California State Assembly

Agenda

Assembly Budget Subcommittee No. 3 on Education Finance

Assemblymember David Alvarez, Chair

Wednesday, March 19, 2025

1:30 P.M. – State Capitol, Rm 444

ITEMS TO BE HEARD

Public Comment will be taken in person before or after the completion of all panels and any discussion from the Members of the committees, at the discretion of the chair.

The Governor's Budget proposes $9 billion Proposition 98 General Fund and $682 million General Fund to support California Community Colleges (CCC) in 2025-26. This would be a slight decrease in Proposition 98 General Fund when compared to the current year, and a 6 percent increase in General Fund. While Proposition 98 General Fund is decreasing for community colleges in 2025-26, there is available funding for new proposals due to the increase in property tax revenue and the expiration of several one-time expenditures from 2024-25.

As the LAO chart below indicates, total CCC funding would be $19 billion, or a 1.6 percent increase from the current year.

Total CCC Funding Increases Under Governor's Budget

(Dollars in Millions, Except Funding Per Student)

	2023-24 Revised	2024-25 Revised	2025-26 Proposed	Change From 2024-25	
				Amount	Percent
Proposition 98					
General Fund	$8,198[a]	$9,048	$9,041	-$6	-0.1%
Local property tax	4,070	4,304	4,538	233	5.4
Subtotals	($12,267)	($13,352)	($13,579)	($227)	(1.7%)
Other State					
Other General Fund	$610	$643	$682	$38	5.9%
Lottery	364	316	316	—	—
Special funds	58	97	96	-1	-1.1
Subtotals	($1,032)	($1,057)	($1,094)	($37)	(3.5%)
Other Local					
Enrollment fees	$482	$482	$484	$2	0.3%
Other local revenue[b]	3,313	3,341	3,368	27	0.8
Subtotals	($3,795)	($3,823)	($3,852)	($29)	(0.8%)
Federal	**$446**	**$446**	**$446**	**—**	**—**
Totals	**$17,540**	**$18,678**	**$18,971**	**$293**	**1.6%**
FTE students[c]	1,100,665	1,100,406	1,098,575	-1,831	-0.2%[d]
Funding per student[e]	$11,145	$12,134	$12,361	$227	1.9

[a] Includes $788 million in withdrawals from the Proposition 98 Reserve.

[b] Primarily consists of revenue from student fees (other than enrollment fees), sales and services, and grants and contracts, as well as local debt-service payments.

[c] Reflects budgeted FTE students.

[d] Reflects the net change after accounting for the proposed 0.5 percent systemwide enrollment growth together with all other enrollment adjustments.

[e] Reflects Proposition 98 funding, including reserve withdrawals, per budgeted FTE student.

FTE = full-time equivalent.

Items To Be Heard

Issue 1: Student Centered Funding Formula and Enrollment Review/Apportionments and Enrollment Proposals

The Subcommittee will discuss the Student Centered Funding Formula, enrollment trends, and the Governor's Budget proposals to support a 2.43 percent cost-of-living adjustment (COLA) for apportionments and 0.5 percent enrollment growth.

Panel

- Justin Hurst, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Chris Ferguson, California Community Colleges Chancellor's Office

Background

The following background is comprised of LAO and staff research and includes information on the Student Centered Funding Formula (SCFF), colleges' revenues, expenditures, cost pressures and reserves, and enrollment trends.

Community colleges rely on funding from apportionments, which typically receive a COLA. All community college districts (except the statewide online Calbright College) receive funding from apportionments. In 2023-24, community college districts collectively received $9.6 billion in apportionment funding. Apportionments account for about 70 percent of total Proposition 98 CCC funding. Although the state is not statutorily required to provide a COLA for apportionments, it has a long-standing practice of doing so when Proposition 98 funds are available. (In contrast, the state is statutorily required to provide a COLA for the Local Control Funding Formula [LCFF], which applies to school districts.) The COLA rate is based on a price index published by the federal government that reflects changes in the cost of goods and services purchased by state and local governments across the country. Over the past 30 years, the average COLA rate has been just under 3 percent. In some recent years, however, the COLA rate has been historically high — 5.07 percent in 2021-22, 6.56 percent in 2022-23, and 8.22 percent in 2023-24.

SCFF includes three components. Apportionment funding is distributed to districts based on a funding formula. The 2018 Budget Act enacted the SCFF, which replaced a previous community college funding formula that had been in effect between 2006 and 2017. While the previous formula was almost exclusively focused on enrollment, SCFF has three over-arching components:

- The base allocation, which includes set funding by the number of colleges and education centers in a district, and enrollment, which is generally calculated using a three-year average.

- The supplemental allocation, which is intended to compensate districts for the level of student socioeconomic need and to create a financial incentive for colleges to help students apply for and receive financial aid. A district's supplemental allocation is computed according to its prior year headcount of Pell Grant recipients, Promise Grant recipients, and undocumented students.

- The student success allocation, which pays districts for their counts of students who achieve one of eight outcomes. Outcomes include earning an Associate Degree for Transfer, a certificate, completing a transfer-level math or English class, completing 9 or more units in a career technical education program. More funding is earned if the student achieving the outcome is a Pell Grant or Promise Grant recipient.

The chart below is from the SCFF Dashboard on the Chancellor's Office website, and shows statewide funding distribution for the three components based on the 2023-24 fiscal year. The fourth element of this chart represents funding protections that are described below.

Noncredit courses and instruction for incarcerated students and dually enrolled high school students are funded based on enrollment only (not SCFF's supplemental and success components).

Hold harmless and other provisions have continued since SCFF was first implemented. To ease the transition between the old formula and SCFF, a hold harmless provision was included such that between 2018–19 and 2020–21, each district was provided a funding floor equal to its 2017–18 apportionment revenue plus the corresponding COLA funding in each year to protect against revenue losses. The state extended the hold harmless period in each of the 2019–20, 2020–21 and 2021–22 budgets. The 2022 Budget Act changed the hold harmless provision such that beginning in 2025–26, a district's funding floor will be equal to the amount of apportionment funding it received in 2024-25. This new funding floor is not set to expire, but it is also not adjusted for inflation. This means that beginning in 2025-26, districts utilizing the hold harmless protection will not receive a COLA.

In addition to the hold harmless provision, state law also creates a second funding protection called "stability," which aims to protect districts that see a sudden and unexpected drop in enrollment in a given year. This provision allows a district to receive its SCFF-calculated amount in the previous year adjusted for COLA. Districts are funded according to stability if the associated funding exceeds both their SCFF-calculated amount for that year and their hold harmless amount.

Many districts have been using protections and have not been funded under SCFF. As the LAO notes, more than 25 districts were on hold harmless in each year from 2018-19 through 2021-22. That number has gone down since then, with 11 districts on hold harmless funding in 2023-24. In addition, 26 districts were funded under the stability provision in 2023-24.

Districts utilizing hold harmless or stability have received more in per-student funding than districts funded through SCFF. The LAO notes that hold harmless districts received about $9,574 per student on average in 2023-24, compared to $8,895 per student on average for SCFF districts. Districts utilizing stability received about $9,390 per student on average.

> ***"Basic Aid" Districts***. Certain community college districts receive local revenue—primarily from property taxes—that exceeds the apportionment funding they would receive under SCFF, hold harmless, or stability. These districts are commonly referred to as basic aid districts. Basic aid districts retain their excess local property tax revenue, with none redistributed to other districts. Accordingly, these districts' funding levels are much more closely tied to local property tax trends than the factors underlying the SCFF calculation and any COLA that might be applied to SCFF. In 2023-24, there were eight basic aid districts.

Colleges face multiple cost pressures. Colleges use the bulk of apportionment funding on employee compensation. As LAO Figure 3 on the next page shows, all compensation-related costs - including salaries, retirement benefits, health care benefits, workers' compensation, and unemployment insurance - typically account for more than 80 percent of a district's budget. Most community college employees are represented by labor unions. Several unions represent faculty throughout the state, with the largest being the California Federation of Teachers. The California School Employees Association is the main union for classified staff. Each community college negotiates with the local branches of these unions. Through collective bargaining agreements, community college districts and their employees make key compensation decisions, including salary decisions. These agreements are ratified by local community college district governing boards. The Legislature does not ratify these local agreements.

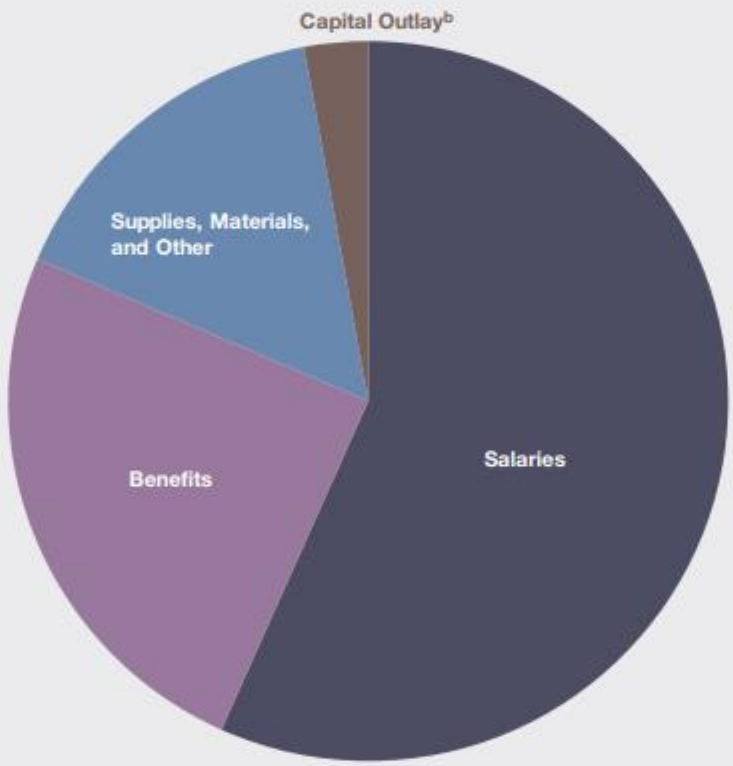
The LAO notes that over the past five years, salaries for community college employees generally have increased. For tenured and tenure-track faculty, the average salary statewide has grown slightly faster than inflation, from about $99,300 in fall 2018 to about $122,500 in fall 2023. For support staff, the average salary statewide has grown at a similar rate to inflation, from about

$61,100 in fall 2018 to about $74,600 in fall 2023. The remainder of a district's budget is for various other core operating costs, including utilities, insurance, software licenses, equipment, and supplies.

Figure 3

Bulk of District Spending Is for Compensation

District Operating Expenditures by Type, 2023-24[a]



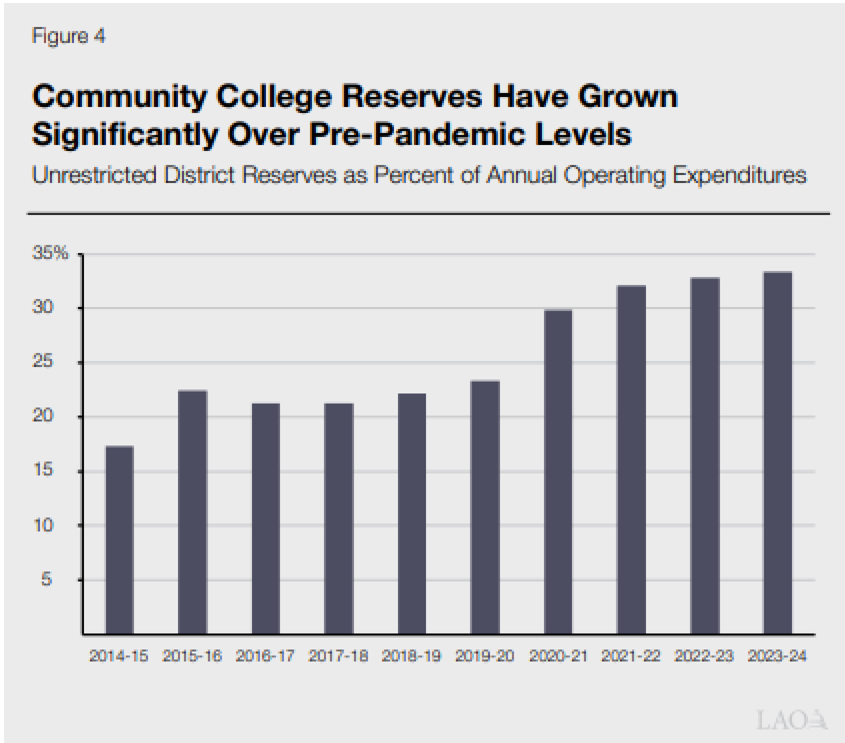
[a] Reflects spending from districts' main operating account.

[b] Excludes spending on major capital projects.

LAO

The LAO also notes that colleges face increasing costs related to pensions and health benefits. For example, in 2014-15, districts' employer contribution rate was 8.9 percent of payroll for California State Teachers' Retirement System (CalSTRS) and 11.8 percent of payroll for California Public Employees' Retirement System (CalPERS). In 2024-25, those rates are up to 19.1 percent of payroll for CalSTRS and 27.1 percent of payroll for CalPERS.

Systemwide reserves continue to increase. In addition to the state's Proposition 98 Reserve, districts maintain their own local reserves. Both the Government Finance Officers Association and the Chancellor's Office's recommend that unrestricted reserves comprise a minimum of 16.7 percent (two months) of expenditures. District unrestricted reserves increased over the past several years, as the LAO chart on the next page indicates. Whereas unrestricted reserves totaled $1.8 billion (22 percent of expenditures) in 2018-19, they grew to $3.5 billion (33 percent of expenditures) in 2023-24. The increase in reserves over the past five years is likely the result of several factors—including significant increases in state funding, an influx of federal relief funds during the pandemic, and lower student enrollment and staffing levels during the pandemic.



Enrollment is a key factor in apportionment funding. Under SCFF, the largest factor in determining a district's apportionment funding is its enrollment level. The SCFF enrollment calculation for regular credit courses is based on a three-year average. Specifically, it uses the average of the FTE student count in that given year and the two previous years.

The per-student rate varies by type of instruction. In 2024-25, the base rate for regular credit courses is $5,294 per FTE student, with districts generating additional funding (on top of the base rate) for enrolling students who are low income or for attaining specified student outcomes. The base rate for dual enrollment students, incarcerated students, and most noncredit students is higher ($7,425 per FTE student), as districts do not earn additional funding based on these students' income level or outcomes.

State also allocates enrollment growth funding. Enrollment growth funding is provided on top of the funding generated from all other components of the apportionment formula. State law does not prescribe how to determine the amount of growth funding to provide CCC in any given year. Historically, the state has considered several factors, including changes in the adult population, the unemployment rate, prior-year enrollment trends, and the availability of Proposition 98 funding. From 2021-22 through 2024-25, the state provided funding for 0.5 percent systemwide growth annually.

State law directs the Chancellor's Office to allocate enrollment growth funding across all districts using a formula that accounts for several local factors. These factors include the number of individuals within the district's service area who do not have a college degree, are unemployed, or are in poverty. If a district does not fully use its enrollment growth allocation, then the remaining funds are redistributed to other districts that are growing beyond their initial growth allocation. State law caps the total amount of enrollment growth funded at any given district at 10 percent annually.

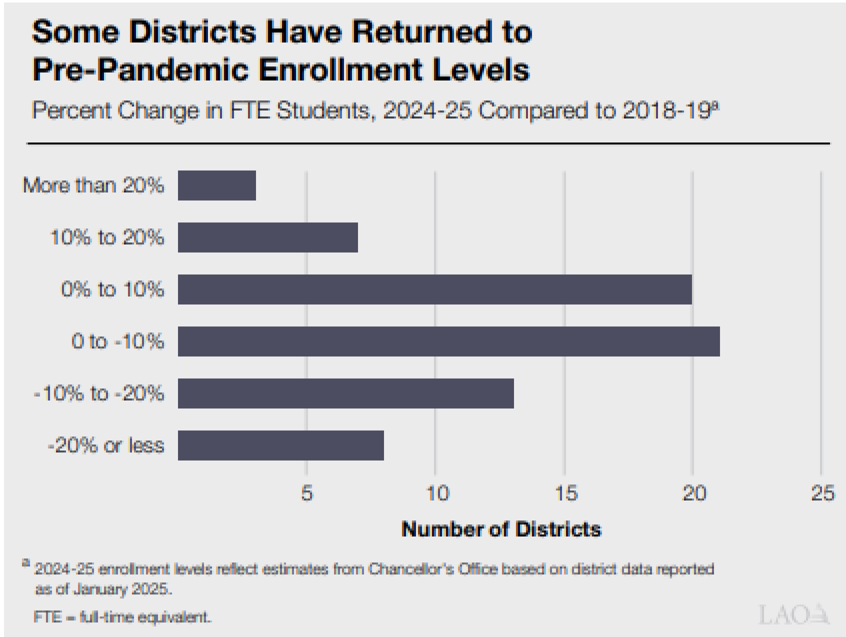
After period of decline, systemwide enrollment is growing. CCC enrollment declined for much of the past decade. From 2015-16 to 2019-20, the enrollment decline was gradual. This trend has commonly been attributed to a long economic expansion, reflected in a strong labor market and historically low unemployment during that period. Historically, increases in unemployment have been accompanied by increases in community college enrollment, as more individuals return to school for training. The COVID-19 pandemic, however, was an exception. Due to the public health emergency, community college enrollment dropped notably even as unemployment temporarily surged. Between 2019-20 and 2021-22, the number of full-time equivalent (FTE) students at CCC declined by about 195,000 (18 percent). This decline was consistent with national community college enrollment trends over the period.

As the chart indicates, enrollment has grown significantly in the past two years.

Fiscal Year	CCC Full-Time Equivalent Enrollment	% Change from Previous Year
2020-21	989,514	-9.5%
2021-22	899,301	-9.1%
2022-23	939,317	4.5%
2023-24	1,045,754	11.3%
2024-25*	1,059,708	1.3%

Note: 2024-25 enrollment data is projected, based on fall 2024.

Enrollment trends vary considerably. While systemwide enrollment has been strong recently, there is significant variation in enrollment trends across the state. An LAO analysis notes that two regions – the Central Valley and the Inland Empire – account for a large share of the systemwide growth, while enrollment decreases are still being reported in the Bay Area. (Staff notes that colleges in Los Angeles and San Diego also report recent growth.) The LAO chart below indicates the wide enrollment differences among districts.



Governor's 2025-26 Budget

The Governor's Budget includes $230 million ongoing Proposition 98 General Fund to cover a 2.43 percent COLA for apportionments. This is the same COLA rate the Governor proposes for the K-12 Local Control Funding Formula (LCFF).

The Governor's Budget also provides $30 million ongoing Proposition 98 General Fund to support 0.5 percent enrollment growth (about 5,439 FTE).

LAO Comments

Districts Face Several Notable Cost Pressures in 2025-26. Although inflation has slowed notably since its peak in 2022, it remains above the historical average, likely translating to continued salary pressures in 2025-26. Districts are also facing increased pension costs. Based on current assumptions, districts' CalSTRS contribution rate is projected to remain at 19.1 percent in 2025-26, but the CalPERS contribution rate is projected to increase to 27.4 percent (0.3 percentage points higher than in 2024-25). Across both retirement systems, districts' pension contribution costs are expected to increase by a combined $88 million in 2025-26. In addition, districts continue to report that health care premiums are growing quickly. Beyond these employee compensation costs, districts generally are expecting increases in other costs such as insurance, utilities, and equipment in 2025-26.

Additional COLA Data Is Forthcoming. In late January, the federal government released updated data on the price index that the state uses to calculate the COLA rate. Based on this data, we estimate the COLA rate for 2025-26 is 2.26 percent—slightly lower than estimated under the Governor's budget. The COLA rate will be finalized in late April, when the federal government releases the last round of data used in the calculation.

Providing a COLA for Apportionments Helps Districts Pay Core Costs. The proposed COLA rate for apportionments would help districts address anticipated cost increases for their core operations. Doing so would help maintain the quality of CCC's core instructional programs, while also providing flexibility for districts to address particularly pressing local spending priorities. Historically, the Legislature has made providing a COLA for apportionments its top CCC budget priority for these reasons.

Certain Districts Are Not Expected to Receive a COLA in 2025-26. Under state law, a new hold harmless policy is scheduled to take effect in 2025-26. Under the new policy, a district's hold harmless amount will be set at its apportionment level in 2024-25, without any subsequent COLA adjustments. The intent of this policy is to phase down the additional funding that districts on hold harmless are receiving and gradually transition these districts onto SCFF. As the state continues to provide COLAs for SCFF, these districts' SCFF-calculated amounts will rise, and, at some point, exceed their hold harmless amounts. The more quickly these districts grow their enrollment and improve their outcomes, the more quickly their funding will begin to grow again. Though these districts will not see a COLA in 2025-26, they will still benefit from receiving more per-student funding, on average, than other districts with SCFF-calculated funding levels.

Make COLA Decision Once Better Information Is Available This Spring. By the May Revision, the Legislature will have not only a finalized COLA rate calculation but also updated state revenue estimates. Those revenue estimates will, in turn, affect the amount available for ongoing Proposition 98 spending at CCC. If Proposition 98 resources in May remain sufficient to support the updated COLA, then we recommend the Legislature approve the proposal at that time. Providing a COLA for SCFF can help districts address their core operating cost increases, while helping to bring more districts that would otherwise be on hold harmless onto the formula.

Statewide Demographic Trends Are Not Likely to Generate Enrollment Pressure in 2025-26. Under both our office's and the administration's projections, the total adult population (ages 18-59) in California is roughly flat in 2025-26, compared to the previous year. The number of high school graduates is projected to decline by 3 percent in 2024-25, which could lead to a smaller incoming class of traditional-age college students in 2025-26. This is particularly the case because college-going rates among recent high school graduates have been roughly flat over the past few years for which this data is available. Taken together, these statewide demographic factors likely are not generating notable pressure for CCC enrollment growth in 2025-26.

Regional Trends Could Create Some Enrollment Pressure. Though demographic pressures statewide are not likely to be significant in 2025-26, certain regions of the state still are expected to experience growth in their adult population. When we map the administration's county-level population projections to community college regions, we find the adult population (ages 18-59) in the Central Valley and Inland Empire regions are projected to continue growing at above-average rates through 2028-29. During the same period, the adult population is projected to decrease in the Bay Area and Los Angeles/ Orange County regions. Under current law, the Chancellor's Office will take local demographic factors into account when allocating new enrollment growth funding.

Labor Market Trends Could Continue to Generate Enrollment Pressure. Some districts also could see upward enrollment pressures for other reasons, including labor market trends. After climbing gradually for the past two years, California's unemployment rate has reached 5.5 percent as of December 2024. This is above the pre-pandemic unemployment rate (about 4 percent), though still below the historical average over the past 30 years (about 7 percent). Under our office's projections, unemployment continues to increase in 2025-26 and the out-years. This trend could lead more individuals to enroll at the colleges.

Some Districts Likely Remain Above Their Enrollment Targets. Another upward enrollment pressure is related to the 25 districts that exceeded their enrollment growth targets in 2024-25. Without new enrollment funding, these districts could begin employing enrollment management strategies (such as adjusting their course offerings) to constrain their growth. Conversely, with additional funding, these districts might continue on their stronger growth trajectories.

University Budget Constraints Could Increase CCC Enrollment Demand. A fourth reason CCC might experience upward enrollment pressure is related to state budget constraints affecting CSU and UC in 2025-26. As we discuss in The 2025-26 Budget: Higher Education Overview, the state might not have sufficient non-Proposition 98 General Fund to support enrollment growth at CSU and UC in 2025-26. If CSU and UC do not receive enrollment growth funding, more students might enroll at community colleges.

Prioritize Enrollment Growth Within Available Ongoing Funds. We recommend the Legislature fund at least the 0.5 percent enrollment growth proposed by the Governor. The Legislature could consider funding more enrollment growth—potentially up to the 1.5 percent requested by CCC—by redirecting funds from lower-priority ongoing proposals.

Staff Comments

Based in part on the actions taken in the 2024 Budget Act to strengthen Proposition 98 General Fund, community colleges enjoy a much rosier fiscal situation than the other public higher education segments face this year. While the University of California and California State University face budget cuts and deferrals, the Governor's Budget proposes $752 million in new spending for community colleges. While there is much more uncertainty about revenues and the May Revise this year than most, it appears the Legislature can discuss CCC augmentations, not cuts. Staff notes that access to community colleges has always been the top priority for the Legislature, and significant state funding has been allocated in recent years to help support colleges in bringing back students after the major declines during the Covid-19 pandemic. For example, the Budget Act of 2023 provided about $144 million one-time Proposition 98 General Fund for student recruitment and retention activities.

Staff notes the following issues for discussion in this item:

SCFF has been stuck. About eight years after it was first enacted, SCFF in some ways has not been fully implemented. The COVID-19 pandemic struck relatively soon after the formula was created, and subsequent enrollment fluctuations have meant many colleges are not actually being funded by the formula. For the last several years, more districts have been funded through hold harmless and stability provisions than SCFF. This will likely change in the next few years. Projections provided to the Legislature by the Chancellor's Office as part of a reporting requirement in the 2024 Budget Act show more districts moving to SCFF funding. The charts below assume a COLA each year but have two different enrollment scenarios: one with flat enrollment, while the other with 2 percent growth per year. Both scenarios indicate that most districts will be funded through SCFF by 2027-28, (58 under flat enrollment, and 65 with 2% systemwide growth) although staff notes that it is concerning that several districts remain on hold harmless under either scenario. These projections are based on 2023-24 enrollment estimates.

Flat Enrollment	2024-25	2025-26	2026-27	2027-28
SCFF	9	17	35	58
Stability	45	28	14	0
Hold Harmless	18	27	23	14

2% Enrollment Growth	2024-25	2025-26	2026-27	2027-28
SCFF	12	23	48	65
Stability	42	29	10	0
Hold Harmless	18	20	14	7

Major change in 25-26 will impact some districts' budgets. As discussed earlier, the hold harmless provision that has been in place since the implementation of SCFF is set to change in the budget year. Districts that are not growing enrollment or improving outcomes will receive the same amount of apportionment funding in 2025-26 as they did in 2024-25, without a COLA. The Chancellor's Office estimates that 21 districts will be in this situation in 2025-26 – about 30 percent of the state's districts. Given the cost increases that many campuses are facing, this flat funding will likely cause budget problems for these hold harmless districts. For example, a February article in the *San Francisco Chronicle* noted that Peralta Community College District trustees, facing a $13.5 million deficit under the hold harmless provision, were considering reductions to their four-campus district that could include closing a campus.

A letter to the Budget Committees from the Community College League of California notes deep concern "about the potential downward spiral" that hold harmless districts may face, and urges attention to this issue. The letter provides no specific solution, however.

Districts in high-cost areas concerned they are not being properly supported in supplemental allocation. A reoccurring concern about SCFF is that the supplemental allocation, which relies in part on the number of Pell Grant recipients enrolled, may be under-reporting low-income students due to the program's income eligibility limits and other issues with the Pell Grant program. Income limits are set nationally and do not account for the cost of living in specific regions, meaning some students may have incomes too high to be eligible for Pell, but low enough in a high-cost area that they still face significant financial barriers to accessing and completing college. Other issues with the Pell include students' difficulties in completing the FAFSA form, or some students deciding to wait until they transfer to a four-year university to accept the Pell, even if they are eligible. This issue has been discussed in the past: the SCFF Oversight Committee, which was created when SCFF was implemented, issued a final report in 2019 noting that the committee was deadlocked on whether a change was needed, or how the issue should be resolved. Any change in this area, or other areas, of the formula would likely create winners and losers and therefore must be carefully considered.

Based on a reporting requirement in the 2024 Budget Act, the Chancellor's Office ran a simulation changing the supplemental allocation to adjust for regional cost-of-living. The simulation multiplied a districts' supplemental allocation by an index that used the Massachusetts Institute of Technology Living Wage Calculator to better assess regional cost-of-living issues. The exercise increased all districts' supplemental allocations, with urban areas receiving much more of a boost. The calculations suggested increased state costs of between $300 and $500 million over the next few years.

Proposed enrollment growth funding may not be enough, and some districts have recent unfunded growth. Many districts and the Chancellor's Office suggest the proposed enrollment growth funding is insufficient to support current and projected growth. Both the Board of Governors in its October budget request and the Community College League of California in its budget request letter suggest setting a 1.5 percent enrollment growth target for 2025-26. Both also note that recent enrollment growth targets and funding have been insufficient. In fact, the Chancellor's Office notes that an appropriate enrollment target for 2024-25 would have been 2.7 percent, requiring about $126.8 million more in ongoing Proposition 98 General Fund. A recent letter from seven districts – Kern, Los Rios, Mt. San Jacinto, San Diego, Southwestern, State Center and Victor Valley – suggests that "any funding available to be encumbered for the 2023-24 and 2024-25 fiscal years be redirected toward unfunded growth for those years. Funding redirected for the 2023-24 fiscal year will not only cover unfunded growth for that fiscal year but will also help in addressing unfunded growth in the 2024-25 fiscal year. For the current fiscal year, one solution to minimize the impact to the state's budget would be to allocate one-time 2024-25 funding to unfunded students. This would help districts address their expenses while not escalating the districts' base funding."

Suggestions for changing enrollment funding to support higher growth levels. Given the recent surges in enrollment, ideas have emerged to help incentivize – and not penalize – districts who experience significant growth. Both the Board of Governors and the League have expressed support for two changes: one would eliminate the current 10 percent cap on enrollment growth in a given year, and the other would modify a current provision that uses a three-year average to fund credit FTES. The Board of Governors noted the three-year average protects districts experiencing declines, "but does not provide sufficient and timely funding increases in periods of enrollment growth." A proposed change would allow districts to receive enrollment funding based on the three-year average, or based on the current year, whichever is higher.

In addition to these issues, staff notes that one college – Santa Monica College – is seeking an extended hold harmless period due to enrollment declines related to the January fires in Southern California. The college is seeking a five-year hold harmless period that would provide funding based on pre-fire enrollment.

Suggested Questions:

1. How will a 2 to 2.5 percent COLA impact college budgets?
2. How will the new hold harmless provision impact districts in 2025-26?
3. With so many districts under various protections from full SCFF implementation, is it possible to judge the effectiveness of the formula?
4. How can the system work together to develop a consensus-based approach to addressing the concern that the supplemental allocation does not properly address regional cost of living?
5. How much unfunded enrollment from 2023-24 and 2024-25 is there? How could the Legislature address unfunded enrollment?
6. Based on updated 2024-25 enrollment information, what is an appropriate 20245-26 enrollment target?
7. Would increased funding for enrollment push more colleges out of hold harmless and stability and onto SCFF?
8. What would the impact be of changing enrollment funding rules to eliminate the 10 percent cap on enrollment growth, or to allow colleges to receive enrollment funding based on either the three-year average or current-year enrollment, instead of just the three-year average?

Staff Recommendation: Hold Open.

Issue 2: Categorical Programs Proposal

The Subcommittee will discuss categorical programs and the Governor's Budget proposal to provide a COLA to seven categorical programs.

Panel

- Justin Hurst, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Chris Ferguson, California Community College Chancellor's Office

Background

About 30 percent of community college funding goes to categorical programs. These programs provide community college districts with funding designated for specific purposes. The state is providing a total of $3.8 billion ongoing across all CCC categorical programs in 2024-25, according to the LAO. The five largest programs—the California Adult Education Program, the Student Equity and Achievement Program, Student Success Completion Grants, the Strong Workforce Program, and Extended Opportunity Programs and Services—account for more than half of that spending. The remaining programs serve a range of purposes, from financial aid administration and technology services to specific types of student and faculty support.

Some programs – such as Disabled Students Programs and Services (DSPS) or Extended Opportunity Programs and Services (EOPS) – have existed for decades. Others, such as student basic needs centers, student mental health and veterans resource centers, have been created by the Legislature relatively recently.

The chart on the next page displays most categorical programs and their current-year ongoing funding levels. Amounts are in millions.

Program	Amount
Adult Education Program	659
Student Equity and Achievement Program	524
Student Success Completion Grant	413
Strong Workforce Program	290
Extended Opportunity Programs and Services	219
Part-Time Faculty Health Insurance	200
Disabled Students Programs and Services	175
High School Strong Workforce Program	164
Full-Time Faculty Hiring	150
Apprenticeship	124
College Promise (AB 19)	91
Integrated Technology	90
Student Financial Aid Administration	80
Student Basic Needs and Mental Health Services	76
CalWORKs Student Services	56
NextUp	54
Mathematics, Engineering, Science Achievement Program	39
Mandates and mandates block grant	39
Institutional Effectiveness	28
Part-Time Faculty Compensation	27
Rising Scholars Network	25
Part-Time Faculty Office Hours	24

Program	Amount
Economic and Workforce Development Program	23
Rapid Rehousing	21
Online Education Initiative	20
Calbright College	15
Nursing Program Support	13
Puente Project	13
Lease-revenue bond payments	13
Equal Employment Opportunity	13
Dreamer Resource Liaisons	12
Veterans Resource Centers	11
Legal Services	10
Community College Summer Assistance Program	10
Umoja	9
AANHPI Student Achievement Program	8
Foster Care Education Program	6
Campus Childcare Tax Bailout	4
Textbooks/Digital Course Content for Inmates	3
Transfer Education and Articulation	2
Middle College High School	2
Academic Senate	2
African American Male Education Network and Development	1
Fiscal Crisis and Management Assistance Team	1

State has provided increases for select categorical programs. Historically, the Legislature's CCC COLA decisions have been driven by the availability of Proposition 98 funding and its relative budget priorities. In some years, the Legislature has provided a COLA for a subset of categorical programs. As the chart below shows, the state has consistently provided a COLA for seven specific categorical programs in almost every year since 2019-10. (In 2020-21, the state did not provide a COLA for any CCC programs because it anticipated a significant budget shortfall due to the pandemic.) The state has also provided a COLA for certain other categorical programs in one or two of these years. Separate from providing a COLA, the state sometimes provides other funding increases to expand categorical programs. For example, the state increased funding for the Student Equity and Achievement Program by $24 million (5 percent) in 2021-22 and another $25 million (5 percent) in 2022-23.

Certain Categorical Programs Have Received a COLA in Recent Years

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Academic Senate				✓		
Adult Education Program	✓		✓	✓	✓	✓
Apprenticeship programs	✓		✓	✓	✓	✓
CalWORKs student services	✓		✓	✓	✓	✓
Campus child care support	✓		✓	✓	✓	✓
Disabled Students Programs and Services	✓		✓	✓	✓	✓
Extended Opportunity Programs and Services	✓		✓	✓	✓	✓
Mandates Block Grant	✓		✓	✓	✓	✓
MESA program	✓				✓	
Middle College High School	✓					
NextUp foster youth program					✓	
Part-time faculty compensation				✓		
Part-time faculty office hours				✓		
Puente Project	✓				✓	
Rapid rehousing					✓	
Student basic needs centers					✓	
Student mental health services					✓	
Umoja program	✓				✓	
Veteran resource centers					✓	

COLA = cost-of-living adjustment and MESA = Mathematics, Engineering, Science Achievement.

Governor's 2025-26 Budget

The Governor's Budget includes a total of $30 million ongoing Proposition 98 General Fund to provide seven CCC categorical programs with a 2.43 percent COLA. These are the same seven programs that have received a COLA in almost every year since 2019-20. The chart below lists these programs and the cost of the associated COLA. More than half of the cost is for the California Adult Education Program, which supports precollegiate adult education at both community colleges and adult schools operated by school districts. The data used to calculate the COLA will not be finalized until late April, thus the final rate could be slightly higher or lower than the Governor proposes, with corresponding changes in the associated cost.

Governor's Budget Includes Increases for Select Categorical Programs

Reflects Funding for 2.43 Percent COLA (In Millions)

Program	Cost
Adult Education Program	$15.9
Extended Opportunity Programs and Services	5.3
Disabled Student Programs and Services	4.2
Apprenticeship programs	2.3
CalWORKs student services	1.4
Mandates Block Grant	1.0
Campus child care support	0.1
Total	**$30.2**

COLA = cost-of-living adjustment.

LAO Comments

Proposal Is a Reasonable Starting Point, but Legislature Could Consider Other Options. Given that the Governor's proposal includes many of the categorical programs the Legislature has prioritized for a COLA in recent years, it is a reasonable starting point for 2025-26 budget deliberations. The Legislature could adopt the proposal, or it could choose to provide a COLA for a different set of categorical programs based on its priorities this year. Given the limited amount of ongoing CCC Proposition 98 spending under the Governor's budget, the Legislature will face a trade-off between providing more funding for categorical programs and reserving those funds for other ongoing budget priorities, such as enrollment growth.

Staff Comments

Staff notes that the programs receiving a COLA under the Governor's Budget proposal generally are long-standing programs with strong legislative support. However, there are numerous other categorical programs that provide direct services to students that will face cost pressures in 2025-26 that are not proposed for a COLA. The Legislature may wish to consider issues students are likely to face in 2025-26 as it determines appropriate spending levels.

As the LAO notes, the Legislature will likely face difficult decisions this year as it seeks to improve and expand programs for students while facing limits on new funding. Among the decisions will be how much ongoing funding to commit. The Governor's Budget commits about $340 million in available ongoing funding to one-time proposals. Some of that funding could be used to support COLAs or ongoing enhancements to programs the Legislature chooses to support.

Staff notes other issues to consider:

Requests for augmentations for other categoricals. The 2025-26 budget request approved by the CCC Board of Governors in September 2024 included a request to provide a COLA to all categorical programs, and also called out specific programs for increases. The Board is seeking a $10 million increase for the financial aid administration program, for example, as continuing issues with FAFSA completion, discussed in the March 4 Subcommittee hearing, have led to a smaller number of community college students applying for aid when compared to the universities. The Community College League of California also has asked that all categoricals receive a COLA, noting "costs continue to rise across all programs." Other requests include:

- The Los Angeles Community College District suggests creating a Student Support Block Grant, which would allow colleges to use one-time funding to increase funding for student support programs, such as Dream Resource Centers, LGBTQ+ Support Centers, Basic Needs, Mental Health Services, Rapid Rehousing, and Legal Services for Undocumented Students.

- The Community College Association of MESA Directors requests a COLA for the MESA program.

- The California Teachers Association requests an increase for the Part-Time Faculty Compensation program, and language requiring reporting on whether districts have achieved pay parity between part-time and fulltime faculty.

- The California School Employees Association is seeking to shift $8 million from the Classified School Employees Summer Assistance Program to student basic needs centers, and in turn to allow college staff to access basic needs center services.

- The Community College Facility Coalition notes the Governor's Budget does not provide any funding for the Scheduled Maintenance and Instructional Support program, despite colleges reporting more than a $2 billion deferred maintenance backlog. The coalition asks for funding for this program.

2024 Budget Act redirected some Strong Workforce program funding to new nursing program. The 2024 Budget Act created the Rebuilding Nursing Infrastructure Grant Program to expand community college nursing programs and nursing partnerships with universities. The program will use $300 million from Strong Workforce funding ($60 million in 2024-25 and each of the next four years after that) to disperse grant funds to selected colleges. The Chancellor's Office has created a Request for Application that was published in November, with applications due at the end of February. The Chancellor's Office believes it is on track to distribute the first round of funding to selected colleges by July 1.

Suggested Questions:

1. What is the rationale for providing COLAS to some categoricals but not others?

2. How do colleges support programs that do not receive a COLA?

3. How many applicants did the Chancellor's Office receive for the new nursing grant program?

Staff Recommendation: Hold Open.

Issue 3: Rising Scholars Proposal

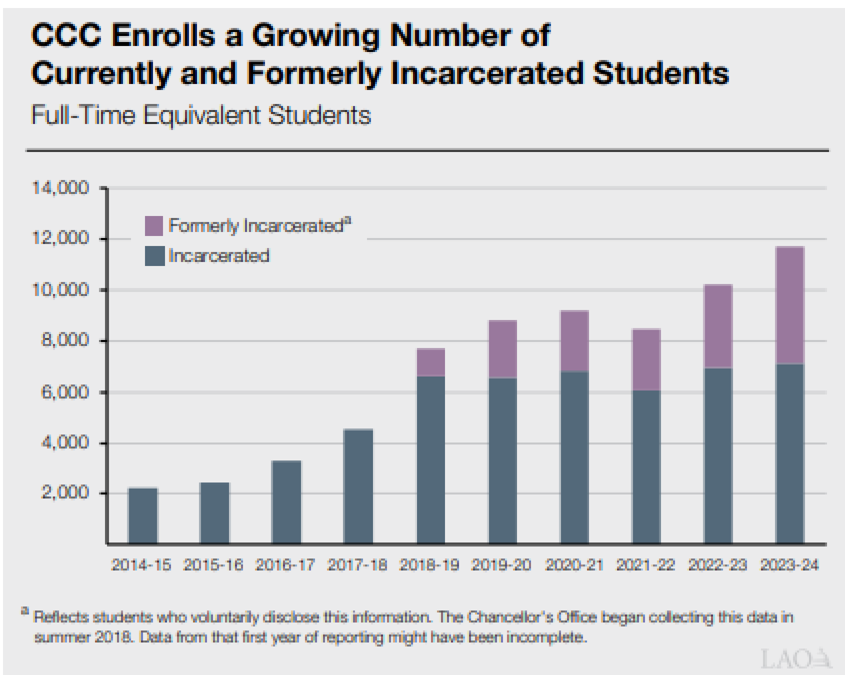
The Subcommittee will discuss the Governor's Budget proposal to increase funding for the Rising Scholars Network by $30 million ongoing Proposition 98 General Fund, increasing support for the program to $55 million. The network provides support services to incarcerated and formerly incarcerated students enrolled in community college courses.

Panel

- Justin Hurst, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Chris Ferguson, California Community Colleges Chancellor's Office

Background

Community colleges have increasingly served incarcerated and formerly incarcerated students. As the LAO chart below indicates, the number of incarcerated students grew from about 2,200 FTE in 2014-15 to about 7,100 FTE in 2023-24. The number of formerly incarcerated students enrolling at community college campuses has doubled since 2019-20, with about 4,500 FTE in 2023-24.



State Primarily Supports These Students Through Apportionments. For currently incarcerated students, the state provides colleges with apportionment funding based entirely on the number of these students they enroll. In 2023-24, the state provided colleges collectively with $41 million in apportionment funding for incarcerated students in credit-bearing courses. For formerly incarcerated students, the state provides colleges with apportionment funding based on the Student Centered Funding Formula. The LAO estimates the amount of apportionment funding for formerly incarcerated students was in the low tens of millions of dollars in 2023-24. In addition to apportionments, a CCC categorical program provides $3 million ongoing Proposition 98 General Fund for textbooks or digital course content for incarcerated students across all types of correctional facilities.

State Established Rising Scholars Network in 2021-22. AB 417 (McCarty) established the Rising Scholars Network to provide support services to incarcerated and formerly incarcerated students enrolled in community college courses. The 2021-22 budget package provided $10 million ongoing for this categorical program. These funds are to support up to 65 colleges in providing various services, including academic advising, tutoring, financial aid application assistance, and assistance accessing other campus and community resources. State law authorizes the Chancellor's Office to designate up to 5 percent of program funding for program administration, development, and accountability. The Chancellor's Office is required to report on December 31, 2023 and every two years thereafter on colleges' efforts to serve currently and formerly incarcerated students.

State Added Juvenile Justice Component to Program in 2022-23. The 2022-23 Budget Act provided $15 million ongoing to add a new component to the Rising Scholars Network that focuses on youth impacted by the juvenile justice system. The majority of these funds are to support up to 45 colleges in providing instruction and support services (such as basic needs assistance and education planning) on campus and in local juvenile facilities. Of the total program funding, $1.3 million is designated for technical assistance, including staff to oversee program implementation and provide training and support. In addition, $750,000 was designated on a one-time basis in 2022-23 for a program evaluation that examines the first cohort of participating colleges over a period of at least five years. Since 2022-23, the state has retained the provisional budget language funding this program.

Most colleges have a Rising Scholars program. According to the Chancellor's Office, the Rising Scholars Network is comprised of 93 colleges. Eighty colleges have received Rising Scholars grant funding, while 13 operate with local funding. The programs serve 132 correctional institutions and operate on 84 campuses. State grants for the adult portion of the program were distributed through a competitive process, with approved applicants receiving a base grant of $100,000, plus an additional amount based on the number of justice-involved students enrolled.

Governor's 2025-26 Budget

The Governor's Budget increases funding for the Rising Scholars Network by $30 million ongoing Proposition 98 General Fund, bringing total program funding to $55 million. The Governor proposes trailer bill language removing the cap on the number of colleges participating in the adult component of the program. (Budget bill language would continue to limit participation in the juvenile justice component to 45 colleges.) The administration proposes no changes to program requirements for either the adult or juvenile components.

LAO Comments

Increasing Support for Incarcerated Students Could Have Benefits. As we discuss in our 2024 report, *Assessing Community College Programs at State Prisons*, some research conducted in other states has identified benefits to higher education for incarcerated students, including reductions in recidivism. Support services might help these students attain their educational goals. Data is not available on the amount or the impact of support services provided to incarcerated students in CCC courses. Based on the meetings and site visits we conducted for this report, however, relatively few counselors advise incarcerated students, and these students typically do not have access to trained tutors.

Proposed Funding Increase for Rising Scholars Network Is Relatively Large. The Governor's proposed $30 million increase for the Rising Scholars Network would more than double the ongoing program funding level. It is also three times the increase requested by the Chancellor's Office in the CCC 2025-26 budget request for this purpose ($10 million). The administration has not provided a strong rationale for proposing such a significant increase for the program. Notably, the administration has not offered evidence of demand among additional community colleges for this amount of program funding.

Proposal Lacks Clarity on Intended Use of Funds. The proposed trailer bill language does not specify whether the additional funding is intended for the adult component or the juvenile justice component of the program, each of which has different rules. It also does not specify whether the funds are intended to support currently or formerly incarcerated students—two student groups that may have differing needs and differing access to support services. In addition, it does not specify how the Chancellor's Office is to allocate the funds among interested colleges, including how much grant funding each college would be eligible to receive. The administration indicates that the Chancellor's Office would have flexibility to make these types of decisions.

State Does Not Yet Know Outcomes of Current Program. In March 2024, the Chancellor's Office submitted the first of its biennial reports to the Legislature on its efforts to serve currently and formerly incarcerated students. The report provides data on enrollment and outcomes for these student groups from 2018-19 through 2020-21—the three years prior to the state establishing the Rising Scholars Network. Our office has requested data from the Chancellor's Office on student outcomes since the program was established in 2021-22. As of this writing, we have not yet received this data. In addition, the program evaluation the state funded in 2022-23 budget has not yet begun. The Chancellor's Office indicates they are currently developing a request for proposals for this evaluation.

With Limited Available Ongoing Funds, Prioritize Supporting Core Programs. In general, we recommend the Legislature prioritize ongoing funding for core costs. We recommend considering other program expansions only if ongoing funding remains available after these core costs are addressed. Regarding the Rising Scholars Network, we caution against significantly expanding this program before the state has any information on its outcomes to date. Over the next few years, the Legislature expects to receive more information on how the program is going, including the results of the evaluation it funded in the 2022-23 budget. After it has this information, it will be in a better position to revisit various aspects of the program, including its funding level. In the meantime, the Legislature could reject the proposed augmentation for 2025-26 and (1) redirect the funds to other ongoing priorities, (2) designate the funds for one-time purposes, or (3) make a discretionary deposit into the Proposition 98 Reserve. Either of these last two options would result in a larger budget cushion for protecting existing core community college programs moving forward.

Consider Other Approaches to Supporting Incarcerated Students. Although the state has limited budget capacity to expand programs such as the Rising Scholars Network, it has other options to improve support for incarcerated students without incurring additional net costs. Our report, *Assessing Community College Programs at State Prisons,* contains two recommendations related to this objective. First, in that report, we recommend modifying SCFF to include a performance component for incarcerated students (as it does for most other students), thus creating better incentives for colleges to help these students attain their educational goals. Second, in that report, we also recommend using untapped federal Pell Grants to cover enrollment fees, textbooks, and technology costs for incarcerated students. This would free up state funding currently going toward these purposes, which the Legislature could in turn use for other purposes, such as providing additional support for incarcerated or formerly incarcerated students. We estimate this would free up approximately $9 million ongoing Proposition 98 General Fund as well as non-Proposition 98 General Fund in the low tens of millions of dollars.

Staff Comments

The Legislature has shown a clear interest in providing higher education access to both incarcerated and formerly incarcerated Californians. This Subcommittee held a hearing at RJ Donovan State Prison in October 2024 focused on higher education in state prisons. The hearing included testimony from students, faculty, administrators and experts on expanding and improving programs. SB 1391 (Hancock) in 2014 allowed community colleges to receive state apportionment funding for in-person courses at state prisons, incentivizing colleges to serve state inmates, and in 2021, SB 416 (Hueso) was approved and requires the California Department of Corrections and Rehabilitation (CDCR) to offer college programs at every prison. In addition, state budget actions during the past five years have supported campus-based programs that support formerly-incarcerated students. CSU Project Rebound receives $11.3 million annually and the UC Underground Scholars program receives $4 million annually. This proposal would build on the current investment and essentially allow every community college campus in the state to operate a Rising Scholars program.

Staff notes the following issues to consider:

Many colleges have targeted justice-involved students as a key piece of enrollment growth. While still a relatively small percentage of overall community college enrollment, numerous colleges around the state have significantly increased enrollment of incarcerated and formerly incarcerated students. Increasing services for these students is a tenet of the Chancellor's Office Vision 2030 plan released in 2023. The Chancellor's Office believes that there is enough student demand to support a program at every college, and is projecting a growth in Rising Scholars enrollment from about 31,000 student headcount in 2023-24 to more than 50,000 in 2026-27.

Outcomes are mixed but more study is needed. The Chancellor's Office provided a 2024 report on programs for incarcerated and formerly incarcerated students. Data pre-dates the state funding of Rising Scholars and includes the first year of the COVID-19 pandemic, when many prison-based programs were shut down. Outcomes indicate that degree and certificate output increased significantly between 2018-19 and 2019-20, but then declined in 2020-21. This data is outdated, however, as many programs have increased significantly since 2020-21.

Figure 7. Degrees Awarded

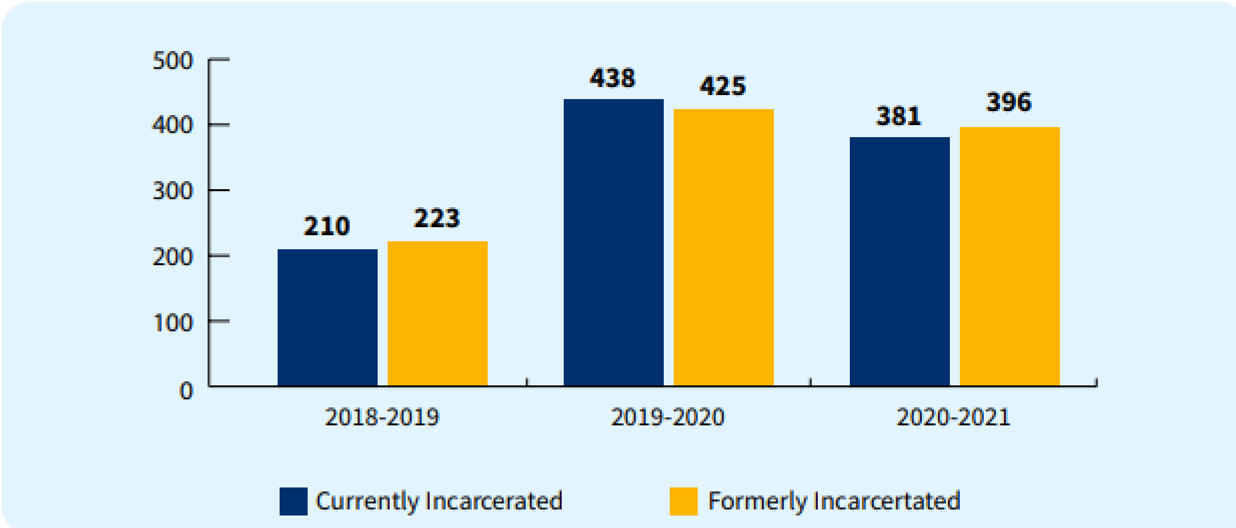
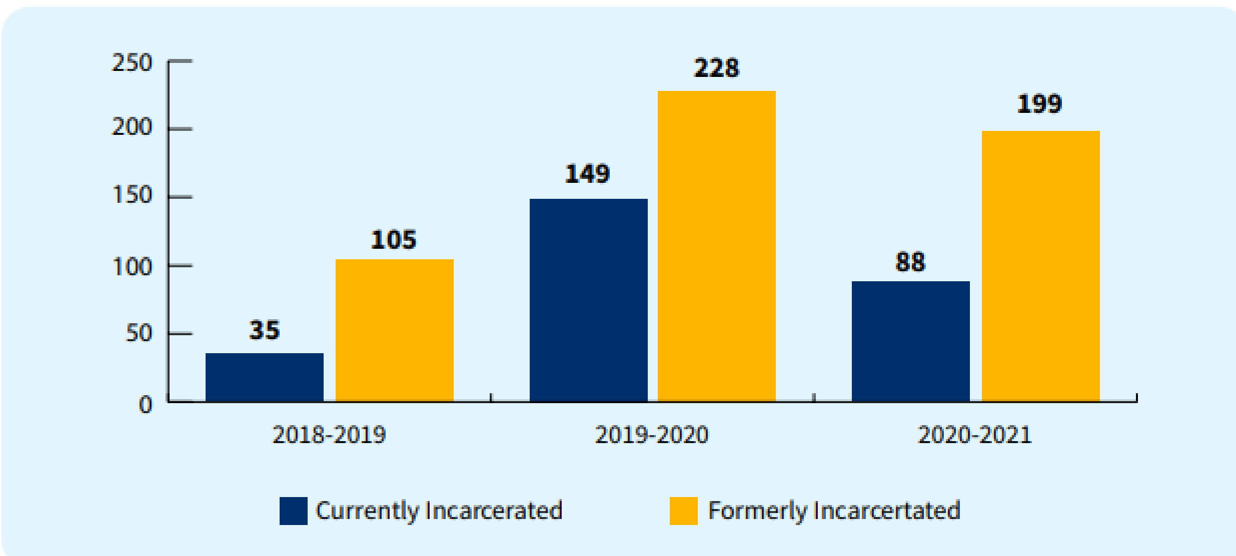


Figure 8. Certificates Awarded



In its July 2024 report, the LAO analyzed data and found:

- Incarcerated students in CCC programs have course success rates (earning a passing grade or course credit) similar to those of other CCC students (72 percent on average).

- Course success rates vary by instructional modality among incarcerated students. Success rates are consistently lower for students in correspondence courses. In fall 2019 (the year just before the COVID pandemic), the gap in success rates between in-person and correspondence courses was 15 percentage points.

- On average, incarcerated students have notably lower persistence rates (continuing from one semester to the next) compared with the average for CCC students.

- Incarcerated students in CCC programs have a 5 percent graduation rate within three years, compared to a 20 percent rate for other CCC students. In 2022-23, the LAO noted that a total of 731 students at CDCR earned their first associate degree. The average time to degree for these students was about nine years.

Staff notes that the 2023 Budget Act allocated funding to support a program evaluation, to be conducted over at least a 5-year period.

Suggested Questions:

1. If this increase is approved, how would funding be distributed to campuses?

2. When will the program evaluation called for the 2023 Budget Act begin, and be completed?

3. How can community colleges improve in-prison programs, especially the correspondence model?

4. How specifically is Rising Scholars funding used on campuses? What types of staffing and activities are common in Rising Scholars programs?

5. Is there enough demand for these programs to operate one at each community college campus?

Staff Recommendation: Hold Open

Issue 4: Career Education Proposals

The Subcommittee will discuss two Governor's Budget proposals: $50 million Proposition 98 General Fund, with $7 million ongoing, to expand Credit for Prior Learning, and $50 million one-time Proposition 98 General Fund to support the new Career Passport digital tool.

Panel

- Justin Hurst, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Chris Ferguson, California Community Colleges Chancellor's Office

Background

The Administration announced in 2023 that it would create a new Master Plan for Career Education that aimed to improve career technical education programs, better align education with industry needs, and position the state and education segments to better respond to the emerging needs of the state economy. In December 2024, the Governor released a high-level framework for the Master Plan that identifies six primary areas of action: (1) creating a state planning and coordinating body, (2) strengthening regional coordination, (3) supporting skills-based hiring, (4) developing career pathways for students, (5) strengthening workforce training, and (6) increasing education access and affordability. The administration indicates the full plan will be released at later date. A final report has not yet been published.

The Governor's Budget includes four distinct proposals that it attributes to its work thus far on the Master Plan. Two proposals - $5 million ongoing General Fund for the Government Operations Agency to establish a state coordinating body for education and workforce agencies, $4 million one-time General Fund for the Labor and Workforce Development Agency to support regional coordination for career education – will be discussed at a Subcommittee hearing scheduled for April 8. The other Master Plan-related proposals are included in this item.

<u>Credit for Prior Learning</u>

Credit for Prior Learning Takes Various Forms. Credit for prior learning generally refers to the awarding of college credit for skills learned outside the classroom, such as through work experience or military service. Students may earn credit for these experiences in various ways, including by passing an exam, submitting a portfolio of their work for faculty review, or demonstrating they have earned an industry credential that faculty have deemed equivalent to certain courses. (Some definitions of credit for prior learning also include credit earned through standardized exams, such as Advanced Placement exams.) Nationally, one of the most well-established forms of credit for prior learning applies to active-duty military and veteran students.

These students typically receive "joint services transcripts" from their branch of service documenting their military training and experiences. The American Council on Education, in turn, has developed recommendations for converting certain types of military training and experiences into certain types and amounts of college credit.

Some Research Suggests Credit for Prior Learning Can Improve Student Outcomes. Some research suggests that students who receive credit for prior learning are more likely to persist and complete their degrees, while also completing in less time. The largest-scale study, which was conducted by the Council for Adult and Experiential Learning, examined the outcomes of adult learners across about 70 colleges and universities nationally. Of the students in the sample, those who received credit for prior learning completed a certificate or degree within eight years at a higher rate than those who did not receive credit for prior learning (49 percent versus 27 percent). Though certain student groups (such as higher-income students) were overrepresented among those receiving credit for prior learning, the study found positive outcomes across income and race/ethnicity groups. In addition, part-time students in the sample who received at least 12 credits for prior learning completed an associate degree faster than those who did not receive any credit for prior learning (32 months versus 45 months).

All California Community Colleges Currently Offer Some Credit for Prior Learning. In 2020, the CCC Chancellor's Office adopted regulations requiring all community college districts to have credit for prior learning policies. These locally developed policies are to include procedures for students to earn credit for prior learning through joint services transcripts, examinations, student-created portfolios, and industry-recognized credentials. The Chancellor's Office reports that all 115 credit-granting colleges in the system now offer some form of credit for prior learning, though the practice has not been implemented at scale at most colleges. Systemwide data on the current state of credit for prior learning is incomplete. Based on the best available data, the Chancellor's Office estimates that at least 4,100 veteran students earned a total of about 23,000 credits for prior learning in 2023-24. These students earned an average of about six credits each (the equivalent of two typical college courses). The Chancellor's Office further estimates that at least 36,000 other students earned credit for prior learning in 2023-24, though the number of credits earned by these other students is not well-documented. (This count may also include students earning credit through standardized exams, such as Advanced Placement exams.)

State Recently Provided One-Time Funding for Credit for Prior Learning Initiative. The 2024-25 Budget Act provided $6 million one-time Proposition 98 General Fund for a credit for prior learning initiative at CCC. The Chancellor's Office indicates these funds are supporting the Mapping Articulated Pathways (MAP) Initiative, which it administers jointly with the Riverside Community College District. (This initiative previously received $2 million one-time Proposition 98 General Fund in 2021-22, as well as part of a $2 million one-time Proposition 98 General Fund allocation for veterans' services in 2017-18.) The MAP Initiative provides technology, training, and support to colleges in implementing credit for prior learning. With the 2024-25 appropriation, the Chancellor's Office reports the MAP Initiative is now available to all colleges across the system. While the spending plan for the $6 million is still being finalized, the Chancellor's Office currently anticipates spending $1.7 million in 2024-25 and the remaining $4.3 million in 2025-26. The Chancellor's Office indicates these funds will cover staffing costs, consulting services, and the development and maintenance of a systemwide technology platform to support credit for prior learning activities. The Chancellor's Office indicates that roughly $1 million of these funds could go toward facilitating 40 faculty work groups. These work groups would have the goal of developing 1,000 systemwide credit recommendations mapping certain forms of prior learning (such as specific industry credentials) to equivalent college courses. Such recommendations could make it easier for colleges to implement credit for prior learning and yield greater consistency in its application across colleges.

Career Passport

Several states have launched efforts to create Learning and Employment Records (LERs), also sometimes referred to as digital credential wallets. The programs allow individuals to manage and curate their learning and employment records in one place, which could also allow employers a single point of reference for potential employees' backgrounds.

According to the non-profit group Credential Engine, "Credential and skill transparency helps stakeholders address a major source of labor market friction: unequal access to information about quality education and career opportunities for learners and workers, as well as information gaps in employer processes that often produce poor matches between available positions and candidates. With improved access to credential, skill, and job information, individuals have increased agency to find, understand, and compare opportunities to advance along their learning and career pathways, and employers can make more precise selections based on skills and competencies rather than degrees alone."

Governor's 2025-26 Budget

Credit for Prior Learning

The Governor's Budget provides $7 million ongoing Proposition 98 General Fund and $43 million one-time Proposition 98 General Fund for the Chancellor's Office to establish a systemwide credit for prior learning initiative that builds upon prior initiatives, including the MAP Initiative. The ongoing funds are for systemwide purposes, including coordination, technology infrastructure, and faculty work groups. The one-time funds are to support local implementation of credit for prior learning. The proposed trailer bill language directs the Chancellor's Office to allocate the one-time funds to colleges based on metrics related to their use of credit for prior learning to increase access, increase completion, and advance career attainment. The language specifies that colleges must demonstrate they are doing those things prior to receiving any funding.

Career Passport

The Governor's Budget provides $50 million one-time Proposition 98 General Fund to CCC to develop the California Career Passport. Under the proposed trailer bill language, the funds could be used to support the infrastructure needed to develop career passports, data security measures, and other technology features. The funds could also be used to support outreach activities to promote the use of career passports. The language directs the Chancellor's Office, in collaboration with the Office of Cradle-to-Career Data and the Labor and Workforce Development Agency, to develop a time line for key deliverables by March 1, 2026. The funds would be available for expenditure until June 30, 2030.

LAO Comments

Credit for Prior Learning:

Credit for Prior Learning Could Have State Benefits. Based on the available research, credit for prior learning could lead to improved student outcomes, including higher completion rates. The potential to reduce time to degree is also noteworthy, as this could lead not only to savings for students but also greater efficiency for the state. If students are able to complete their degrees through fewer courses (while still demonstrating the same skills and competencies), this could free up capacity for colleges to serve additional students or, alternatively, reduce unneeded course sections.

Previous Funding for Related Activities Remains Available. Of the $6 million provided for credit for prior learning in last year's budget, the Chancellor's Office indicates $4.3 million would be available for MAP Initiative activities in 2025-26. The planned expenditures for these existing funds are similar to the proposed expenditures under the Governor's new initiative. For example, both the existing and the new initiatives are intended to support development and management of a credit for prior learning technology platform. In addition, both initiatives are intended to support faculty work groups that would develop systemwide credit recommendations. Given that the previous appropriation remains available, additional funding for these systemwide activities might not be needed in 2025-26.

Colleges Have Existing Incentives and Funding to Implement Credit for Prior Learning. Under SCFF, colleges receive more funding for increasing enrollment and improving student outcomes. If credit for prior learning increases persistence and completion, colleges already have a financial incentive to grant it. While implementing credit for prior learning could involve some start-up costs, colleges have existing funding that could help with these costs. Most notably, the Strong Workforce Program provides funding to regional consortia and colleges to support career technical education. The statutory language for this program explicitly encourages colleges to use the funds to develop workforce training programs that grant credit for prior learning. The Governor’s budget includes $290 million ongoing for this program, of which $219 million is available for spending on regional and local priorities in 2025-26. (The remaining amount is designated for a nursing initiative, as well as systemwide activities.) In addition, the Student Equity and Achievement Program provides funding to districts for various student support services, which could include counseling on credit for prior learning. The Governor’s budget includes $524 million ongoing for this program in 2025-26. Given these existing fund sources, combined with the fiscal incentives under SCFF, it is unclear whether (or how much) additional funding is needed to support local implementation of credit for prior learning.

Reject Funding at This Time and Require Reporting on Existing Initiative. Although we see potential state benefits in expanding credit for prior learning, we think it would be premature to provide additional funding for this purpose without better information about the outcomes of existing credit for prior learning efforts. We recommend requiring the Chancellor’s Office to report on how it used the $6 million provided in the 2024-25 Budget Act for this purpose, the outcomes of those efforts, the remaining barriers to expanding credit for prior learning, and any associated costs that cannot be addressed using existing CCC funding streams. The Legislature could require the Chancellor’s Office to report on these items by October 30, 2026. If the report documents state benefits and identifies unaddressed costs, the Legislature could consider supporting those costs in a future budget

Career Passport:

Proposal Does Not Address a Clearly Defined Problem. Although career passports are intended to help job seekers communicate with prospective employers, the administration has not identified specific existing barriers to communication that career passports would address. Moreover, the administration has not explained how career passports would improve upon existing tools for this purpose, including resumes and professional networking platforms (such as LinkedIn). These existing tools provide job seekers various ways to convey their education, skills, industry credentials, work experiences, and other related experiences. Employers in both the public and private sectors are familiar with these tools. Beyond these tools, employers can develop their own ways to assess prospective job candidates, such as by creating specialized skills assessments tailored to the requirements of specific job positions or conducting interviews that provide candidates an opportunity to convey their full array of skills and experiences.

Proposed Approach Is Largely Unproven. Although the administration has pointed to some early pilot projects related to career passports, we are not aware of any projects resembling the Governor’s proposal that have demonstrated outcomes, such as decreases in the length of a job search or improvements in the quality of a job match. This makes it difficult to assess the likelihood that career passports will have positive impacts for job seekers, employers, and the state. Moreover, given that the concept is new and unfamiliar, there is a risk that employers will not value the tool. Although the trailer bill language identifies the California Department of Human Resources as a potential early adopter, a tool developed for the state's unique hiring process might not be useful to a broader set of employers, including in the private sector.

Project Schedule and Total Costs Are Unknown. Whereas the state typically expects projects to have a clear scope, schedule, and cost before funds are appropriated, these details are still under development for career passports. Under the proposed trailer bill language, the Legislature would not receive a time line of key deliverables until March 1, 2026—eight months after the funds would have been appropriated. Moreover, it is difficult to assess whether the proposed funding level is reasonable for the proposal, as the administration has not explained how it arrived at the $50 million cost estimate. The Chancellor's Office indicates the amount probably would be enough to develop the tool, yet it also suggests that ongoing funding may be needed to keep the tool available to users at no or low cost. This could lead to ongoing cost pressures within the Proposition 98 budget for CCC.

Reject Proposal. Given the concerns above, we recommend rejecting the proposed funding for career passports. The Legislature could redirect the funds toward other one-time CCC activities or make a discretionary deposit into the Proposition 98 Reserve.

Staff Comments

Staff notes that the Legislature has previously supported the MAP program and just last year supported a May Revise request to increase credit for prior learning activities. The concept is supportable, as it should allow students, particularly veterans, the ability to advance more quickly through a program by gaining credit for previous work or educational experiences. Despite recent expenditures, however, credit for prior learning impacts just a few students, who in most cases must pro-actively seek credit. In addition, some anecdotal information suggests students may be receiving physical education credits, or other credits that may not necessarily help them earn a certificate or degree. The Chancellor's Office notes numerous barriers to scaling up credit for prior learning, including the time it takes for faculty and administration to articulate previous experiences to credit and the challenges associated with automating this program to allow for a more seamless experience for students. Another key issue is transfer: while CSU accepts credit for prior learning credits as long as they are on a CCC transcript, UC does not have a systemwide policy and typically requires a campus-based review of any student applying for admission with credit for prior learning on their transcript.

The program does need to find a way to integrate into the community college system so that processes are automated and easy for students to navigate. If the proposed funding will achieve that goal, it could be a worthwhile investment.

The Career Passport program is far less familiar, and staff concurs with the LAO that it is difficult to determine what types of out-year costs would be needed to actually implement the new tool, and what outcomes this type of tool could lead to. For the tool to be effective and worth a state investment, it would require higher education segments, industry and students to all use it. Staff notes that it is unclear why this project should be the sole jurisdiction of the Chancellor's Office, and why community colleges should bear all of the cost.

Suggested Questions:

1. Will the credit for prior learning proposal allow all colleges to implement the program in a systemic way that is easy for students to navigate?

2. Does the Chancellor's Office or Administration have goals as to what this funding would allow? How many students would be able to utilize credit for prior learning in the future if this proposal is supported? How many credits would be awarded through this program? How would this impact graduation rates and students' time-to-degree?

3. How can the Legislature ensure that UC and CSU will accept credit for prior learning for transfer students if this proposal is supported?

4. How would the $43 million in one-time funding in the credit for prior learning proposal be distributed? What would this funding pay for?

5. Why is the Chancellor's Office the lead agency proposed in the Career Passport proposal? Why do community colleges bear the entire cost of this proposal?

6. Has any state fully implemented a Career Passport-type program?

7. Regarding Career Passport, why should the Legislature approve $50 million in funding for a program that won't have clear time line of key deliverables until March 2026? Shouldn't that time line be developed before funding is authorized?

Staff Recommendation: Hold Open

Issue 5: Information Technology Proposals

The Subcommittee will discuss two Governor's Budget proposals seeking to improve CCC information technology: $163 million Proposition 98 General Fund, with $29 million ongoing, to expand the Common Cloud Data Platform to all colleges, and $168 million one-time Proposition 98 General Fund to develop a systemwide Enterprise Resource Planning System.

Panel

- Justin Hurst, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Chris Ferguson, California Community Colleges Chancellor's Office

Background

Community colleges collect various types of student data, including data on enrollment, demographics, academic outcomes, and financial aid. Each district stores this student data in an IT system called an enterprise resource planning (ERP) system. Community college districts use their ERP systems to manage numerous functions relating to student information, finance, and human resources. Currently, each district contracts separately with a vendor for its ERP system, with nearly all districts using one of three main products. Each district also employs its own IT staff to administer and maintain its ERP system.

The Chancellor's Office does not have direct access to this data. Instead, it requires districts to report certain data, including on enrollment and student outcomes, periodically during the course of the year. These district reports are in turn used for various systemwide purposes, including determining apportionment funding and complying with state reporting requirements.

Initiatives seek to improve ERPs. There are concerns with the current system, including the length of time it takes to gather systemwide data, and the struggles some districts, particularly smaller and rural districts, have in maintaining, staffing and updating their ERPs. To address these issues, the Chancellor's Office has launched recent pilot projects in two areas relating to ERPs:

- Common Cloud Data Platform. The goal of this project is to develop a platform through which the Chancellor's Office and participating districts could share student data on a "near real-time" basis. The platform would be compatible with districts' existing ERP systems. By making the sharing of student data easier, this project is intended to streamline certain systemwide reporting processes. It is also intended to enable the development of data analytics tools, such as timelier enrollment and student outcomes dashboards, which the Chancellor's Office indicates could improve decision-making and student support. The Chancellor's Office is supporting this demonstration project using

$10 million in one-time funds set aside from the Student Equity and Achievement Program. (Under state law, the Chancellor's Office may designate up to 5 percent of funding for that program for systemwide activities.) Currently, six districts—representing a range of sizes, locations, and ERP systems—are participating in the demonstration project. The Chancellor's Office is preparing to add a second cohort of about six more districts to the project over the next few months.

- Common ERP. In February 2024, the Chancellor's Office convened a task force to provide input on systemwide technology issues. One issue the task force considered was the development of a common ERP—a centrally administered IT system that would replace existing, locally administered IT systems. At the conclusion of the task force, the Chancellor's Office decided to continue exploring the development of an opt-in common ERP system with interested districts. In November 2024, the Chancellor's Office began the planning process for this project with a group of about a dozen districts.

Governor's 2025-26 Budget

Common Cloud Data Platform

The Governor's Budget provides $163 million Proposition 98 General Fund ($29 million ongoing and $134 million one-time) for the Common Cloud Data Platform. Based on the proposed trailer bill language, the funds would be used to develop and expand the platform to all districts, incorporate new analytics tools, and support related data quality assurance and governance processes. The Chancellor's Office would allocate these funds to a district or districts to administer these activities under its oversight. The language directs the Chancellor's Office to submit a report on the project's implementation status to the Legislature by January 31, 2028. The language does not specify how long the funds would be available for expenditure.

Common ERP

The Governor's Budget provides $168 million one-time Proposition 98 General Fund for this purpose. Under the proposed trailer bill language, the funds would be used to develop, implement, and expand the Common ERP project and support related data governance activities. The Chancellor's Office would allocate these funds to a district or districts to administer these activities under its oversight. The language directs the Chancellor's Office to submit a report to the Legislature containing a project time line, budget, and progress update by January 31, 2027. It also directs the Chancellor's Office to submit a second report to the Legislature on the project's implementation status by January 31, 2030. The language does not specify how long the funds would be available for expenditure.

LAO Comments

Common Cloud Data Platform:

Demonstration Project Is Still Underway. The Common Cloud Data Platform demonstration project provides an opportunity for the Chancellor's Office to develop and test the platform with a small group of districts, assess the outcomes, and apply the lessons learned toward future decisions about expanding the platform. The Chancellor's Office anticipates completing the demonstration project in June 2026. We do not see a clear rationale for funding the systemwide expansion of this platform before the demonstration is complete and the Legislature has information on its outcomes.

More Information Is Needed on Project's Benefits. While expanding the Common Cloud Data Platform systemwide could lead to more efficient reporting processes, these administrative efficiencies are unlikely to be enough on their own to justify a project of this size. To better understand the justification for systemwide expansion, the Legislature would likely want more information on the state benefits of having more timely student data, relative to the data currently available. For example, the Legislature may want specific examples of how near real-time data is needed for state decision-making. Real-time data likely is most useful at the local level, where it could help instructors and counselors better support specific students. It is unclear, however, whether this project would significantly improve the data that districts have on their own students, except to the extent those students are also enrolled at other participating institutions.

Proposed Funding Level Could Exceed Project Costs. The $163 million included in the Governor's budget is based on CCC's 2025-26 systemwide budget request. In that request, however, this amount was intended to cover not only the expansion of the Common Cloud Data Platform but also the launch of the Common ERP project. We think that the full amount likely would not be needed for the Common Cloud Data Platform alone. A January 2025 Board of Governors meeting agenda cites a significantly lower cost ($96 million one-time to be spent across several years) for expanding the Common Cloud Data Platform systemwide. The Chancellor's Office indicates, however, that this cost estimate is not final.

Reject Funding at This Time and Require Reporting on Demonstration Project. Given the issues above, we think it would be premature to fund the systemwide expansion of the Common Cloud Data Platform. Instead, we recommend requiring the Chancellor's Office to report on the current demonstration project upon its completion. The report could cover the outcomes of the project for participating districts, any challenges encountered and lessons learned, the projected state and local benefits of expanding the platform systemwide, a refined cost estimate for that expansion, and an analysis of alternatives and their respective costs. This information would be similar to the information provided to the Legislature for other IT projects through the state's IT project approval process. The Legislature could require the Chancellor's Office to report on these items by October 30, 2026. This is a few months after the completion of the demonstration project and a few months before the start of the state's 2027-28 budget process. If the Legislature decided to expand the platform based on the demonstration project's results, it could initiate state funding in 2027-28, funds permitting.

Common ERP

Project Has Not Undergone Typical Planning Process. Most state IT projects undergo a planning process managed by the California Department of Technology (CDT), in consultation with the Department of Finance, called the Project Approval Lifecycle (PAL). Because the Chancellor's Office is considered an independent agency outside of CDT's authority, its projects are not required to go through the PAL process. The Common ERP project has not undergone a comparable planning process, and the documentation currently available on this project is not equivalent to what the Legislature typically receives for other state IT projects.

Alternatives to Achieving Project Objectives Have Not Been Thoroughly Studied. The first and second stages of the PAL process, respectively, require departments to identify project objectives and evaluate various alternatives for accomplishing those objectives. While the Chancellor's Office has identified several potential objectives for a systemwide technology project, it has not thoroughly evaluated the alternatives for accomplishing those objectives. Some of these alternatives might be more cost-effective or lower risk than the proposed Common ERP project. For example, districts with outdated ERP systems could turn to the Foundation for California Community Colleges to negotiate better pricing through its shared procurement program. Alternatively, these districts could create a joint powers authority to pool their IT resources and expertise, leveraging their larger combined size to negotiate better prices. Without an analysis of these types of alternatives, the Legislature cannot determine whether the Common ERP project is the best way to address the identified objectives.

State Lacks Basic Information on Project Scope, Schedule, and Cost. The trailer bill language does not specify how many districts are to participate in the Common ERP project or whether the intent is to implement it systemwide. The Chancellor's Office indicates, however, that its intent is to eventually implement the project at all districts over multiple waves. Implementing a project of this scope would require significant time and costs. Whereas the Legislature typically has information on a project's schedule and cost prior to approving funding for development and implementation, it would not receive this information on the Common ERP project until well afterward. Under the proposed trailer bill language, the report due to the Legislature by January 31, 2027 would include a project time line and "the budget and expenditures of resources appropriated, and any identified one-time and future funding needs necessary for completing the work."

Project Would Likely Require Large Future Augmentations. The Chancellor's Office anticipates spending the $168 million included in the Governor's budget over the first two years of the Common ERP project. It estimates this would be enough to fund the project for the first wave of districts (likely about a dozen districts). Additional funding would be needed in the future to implement the project at more districts. In conversations with our office, the Chancellor's Office indicated the amount of additional funding needed in future years could be roughly $300 million, before accounting for cost escalation and certain local implementation issues described below. Given the magnitude of these future costs, we are particularly concerned that the Legislature is being asked to approve initial funding for this project before receiving a total project budget, as well as a complete project plan.

Project Involves Significant Changes in Local Processes. Given that districts rely on their ERP systems for numerous aspects of their operations, transitioning to a new system is likely to present significant challenges relating to change management. Over the years, each district has customized its existing ERP system to reflect its local processes. Transitioning to a common ERP system would require revisiting some of these processes. For example, the Chancellor's Office indicates that implementing a common ERP would require greater standardization across districts in various areas, ranging from financial accounts to salary and benefits structures. In addition, districts would need to provide support to staff, faculty, and students in using the new system. The Chancellor's Office indicates it would like to support districts with change management costs. These costs would largely be on top of the future project costs cited in the previous paragraph.

Moving to One Systemwide Vendor Can Raise Risks and Costs. While centralized procurement sometimes results in lower local costs, giving all systemwide business to a single ERP vendor has the risk of increasing overall costs. Currently, multiple ERP vendors are competing for contracts among districts, creating incentives for those vendors to keep their prices low and their product quality high. If CCC were to implement one common ERP systemwide, the selected vendor effectively would no longer face competition in the short term. The state has had such experiences with similar types of IT projects in the past. Another risk is that a vendor selected based on the needs of the first wave of districts might end up not being the best fit for districts in future waves. Some large districts with complex technology needs have indicated an initial lack of interest in joining the project. If a subset of districts opts out of the project, this would presumably dilute whatever systemwide benefits were envisioned.

Reject Proposal. Given the overall lack of planning, the large future costs, and the significant project risks, we recommend rejecting the Governor's proposal to fund the Common ERP project. The Legislature could redirect the funds toward other one-time CCC activities or make a discretionary deposit into the Proposition 98 Reserve.

Staff Comments

Both proposals address real problems. Major lag-time in data collection hinders the ability to track enrollment, outcomes and other information needed to make budget and policy decisions, and to provide state funding to districts. And many community colleges struggle to maintain their ERP systems, due to cost and staffing issues.

However, the LAO raises valid concerns with both proposals. Neither proposal is subject to the state's typical IT procurement process, which is rigorous and requires significant upfront planning. The process is cumbersome but is in place due to the state's poor track record in implementing large-scale projects. Had the Administration or Chancellor's Office utilized this process, many of the outstanding questions would be answered.

Of the two projects, the Common Cloud Data Platform appears to have clear benefits to the state and fewer drawbacks. Access to near real-time systemwide data would clearly help the Legislature in determining funding and policy reactions to current issues, and would not require districts to make significant changes to their own systems. Staff does note that some of benefits of this proposal appear to be similar to the selling points of the statewide Cradle to Career data system, which will be discussed at a later Subcommittee hearing.

Less obvious are the benefits of a systemwide common ERP system. Staff notes that numerous districts have expressed concern about the Common ERP, as some districts have recently changed their system and note the overwhelming amount of training needed for faculty, staff and students. There does not appear to be a significant benefit to all districts using the same system that outweighs the difficulties that might be encountered with implementing this proposal, as well as positioning the entire system to rely on one vendor. Some districts have suggested providing some funding to small and rural districts who are struggling to maintain and improve their systems.

In its letter to the Budget Committee, the Community College League of California notes the following questions about these proposals: 1) Do we have enough clarity in these proposals to justify these investments? 2) Do we recognize the cost pressures of these proposals in the out years? 3) Do these proposals supersede other priorities? The League notes that one-time funding could be used to address the systemwide deferred maintenance backlog, or a flexible block grant to address issues ranging from student support programs to response to natural disasters.

Suggested Questions:

1. If approved, when will these projects be completed? What are potential additional costs for each project in future years? How much funding would be spent in 2025-26 for these projects?

2. What types of information would the Common Cloud Data Platform allow the Legislature and public to access?

3. How would the Common Cloud Data Platform intersect with the Cradle to Career data system? Aren't the goals of these two programs similar?

4. What are the benefits and drawbacks of having one vendor responsible for all CCC ERP systems?

5. How many districts are interested in a common ERP system? How much professional development and training is needed to change ERP systems?

6. Should the Legislature consider much smaller planning investments for these projects?

Staff Recommendation: Hold Open

Issue 6: Student Housing Update

The Subcommittee will discuss the Student Housing Grant Program.

Panel

- Chris Ferguson, California Community Colleges Chancellor's Office
- Lisa Qing, Legislative Analyst's Office
- Alex Anaya Velazquez and Alexandra Wildman, Department of Finance

Background

The 2021, 2022 and 2023 Budget Acts created the Higher Education Student Housing Grant Program and authorized 35 projects: five UC projects, 11 CSU projects, 16 CCC projects, three joint UC/CCC projects, and one joint CSU/CCC project, totaling about $2.2 billion in state funding. Projects were required to provide "affordable" beds for students, which was defined as rents not exceeding 30 percent of 50 percent of a campus's area median income. (This is a measure used in various federal and state affordable housing programs to gauge housing affordability for low-income residents.)

While the program was originally conceived with one-time General Fund, the 2023 Budget Act shifted the program to bond financing. Starting in the 2023 Budget Act, UC and CSU began receiving ongoing General Fund to cover debt service costs on bonds issued by each segment. UC and CSU are receiving about $50 million annually to cover debt service for their projects, including the joint projects with community colleges.

The 2024 Budget Act included trailer bill language creating a new state lease revenue bond program to support 13 of 16 previously approved community college student housing projects for up to $804.7 million. (The three other projects were supported with cash, totaling $50.6 million one-time General Fund.) Under the new program, the Board of Governors and the 13 participating colleges will work with the State Public Works Board to finalize any remaining project plans and receive project financing.

The chart on the next page indicates the community college projects that were approved, their proposed costs, proposed number of beds, and current status.

CA Budget Approval	Campus	State Cost (in million	Nonstate Cost (in millions	Affordable Beds	Standard Beds	Current Phase	Estimated Completion	Notes
2022-23	Bakersfield College	$60.2	$3.2	154		Construction	April 2026	April 2026
2022-23	College of the Canyons	$61.9	$0.0	209		Withdrawn from program	N/A	Santa Clarita CCD provided the Chancellor's Office, DOF, and CA Legislature formal notice of their withdrawal from the program. Bed Counts and project will remain included for infromational purposes.
2022-23	College of the Siskiyous	$32.6	$1.4	161		Preliminary Plans	January 2027	
2022-23	Compton College	$80.4	$0.0	250		Construction	May 2027	
2022-23	Consumnes River College	$44.1	$0.0	147		Preliminary Plans	Fall 2028	
2022-23	Fresno City College	$34.1	$36.0	350		Preliminary Plans	Late 2028	
2022-23	Imperial Valley College	$4.6	$12.6	40		Construction	July 2026	
2022-23	Lake Tahoe CCD	$39.4	$3.1	100		Construction	April 2025	
2022-23	Napa Valley College	$31.0	$83.1	135	453	Complete	August 2023	
2022-23	Santa Rosa Junior College	$15.0	$63.8	70	282	Complete	July 2023	
2022-23	Sierra College	$80.5	$27.0	348		Construction	June 2025	
2022-23	Ventura College	$62.9	$3.0	290		Preliminary Plans	September 2027	
2023-24	Cerritos College	$68.0	$32.0	396	6	Preliminary Plans	August 2026	
2023-24	College of San Mateo	$55.9	$30.0	316		Working Drawings	July 2027	
2023-24	College of the Redwoods	$28.4	$54.1	181	34	Working Drawings	July 2027	
2023-24	San Diego City College	$75.0	$125.0	795		Setting Performance Criteria	Q2/Q3 2028	San Diego CCD recently provided the Chancellor's Office informal notice that they plan to withdraw from the program. Bed Counts and project will remain include until the Chancellor's Office receives formal notice of withdraw.
	Subtotal	$774.0	$474.3	3942	775			

Projects are in various stages of completion. The Chancellor's Office will provide an update on this program at the hearing. Based on information provided to the Subcommittee, of the approved projects, two (Napa and Santa Rosa) are open to students, five are under construction, and the others are in planning stages. Staff notes that in October 2024, the Santa Clarita Community College District Board of Trustees voted to return $61.9 million in state support for their College of the Canyons student housing project. The Chancellor's Office also reports that San Diego Community College District has indicated it will withdraw from the program.

Some colleges are reporting cost overruns. Some colleges have reported that rising construction costs are challenging the completion of projects. According to the Chancellor's Office, colleges are reporting a total of $80.5 million in additional costs since applications were submitted, based on original total costs of $1.6 billion. Colleges are using local resources to cover costs, although some may seek additional funding from the state. Some projects have slightly lowered the number of beds they will be providing: the number of beds for all projects is now estimated to be 5,736, compared to 5,768 at the time applications were submitted.

More than 30 other student housing projects are unfunded. The Chancellor's Office notes that it currently has 34 applications for student housing projects that have not been funded. The projects would require a total of $2.4 billion, with $2.1 billion requested from the state. The chart below indicates ten unfunded projects that were ranked highest by the Chancellor's Office based on the program goals and requirements.

	District	Campus	Region	State Funding Per Low-income Be	State Cost (CCD	Local Cost	Total Project Co
1	Kern CCD	Porterville College	Central Valley/ Mother Lode	$192,393.75	$ 30,783,000.00	$ 3,383,000.00	$ 34,166,000
2	Contra Costa CCD	Los Medanos College	Bay Area	$182,213.48	$ 48,651,000.00	$ 29,500,000.00	$ 78,151,000
3	Victor Valley CCD	Victor Valley College	Inland Empire/ Desert	$259,793.30	$ 46,503,000.00	$ 15,486,000.00	$ 61,989,000
4	Long Beach CCD	Long Beach City College	Los Angeles	$143,128.27	$ 60,257,000.00	$ 44,999,000.00	$ 105,256,000
5	Feather River CCD	Feather River College	North/ Far North	$486,292.31	$ 63,218,000.00	$ 11,019,000.00	$ 74,237,000
6	Southwestern CCD	Southwestern College	San Diego/ Imperial	$193,897.62	$ 81,437,000.00	$ -	$ 81,437,000
7	Ohlone CCD	Ohlone College, Newark Center	Bay Area	$152,750.00	$ 18,330,000.00	$ 7,333,000.00	$ 25,663,000
8	Antelope Valley CCD	Antelope Valley College	South Central Coast	$205,050.00	$ 61,515,000.00	$ -	$ 61,515,000
9	San Bernardino CCD	Crafton Hills College	Inland Empire/ Desert	$269,988.30	$ 46,168,000.00	$ 15,147,000.00	$ 61,315,000
10	Rio Hondo CCD	Rio Hondo College	Los Angeles	$174,723.00	$ 37,216,000.00	$ 12,236,000.00	$ 49,452,000

Governor's 2025-26 Budget

The Governor's Budget provides $1.3 million ongoing General Fund to support the state lease revenue bond. This amount will grow in future years as projects enter construction phases and more bonds are sold.

Staff Comments

Despite the significant change in the structure of this program, and the challenge of a high-cost construction environment, most colleges with approved projects appear to be proceeding. Students living on campus is a profound change for the community college system, which had only a few student housing options at a few campuses across the state. Given the number of proposed projects, it appears that many more colleges hope to add student housing to their campuses in the future. Staff notes the following issues to consider:

- ***Projects will provide affordable housing.*** Funded projects must maintain rent levels based on a regional calculation that ensures lower costs to students. According to information from the Chancellor's Office, average monthly rents will range from $444 to about $1,000 depending on the area and project.

- ***There are unallocated funds in this program.*** Staff notes 2023-24 trailer legislation authorized an additional $81 million in construction funds for community college student housing projects, subject to future legislation. In addition, it appears that at least two districts that were awarded grants are withdrawing from the program. The Legislature could use excess funding to approve more projects, support cost overruns for existing projects, or choose not to allocate the funding, which would lower the overall cost of this program.

- ***System is seeking significantly more funding***. Given the significant number of unfunded projects, the CCC Board of Governors included a request for another $1.1 billion lease revenue bond in its 2025-26 budget plan. Individual districts are also seeking funding. For example, Long Beach City College is seeking funding for a project that would be located on the college campus but be managed by CSU Long Beach.

Suggested Questions:

1. When will all projects be under construction?

2. What types of local resources are colleges using to support these projects?

3. At least two districts appear to be forgoing the state funding they were awarded. Has that been communicated to the Chancellor's Office and/or Department of Finance? Are there any other projects that may forego state funding? What are the concerns for districts that may be re-thinking this funding?

4. What should be done with the unallocated funding within this program?

5. Regarding the projects that are open to students, are there any updates? Are these projects fully occupied? How are campuses responding to having students living on campus?

Staff Recommendation: Hold Open

Issue 7: Chancellor's Office Reductions Update

The Subcommittee will discuss reductions proposed for the Chancellor's Office based on the operational and position cuts included in the 2024 Budget Act.

Panel

- Justin Hurst, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Chris Ferguson, California Community Colleges Chancellor's Office

Background

The CCC Chancellor's Office is supported by General Fund and special funds. The office is expending about $39 million, of which $26.9 million is ongoing General Fund, and has about 214 positions in the current year. The Chancellor's Office provides a number of different services and programs for the system, ranging from staffing the Board of Governors, distributing state funding, and providing professional development and technical support for systemwide programs. The chart below indicates Chancellor's Office positions and expenditures.

CCC Chancellor's Office	2023-24 Actual	2024-25 Estimated
Authorized Regular Positions	182	203
Authorized Temporary Positions	9.2	11.1
Expenditures *(in millions)*	36.1	39.1

The 2024 Budget Act included provisions intended to eliminate vacant positions in state agencies and departments and reduce operational funding by up to 7.95 percent. The Chancellor's Office and Department of Finance report that the proposed reductions to the Chancellor's Office via these provisions are a reduction in 2024-25 of $2.2 million, with $1.2 million ongoing. There are no position reductions proposed.

The Chancellor's Office reports that it is still in the process of finalizing its plan to absorb this cut, but is using unspent 2023-24 resources to pay office rent for 2024-25, and is considering reductions in the physical footprint at its Sacramento offices, reviewing contracts, pausing the use of temporary help where possible, and determining if any potential activities can be supported by statewide set-aside funding through a community college district. Based on updated revenue estimates, the Chancellor's Office notes the reductions would constitute a 6 percent reduction in 2024-25 and a 3 percent reduction in 2025-26.

Staff Comments

Staff notes that the Chancellor's Office receive a significant boost in the 2022 Budget Act, when Administration proposals to support 36 new positions between 2022-23 and 2024-25 were authorized.

Staff also notes that this proposal reflects the differing ways the 2024 Budget Act reductions are impacting higher education segments. While the cut to CCC is focused solely on the budget of the Sacramento-based Chancellor's Office, and reduces ongoing support for the office by about 3 percent, or about $1 million, cuts to the University of California and California State University are focused on the entire system budgets and are therefore much larger, and equal nearly 8 percent of total UC and CSU spending, or hundreds of millions of dollars.

Suggested Questions:

1. Has the Chancellor's Office finalized its reduction plan? What types of reductions are being considered?

2. How will the cuts impact districts or students?

Staff Recommendation: Hold Open

Issue 8: Title IX Update

The Subcommittee will hear an update on Title IX issues and activities from the Chancellor's Office.

Panel

- David O'Brien, California Community Colleges Chancellor's Office

Background

In 1964, the United States passed the Civil Rights Act of 1964, which prohibited discrimination based on race, color, religion, sex in employment, public accommodations, and federally funded programs. Title VI of the Civil Rights Act prohibits discrimination based on color, race, or national origin in programs or activities that receive federal financial assistance, this would include most colleges and universities in the state of California. In 1972, an additional law was put forward to prevent sex discrimination on collegiate campuses throughout the United States, Title IX of the Education Amendments of 1972 (Title IX). Both Title VI and Title IX go beyond ensuring students have access to sports and academic majors; it requires all higher education institutions to provide educational programs free from all forms of discrimination.

The prevention of discrimination is more than simply having a policy on how to address complaints. Prevention is creating a campus culture that addresses the root cause of discrimination before it becomes a complaint. The prevention of discrimination includes training where bystanders are empowered to intervene, a campus where students, faculty, and staff are encouraged to report incidents, and a culture, where those reports are met with support for all parties involved.

In 2024, the Assembly Higher Education Committee published a report containing a synopsis of the information gleaned from the briefings and a compilation of legislative proposals for how the State can partner with higher education institutions to prevent and address sex discrimination in all its forms on campuses throughout California. The report contained the following findings:

California Community Colleges (CCC)	California State University	University of California
No systemwide policy that all 116 campuses and 72 districts follow. Title IX coordinators not on campus and very few have designated Title IX offices/coordinators. Additional appeals for faculty/staff. No mandated training on for students (forthcoming). No systemwide coordinator or office. Reports are requirement by regulations, but the Chancellor's office said due to lack of guidance the reports are not up to date	Each campus has a Title IX office and coordinator. One major policy with five grievance procedures – depending on the respondent. Additional appeals for faculty/staff based on collective bargaining and California Education Code. Decision maker differs depending upon whether the respondent is a student or employee. Offers in-person and online training for students and employees. Each campus has a confidential advocate who has additional responsibilities beyond helping complainants access supportive measures. Campus-level data collected on sexual harassment trends but not provided at the systemwide level.	Each campus has a Title IX office and coordinator. One major policy with nine grievance procedures – depending on the respondent. Additional appeals for faculty and staff. Chancellor of the campus is the decision maker in all cases. Stand-alone confidential advocate office and respondent coordinators UC tracks campus and systemwide data to ascertain and address patterns of sex discrimination.

The primary finding from the report was a lack of transparency as to how colleges and universities were responding to acts of discrimination. The report provided 18 recommendations of which 12 were signed into law through an accompanying bill package. The bills ranged from reporting requirements on sexual harassment incidents on campus to codifying the creation of Civil Rights offices at the CSU and UC.

Among the bills was AB 2326 (Alvarez), which included a requirement that the leadership of all three public higher education institutions present to the legislative budget subcommittees their efforts in addressing and preventing discrimination on campus.

The Chancellor's Office will provide an update at this hearing.

With 116 colleges and 73 districts, the decentralized community college system does not collect systemwide data on discriminatory activity nor prevention efforts on campus. However, each community college district is required to maintain a case management system for complaints of sexual harassment and are required to report specific data elements to the CCC Chancellor's Office each year. The system is not required to report the data elements to the Legislature until September 1, 2026. Therefore the only data available regarding incidents of discrimination on campus is what has been reported pursuant to the Jeanne Clery Act.

Since 1990, due to the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act or Clery Act, all colleges and universities who receive any federal funding must submit a report once a year disclosing information about certain crimes, including: the prevalence of stalking, intimidation, dating violence, domestic violence, sexual assault and hate crimes that occur on or around the campus. The data provided by these reports is available to the public disaggregated by campus on the U.S. Department of Education website under the Campus and Security database. The following were the total crimes reported by all 116 community colleges in 2022 (the latest available data from the U.S. Department of Education):

- 17 cases of rape;
- 35 cases of fondling;
- 38 cases of aggravated assault;
- 46 cases of hate crimes on campus;
- 140 cases of domestic violence, dating violence, or stalking incidents on or near the college campus.

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