

MAY REVISION 2025-26

Gavin Newsom, Governor
STATE OF CALIFORNIA

Planning and Budget Council Meeting
May 21, 2025

AFFORDABILITY ACCOUNTABILITY ECONOMIC DEVELOPMENT

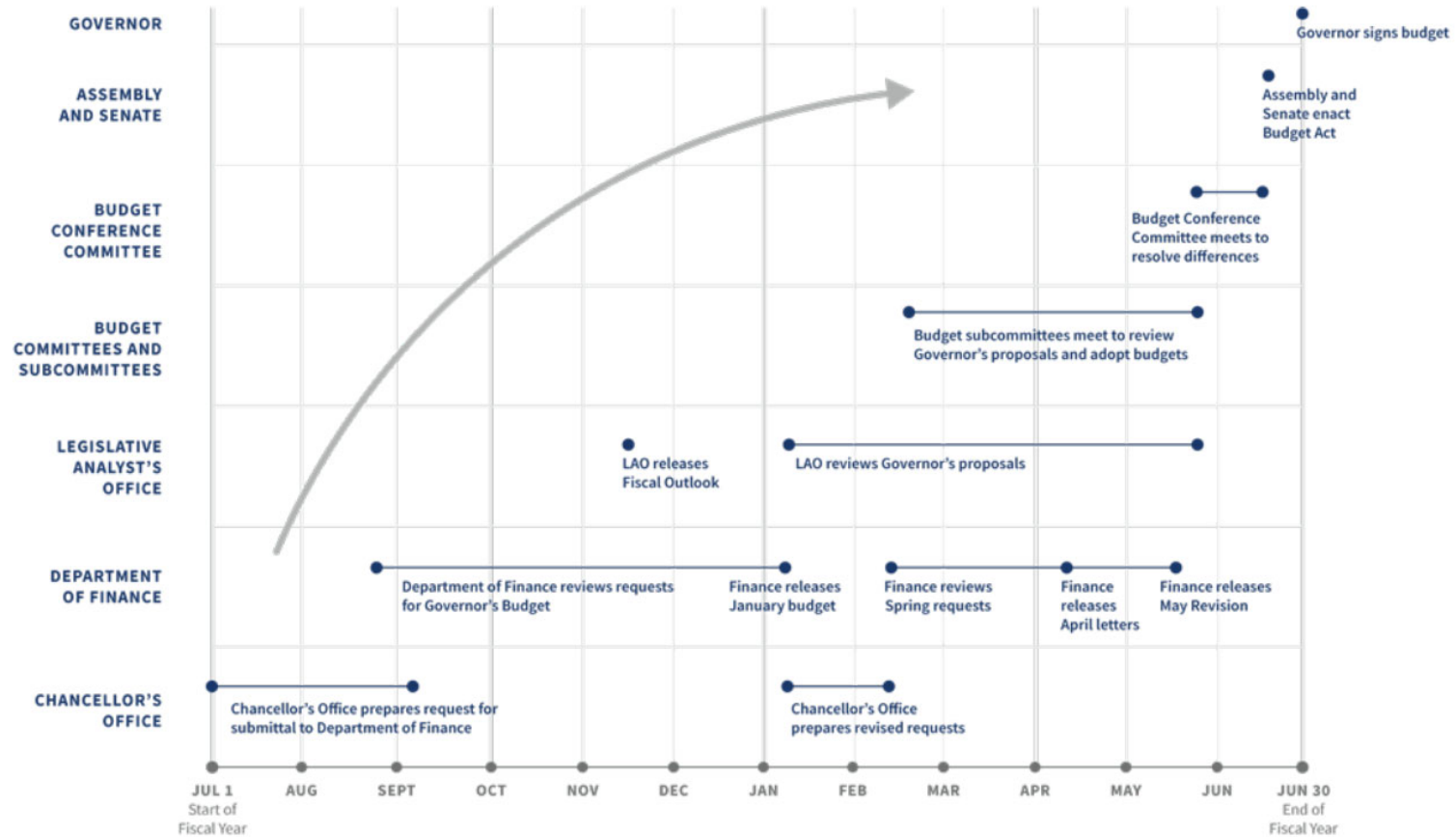
BUDGET

Agenda

- Sequence of the Annual Budget Process
- Key Takeaways
- Budget Problem and Solution
- Reduction for Education

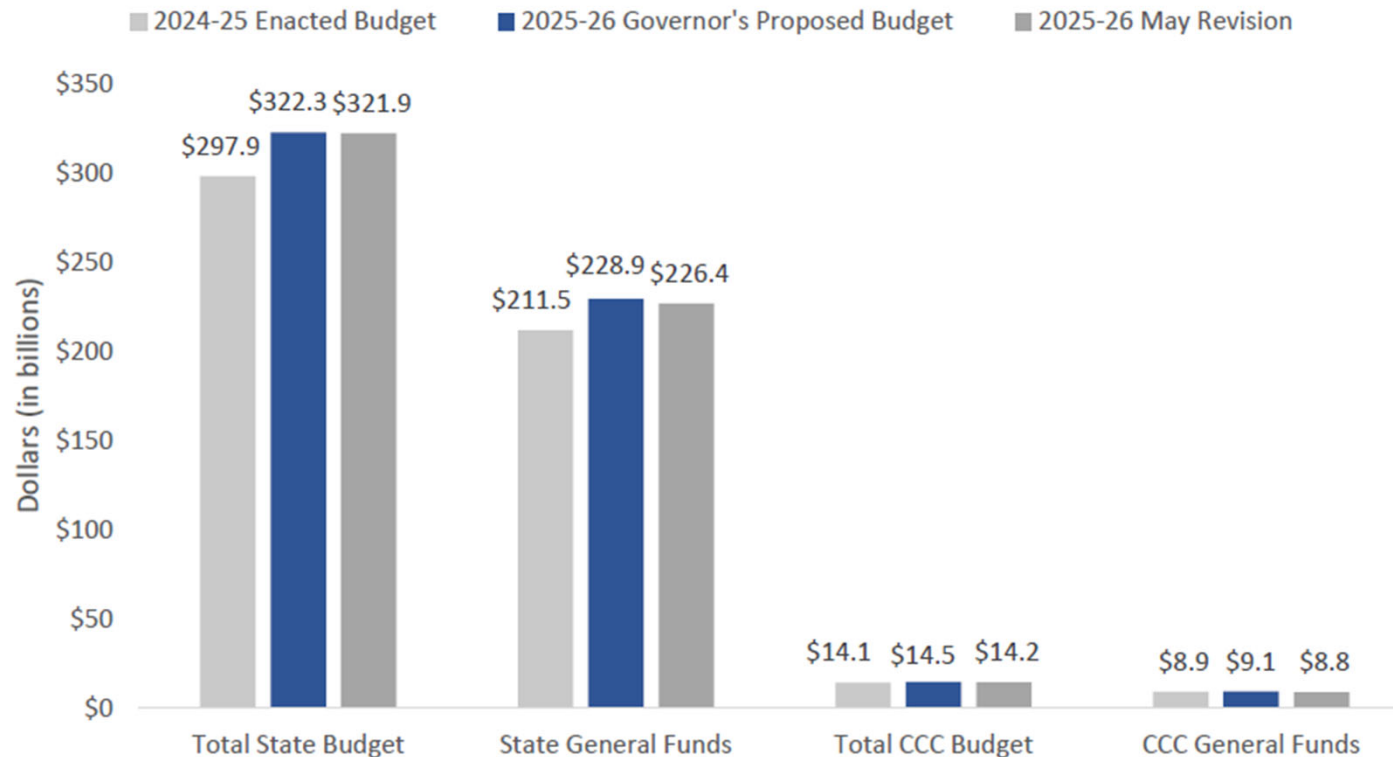


Sequence of the Annual Budget Process



Governor Newsom's Revised 2025-26 State Budget

Governor Gavin Newsom's May Revision of the 2025–26 California state budget introduces significant changes for the state's community colleges, reflecting efforts to address a projected \$12 billion deficit while maintaining core educational investments.



Governor Newsom's Revised 2025-26 State Budget

Funding Adjustments

- **Proposition 98 Allocation:** The total funding for community colleges is projected at \$12.9 billion, marking a \$625 million increase over the 2024–25 enacted budget. However, this represents a \$669 million decrease compared to the Governor's January proposal, primarily due to revised revenue estimates and a reallocation of funds for transitional kindergarten (TK) expansion.
- **Cost-of-Living Adjustment (COLA):** The COLA for apportionments has been adjusted to 2.3%, down from the initially proposed 2.43%, resulting in a \$12.9 million ongoing reduction for the Student-Centered Funding Formula (SCFF).
- **Enrollment Growth Funding:** An allocation of \$139.9 million is proposed to support a 2.35% enrollment growth, a significant increase from the previously proposed 0.5%, aiming to accommodate rising student numbers.

Governor Newsom's Revised 2025-26 State Budget

Programmatic Investments and Reductions

- **Rising Scholars Network:** Funding for this program, which supports justice-involved students, is reduced by \$20 million, reflecting budgetary constraints.
- **Career Education Initiatives:** The budget proposes cuts of \$25 million to the Career Passport initiative and \$35 million (one-time) to the Credit for Prior Learning program, both integral to the state's Master Plan for Career Education.
- **Technology and Infrastructure:** Despite fiscal challenges, the budget maintains investments in technological advancements, including \$168 million in one-time funds for a Statewide Technology Transformation and \$162.5 million (with \$29 million ongoing) for a Statewide Common Data Platform.

Financial Management Strategies

- **Cash Deferrals:** To manage cash flow, the budget includes a deferral of \$531.6 million in SCFF funding from 2025–26 to 2026–27, which may impact the timing of fund availability for districts.
- **Proposition 98 Rainy Day Fund:** The May Revision utilizes \$59 million from this reserve to support SCFF costs, reflecting a strategy to stabilize funding amidst revenue fluctuations.

Governor Newsom's Revised 2025-26 State Budget

Implications for Community Colleges:

- Revised budget maintains core operational funding for community colleges.
- Reductions to targeted programs (e.g., Rising Scholars, Career Education) signal difficult trade-offs.
- Adjusted COLA and deferred SCFF payments may create cash flow and planning challenges.
- Emphasis on enrollment growth presents both opportunities and capacity pressures.
- Need for strategic prioritization to sustain student services and educational quality.
- Collaboration across departments essential to optimize limited resources.
- Institutions encouraged to align programs with evolving state priorities and funding models.

A large sculpture of a horse, constructed from weathered driftwood, stands on a grassy lawn. The sculpture is positioned in front of a modern, multi-story building with large glass windows. The text "Q &A" is overlaid on the upper part of the image.

Q &A

Thank you!