Joint Analysis

Enacted 2024-25 Budget

July 3, 2024

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 support from the:

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

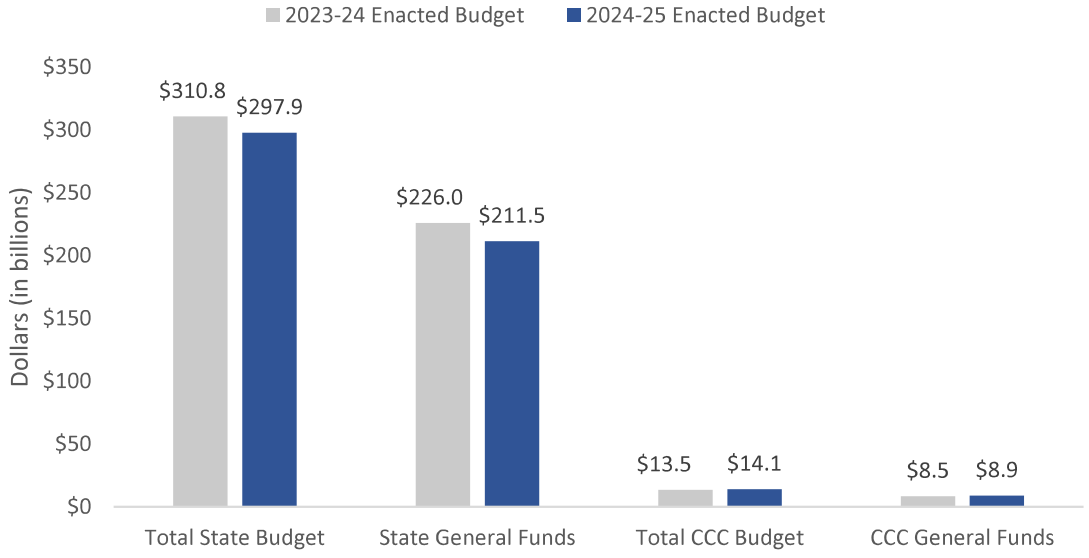
This analysis builds on a May 15, 2024, analysis of the Governor's May Revision budget proposal, and presents details about the 2024-25 budget as enacted by the Governor and Legislature. It focuses on appropriations and policy changes included in Assembly Bill 107, the 2024 Budget Act; Senate Bill 108, amending sections of Assembly Bill 107; Senate Bill 153, an education trailer bill; and Senate Bill 155, the higher education trailer bill.

Key Features of the 2024-25 Budget

On June 26, 2024, Governor Newsom signed the Budget Act of 2024. In total, the 2024-25 budget reflects state expenditures of approximately $298 billion. Below are some key features of the final budget, followed by more detailed discussions of budget adjustments for the community college system.

- The 2024 Budget Act reflects total state expenditures of approximately $298 billion, a 4.2% decrease from the 2023-24 enacted budget. General Fund spending decreases by more than 6% from the 2023-24 enacted budget, to $211.5 billion.

Figure 1: Enacted Budget for 2024-25 reflects a decrease of nearly $13 billion from 2023-24 (dollars in billions).



- The enacted budget for the California Community Colleges focuses on stability in the context of a significant budget deficit. It includes no major core reductions to

programs or services, instead drawing on reserves and operational savings to bring the overall budget in balance. This is somewhat in contrast with the situation for University of California (UC) and California State University (CSU), which will receive their Compact-related increases for 2024-25 but also one-time unallocated cuts to their base funding.

- The enacted budget includes about $143 million in ongoing adjustments to the Student Centered Funding Formula (SCFF), of which $100 million is for a 1.07% cost-of-living adjustment (COLA). Another $13 million is provided for the same COLA for selected categorical programs along with $28 million for enrollment growth.

- One-time funding in the enacted budget is limited; it includes $18 million for two projects to support the system's Vision 2030 priorities and $10 million for the second year of the LGBTQ+ Pilot Program. It also includes a $20 million enhancement to financial aid administration to help colleges support students in the context of FAFSA delays. Funds to expand nursing program capacity and to implement a low-income workers demonstration project in 2024-25 are now earmarked to be funded through allocation of funds from the Strong Workforce Program.

- The Budget Act includes minimal funding for capital outlay from Proposition 51, providing $29 million for one continuing project.

Budget Overview

The Budget Act includes components of the Governor's May Revision and additions or modifications adopted by the Legislature on June 13, along with other agreed upon changes between the Legislature and Governor. The 2024-25 budget provides total additional resources of $202.7 million to California Community Colleges apportionments and categorical programs as compared to the 2023 Budget Act (see Table 3).

BUDGET REFLECTS LOWER REVENUES AND SUBSTANTIAL BUDGET DEFICIT

Significant revenue shortfalls related to declines in the technology sector and a delay in tax payments have created a budget deficit of $45 billion. The enacted budget includes overall state General Fund spending of $211.5 billion, a decline of about 6.4% compared to the enacted budget for 2023-24. A series of early actions taken by the Legislature and the Governor in the spring addressed $17 billion of the deficit, leaving $28 billion in additional solutions required to address the full deficit for 2024-25. The budget also addresses an expected deficit of over $30 billion for 2025-26, reflecting the two-year budget planning that the Administration suggested should be the approach going forward.

The state's efforts to build reserves over the last couple of years somewhat mitigate the impact of the projected deficits. The enacted budget uses several mechanisms to close the projected shortfalls, including some funding delays and reductions from the 2022-23 and 2023-24 budgets, some cuts to state programs, some internal fund shifts and borrowing, and additional revenues from suspending net operating loss deductions and some tax credits for businesses.

INVESTMENTS FOCUS ON PROTECTING PROGRESS IN CORE PROGRAMS

The enacted budget uses some of the state's constitutional reserves built up in recent years to address the budget deficits. Total remaining reserves are estimated to be over $22 billion in 2024-25 and $13 billion in 2025-26.

- The budget withdraws over $12 billion from the Budget Stabilization Account (BSA, also known as the "rainy day fund"), created in 2014 by Proposition 2, spreading the use of those funds over two years ($5.1 billion in 2024-25 and $7.1 billion in 2025-26) and leaving a remaining balance of $10.5 billion in 2025-26. It includes an agreement to take up legislation in August to create a new "Projected Surplus Temporary Holding Account" to preserve a portion of any projected surplus until a future year when it is clear whether the revenues materialized. The agreement also includes plans for a 2026 constitutional amendment to increase the size of the BSA from 10% to 20% of the state budget and exclude the deposits from the state appropriations limit (Gann Limit).
- The budget withdraws the funds in the Public School System Stabilization Account (PSSSA), as described in a later section, but deposits about $1.1 billion after 2024-25 to begin rebuilding a cushion for future years.
- The budget withdraws $900 million from the Safety Net Reserve, created by the Legislature in 2018 to set aside funds to protect the Medi-Cal and CalWORKS programs, leaving no remaining balance.
- The budget includes $3.5 billion in the Special Fund for Economic Uncertainties (SFEU) in 2024-25 and $1.5 billion in 2025-26; this discretionary reserve is equal to the difference between General Fund resources and General Fund spending and provides the state with flexibility to adapt to unexpected changes in revenues or spending needs during the year.

The budget makes some cuts to ongoing programs and eliminates or reduces some one-time investments from 2022-23 and 2023-24. Some major provisions of the budget include:

- A 7.95% reduction for nearly all state departments beginning in 2024-25 and the elimination of thousands of vacant positions, projected to save nearly $3.7 billion;
- Additional cuts of $358 million for the Department of Corrections, $1.1 billion from various affordable housing programs, $746 million from health care workforce programs, $500 million from the Student Housing Revolving Loan Program, and $485 million from the Learning-Aligned Employment Program (reflecting the balance of unspent funds);

- Delays in funding to expand subsidized childcare slots, increase pay for providers of developmental disability services, expand food aid to undocumented immigrants, and build out broadband;
- Base increases of 5% for UC/CSU for 2024-25 related to the Compacts, but in the context of one-time unallocated cuts to each segment (to be restored in 2025-26) and deferral of Compact funding for 2025-26 and 2026-27 to the following year;
- An additional $1 billion to local governments to address homelessness; and
- Maintenance of funding for core education and social safety net programs.

California Community Colleges Funding

The Budget Act of 2024 reflects a slight increase in overall funding for community colleges over 2023-24 levels, primarily through ongoing funding provided as COLA and enrollment growth supported by withdrawal of funds from the Proposition 98 reserve. The budget reflects some of the priorities in the System Budget Request, as shown in Appendix B.

PROPOSITION 98 ESTIMATE HIGHER THAN LAST YEAR

The enacted budget adopts a revised version of the Governor's plan to postpone recognition of overpayments to districts for 2022-23, which ended up exceeding revised Proposition 98 estimates for that year by $8.8 billion. Under the final plan, $6.2 billion of funds appropriated to districts for 2022-23 will be accrued over several years beginning in 2026-27 ($544.2 million per year until 2035-36), creating a debt that the General Fund will repay, with no impact to the calculation of the Proposition 98 guarantee in repayment years. The remaining $2.6 billion of the overpayment for 2022-23 is treated as a deferral pushed ahead to 2023-24. Proposition 98 has been suspended for 2023-24, creating over $8 billion of "maintenance factor" to be returned to districts in coming years. Use of the funds in the PSSSA protects funding for schools and community colleges despite the suspension. Related to the community colleges, the Proposition 98 framework:

- Defers $446.4 million from the SCFF for 2023-24 to 2024-25;
- Defers $243.7 million from the SCFF for 2024-25 to 2025-26;
- Uses $545.9 million from the PSSSA to support apportionment costs; and
- Uses $241.8 million from the PSSSA to support a 2022-23 categorical program deferral in 2023-24.

The Chancellor's Office does not anticipate any interruption to districts' cash flow related to the deferral of $446.4 million from the SCFF for 2023-24 to 2024-25. We are carefully assessing the impact of the $243.7 million from the SCFF for 2024-25 to 2025-26 and will share details at the Annual Budget Workshop scheduled for August 7, 2024, at 9:00 a.m.

Table 1 shows the budget's estimates of the minimum guarantee for the prior, current and budget years. For each year, the operative test is Test 1, which links the minimum guarantee to a share of state General Fund revenue (approximately 40%). With the suspension for 2023-24, Proposition 98 funds are set at $98.5 billion ($3 billion lower than

in the May Revision). The minimum guarantee of $115 billion for 2024-25 is substantially higher than in 2023-24 and includes $4 billion toward repayment of the $8 billion in suspended funding for 2023-24.

Table 1: Estimates of the Proposition 98 Minimum Guarantee (In Millions)

Minimum Guarantee	2022-23	2023-24	2024-25	Change From 2023-24	Percent Change
General Fund	$73,946	$67,094	$82,613	$15,519	23%
Local property tax	29,774	31,389	32,670	1,281	4%
Totals[a]	$103,720	$98,484	$115,283	$16,800	17%

[a]Of the $103.7 billion for 2022-23, the 2024 Budget Act accrues approximately $6.2 billion of the state's general fund costs to the 2026-27 through 2035-36 fiscal years for budgetary and financial reporting purposes.

CALIFORNIA COMMUNITY COLLEGES FUNDING INCREASES

Table 2 shows Proposition 98 funding for the California Community Colleges for 2022-23, 2023-24, and 2024-25. Proposition 98 funding for the California Community Colleges increases significantly in 2024-25 over the prior year, related to actions taken on the General Fund, including suspension of Proposition 98 for 2023-24 and partial repayment of the suspended funding in 2024-25. The share of Proposition 98 funding for the system is approximately at the traditional share of 10.93% in each of these years.

Table 2: California Community Colleges Proposition 98 Funding by Source (In Millions)

Source	2022-23 Enacted	2023-24 Enacted	2024-25 Enacted	Change From 2023-24	Percent Change
General Fund	$7,406	$6,570	$8,025	$1,455	22%
Local property tax	3,884	4,094	4,260	166	4%
Totals	$11,290	$10,664	$12,285	$1,621	15%

District Revenue Protections Continue

The 2021 Budget Act extended the SCFF's hold harmless provision through 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, under which a district's 2024-25 funding will represent 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.

Additional Resources Primarily for COLA

The Budget Act includes $202.7 million in policy adjustments compared with 2023-24 expenditure levels (after the impact of technical adjustments). Most notable among the ongoing adjustments, the budget includes $113.3 million for a 1.07% COLA for the SCFF and some categorical programs. The changes are summarized in Table 3.

Table 3: 2024-25 Changes in Proposition 98 Funding for the System (In Millions)

Program Areas	Adjustments
POLICY ADJUSTMENTS	
Ongoing (Proposition 98)	
SCFF COLA (1.07%)	$100.22
SCFF Growth (0.5%)	$28.09
Provide 1.07% COLA for Adult Ed	$6.92
Provide 1.07% COLA for Extended Opportunity Programs and Services (EOPS)	$1.96
Adjustments for financial aid administration	$1.93
Provide 1.07% COLA for Disabled Students Programs and Services (DSPS)	$1.85
Provide 1.07% COLA for Apprenticeship (community college district RSI)	$0.35
Provide 1.07% COLA for CalWORKs Student Services	$0.59
Provide 1.07% COLA and enrollment-based adjustment for Mandated Costs Block Grant and Reimbursements	$0.52
Provide 1.07% COLA for Cooperative Agencies Resources for Education (CARE)	$0.36
Provide 1.07% COLA for Childcare Tax Bailout	$0.05
Subtotal Ongoing Policy Adjustments	**$142.82**
One-Time (Proposition 98)	
Expand eTranscript California	$12.00
Mapping Pathways for Credit for Prior Learning	$6.00
Strong Workforce Program: General Allocation	($65.0)
Strong Workforce Program: Pathways for Low-Income Workers Demonstration Project	$5.0
Strong Workforce Program: Rebuilding Nursing Infrastructure Grant Program	$60.0
Financial Aid Assistance Related to FAFSA Delays	$20.00
Subtotal One-Time Policy Adjustments	**$38.00**

TECHNICAL ADJUSTMENTS	
Student Centered Funding Formula (SCFF) Technical Adjustments[a]	$21.91
Subtotal Technical Adjustments	**$21.91**
TOTAL CHANGES	**$202.72**

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

Appendix B compares the enacted budget to the 2024-25 Board of Governors' budget request. Below we update information on the administration's more significant policy decisions and related information.

MAJOR POLICY DECISIONS FOCUS ON STABILITY

The community college system's budget reflects interest in seeing continuing progress on the multi-year Roadmap introduced in the 2022-23 budget, seeking some stability in the context of the state's fiscal challenges. The budget uses reserves to provide a small COLA and minimal one-time funds to support some Vision 2030 priorities.

To further protect community college core funding, the budget reappropriates approximately $18.8 million in unspent 2020 Strong Workforce funds and $21.3 million in unused 2022 Student Success Completion Grant Funds, depending on the actual unspent amounts as of June 30, 2024. These funds have already been distributed to districts and regions; therefore, the Chancellor's Office is developing a plan for the return of funds.

Apportionments Receive 1.07% COLA and 0.50% Growth

The Budget Act includes $28 million **ongoing** to fund 0.5% enrollment growth and $100.2 million **ongoing** to support a 1.07% COLA for apportionments, the same COLA provided for K-12. Another $13.1 million ongoing would support a COLA of 1.07% for categorical programs and the Adult Education program.

The estimated and proposed Total Computational Revenue (TCR) for the SCFF increases by $150 million from $9.42 billion at the 2023 Budget Act to $9.57 billion in the enacted budget. This reflects the COLA and growth funding and modified estimates for hold harmless and other underlying estimation factors.

Table 4 reflects the final SCFF rates for 2022-23 and 2023-24, along with the projected rates for 2024-25, as modified by COLA and other base adjustments. SCFF rates for 2024-25 are estimates and final rates will be provided at the Advance Apportionment. The distribution of funds across the three allocations (base, supplemental, and student success) is determined by changes in the underlying factors. Table 5 shows the estimated rates for college types and centers.

Table 4: 2024-25 Student Centered Funding Formula Rates (rounded)

Allocations	2023-24 Rates	2024-25 Rates	Change from 2023-24 (Amount)	Change from 2023-24 (Percent)
Base Credit[a]	$5,238	$5,294	$56	1.07%
Incarcerated Credit[a]	7,346	7,425	79	1.07%
Special Admit Credit[a]	7,346	7,425	79	1.07%
CDCP	7,346	7,425	79	1.07%
Noncredit	4,417	4,465	48	1.07%
Supplemental Point Value	1,239	1,252	13	1.07%
Student Success Main Point Value	730	738	8	1.07%
Student Success Equity Point Value	184	186	2	1.07%

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

Table 5: 2024-25 SCFF Rates for Colleges and Centers (rounded)

Basic Allocations	2023-24	2024-25	Change from 2023-24 (Amount)	Change from 2023-24 (Percent)
Single College District				
Small College	$6,439,546	$6,508,449	$68,903	1.07%
Medium College	8,586,065	8,677,936	91,871	1.07%
Large College	10,732,581	10,847,420	114,839	1.07%
Multi College District				
Small College	6,439,546	6,508,449	68,903	1.07%
Medium College	7,512,806	7,593,194	80,388	1.07%
Large College	8,586,065	8,677,936	91,871	1.07%
Designated Rural College	2,048,173	2,070,088	21,915	1.07%
State Approved Centers	2,146,516	2,169,484	22,968	1.07%
Grandparented Centers				
Small Center	268,316	271,187	2,871	1.07%
Small Medium Center	536,629	542,371	5,742	1.07%
Medium Center	1,073,257	1,084,741	11,484	1.07%
Medium Large Center	1,609,886	1,627,112	17,226	1.07%
Large Center	2,146,516	2,169,484	22,968	1.07%

Provides Funds to Support Mapping Credit for Prior Learning Pathways

The 2024 Budget Act includes $6 million **one-time** funds for a Mapping Articulated Pathways for Credit for Prior Learning (CPL) Demonstration Project to provide greater access for working adults to pathways to high-demand, high-wage careers. Several colleges will receive grants to establish policies to award credit for prior learning or to develop a comprehensive framework to institutionalize the practice. Grants will support use of technology to automate and streamline the articulation process while making articulations at one college shareable and adoptable at other colleges, with a goal of creating a transparent ecosystem that maximizes credit for prior learning and allows students to access their eligible credits at participating colleges. The grants can also be used to provide faculty with professional development and technical assistance that promotes cultural and academic development.

Expands e-Transcript California

The 2024 Budget Act includes $12 million **one-time** funds to support expansion of e-Transcript California to all 116 colleges. The funding will allow colleges to capture more student record movement between segments and reduce reliance on commercial third-party transcript ordering services. Grants to colleges will offset local costs related to one-time connectivity, setup, and integration of the platform.

Funds Nursing Program Expansion with Strong Workforce Program Funds

The May Revision proposed $60 million **one-time** to expand nursing program capacity and $5 million **one-time** for a partnership to support the development of educational pathways for low-income homecare and childcare workers. The enacted budget does not include new one-time funds for these efforts but rather earmarks those amounts of Strong Workforce Program funds to be allocated to the two initiatives. The enacted budget establishes the Rebuilding Nursing Infrastructure Grant Program to expand nursing programs and partnerships over five years and specifies that $60 million of Strong Workforce Program funding will be allocated each year to support the grant program. The Chancellor's Office will develop an application by November 1, 2024, with competitive grants distributed to recipient colleges by July 1, 2025.

Provides Extra Funds to Support Students with FAFSA Completion

The enacted budget includes $20 million **one-time** in extra funds for financial aid administration, to assist colleges with unexpected workload and circumstances due to FAFSA delays and to facilitate extra support for students who are still trying to complete the FAFSA.

Establishes Statewide Funding Plan for Affordable Student Housing

The 2023 Budget Act eliminated the 2022-23 General Fund appropriation for the Affordable Student Housing grants and instead called for those projects to be funded by locally issued lease revenue bonds. This change retroactively applied to the twelve community college projects originally funded in the 2022 Budget Act, and the seven

community college housing projects authorized in the 2023 Budget Act, as well as any future affordable student housing projects. The 2023 Budget Act provided ongoing funds to support debt service for UC/CSU student housing projects in 2022-23 and 2023-24 funded with lease revenue bonds. Community college housing projects were to be funded through local revenue bonds to be issued by community college districts or as part of a state pool.

The enacted budget establishes a plan for a *statewide* lease revenue bond program as an alternative to local lease revenue bonds. It authorizes the State Public Works Board (SPWB) to issue revenue bonds in the amount of $804.7 million to finance approved student housing projects, and to enter into agreements with the Board of Governors and the participating colleges to borrow funds for project costs. The bond program will cover 13 approved projects (excluding the four intersegmental projects to be funded by UC/CSU and the two CCC projects not appropriate for the state revenue lease bond). The two CCC projects that do not fit within the parameters of a state revenue lease bond will be funded with redirected annual rent subsidy funds from the $61.5 million in non-Proposition 98 funds initially authorized by the Higher Education Student Housing Grant Program for debt service in 2023-24. No new projects are approved in 2024-25.

Revises Part-time Faculty Office Hours Program

The Part-time Faculty Office Hours Program is aimed at increasing students' access to academic advice and assistance by encouraging districts to compensate part-time faculty who hold office hours related to their teaching load. The program has been reimbursing districts up to 50% of the total costs of compensation for part-time faculty office hours. The 2024 Budget Act increases the reimbursement rate from 50% to 90% to encourage increased usage of the program by districts and to incentivize spending of the funds.

The budget does not increase the total amount of state funding allocated to the program; therefore, claim reimbursements to districts will continue to be determined based on available funds. For context, annual funding for the program is $23.6 million and claims in 2023-24 totaled $72.8 million.

Does Not Include Cal Grant Reform

The 2024 Budget Act does not include actions or investments to reform the Cal Grant program in 2024-25. The Fiscal Year 2022-23 State Budget enacted the Cal Grant Reform Act, making *all* community college students with financial need entitled to a revised "Cal Grant 2" financial aid award that would increase with inflation over time to support students' total cost of attendance beyond tuition. However, implementation of the Cal Grant Reform Act was made dependent on the Department of Finance determining, in the spring of 2024, that there would be sufficient revenues over a multi-year period to support this expansion of financial aid. Full expansion would have added approximately $245 million to the $2.4 billion cost of the program in 2024-25, a challenging prospect in the context of the significant multi-year projected deficits. Legislative leaders discussed

options for incremental, phased-in steps toward full implementation, but none were adopted in the final budget.

The Budget Act requires that the California Student Aid Commission use the three-year cohort default rate from 2020 (rather than the most recent rate) to determine whether an institution is eligible to participate in the Cal Grant program in 2024-25.

LOCAL SUPPORT FUNDING IS LARGELY STABLE FOR ONGOING PROGRAMS

Table 6 shows ongoing local assistance funding by program for 2023-24 and 2024-25. As the table shows, some categorical programs receive cost-of-living adjustments while most others receive level or workload-based funding. Decreases in funding are related to removal of one-time funds or revised estimates of underlying factors.

Table 6: California Community Colleges Ongoing Funding by Program[a] (In Millions)

Program	2023-24 Enacted	2024-25 Enacted	Change Amount	Percent Change	Explanation of Change
Student Centered Funding Formula	$9,421.11	$9,571.33	$150.22	1.59%	Adjusted for COLA, growth, and other base adjustments
Adult Education Program – Main[b]	652.22	659.14	6.91	1.06%	COLA
Student Equity and Achievement Program	523.98	523.98	0.00	0.00%	
Student Success Completion Grant	362.60	412.60	50.00	13.79%	Adjust for revised estimates of recipients
Strong Workforce Program	290.40	290.40	0.00	0.00%	Of the total funding, one-time $5 million allocated to Pathways for Low-Income Workers Demonstration Project and $60 million to Rebuilding Nursing Infrastructure Grant Program annually for 5 years through 2028-29
Part-time faculty health insurance	200.49	200.49	0.00	0.00%	
Extended Opportunity Programs and Services (EOPS)	183.08	185.04	1.96	1.07%	COLA

Disabled Students Programs and Services (DSPS)	172.82	174.67	1.85	1.07%	COLA
Full-time faculty hiring	150.00	150.00	0.00	0.00%	
California College Promise (AB 19)	91.21	91.21	0.00	0.00%	
Integrated technology	89.50	89.50	0.00	0.00%	
Financial aid administration	78.50	80.42	1.92	2.44%	Waived fees and per unit adjustment
Apprenticeship (community college districts)	64.34	64.69	0.35	0.54%	COLA
CalWORKs student services	55.05	55.64	0.59	1.07%	COLA
NextUp (foster youth program)	54.11	54.11	0.00	0.00%	
Basic needs centers	43.29	43.29	0.00	0.00%	
Mathematics, Engineering, Science Achievement (MESA)	39.42	39.42	0.00	0.00%	
Mandated Costs Block Grant and reimbursements	38.28	38.80	0.52	1.36%	COLA and enrollment-based adjustment
Cooperative Agencies Resources for Education (CARE)	33.48	33.84	0.36	1.07%	COLA
Student mental health services	32.47	32.47	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%	
Rising Scholars Network	25.00	25.00	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%	
California Online Community College (Calbright College)	15.00	15.00	0.00	0.00%	
Equal Employment Opportunity Program	17.00	13.88	-3.12	-18.38%	Decrease in available Equal Opportunity Fund
Nursing Program Support	13.38	13.38	0.00	0.00%	
Puente Project	13.33	13.33	0.00	0.00%	
Lease revenue bond payments	12.80	12.79	-0.01	-0.07%	Lease revenue debt service adjustments
Dreamer Resource Liaisons	11.60	11.60	0.00	0.00%	
Veterans Resource Centers	10.82	10.82	0.00	0.00%	
Classified Employee Summer Assistance Program	10.00	10.00	0.00	0.00%	
Immigrant legal services through CDSS	10.00	10.00	0.00	0.00%	
Umoja	9.18	9.18	0.00	0.00%	
AANHPI Student Achievement Program	8.00	8.00	0.00	0.00%	
Foster Care Education Program	6.15	6.15	0.00	0.00%	

Childcare tax bailout	4.28	4.32	0.05	1.08%	COLA
Digital Course Content	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%	
Transfer education and articulation (excluding HBCU Transfer Pathway project)	0.70	0.70	0.00	0.00%	
FCMAT	0.80	0.77	-0.03	-3.75%	Removal of one-time funds
Total	$12,894.66	$13,106.21	$ 211.55	1.64%	

[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 programs are not listed above but are also included in the CCC budget.*

Table 7 shows one-time local assistance funding by program for 2023-24 and 2024-25. Given the state budget deficit, community colleges receive minimal one-time investments. The $60 million planned for nursing program expansion and $5 million for a low-income workers demonstration project are funded via allocations from the Strong Workforce Program, as described earlier.

Table 7: California Community Colleges One-Time Funding by Program[a] (In Millions)

Program	2023-24 Revised	2024-25 Enacted	Explanation of Change
FAFSA delay assistance	$0.0	$20.0	One-time funds added
Expand e-Transcript California	0.0	12.0	One-time funds added

LGBTQ+ Pilot Program	10.0	10.0	Second year of one-time funds allocated in 2023-24
Mapping Articulated Pathways for Credit for Prior Learning	0.0	6.0	One-time funds added
Total	$10.00	$48.00	

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

CAPITAL OUTLAY INVESTMENTS ARE LIMITED

The Budget Act includes $29.3 million **one-time** in capital outlay funding from Proposition 51, down from $232 million provided from various funds in the 2023 Budget Act. The funding would support the construction phase for remodeling the theater and McCloud Hall at College of the Siskiyous.

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 critical initiatives including Guided Pathways, basic skills reforms, and the SCFF. In addition, the Chancellor's Office provides technical assistance to districts and conducts regional and statewide professional development activities. The 2024 Budget Act applies an administrative reduction of 7.95% to all state agencies, resulting in funding of about $25 million in non-Proposition 98 General Funds for the Chancellor's Office, down from $25.7 million in 2023-24. The enacted budget keeps level the $12.2 million in special funds and reimbursements for Chancellor's Office operations.

SUPPLEMENTAL REPORTING LANGUAGE REQUESTED

The enacted budget requires the Chancellor's Office to report to the Legislature by November 1, 2024, on projected district-by-district funding levels for the next three years, summer enrollment data, changes over time on performance metrics, and projections based on potential changes to the supplemental allocation of the SCFF. The Chancellor's Office will be reaching out to districts to gather the additional data needed to analyze recent and projected use and impact of the 'summer shift' regulatory provision.

Conclusion

The Appendices contain additional information as follows:

- Appendix A: Overview of the State Budget Process
- Appendix B: Board of Governors' Budget and Legislative Request Compared to Enacted Budget
- Appendix C: Local Budgets and State Requirements
- Appendix D: Districts' Fiscal Health
- Appendix E: Glossary

Although the budget has been enacted, the Governor and Legislature could make changes to the budget in "clean-up" legislation over the summer or later this year. The Chancellor's Office will post updates concerning any changes made to the budget on the Budget News section of the website.

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 Legislative Analyst's Office (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.

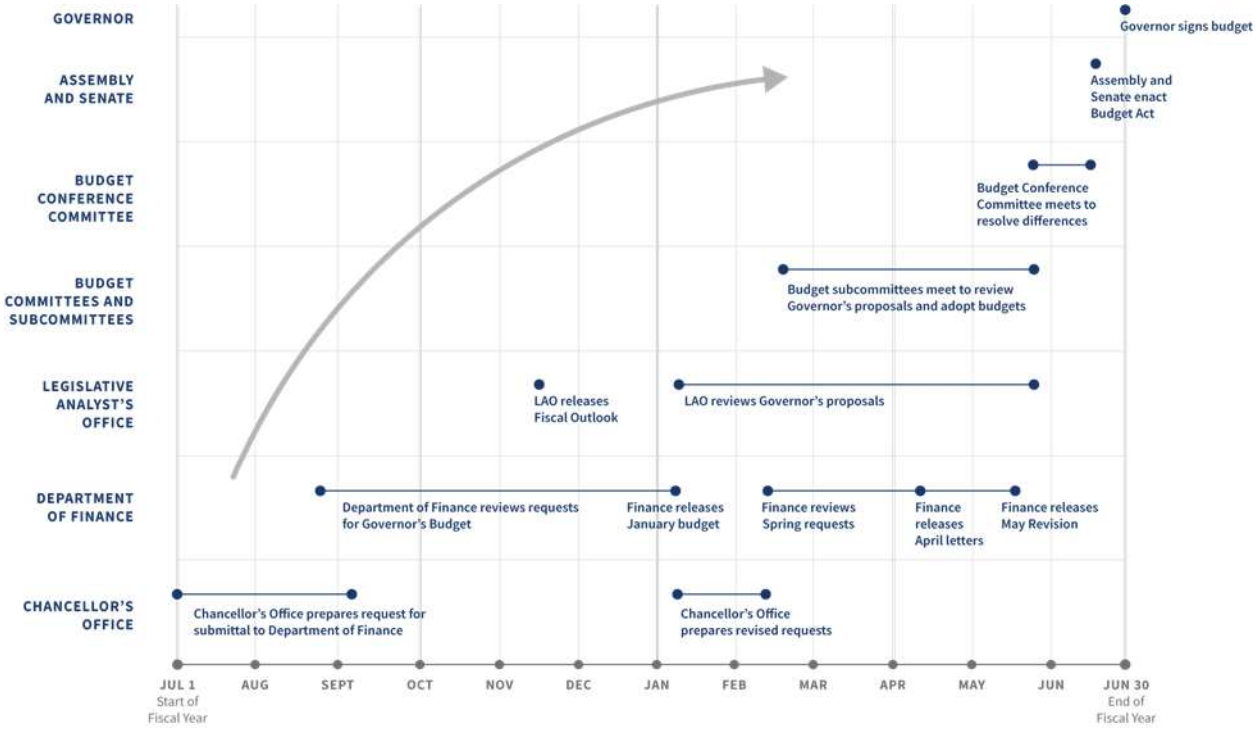
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can 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 Enacted Budget

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

Board of Governors Request	Enacted Budget
Ongoing Investments	
Foundational Resources. $500 million for base funding increase.	Provides $100 million for a COLA of 1.07% and $28 million for 0.5% enrollment growth.
Pathways and Student Supports. $60 million increase for DSPS; $40 million for Childcare Expansion Fund; $30 million for California Apprenticeship Initiative; $6 million to expand Military Articulation Platform. Extension of deadline for common course numbers from 2024 to 2027. Policy changes to provide equitable access to dual enrollment pathways.	See earmarks of Strong Workforce funds to support one-time investments below.
Support for Faculty. $50 million for faculty supports (office hours, professional development, curriculum development) and full-time faculty hiring.	Not included.
Technology and Data Sharing. $24.9 million to launch Phase 1 of Common ERP transition; $12 million for expanding use of eTranscript California (additional request after BOG request submitted).	See one-time funds for expanding use of eTranscript California below.
One-Time Investments	
Pathways and Student Supports.	Earmarks $60 million of Strong Workforce funds to be reallocated toward nursing program expansion (for 5 years). Provides $20 million in extra funding for financial aid administration for costs and services to students related to FAFSA delays.
Technology and Data Sharing. $310.1 million for Phase 1 of Common ERP transition (specifies plan to request another $214 million in 2027-28 for Phase 2).	Provides $12 million for expanding use of eTranscript California.
Vision 2030 Priorities (additional request after BOG request submitted). $5 million for a low-income workers demonstration project; $6 million for mapping pathways for Credit for Prior Learning (CPL); $10 million for a common data platform demonstration project.	Provides $6 million for mapping pathways for Credit for Prior Learning. Earmarks $5 million of Strong Workforce funds one-time for low-income workers demonstration project.
Non-Proposition 98 Investments	

College Affordability and Supports. State-issued lease revenue bonds to support 19 approved and 5 new student housing projects. Policy changes for flexibility in the SSCG program for DSPS students, and study of structural barriers to residency.	Includes statewide lease revenue bond program for 13 approved projects (excludes 4 intersegmental projects to be funded by UC/CSU and 2 projects that were too far along for SLRB). No new projects approved.
Capacity to Support the System. General Fund support for a new Vice Chancellor of Information Security, Assistant Vice Chancellor of Workforce Development, and Director of Operations and Special Initiatives. Policy changes to streamline legislative reporting requirements.	Not included. Imposes 7.95% reduction in General Funds consistent with administrative reduction for all state agencies.
Workforce Education. Policy changes to better align EWD program with Strong Workforce, and to extend use of multi-criteria screening factors for limited enrollment healthcare program admissions.	Not mentioned.

Appendix C: Local Budgets and State Requirements

BUDGET PLANNING AND FORECASTING

Based on the information used in developing the 2024 enacted 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 2024-25 Budget

Factor	2022-23	2023-24	2024-25
Cost-of-living adjustment (COLA)	6.56%	8.13%	1.07%
State Lottery funding per FTES[a]	$237	$249	TBD
Mandated Costs Block Grant funding per FTES	$32.68	$35.37	$35.75
RSI reimbursement per hour	$8.82	$9.98	$10.05
Financial aid administration per College Promise Grant	$0.91	$0.91	$0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	25.37%	26.68%	27.05%
State Teachers' Retirement System (CalSTRS) employer contribution rates	19.10%	19.10%	19.10%

[a]*2024-25 estimate not 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: Financial Reporting Deadlines for 2024-25

Activity	Regulatory Due Date	Title 5 Section
Submit tentative budget to county officer.	July 1, 2024	58305(a)
Make available for public inspection a statement of prior year receipts and expenditures and current year expenses.	September 15, 2024	58300
Hold a public hearing on the proposed budget. Adopt a final budget.	September 15, 2024	58301
Complete the adopted annual financial and budget report and make public.	September 30, 2024	58305(d)
Submit an annual financial and budget report to Chancellor's Office.	October 10, 2024	58305(d)
Submit an audit report to the Chancellor's Office.	December 31, 2024	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 purpose 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).

Deferrals: Late payments to districts when the state cannot meet its funding obligations. Deferrals allow districts to budget for more money than the state will provide in a given year. A district is permitted to spend as if there is no deferral. Districts typically rely on local reserves or short-term loans (e.g., TRANS) to cover spending for the fiscal year.

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.