities, and transcripts.

## 7. Multi-Year Projections

	FY 25-26 Adopted Budget	FY26-27 Tentative Budget	FY27-28 Projected Budget	FY28-29 Projected Budget	FY29-30 Projected Budget
<b>Revenues</b>					
A. Apportionment Revenue	\$140,984,443	\$140,984,443	\$145,335,245	\$153,063,221	\$160,150,105
B. Ongoing Revenues	\$18,166,196	\$20,271,951	\$20,997,072	\$21,803,796	\$22,608,633
C. Local Revenues	\$7,331,860	\$7,051,550	\$7,205,637	\$7,021,150	\$7,002,360
D. Other Financing Sources	\$103,750	\$5,622,501	\$5,622,501	\$5,000,000	\$0
<b>Total Revenues</b>	<b>\$166,586,249</b>	<b>\$173,930,445</b>	<b>\$179,160,455</b>	<b>\$186,888,166</b>	<b>\$189,761,098</b>
<b>Expenditures</b>					
<b>Total Academic Salaries</b>	<b>\$66,286,514</b>	<b>\$68,023,754</b>	<b>\$70,062,807</b>	<b>\$72,483,658</b>	<b>\$74,617,169</b>
<b>Total Classified Salaries</b>	<b>\$35,571,155</b>	<b>\$36,272,256</b>	<b>\$36,707,523</b>	<b>\$37,148,013</b>	<b>\$37,593,790</b>
<b>Total Benefits</b>	<b>\$50,970,092</b>	<b>\$55,579,978</b>	<b>\$58,629,343</b>	<b>\$61,839,733</b>	<b>\$65,148,083</b>
<i>Contra Expense, Salary/Ben Savings</i>	<i>(\$1,833,591)</i>	<i>(\$1,831,824)</i>	<i>(\$1,861,305)</i>	<i>(\$1,892,641)</i>	<i>(\$1,915,352)</i>
<b>A. Salaries and Benefits</b>	<b>\$150,994,170</b>	<b>\$158,044,164</b>	<b>\$163,538,368</b>	<b>\$169,578,764</b>	<b>\$175,443,689</b>
<b>B. Other Operating Expenses</b>	<b>\$22,827,445</b>	<b>\$23,443,786</b>	<b>\$24,090,835</b>	<b>\$24,789,469</b>	<b>\$25,468,700</b>
<b>Total Expenditures</b>	<b>\$173,821,615</b>	<b>\$181,487,950</b>	<b>\$187,629,202</b>	<b>\$194,368,233</b>	<b>\$200,912,389</b>
<b>Expenditure Reductions (ongoing/cumulative)</b>			<b>-\$2,000,000</b>	<b>-\$2,000,000</b>	<b>-\$3,000,000</b>
<b>Change In Fund Balance</b>	<b>(\$7,235,366)</b>	<b>(\$7,557,505)</b>	<b>(\$6,468,747)</b>	<b>(\$3,480,066)</b>	<b>(\$4,151,291)</b>
Ending Fund Governing Board Reserve 16.67%	\$28,976,063	\$30,254,041	\$30,944,388	31,734,384	32,325,195
<b>TOTAL ENDING FUND BALANCE</b>	<b>\$44,662,849</b>	<b>\$37,105,343</b>	<b>\$30,636,596</b>	<b>\$27,156,530</b>	<b>\$23,005,239</b>
<b>Total Compensation as % of Expense</b>	<b>86.87%</b>	<b>87.08%</b>	<b>87.02%</b>	<b>87.11%</b>	<b>87.13%</b>
<b>FTES - Revenues</b>	14,952	15,522	15,755	15,991	16,231
<b>FTES Rates Used - Revenue</b>	2.00%	3.8%	1.5%	1.5%	1.5%
<b>FTES - Expenditures</b>	14,952	15,522	16,245	17,002	17,745
<b>FTES Rates Used - Expenditures</b>	2.0%	3.8%	4.7%	4.7%	4.4%

### Notes:

#### Revenue Projections:

- The district's apportionment revenues remain flat through 2026/27. However, revenue increases significantly in 27/28 and 28/29 due to the district's increasing enrollments and the RB center qualifying for \$2.4 million in state funding. Note, we are budgeting in 27/28 and beyond FTES growth of 1.5%, which reflects pessimism over our ability to achieve higher enrollment growth and the inability of the state to fund higher enrollment growth. In short, our revenue projections are conservative.
- In 2026/27, the district is introducing \$5 million in Redevelopment Agency (RDA) funds, which remain for a total of 3 years. These should be viewed as temporary in nature with the funds being withdrawn after 2028/29.

- RDA funds of \$622,501 are also being used to specifically fund FTES enrollment growth at the Rancho Bernardo Center. These funds are designed to increase enrollments at the center so the district can earn the additional state funding mentioned above. These funds will be withdrawn after 2027/28.

### **Expenditure Projections**

- Health & Welfare costs are projected to grow in the next 3 years (8% projected or \$2 million each year).
- All salaries (faculty, staff, & administrators) are projected to increase every year by 1.2% based on current salary step increases.
- We are increasing faculty costs each year to achieve FTES enrollment growth. The costs for additional faculty salaries to achieve the FTES growth are: 2026/27 = 577 FTES costing \$980K; 2027/28 = 734 FTES costing \$1.2 million; 2028/29 = 768 FTES costing \$1.3 million; 2029/30 = 743 FTES costing \$1.25 million. Note, in contrast to our revenue projections that are set at only 1.5% FTES growth, we are budgeting higher expenditures on the part-time faculty line to capture FTES enrollments that range from 4% to 5%.
- We are also increasing faculty costs specifically to fund FTES enrollment growth at the Rancho Bernardo Center. The costs for additional faculty salaries & benefits are: 2025/26 = 50 FTES costing \$103K; 2026/27 = 300 FTES costing \$622K; 2027/28 = 300 FTES costing \$622K. In 2028/29 the FTES cost (\$622K) is moved to the part-time faculty expenditure line.
- We increased Administrator costs in 2028/29 by \$300K to reflect RB Ctr. Director & Dual Enrollment Director salaries no longer paid with RDA funds.

## 8. Reserves, Deficits, Cautions, and Comments

### Reserves

Palomar has a large reserve balance to start the 2026/27 Fiscal Year, which is estimated at over \$44 million, well above the \$28.9 million board required level. Current and future budgets rely on this reserve to cover several years of projected deficits.

### Deficits

Palomar's ongoing revenues are insufficient to cover the district's expenses. The projected deficit is estimated at \$7.5 million in 2026/27. We are projecting deficits of \$6.4 million in 2027/28, \$3.4 million in 2028/29, and \$4.1 million in 2029/30. The deficits would be much higher if we didn't introduce three years of *temporary* revenue from Redevelopment Agency (RDA) funds in 2026/27 of \$5 million each year. In addition, we introduce funding cuts starting in 2027/28 of \$2 million and retain this level of cuts and higher in subsequent years.

### Cautions

We are reducing out-year revenue projections due to two troubling factors. First, Palomar failed to reach its FTES enrollment target in 2025/26 of 3.8% enrollments, instead FTES enrollments are around 2%. Second, the state is not fully funding **New** FTES Growth in 2025/26 and is only funding New FTES Growth by a half percent in 2026/27. For these reasons, we are budgeting in 27/28 and beyond FTES growth of only 1.5%, which reflects pessimism over our ability to achieve higher enrollment growth and the inability of the state to fund higher enrollment growth. In short, our revenue projections are conservative.

In 2027/28, we assume Rancho Bernardo (RB) Education Center will earn the district an additional \$2.4 million in revenue by hitting the 1,000 FTES threshold in 2026/27. We have added \$622K in RDA funds to the 2026/27 budget specifically for RB Center to help it reach 1,000 FTES. If we don't reach this threshold, additional funding from the state will not materialize in 2027/28.

### Comments

- The Governor has introduced an additional COLA in his May Revision of 1.4%. The terms associated with that COLA are still being considered by the legislature, so at

this time we are not calculating the fiscal impact of this additional COLA. Any consideration of this COLA will be addressed in September with the Adopted Budget.

- The college needs to maintain and continue to focus on strategic hiring and expenditures that help achieve its FTES enrollment targets.
- The college needs to refrain from taking on any unfunded expenses such as hiring above the already budgeted amounts for personnel and operations.
- The projected budget plan anticipates making funding cuts starting in 2027/28 of \$2 million. The district should spend the 2026/27 fiscal year identifying programs and costs it can reduce or eliminate to help lower costs.
- The college is using three years of RDA funds (one-time funds moved into Fund 12 restricted) to hire a full-time RB Education Center Director and a full-time Associate Dean of Early College Credit (dual enrollment) Director. In 2028/29, we add \$300K into the general fund anticipating that we will retain these positions permanently. However, if FTES enrollments at the RB center and dual enrollments are NOT sufficient to cover the costs of these positions in 2028/29, this budget action should be reversed and the positions removed.