Joint Analysis

Governor's January Budget

January 10, 2025

California Community Colleges

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ASSOCIATION OF CHIEF BUSINESS OFFICIALS

COMMUNITY COLLEGE
LEAGUE OF CALIFORNIA

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Purpose of Report

This analysis was prepared by the California Community Colleges Chancellor's Office (Chancellor's Office) with review and support from the:

- Association of California Community College Administrators (ACCCA),
- Association of Chief Business Officials (ACBO), and
- Community College League of California (League).

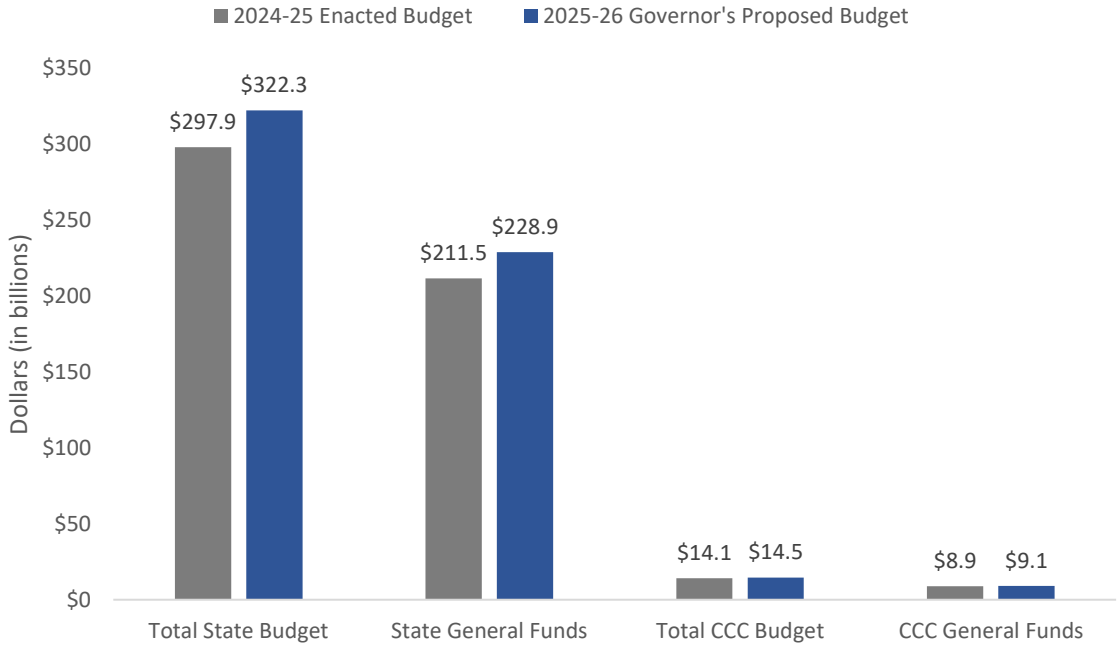
Its purpose is to provide information about the Governor's January budget proposal as a common resource for each organization's further analyses and advocacy efforts. Over the next several months, updated analyses will describe any proposed trailer bills, the Governor's May Revision, and the enacted budget.

Summary of Key Budget Changes

Today, Governor Newsom released his budget proposal for the 2025-26 fiscal year. Following are some key changes in the proposal compared to the enacted budget for 2024-25.

- Under the proposal, the overall state budget would be higher than in 2024-25, increasing by about 8% to $322.2 billion, reflecting higher state receipts and cost-cutting actions taken in the current-year budget. General Fund spending would increase by over $17 billion (8.2%) to $228.9 billion.

Figure 1: Proposed 2025-26 budget reflects increase of about $24 billion from 2024-25 (dollars in billions).



- The budget proposal for the California Community Colleges reflects a significant focus on the Master Plan for Career Education and includes a vision of a Career Passport that would follow a student's educational journey.

- The proposal for additional ongoing spending includes $230.4 million for a 2.43% cost-of-living adjustment (COLA) for community college apportionments, $28.7 million for COLAs and adjustments to certain categorical programs, and $30.4 million for systemwide enrollment growth of 0.5%.

- One-time and ongoing funding in the proposal is dedicated to the establishment of a Systemwide Common Data Platform and scaling up Credit for Prior Learning policies.

- The Governor's proposal includes capital outlay funds from Proposition 51 and Proposition 2 to support 31 projects.

State Budget Overview

The Governor's Budget proposes some additional ongoing foundational resources for California Community Colleges, along with several significant one-time investments.

BALANCED BUDGET, BUT CONTINUED CAUTION

The enacted 2024 Budget Act addressed a roughly $46.8 billion deficit using funding delays and reductions, adjustments to state programs, internal fund shifts and borrowing, some additional revenues, and drawing down some reserve funds. Reflecting a two-year budget planning process, the 2024-25 budget also addressed a projected deficit of over $30 billion for 2025-26.

Revenues Running Somewhat Above Projections

In part related to actions taken in the current-year budget, the proposed budget for 2025-26 is balanced, with a modest surplus of $363 million. It projects $16.5 billion in revenues above expectations in the 2024 Budget Act related to a stronger stock market. The proposal continues to reflect savings of $1.2 billion over two years associated with the elimination of 6,500 state government positions, along with operational efficiencies that further reduce costs by $3.5 billion over two years. The budget maintains recent priority investments including universal Transitional Kindergarten and universal school meals.

The Legislative Analyst's Office (LAO) recently cautioned that state revenues have been running ahead of the broader economy due to the recent stock market rally but may not be sustainable in the absence of improvements to foundational economic conditions like the job market and consumer spending. Its revenue estimates were somewhat lower than what is reflected in the Governor's budget, and its 3-year forecast suggests revenues are unlikely to grow fast enough to catch up to high spending growth, estimating average growth in spending of 5.8% over three years compared to revenue growth of about 4%. The LAO concluded there is no capacity for new ongoing commitments in 2025-26, as out-year estimates reflect operating deficits. Additionally, there is considerable uncertainty

around the potential impact of federal actions with the upcoming change in administrations, such as tariffs. The Governor's proposal acknowledges the out-year risks of growth in costs exceeding growth in revenues, a situation that will be reassessed and reflected in the May revision.

Reflecting the concerns about overall economic conditions in the state, the Governor's Budget is being released in the context of the California Jobs First Economic Blueprint, a framework to guide state investments in key industry sectors to drive sustainable economic growth and innovation. The framework is based on regional plans developed at the local level, with details to be released in the coming weeks.

Budget Reserves Provide Some Resiliency

The Governor's budget proposal reflects $16.9 billion in total reserves at the end of 2025-26, including:

- $10.9 billion in the Budget Stabilization Account (BSA, or "Rainy Day Fund"), after accounting for the planned withdrawal included in the 2024 Budget Act;
- $1.5 billion in the Public School System Stabilization Account (PSSSA); and
- $4.5 billion in the Special Fund for Economic Uncertainties (SFEU), $1 billion higher than anticipated in the 2024 Budget Act.

Recent reforms included in Proposition 2 have increased the cap on deposits to the BSA from 10% to 20% and excluded the deposits from the State Allocation Limit, which will allow the state to save more during economic upswings to help stabilize funding for core programs during downturns.

PROPOSITION 98 ESTIMATES ADJUSTED UPWARD

Minimum Guarantee for K-14 Education Increases

Each year, the state calculates a "minimum guarantee" for school and community college funding based on a set of formulas established in Proposition 98 and related statutes. To determine which formulas to use for a given year, Proposition 98 lays out three main tests that depend upon several inputs including K-12 attendance, per capita personal income, and per capita General Fund revenue. Depending on the values of these inputs, one of the three tests becomes "operative" and determines the minimum guarantee for that year. The state rarely provides funding above the estimated minimum guarantee for a budget year. As a result, the minimum guarantee determines the total amount of Proposition 98 funding for schools and community colleges. Though these formulas determine total funding, they do not prescribe the distribution of funding within the segments. The Governor and Legislature have significant discretion in allocating funding to various programs and services.

Table 1 shows the budget's estimates of the minimum guarantee for the prior, current, and budget years. The community college share of Proposition 98 funding is at the traditional share of approximately 11% in each of these years. The Governor's proposal indicates that the deferrals included in the 2024-25 state budget are repaid in 2025-26.

Table 1: California Community Colleges Proposition 98 Funding by Source (In Millions)

Source	2023-24 Revised	2024-25 Revised	2025-26 Proposed	Change From 2024-25 (Amount)	Change From 2024-25 (Percent)
ALL PROPOSITION 98 PROGRAMS					
General Fund	$67,093	$86,619	$84,603	($2,016)	-2.3%
Local property tax	31,392	32,569	34,321	$1,752	5.4%
Totals	$98,484	$119,188	$118,923	($265)	-0.2%
COMMUNITY COLLEGES ONLY [a]					
General Fund	$7,410	$9,048	$9,041	($7)	-0.1%
Local property tax	4,070	4,304	4,538	$234	5.4%
Totals	**$11,480**	**$13,352**	**$13,579**	**$227**	1.7%

[a] *CCC totals include resources that go to the K-12 system via the Adult Education, Apprenticeship, and K-12 Strong Workforce programs.*

Estimate for Current Year Has Increased

The estimates of the Proposition 98 minimum guarantee for 2024-25 increased as compared to projections when the 2024-25 budget was enacted in June of last year. The 2023-24 Proposition 98 Guarantee remains relatively unchanged because the minimum guarantee was suspended in 2023-24. Changes to the estimates can occur if school enrollment, economic growth, or state revenues turn out to be different than expected. Specifically, the revised estimate for the current year is substantially higher than was projected in June largely because of increased state revenues.

Provides Districts with a Funding Floor

The 2021 Budget Act extended the Student Centered Funding Formula's (SCFF) hold harmless provision through the current year, 2024-25, under which districts will earn at least their 2017-18 total computational revenue (adjusted by COLA each year). The 2022 Budget Act extended the revenue protections in a modified form beginning in 2025-26, with a district's 2024-25 funding representing its new "floor." Starting in 2025-26, districts will be funded at their SCFF generated amount that year or their "floor" (2024-25 funding amount), whichever is higher. This revised hold harmless provision will no longer include adjustments to reflect cumulative COLAs over time, as is the case with the provision in effect through 2024-25, so a district's hold harmless amount would not grow.

Deposit to Public School System Stabilization Account (PSSSA)

Proposition 2, approved by voters in November 2014, created the PSSSA, a new state reserve for schools and community colleges. Under Proposition 2, transfers are made to this account if several conditions are satisfied. Specifically, the state must have paid off all Proposition 98 debt created before 2014-15, the minimum guarantee must be growing more quickly than per capita personal income, and capital gains revenues must exceed 8% of total revenues. In tight fiscal times, the state must withdraw funding from the

reserve to supplement the funding schools and community colleges receive under Proposition 98. The Governor's budget proposal includes an approximately $1.5 billion required deposit into the PSSSA ($1.2 billion for 2024-25 and $376 million for 2025-26) and removes the discretionary deposit that was previously included in the 2024 Budget Act.

Though these transfers change *when* the state spends money on schools and community colleges, they do not directly change the *total amount* of state spending for schools and community colleges across fiscal years. Specifically, transfers to the PSSSA count toward Proposition 98 totals in the year the transfer is made. As a result, appropriations to schools and community colleges in such a year could be lower than otherwise required by Proposition 98, as in this proposal where Proposition 98 spending is below the guarantee. However, in a year when money is spent out of this reserve, the amount transferred back to schools and community colleges is over and above the Proposition 98 amount otherwise required for that year.

California Community Colleges Funding

The Governor's Budget includes nearly $359 million in ongoing policy adjustments for the community college system, compared to 2024-25 expenditure levels, as reflected in Table 2. The system would receive approximately $782 million in additional funding for one-time and ongoing programs and initiatives, after accounting for technical adjustments.

Table 2: Proposed 2025-26 Changes in Proposition 98 Funding for the System (In Millions)

POLICY ADJUSTMENTS	
Ongoing (Proposition 98)	
Provide 2.43% COLA for SCFF	$230.39
Provide 0.5% for enrollment growth	$30.44
Expand Rising Scholars Network	$30.00
Create Common Cloud Data Platform	$29.00
Provide 2.43% COLA for Adult Ed	$15.87
Expand Credit for Prior Learning Policies	$7.00
Provide 2.43% COLA for Extended Opportunity Programs and Services (EOPS)	$4.50
Provide 2.43% COLA for Disabled Student Programs and Services (DSPS)	$4.24
Lease Revenue Debt Service Adjustments	$2.44
Waived fees and per unit adjustment for Financial Aid Administration	$1.70
Provide 2.43% COLA for CalWORKs Student Services	$1.35
Provide 2.43% COLA for Mandates Block Grant	$0.95
Provide 2.43% COLA for Apprenticeship (community college districts RSI)	$0.85
Provide 2.43% COLA for Cooperative Agencies Resources for Education (CARE)	$0.82
Provide 2.43% COLA for Childcare Tax Bailout	$0.11
Decrease in available funds from Equal Opportunity Fund	-$1.11
Subtotal Ongoing (Proposition 98) Policy Adjustments	**$358.55**

One-Time (Proposition 98)	
Statewide Technology Transformation	$168.02
Systemwide Common Cloud Data Platform	$133.50
Expand Credit for Prior Learning	$93.00
Subtotal One-Time Policy Adjustments	**$394.52**
TECHNICAL ADJUSTMENTS	
Student Centered Funding Formula (SCFF) other base adjustments (aside from COLA and Growth)[a]	**$29.00**
Subtotal Technical Adjustments	**$29.00**
TOTAL CHANGES	**$782.07**

[a] SCFF technical adjustments include DOF's estimates of workload measures including reported FTES, supplemental, and success metrics.

Compared to the 2024-25 Budget Act, the estimated and proposed Total Computational Revenue (TCR) for the SCFF increases by $204.3 million, from $9.57 billion to $9.78 billion. This reflects a proposed COLA of 2.43% ($230.4 million) and FTES growth of 0.5% ($30.4 million) and modified estimates for hold harmless and other underlying estimation factors. Further, the following adjustments are reflected in associated offsetting revenues (all comparisons are from the 2024-25 Budget Act to the 2025-26 Governor's Budget proposal):

- Property tax revenues are estimated to increase by $231.8 million from $4.30 billion to $4.53 billion.
- Enrollment Fee revenues are estimated to increase by $67.9 million from $406.1 million to $474.0 million.
- Education Protection Account funding is estimated to increase by $210.5 million from $1.05 billion to $1.26 billion.

Table 3 reflects the 2024-25 rates, along with the projected rates for 2025-26, as modified by COLA.

Table 3: Proposed 2025-26 Student Centered Funding Formula Rates (rounded)

Allocations	2024-25 Rates*	Estimated Proposed 2025-26 Rates*	Estimated Change from 2024-25 (Amount)	Estimated Change from 2024-25 (Percent)
Base Credit*	$5,294	$5,423	$129	2.43%
Incarcerated Credit*	7,425	7,605	180	2.43%
Special Admit Credit*	7,425	7,605	180	2.43%
CDCP	7,425	7,605	180	2.43%
Noncredit	4,465	4,573	108	2.43%
Supplemental Point Value	1,252	1,282	30	2.43%
Student Success Main Point Value	738	756	18	2.43%
Student Success Equity Point Value	186	191	5	2.43%

Single College District				
Small College	6,508,449	6,666,604	158,155	2.43%
Medium College	8,677,936	8,888,810	210,874	2.43%
Large College	10,847,420	11,111,012	263,592	2.43%
Multi College District				
Small College	6,508,449	6,666,604	158,155	2.43%
Medium College	7,593,194	7,777,708	184,515	2.43%
Large College	8,677,936	8,888,810	210,874	2.43%
Designated Rural College	2,070,088	2,120,391	50,303	2.43%
State Approved Centers	2,169,484	2,222,202	52,718	2.43%
Grandparented Centers				
Small Center	271,187	277,777	6,590	2.43%
Small Medium Center	542,371	555,551	13,180	2.43%
Medium Center	1,084,741	1,111,100	26,359	2.43%
Medium Large Center	1,627,112	1,666,651	39,539	2.43%
Large Center	2,169,484	2,222,202	52,718	2.43%

[a]*Ten districts receive higher credit FTES rates, as specified in statute.*

Appendix B compares the Governor's proposed funding adjustments for the system in 2025-26 to the Board of Governors' budget request. Below we highlight a few of the Administration's policy decisions and related information. Later in this analysis, we detail local funding by program, capital outlay funding, and state operations.

MAJOR POLICY DECISIONS REFLECT GOALS OF STABILITY AND IMPROVED CAREER PLANNING AND MOBILITY

The proposed budget provides funding for a COLA and enrollment growth, with one-time funds targeted toward improving technology tools to facilitate student progress and movement along with building up credit for prior learning. Some of the proposed investments involve redirected funds. Additional details about some proposals will be included in trailer bill language as the budget process moves forward.

Provides Funds for 2.43% COLA for Apportionments and 0.5% Growth

The Governor's proposal includes an increase of $30.4 million **ongoing** to fund 0.5% enrollment growth and $230.4 million **ongoing** to support a COLA of 2.43% for apportionments. Another $28.7 million **ongoing** would support a COLA of 2.43% for Extended Opportunity Programs and Services, Disabled Students Programs and Services, Cooperative Agencies Resources for Education, Apprenticeships, CalWORKs Student Services, Adult Education program, Mandates Block Grant, and the Childcare Tax Bailout program.

Invests in Common Cloud Data Platform and Technology Transformation

The Governor's budget proposes $133.5 million **one-time** and $29 million **ongoing** to fund the process to create a systemwide Common Cloud Data Platform that would integrate a suite of technology tools, including e-Transcripts, the Mapping Articulated Pathways platform, and Program Pathways Mapper. The proposal also includes $168 million **one-time** to complete the Statewide Technology Transformation, which would standardize and streamline data collection to support more seamless educational and career transfers. The one-time funds are allocated over several budget years, from 2023-24 through 2029-30 (involving reappropriation of funds for the prior and current budget years).

Provides Funds to Build Out Credit for Prior Learning

The Governor's budget includes a major focus on the Master Plan for Career Education, including the creation of a coordinating council to bring together labor and business to address the state's workforce needs. One key pillar of the plan will be a state-sanctioned Career Passport that would follow a student's educational journey, aimed at accelerating skills-based hiring. The digital tool will combine traditional academic records, like college transcripts, with verified skills and credentials earned outside the classroom, such as military service, job training, or volunteer work. The goal is to provide workers with a mechanism to demonstrate the knowledge and skills needed to access good jobs, especially those without a four-year degree.

The budget proposal provides $100 million, $93 million **one-time** and $7 million **ongoing**, to build and scale up credit for prior learning through a statewide system that would allow more people to turn their real-world experience into college credit, especially veterans and military members. The investment is also aimed at building the infrastructure for the Career Passport. Additional details on proposals related to the Career Passport and credit for prior learning will become available as the budget process moves forward.

Increases Support for Rising Scholars

The Governor's budget provides a base increase of $30 million to the Rising Scholars Network, bringing total funding for the program to $55 million ongoing. Rising Scholar programs serve justice-involved students on college campuses and in federal or state prisons, county jails, juvenile facilities, or other correctional institutions. Adult programs provide educational opportunities to increase job skills and employability upon introduction back into society. Youth programs are intended to establish a direct pathway to college for juvenile justice-involved youth through courses offered at juvenile facilities or on campus. Current statute limits the number of institutions that may participate in Rising Scholars to 65 colleges. Additional details regarding the funding will become available as trailer bills are developed.

Continues Some Multi-Year Investments

The 2024 Budget Act earmarked $60 million of Strong Workforce Program funds to nursing program expansion via the Rebuilding Nursing Infrastructure Grant Program, intending to

expand nursing programs and partnerships over five years via $60 million allocations each year to support the grant program. The Governor's proposal includes this provision for a second year of allocating $60 million from the Strong Workforce Program for this purpose.

The 2023 Budget Act included one-time funds for a pilot program related to LGBTQ+ student support, allocating $10 million per year for 3 years. The Governor's proposed budget for 2025-26 includes the third and final allocation for this pilot program.

LOCAL SUPPORT FUNDING IS LARGELY STABLE FOR ONGOING PROGRAMS

Table 4 shows proposed ongoing local assistance funding by program for the current and budget years. As the table shows, most categorical programs received level or workload funding in the Governor's proposal, with certain programs receiving cost-of-living adjustments.

Table 4: California Community Colleges Ongoing Funding by Program[a] (In Millions)

Program	2024-25 Revised	2025-26 Proposed	Change Amount	Percent Change	Explanation of Change
Student Centered Funding Formula	$9,485.76	$9,775.59	$289.83	3.06%	COLA, growth, SCFF technical adjustments.
Adult Education Program – Main[b]	659.14	675.01	15.87	2.41%	COLA
Student Equity and Achievement Program	523.98	523.98	0.00	0.00%	
Student Success Completion Grant	412.60	412.60	0.00	0.00%	
Strong Workforce Program	290.40	290.40	0.00	0.00%	
Part-time faculty health insurance	200.49	200.49	0.00	0.00%	
Extended Opportunity Programs and Services (EOPS)	185.04	189.54	4.50	2.43%	COLA
Disabled Students Programs and Services (DSPS)	174.67	178.91	4.24	2.43%	COLA
Full-time faculty hiring	150.00	150.00	0.00	0.00%	
Integrated technology	89.50	118.50	29.00	32.40%	Add funds for Systemwide Common Data Platform
California College Promise (AB 19)	91.21	91.21	0.00	0.00%	
Financial aid administration	80.42	82.11	1.70	2.11%	Waived fees and per unit adjustment
CalWORKs student services	55.64	56.99	1.35	2.43%	COLA
Rising Scholars Network	25.00	55.00	30.00	120.00%	Add base funding to expand network
NextUp (foster youth program)	54.11	54.11	0.00	0.00%	
Basic needs centers	43.29	43.29	0.00	0.00%	

Mandates Block Grant and reimbursements	38.80	39.75	0.95	2.46%	COLA
Mathematics, Engineering, Science Achievement (MESA)	39.42	39.42	0.00	0.00%	
Apprenticeship (community college districts RSI)	34.69	35.54	0.85	2.45%	COLA
Cooperative Agencies Resources for Education (CARE)	33.84	34.66	0.82	2.43%	COLA
Student mental health services	32.47	32.47	0.00	0.00%	
CA Apprenticeship Initiative	30.00	30.00	0.00	0.00%	
Institutional effectiveness initiative	27.50	27.50	0.00	0.00%	
Part-time faculty compensation	26.54	26.54	0.00	0.00%	
Part-time faculty office hours	23.63	23.63	0.00	0.00%	
Economic and Workforce Development	22.93	22.93	0.00	0.00%	
Homeless and Housing Insecurity Program ("Rapid Rehousing")	20.56	20.56	0.00	0.00%	
California Virtual Campus	20.00	20.00	0.00	0.00%	
Lease revenue bond payments	12.79	15.24	2.44	19.10%	Lease Revenue Debt Service Adjustments
California Online Community College (Calbright College)	15.00	15.00	0.00	0.00%	
Nursing grants	13.38	13.38	0.00	0.00%	
Puente Project	13.33	13.33	0.00	0.00%	
Equal Employment Opportunity Program	13.88	12.77	-1.11	-7.99%	Decrease in available Equal Opportunity Fund
Dreamer Resource Liaisons	11.60	11.60	0.00	0.00%	
Veterans Resource Centers	10.82	10.82	0.00	0.00%	
Immigrant legal services through CDSS	10.00	10.00	0.00	0.00%	
Classified Employee Summer Assistance Program	10.00	10.00	0.00	0.00%	
Umoja	9.18	9.18	0.00	0.00%	
Asian American and Native Hawaiian and Pacific Islander (AANHPI) Student Achievement Program	8.00	8.00	0.00	0.00%	

Credit for Prior Learning Policies	0.00	7.00	7.00	N/A	Expand Credit for Prior Learning Policies
Foster Parent Education Program	6.15	6.15	0.00	0.00%	
Childcare tax bailout	4.32	4.43	0.11	2.43%	COLA
Rising Scholars Network-Textbooks/Digital Course Content for Inmates	3.00	3.00	0.00	0.00%	
Middle College High School Program	1.84	1.84	0.00	0.00%	
Academic Senate	1.80	1.80	0.00	0.00%	
Historically Black Colleges and Universities (HBCU) Transfer Pathway project	1.38	1.38	0.00	0.00%	
African American Male Education Network and Development (A2MEND)	1.10	1.10	0.00	0.00%	
FCMAT	0.77	0.77	0.00	0.00%	
Transfer education and articulation (excluding HBCU Transfer Pathway project)	0.70	0.70	0.00	0.00%	
Total	**$13,020.65**	**$13,408.20**	**$387.56**	**3.0%**	

[a] Table reflects total programmatic funding for the system, including amounts from prior years available for use in the years displayed.

[b] The Adult Education program total includes resources that go to the K-12 system but are included in the CCC budget. The K-12 Strong Workforce program and K-12 Apprenticeship program are not listed above but are also included in the CCC budget.

Table 5 shows one-time local assistance funding by program for 2024-25 and 2025-26. The Governor's proposed investments implement key provisions of the Master Plan for Career Education, with additional phases of implementation to be considered in future fiscal years.

Table 5: California Community Colleges One-Time Funding by Program[a] (In Millions)

Program	2024-25 Revised	2025-26 Proposed	Explanation of Change
Complete Statewide Technology Transformation	$0.0	$168.0	One- time funds added
Create Systemwide Common Cloud Data Platform	0.0	133.5	One- time funds added
Scale up Credit for Prior Learning and Build Career Passport	0.0	93.0	One- time funds added
LGBTQ+ Student Support	10.00	10.00	Third and final year of one-time funds from 2023 Budget Act

CAPITAL OUTLAY INVESTMENTS INCREASE

The Governor's proposal includes $80.9 million in capital outlay funding from Propositions 51 and 2, up from the $29.3 million provided in the 2024 Budget Act. The funding is to support the construction phase for 2 projects and the preliminary plans and working drawings of 29 additional projects, as listed in Table 6.

Table 6: Governor's Proposed Capital Outlay Projects in the California Community Colleges (In Millions)

District, College	Project	2025-26 State Cost	2025-26 Total Cost	All Years State Cost	All Years Total Cost
NEW PROJECTS - Proposition 2					
Antelope Valley, Antelope Valley College	Gymnasium Replacement	$1,622,000	$3,374,000	$24,601,000	$46,711,000
Citrus, Citrus College	New Career Technical Education Building	$3,226,000	$8,025,000	$47,520,000	$116,852,000
Coast, Golden West College	Gym Replacement	$2,002,000	$4,128,000	$29,421,000	$57,790,000
Coast, Orange Coast College	Skills Lab Replacement	$1,110,000	$2,018,000	$13,418,000	$26,435,000
El Camino, El Camino College	Hydronic Line Replacement	$813,000	$1,084,000	$9,155,000	$12,206,000
Foothill-De Anza, De Anza College	Physical Education Complex Renovation	$3,386,000	$4,485,000	$41,088,000	$54,420,000
Grossmont-Cuyamaca, Grossmont College	Gymnasium Replacement	$1,175,000	$2,240,000	$15,006,000	$29,604,000
Hartnell, Hartnell College	Buildings F, G & H (Gymnasium) Replacement	$1,764,000	$3,177,000	$20,408,000	$41,424,000
Imperial, Imperial Valley College	Gym Modernization	$1,039,000	$2,078,000	$12,798,000	$25,677,000
Kern, Bakersfield College	Center for Student Success	$1,934,000	$3,869,000	$28,786,000	$56,256,000
Long Beach, Liberal Arts Campus	Building B Replacement	$366,000	$837,000	$22,559,000	$47,105,000
Los Angeles, Los Angeles City	Kinesiology Replacement	$1,294,000	$3,069,000	$17,592,000	$41,958,000
Los Angeles, Pierce College	Sewer Utility Infrastructure Replacement	$692,000	$923,000	$7,385,000	$9,847,000
Los Angeles, Los Angeles Trade-Technical College	Advanced Transportation & Manufacturing Replacement	$6,047,000	$14,849,000	$91,161,000	$219,471,000

Los Angeles, Valley College	Sewer Utility Infrastructure Replacement	$591,000	$788,000	$5,885,000	$7,845,000
Mendocino-Lake, Willis Center	Willis Center, Phase 2	$1,343,000	$2,066,000	$14,609,000	$28,647,000
Merced, Merced College	Music, Art, Theater Complex	$1,469,000	$3,915,000	$24,379,000	$48,009,000
Mt. San Antonio, Mt. San Antonio College	Library Replacement	$3,896,000	$10,871,000	$57,958,000	$160,190,000
North Orange, Fullerton College	STEM Vocational Center	$1,922,000	$3,844,000	$27,496,000	$56,417,000
Peralta, Merritt College	Buildings E & F, Kinesiology and Physical Training	$1,676,000	$3,997,000	$22,834,000	$54,805,000
Rio Hondo, Rio Hondo College	Business & Art Building Replacement	$1,594,000	$3,187,000	$23,233,000	$45,813,000
Riverside, Ben Clark Training Center	Ben Clark Training Center: Education Building 2 Phase 1	$1,335,000	$3,185,000	$16,246,000	$39,489,000
Riverside, Moreno Valley College	Library Learning Resource Center (LLRC)	$3,509,000	$7,018,000	$51,679,000	$101,450,000
Riverside, Norco College	Library Learning Resource Center & Student Services	$2,512,000	$6,038,000	$34,340,000	$82,749,000
Riverside, Riverside City College	Cosmetology Building	$1,922,000	$3,844,000	$24,650,000	$48,782,000
San Mateo, Skyline College	Boiler Plant Replacement	$454,000	$605,000	$6,086,000	$8,076,000
Shasta-Tehama-Trinity, Shasta College	Life Sciences (Building 1600) Renovation	$680,000	$1,433,000	$8,569,000	$16,832,000
State Center, Clovis College	Kinesiology & Wellness Center	$1,682,000	$3,364,000	$24,374,000	$48,607,000
State Center, Reedley College	Modernization of Agriculture Instruction Complex	$1,295,000.00	$2,590,000.00	$16,806,000.00	$32,405,000.00
CONTINUING PROJECTS - Proposition 51					
Peralta, College of Alameda	Aviation Complex Replacement	$13,836,000	$50,071,000	$14,889,000	$52,178,000
Coast, Golden West College	Fine Arts Renovation	$14,740,000	$29,031,000	$15,862,000	$31,609,000
Total		**$80,926,000**	**$190,003,000**	**$770,793,000**	**$1,649,659,000**

STATE OPERATIONS FUNDING IS REDUCED

The Chancellor's Office provides leadership and oversight to the system, administers dozens of systemwide programs, and manages day-to-day operations of the system. The office is involved in implementing several recent initiatives including Guided Pathways, basic skills reforms, and the Student Centered Funding Formula, as well as Vision 2030. In addition, the Chancellor's Office provides technical assistance to districts and conducts regional and statewide professional development activities. Consistent with actions taken in the 2024-25 State Budget to apply administrative efficiency reductions to all state agencies, the Governor's proposed budget assumes a reduction to the Chancellor's Office operational budget of $1.6 million (of which $948,000 is one-time) and a decrease of $548,000 associated with currently vacant positions. These reductions are being recorded as an unallocated adjustment by the Department of Finance and are not shown within the Governor's budget.

Next Steps

For more information throughout the budget process, including updated versions of this report that may be issued to provide details about proposals that get clarified in trailer bills, please visit the Budget News section of the Chancellor's Office website:

https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News

Appendix A: Overview of the State Budget Process

The Governor and the Legislature adopt a new budget every year. The Constitution requires a balanced budget such that, if proposed expenditures exceed estimated revenues, the Governor is required to recommend changes in the budget. The fiscal year runs from July 1 through June 30.

Governor's Budget Proposal. The California Constitution requires that the Governor submit a budget to the Legislature by January 10 of each year. The Director of Finance, who functions as the chief financial advisor to the Governor, directs the preparation of the Governor's Budget. The state's basic approach is incremental budgeting, estimating first the costs of existing programs and then adjusting those program levels. By law, the chairs of the budget committees in each house of the Legislature—the Senate Budget and Fiscal Review Committee and the Assembly Budget Committee—introduce bills reflecting the Governor's proposal. These are called budget bills, and the two budget bills are identical at the time they are introduced.

Related Legislation. Some budget changes require that changes be made to existing law. In these cases, separate bills—called "trailer bills"—are considered with the budget. By law, all proposed statutory changes necessary to implement the Governor's Budget are due to the Legislature by February 1.

Legislative Analyses. Following the release of the Governor's Budget in January, the LAO begins its analyses of and recommendations on the Governor's proposals. These analyses, each specific to a budget area (such as higher education) or set of budget proposals (such as transportation proposals), typically are released beginning in mid-January and continuing into March.

Governor's Revised Proposals. Finance proposes adjustments to the January budget through "spring letters." Existing law requires Finance to submit most changes to the Legislature by April 1. Existing law requires Finance to submit, by May 14, revised revenue estimates, changes to Proposition 98, and changes to programs budgeted based on enrollment, caseload, and population. For that reason, the May Revision typically includes significant changes for the California Community Colleges budget. Following release of the May Revision, the LAO publishes additional analyses evaluating new and amended proposals.

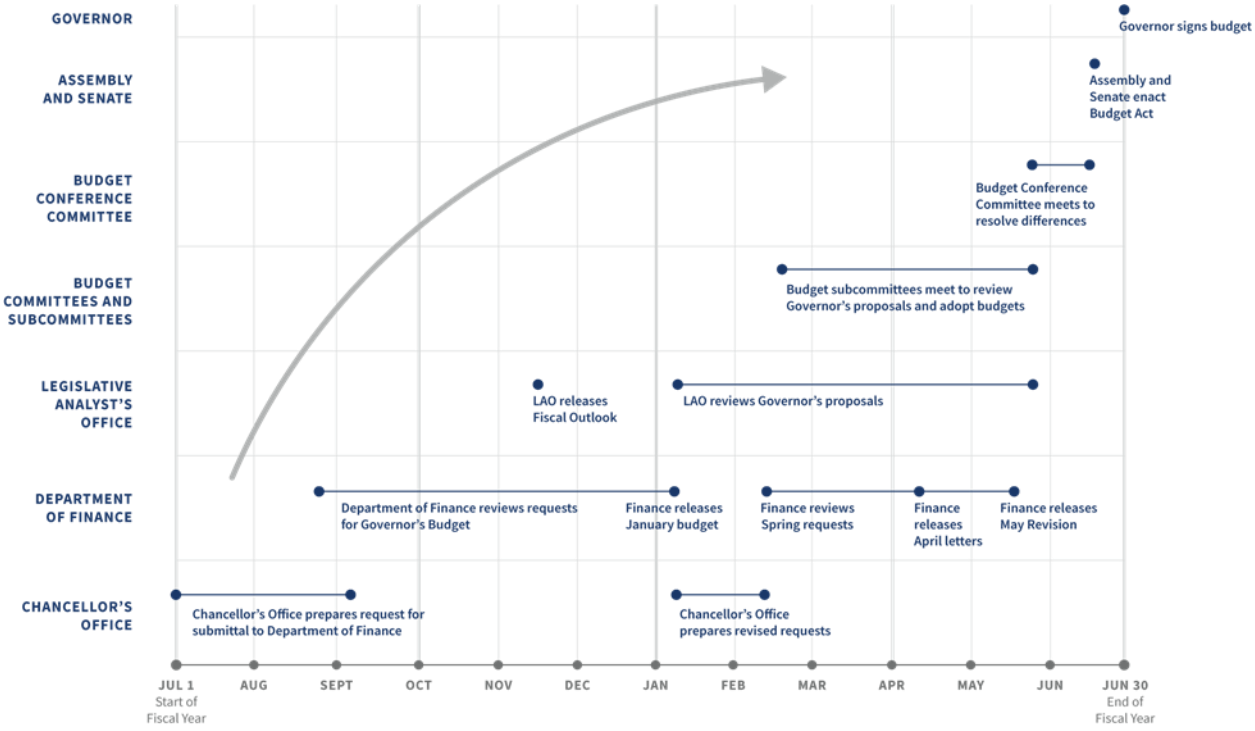
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can adopt, reject, or modify the proposal. Any January proposals not acted on remain in the budget by default. May proposals, in contrast, must be acted on to be included in the budget. In addition to acting on the Governor's budget proposals, subcommittees also can add their own proposals to the budget.

When a subcommittee completes its actions, it reports its recommendations back to the full committee for approval. Through this process, each house develops a version of the budget that is a modification of the Governor's January budget proposal.

A budget conference committee is then appointed to resolve differences between the Senate and Assembly versions of the budget. The administration commonly engages with legislative leaders during this time to influence conference committee negotiations. The committee's report reflecting the budget deal between the houses is then sent to the full houses for approval.

Budget Enactment. Typically, the Governor has 12 days to sign or veto the budget bill. The Governor also has the authority to reduce or eliminate any appropriation included in the budget. Because the budget bill is an urgency measure, the bill takes effect as soon as it is signed.

SEQUENCE OF THE ANNUAL STATE BUDGET PROCESS



Appendix B: Board of Governors' Budget and Legislative Request Compared to Governor's Budget Proposal

The system budget request considered needs over multiple years to achieve *Vision 2030* and Roadmap goals, and support students' economic mobility.

Board of Governor's Request	Governor's Budget Proposal
Ongoing Investments	
Foundational Resources. $69 million to fully fund enrollment growth. Requests inflationary adjustments for all categorical programs, elimination of the 10% cap on FTES growth, funding for minimum 1.5% growth annually, and modification of the SCFF calculation to recognize credit FTES at the higher of the three-year average or the current year amount.	Provides $230.4 million for a COLA of 2.43% to general apportionments, $28.7 million for the same COLA to selected categorical programs, and $30.4 million for 0.5% enrollment growth.
Pathways and Student Supports. $10 million increase for financial aid office administration; $10 million to expand Rising Scholars Network; $7 million to expand Credit for Prior Learning; $875,000 to increase support for burden-free instructional materials.	Provides $30 million to expand Rising Scholars and $7 million to expand Credit for Prior Learning.
Faculty Supports. Unspecified amount to be determined to increase support for part-time faculty health insurance program.	Not included.
Technology and Data Sharing. $29 million to launch the Systemwide Common Cloud Data Platform.	Provides $29 million for the Systemwide Common Cloud Data Platform.
One-Time Investments	
Pathways and Student Supports. $50 million to expand Credit for Prior Learning policies.	Provides $93 million to implement key components of the Master Plan, including a Career Passport and expansion of Credit for Prior Learning.
Technology and Data Sharing. $162.5 million to launch the Systemwide Common Cloud Data Platform and unspecified multi-year request to complete the Statewide Technology Transformation.	Includes $133.5 million for the Systemwide Common Cloud Data Platform and $168 million for the Statewide Technology Transformation.
Non-Proposition 98 Investments	
Capacity to Support the System. $9 million to exempt the Chancellor's Office from funding reduction to state agencies and build capacity.	Not included.

Appendix C: Local Budgets and State Requirements

BUDGET PLANNING AND FORECASTING

Based on the information used in developing the state budget, it would be reasonable for districts to plan their budgets using information shown in Table C-1 below.

Table C-1: Planning Factors for Proposed 2025-26 Budget

Factor	2023-24	2024-25	2025-26
Cost-of-living adjustment (COLA)	8.13%	1.07%	2.43%
State Lottery funding per FTES[a]	$249	$273	TBD
Mandated Costs Block Grant funding per FTES[a]	$35.37	$35.64	TBD
RSI reimbursement per hour[a]	$9.98	$10.05	TBD
Financial aid administration per College Promise Grant[a]	$0.91	$0.91	$0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	26.68%	27.05%	27.40%
State Teachers' Retirement System (CalSTRS) employer contribution rates	19.10%	19.10%	19.10%

[a]*Estimates will be updated when budget bill language becomes available.*

STATE REQUIREMENTS FOR DISTRICT BUDGET APPROVAL

Existing law requires the governing board of each district to adopt an annual budget and financial report that shows proposed expenditures and estimated revenues by specified deadlines. Financial reporting deadlines are shown in Table C-2.

Table C-2: Standard Financial Reporting Deadlines in Place for 2025-26

Activity	Regulatory Due Date	Title 5 Section
Submit tentative budget to county officer.	July 1, 2025	58305(a)
Make available for public inspection a statement of prior year receipts and expenditures and current year expenses.	September 15, 2025	58300
Hold a public hearing on the proposed budget. Adopt a final budget.	September 15, 2025	58301
Complete the adopted annual financial and budget report and make public.	September 30, 2025	58305(d)
Submit an annual financial and budget report to Chancellor's Office.	October 10, 2025	58305(d)
Submit an audit report to the Chancellor's Office.	December 31, 2025	59106

If the governing board of any district fails to develop a budget as described, the chancellor may withhold any apportionment of state or local money to the district for the current fiscal year until the district makes a proper budget. These penalties are not

imposed on a district if the chancellor determines that unique circumstances made it impossible for the district to comply with the provisions or if there were delays in the adoption of the annual state budget.

The total amount proposed for each major classification of expenditures is the maximum amount that may be expended for that classification for the fiscal year. Through a resolution, the governing board may make budget adjustments or authorize transfers from the reserve for contingencies to any classification (with a two-thirds vote) or between classifications (with a majority vote).

STATE REQUIREMENTS RELATED TO EXPENDITURES

State law includes two main requirements for districts' use of apportionments. The Chancellor's Office monitors district compliance with both requirements and annually updates the Board of Governors.

Full-Time Faculty Obligation

Education Code Section 87482.6 recognizes the goal of the Board of Governors that 75% of the hours of credit instruction in the California Community Colleges should be taught by full-time faculty. Each district has a baseline reflecting the number of full-time faculty in 1988-89. Each year, if the Board of Governors determines that adequate funds exist in the budget, districts are required to increase their base number of full-time faculty over the prior year in proportion to the amount of growth in funded credit full-time equivalent students. Funded credit FTES includes emergency conditions allowance protections, such as those approved for fires and for the COVID-19 pandemic. Districts with emergency conditions allowances approved per regulation will not have their full-time faculty obligation reduced for actual reported FTES declines while the protection is in place. The target number of faculty is called the Faculty Obligation Number (FON). An additional increase to the FON is required when the budget includes funds specifically for the purposes of increasing the full-time faculty percentage. The chancellor is required to assess a penalty for a district that does not meet its FON for a given year.

Fifty Percent Law

A second requirement related to budget levels is a statutory requirement that each district spend at least half of its Current Expense of Education each fiscal year for salaries and benefits of classroom instructors. Under existing law, a district may apply for an exemption under limited circumstances.

Appendix D: Districts' Fiscal Health

The Board of Governors has established standards for sound fiscal management and a process to monitor and evaluate the financial health of community college districts. These standards are intended to be progressive, with the focus on prevention and assistance at the initial level and more direct intervention at the highest level.

Under that process, each district is required to regularly report to its governing board the status of the district's financial condition and to submit quarterly reports to the Chancellor's Office three times a year in November, February, and May. Based on these reports, the Chancellor is required to determine if intervention is needed. Specifically, intervention may be necessary if a district's report indicates a high probability that, if trends continue unabated, the district will need an emergency apportionment from the state within three years or that the district is not in compliance with principles of sound fiscal management. The Chancellor's Office's intervention could include, but is not limited to, requiring the submission of additional reports, requiring the district to respond to specific concerns, or directing the district to prepare and adopt a plan for achieving fiscal stability. The Chancellor also could assign a fiscal monitor or special trustee.

The Chancellor's Office believes that the evaluation of fiscal health should not be limited to times of crisis. Accordingly, the Fiscal Forward Portfolio has been implemented to support best practices in governance and continued accreditation, and to provide training and technical assistance to new chief executive officers and chief business officers through personalized desk sessions with Chancellor's Office staff.

The Chancellor's Office's ongoing fiscal health analysis includes review of key financial indicators, results of annual audit reports, and other factors. A primary financial health indicator is the district's unrestricted reserves balance. **The Chancellor's Office recommends that districts adopt policies to maintain sufficient unrestricted reserves with a suggested minimum of two months of general fund operating expenditures or revenues, consistent with Budgeting Best Practices published by the Government Finance Officers Association.**

Districts are strongly encouraged to regularly assess risks to their fiscal health. The Fiscal Crisis and Management Assistance Team has developed a Fiscal Health Risk Analysis for districts as a management tool to evaluate key fiscal indicators that may help measure a district's risk of insolvency in the current and two subsequent fiscal years.

Appendix E: Glossary

Appropriation: Money set apart by legislation for a specific use, with limits in the amount and period during which the expenditure is to be recognized.

Augmentation: An increase to a previously authorized appropriation or allotment.

Bond Funds: Funds used to account for the receipt and disbursement of non-self-liquidating general obligation bond proceeds.

Budget: A plan of operation expressed in terms of financial or other resource requirements for a specific period.

Budget Act (BA): An annual statute authorizing state departments to expend appropriated funds for the purposes stated in the Governor's Budget, amended by the Legislature, and signed by the Governor.

Budget Year (BY): The next state fiscal year, beginning July 1 and ending June 30, for which the Governor's Budget is submitted (i.e., the year following the current fiscal year).

Capital Outlay: Expenditures that result in acquisition or addition of land, planning and construction of new buildings, expansion or modification of existing buildings, or purchase of equipment related to such construction, or a combination of these.

Cost of Living Adjustment (COLA): Increases provided in state-funded programs intended to offset the effects of inflation.

Current Year (CY): The present state fiscal year, beginning July 1 and ending June 30 (in contrast to past or future periods).

Department of Finance (DOF or Finance): A state fiscal control agency. The Director of Finance is appointed by the Governor and serves as the chief fiscal policy advisor.

Education Protection Account (EPA): The Education Protection Account (EPA) was created in November 2012 by Proposition 30, the Schools and Local Public Safety Protection Act of 2012, and amended by Proposition 55 in November 2016. Of the funds in the account, 89 percent is provided to K-12 education and 11 percent to community colleges. These funds are set to expire on December 31, 2030.

Expenditure: Amount of an appropriation spent or used.

Fiscal Year (FY): A 12-month budgeting and accounting period. In California state government, the fiscal year begins July 1 and ends the following June 30.

Fund: A legal budgeting and accounting entity that provides for the segregation of moneys or other resources in the State Treasury for obligations in accordance with specific restrictions or limitations.

General Fund (GF): The predominant fund for financing state operations; used to account for revenues that are not specifically designated by any other fund.

Governor's Budget: The publication the Governor presents to the Legislature by January 10 each year, which includes recommended expenditures and estimates of revenues.

Lease Revenue Bond: Lease-revenue bonds are used in the state's capital outlay program to finance projects. The revenue stream paying the debt service on the bond is created from lease payments made by the occupying entity to the governmental financing entity which constructs the facility or causes it to be constructed.

Legislative Analyst's Office (LAO): A nonpartisan office that provides fiscal and policy advice to the Legislature.

Local Assistance: Expenditures made for the support of local government or other locally administered activities.

May Revision: An update to the Governor's Budget presented by Finance to the Legislature by May 14 of each year.

Past Year or Prior Year (PY): The most recently completed state fiscal year, beginning July 1 and ending June 30.

Proposition 98: A section of the California Constitution that, among other provisions, specifies a minimum funding guarantee for schools and community colleges. California Community Colleges typically receive 10.93% of the funds.

Related and Supplemental Instruction (RSI): An organized and systematic form of instruction designed to provide apprentices with knowledge including the theoretical and technical subjects related and supplemental to the skill(s) involved.

Reserve: An amount set aside in a fund to provide for an unanticipated decline in revenue or increase in expenditures.

Revenue: Government income, generally derived from taxes, licenses and fees, and investment earnings, which are appropriated for the payment of public expenses.

State Operations: Expenditures for the support of state government.

Statute: A law enacted by the Legislature.

Workload Budget: The level of funding needed to support the current cost of already-authorized services.