

*Senate Budget and Fiscal Review—Scott D. Wiener, Chair*

# **SUBCOMMITTEE NO. 1**

# **Agenda**

**Senator John Laird, Chair**  
**Senator Rosilicie Ochoa Bogh**  
**Senator Sasha Renée Pérez**



**Thursday, March 20, 2025**  
**9:30 a.m. or Upon Adjournment of Session**  
**1021 O Street, Room 2100**

Consultants: Diego Emilio J. Lopez

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## **Public Comment**

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**6870 BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES****Issue 1: Enrollment Update & Proposal****Panel.**

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

**Background.**

**Enrollment is a key factor in determining apportionment funding.** Under the Student Centered Funding Formula (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 full-time equivalent (FTE) student count in that given year and the two previous years. In 2024-25, the funded enrollment level based on the three year average is estimated at 1,064,141 FTE students systemwide. This is an estimated 4,432 FTE students (0.4 percent) higher than the reported enrollment level in 2024-25.

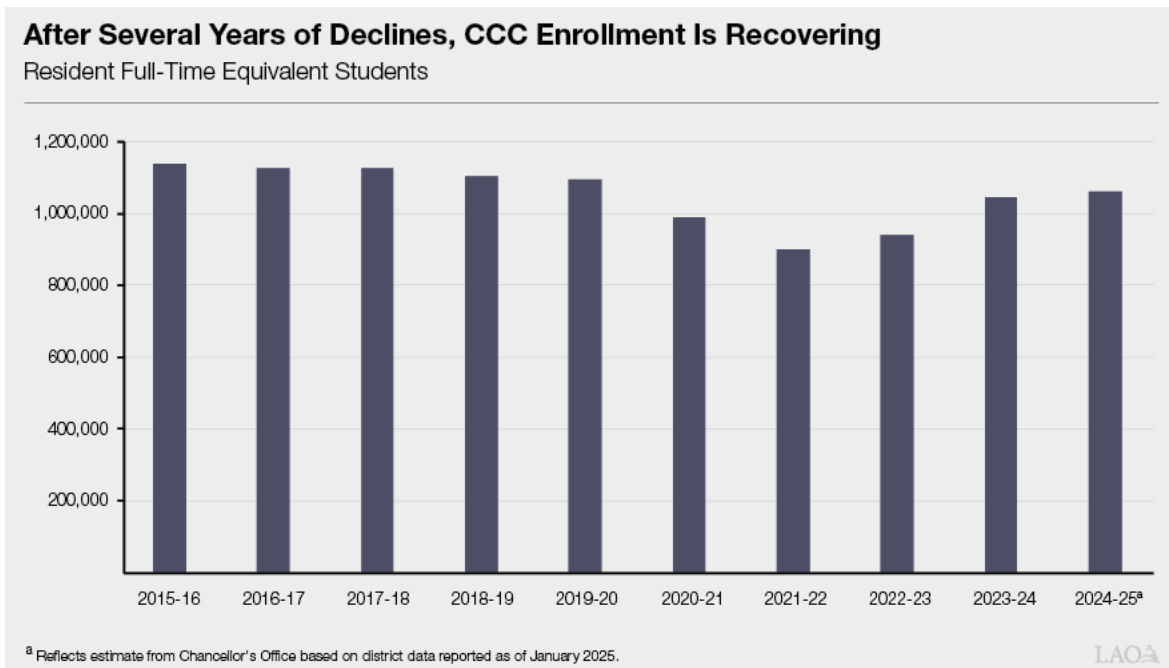
**Enrollment growth is allocated by the state.** Enrollment growth funding is provided on top of the funding generated from all other components of the apportionment formula. Growth funding supports enrollment increases at districts that have not seen recent declines in funded enrollment, as well as districts that already have used up their restoration authority. State law does not prescribe how to determine the amount of growth funding to provide California Community Colleges (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.

**Enrollment growth is funded at a per-student rate.** 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.

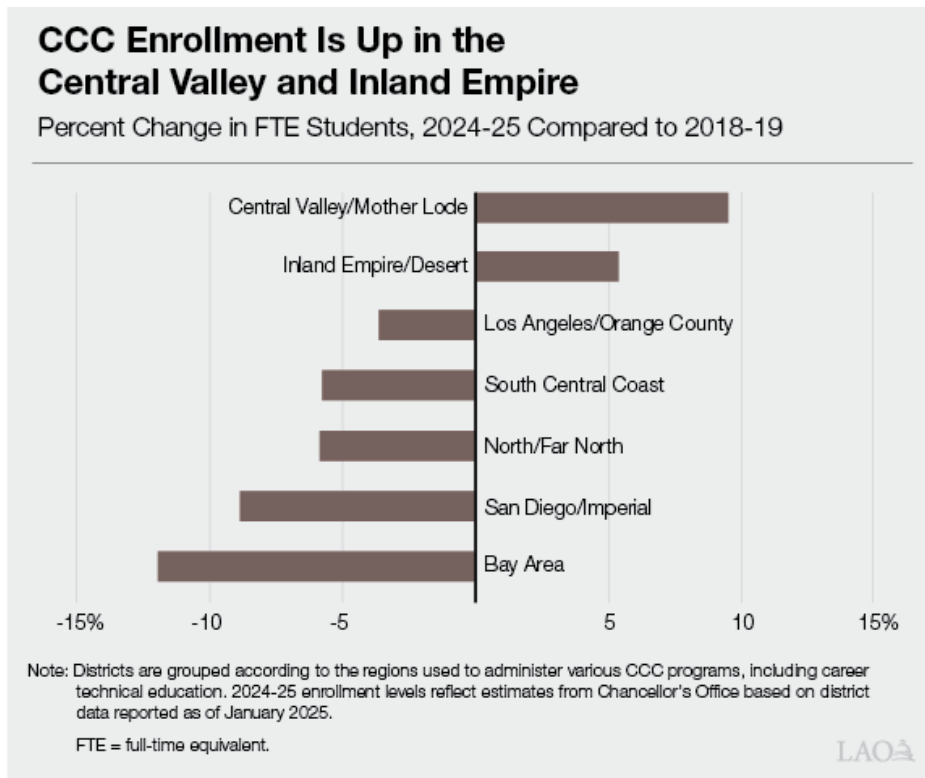
State law directs the Chancellor's Office to allocate enrollment growth funding across all districts using a formula that accounts for several local factors. These factors include the number of individuals within the district's service area who do not have a college degree, are unemployed, or are in 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.

**CCC enrollment declined prior to and especially during the pandemic.** As the figure below shows, 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 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 FTE students at CCC declined by about 195,000 (18 percent). This decline was consistent with national community college enrollment trends over the period.



**Enrollment trends have varied notably by region.** As the figure below shows, estimated CCC enrollment in 2024-25 is up relative to pre pandemic levels in two regions: the Central Valley and the Inland Empire. This generally aligns with broader demographic trends, as these regions have experienced population growth since 2018-19. In all other regions, estimated CCC enrollment remains below pre pandemic levels. The enrollment decrease has been largest in the Bay Area, a region that has experienced above average population declines over this period. Within each region, enrollment trends vary among some districts. In every region experiencing declining enrollment, one or more community college districts are growing despite the regional trend.



**Governor's Budget.** The Governor's budget includes \$30 million ongoing Proposition 98 General Fund for 0.5 percent systemwide enrollment growth at CCC in 2025-26. This equates to an estimated 5,439 additional FTE students. The average base rate for each of these students is \$5,597. The proposed 0.5 percent growth rate is the same rate the state has adopted in each of the past four years.

**Legislative Analyst's Office.**

***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.

## **Recommendation**

***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. (We would not recommend redirecting funds from one-time proposals toward enrollment growth, as this would reduce the one-time cushion within the CCC budget.) Community colleges could see upward enrollment pressures from several fronts. Regional demographic trends, rising unemployment rates, enrollment in excess of existing targets, and potential constraints on CSU and UC enrollment levels all could drive up CCC enrollment levels in 2025-26. Providing funding for additional growth could help districts maintain programmatic quality as they enroll more students. We estimate each additional 0.5 percent of enrollment growth would cost \$30 million ongoing.

**Staff Recommendation.** Hold Open.

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**Issue 2: Student Centered Funding Formula Update and Apportionment and Categorical Programs Cost of Living Adjustments (COLA)**

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**Panel.**

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

**Background.**

**Student Centered Funding Formula.** 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.

Historically, districts received apportionment funding based almost entirely on student enrollment. In 2018-19, the state adopted a new formula called the Student Centered Funding Formula (SCFF). This formula is intended to create stronger incentives for colleges to enroll lower-income students and improve student outcomes for them and overall. Under SCFF, districts receive apportionment funding for regular credit courses based on three components:

- 1) A base allocation linked to enrollment.
- 2) A supplemental allocation linked to low-income student counts.
- 3) A student success allocation linked to specified student outcomes.

These three components account for about 70 percent, 20 percent, and 10 percent of apportionment funding, respectively. Districts continue to receive apportionment funding for noncredit courses, as well as credit courses for dual enrollment students and incarcerated students, based entirely on enrollment.

**Hold Harmless Provisions.** When the state adopted SCFF, it created a temporary funding protection called "hold harmless" for those districts that would have received more funding under the previous apportionment formula. This provision was intended to provide time for those districts to ramp down their budgets to their new SCFF-calculated amounts or find ways to increase the amount they generate through SCFF (such as by enrolling more low-income students or improving student outcomes).

Under this provision, districts receive whatever they generated in 2017-18 under the old formula, adjusted for any subsequent COLAs provided by the state through 2024-25. Districts are funded according to this provision if their hold harmless amount exceeds both their SCFF-calculated amount and the stability amount discussed below. More than 25 districts were on hold harmless in each year from 2018-19 through 2021-22, before declining to only 12 districts in 2022-23. (The decline in 2022-23 was related to a \$600 million augmentation the state provided to increase SCFF base funding rates, thereby decreasing the number of districts whose hold harmless amount exceeded their SCFF-calculated amount.)

In 2023-24, the 11 districts remaining on hold harmless received \$90 million in apportionment funding above their SCFF-calculated amount. On average, these districts received more funding per student than other districts. The per-student apportionment funding level was \$9,574 across districts on hold harmless in 2023-24, compared to \$8,895 across districts that received their SCFF-calculated amount.

According to the Chancellor’s Office, 21 districts are estimated to be on the Hold Harmless funding provision in 2025-26. The chart below outlines their estimated SCFF calculated revenue, their Hold Harmless calculated revenue and the percent difference between the two.

District	25-26 SCFF Calculated Revenue	25-26 Hold Harmless/Funding Floor	% Change SCFF Calculated Revenue and Hold Harmless/Funding Floor
Chabot-Las Positas CCD	134,033,982	139,856,226	4.34%
Chaffey CCD	146,458,726	152,669,995	4.24%
Citrus CCD	88,260,645	92,894,198	5.25%
Contra Costa CCD	215,044,883	229,941,714	6.93%
Copper Mountain CCD	19,919,965	20,800,104	4.42%
Foothill-DeAnza CCD	190,081,454	192,112,459	1.07%
Imperial CCD*	57,086,280	70,795,091	24.01%
Napa Valley CCD	33,778,777	41,068,935	21.58%
North Orange County CCD	256,207,870	262,433,892	2.43%
Ohlone CCD	59,533,387	63,336,071	6.39%
Palo Verde CCD*	29,497,595	30,905,716	4.77%
Palomar CCD	123,834,348	140,984,442	13.85%
Peralta CCD	132,146,773	148,941,102	12.71%
San Francisco CCD	141,836,740	166,711,708	17.54%
San Jose-Evergreen CCD	87,082,995	97,063,490	11.46%
San Luis Obispo County CCD	72,759,149	74,230,814	2.02%
Santa Monica CCD	162,800,250	168,740,327	3.65%
Siskiyou Joint CCD	21,161,498	23,574,800	11.40%
Sonoma County CCD	126,030,013	138,789,322	10.12%
West Kern CCD	31,985,151	35,853,204	12.09%
Yuba CCD	74,061,963	77,015,374	3.99%

\*Imperial CCD and Palo Verde CCD may have some CCFS-320 FTES errors at 24-25 P1.

**Stability Provision.** State law also creates a second funding protection called “stability.” 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. The number of districts on stability has fluctuated over the past few years. In 2023-24, 26 districts were on stability, with these districts receiving \$70 million in apportionment funding above their SCFF-calculated amount. Like districts on hold harmless, districts on stability tended on average to receive more

funding per student than districts that received their SCFF-calculated amount. The per-student apportionment funding level was \$9,390 across districts on stability in 2023-24.

State Typically Provides a COLA for Apportionment 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.

**Governor’s 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 LCFF.

### **Legislative Analyst’s Office.**

#### **Assessment**

***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’ California State Teachers’ Retirement System (CalSTRs) contribution rate is projected to remain at 19.1 percent in 2025-26, but the California Public Employees’ Retirement System (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.

### **Recommendation**

***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.

### **Categorical Programs.**

The state has more than 40 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. 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.

**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 figure 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 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 figure 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. (As we note in the “Apportionments” section, the data used to calculate the COLA will not be finalized until late April. 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
<b>Total</b>	<b>\$30.2</b>

COLA = cost-of-living adjustment.

**Legislative Analyst's Office.**

***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 Recommendation.** Hold Open.

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**Issue 3: Student Housing Grant Program**

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**Panel.**

Chris Ferguson, California Community Colleges Chancellor's Office

Alexandra Wildman, Department of Finance

Alex Anaya Velazquez, Department of Finance

Lisa Qing, Legislative Analyst's Office

**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 updated costs and number of beds.

Note: Dollars in Millions

College with Approved Student Housing Project	CA Budget Approval	Project Cost at Application	2025 Estimated Project Cost	Difference	Total Beds at Application	Low Income Beds at Application	2025 Total Number of Beds	2025 Low Income Beds
Bakersfield College	2022-23	\$63.40	\$63.40	\$ -	154	154	154	154
College of the Canyons	2022-23	\$61.90	\$61.90	\$ -	220	220	209	209
College of the Siskiyous	2022-23	\$32.60	\$34.00	\$1.40 (4.3%)	252	252	178	178
Compton College	2022-23	\$80.40	\$80.40	\$ -	250	250	250	250
Cosumnes River College	2022-23	\$44.10	\$44.10	\$ -	147	147	147	147
Fresno City College	2022-23	\$55.00	\$70.00	\$15.0 (27.2%)	350	350	350	350
Imperial Valley College/CSU San Diego	2022-23	\$17.00	\$17.00	\$ -	51	51	40	40
Lake Tahoe Community College	2022-23	\$42.50	\$42.50	\$ -	100	100	100	100
Sierra College	2022-23	\$98.20	\$107.40	\$9.2 (9.4%)	344	344	348	348
Ventura College	2022-23	\$65.90	\$65.90	\$ -	300	300	290	290
Cabrillo College/UC Santa Cruz	2023-24	\$181.80	\$181.80	\$ -	376	376	376	376
Cerritos College	2023-24	\$80.00	\$100.00	\$20.0 (25%)	396	396	402	396
College of San Mateo	2023-24	\$65.80	\$85.80	\$20.0 (30.4%)	312	310	316	316
College of the Redwoods	2023-24	\$53.30	\$82.50	\$29.2 (54.8%)	215	181	215	181
Merced College/ UC Merced	2023-24	\$100.00	\$108.60	\$8.6 (8.6%)	287	191	287	191
Riverside City College/UC Riverside	2023-24	\$312.00	\$312.00	\$ -	326	326	326	326
San Diego City College	2023-24	\$222.90	\$200.00	\$22.9.0 (10.3%)	808	788	808	795
<b>Totals</b>		<b>\$1,576.80</b>	<b>\$1,657.30</b>	<b>\$80.50</b>	<b>5,768</b>	<b>4,930</b>	<b>5,736</b>	<b>4,852</b>

**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.

**Governor's 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 Recommendation.** Hold Open.

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**Issue 4: Prop 2 Facilities Projects/Capital Outlay**

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**Panel.**

Chris Ferguson, California Community Colleges Chancellor's Office  
Alexandra Wildman, Department of Finance  
Lisa Qing, Legislative Analyst's Office

**Background.** In November 2024, voters approved a new education facilities bond, Proposition 2, which provides \$1.5 billion for facilities at the CCC. The Governor's budget proposes to fund 29 new capital outlay projects in 2025-26, committing roughly half of Proposition 2 funding. The CCC Chancellor's Office selected these projects using a relatively new scoring system.

The CCC system includes 72 local community college districts that operate 115 college campuses, as well as a number of off-campus centers and district offices. Based on the system's most recent five-year capital outlay plan, these sites have a combined 87 million square feet of building space. This includes both academic space (such as classrooms, laboratories, libraries, and faculty offices) and nonacademic space (such as parking structures, bookstores, and cafeterias).

**State Often Pays Portion of Academic Facility Project Costs.** Academic facilities are eligible for state support. The state and districts often share the cost of academic capital outlay projects. Though the share of costs varies among projects, the state commonly covers about half of the cost, with the district covering the rest using local funds. In contrast, the state typically does not support nonacademic facilities, as these facilities generate their own revenue to cover their costs.

**State Uses General Obligation Bonds to Finance Its Share of Costs.** The state sells general obligation bonds to receive up-front funding for project costs. It then repays these bonds with interest over a period of time (typically about 35 years) using non-Proposition 98 General Fund. Under the State Constitution, voters must approve general obligation bonds. From 2002 through 2016, voters approved four state general obligation bonds for education facilities. The most recent of these bonds, Proposition 51, provided \$2 billion for community college facilities. The vast majority of Proposition 51 funding has already been committed to specific projects, with the Chancellor's Office estimating that approximately \$80 million remains available.

**Voters Recently Passed a New State Education Facilities Bond.** In the November 2024 election, voters approved a new education facilities bond, Proposition 2. This measure provides \$1.5 billion for community college facilities. (Proposition 2 also provides \$8.5 billion for K-12 school facilities.) These funds may be used for various purposes, including constructing new buildings, renovating existing buildings, acquiring land, and purchasing equipment. The measure does not specify how the funds are to be allocated among these specific purposes. In addition to this state general obligation bond, voters in the same election approved 14 local general obligation bonds totaling \$9.9 billion for community college facilities.

**Chancellor's Office Is Using New Scoring System to Select Projects.** To receive state bond funding, community college districts must submit project proposals to the Chancellor's Office. The Chancellor's Office selects among these project proposals using a scoring system adopted by

the CCC Board of Governors. The Board of Governors adopted a new scoring system in September 2020. Because the majority of Proposition 51 bond funding had already been committed by that time, relatively few projects under that earlier bond were selected under the new scoring system. The Chancellor's Office intends to use the new scoring system, however, to select projects under Proposition 2.

**Under New Scoring System, Funding Is Allocated Among Three Categories of Projects.** The old scoring system used six funding categories reflecting the purpose of the project (life safety, modernization, or growth) and the type of space (instructional, institutional support, or other).

In contrast, the new scoring system uses the three categories reflecting the purpose of the project but does not distinguish among different types of space. In allocating funding among the three categories, the Chancellor's Office first designates funding for life safety projects. These projects must be accompanied by a third-party study identifying imminent health or safety risks, seismic risks, or failing infrastructure. The district is generally required to cover at least 25 percent of the associated project costs. The Chancellor's Office may designate up to 50 percent of state funding each year for life safety projects, though the amount needed to fund all project proposals in this category is typically much lower. After addressing life safety projects under the new scoring system, the Chancellor's Office then allocates 65 percent of the remaining funding for modernization projects that renovate existing space and 35 percent for growth projects that add new space.

**Chancellor's Office Then Ranks Projects Within Each Category.** Districts typically submit more modernization and growth project proposals than available state bond funding can support. Each year, the Chancellor's Office uses certain scoring metrics to rank projects within these two categories. As the figure below shows, modernization projects receive points based on the age and condition of the facility. Meanwhile, growth projects receive points based on projected enrollment growth at the campus, as well as how its existing space capacity compares to its enrollment level. Projects in both categories also receive points based on the amount of the local contribution, with districts generally required to cover at least 25 percent of total project costs and receiving more points for covering a larger share. In addition, projects in both categories receive points for certain other metrics, including campus size and region.

### CCC Uses Certain Scoring Metrics to Rank Project Proposals

Metric	Description	Points
<b>Modernization Projects</b>		
Facility age	Provides points based on the age of the facility, with older facilities receiving more points.	60
Local contribution	Provides points based on the share of project costs covered by local funds, with larger local contributions receiving more points.	50
Facility condition	Provides points based on facility condition, with facilities in worse conditions receiving more points.	40
CTE status	Provides points to projects that add space for CTE programs.	25
Campus size	Provides points based on campus size, with larger campuses receiving more points.	20
Region	Provides points to projects in the Central Valley, Sierras, Inland Empire, and Far North.	5
<b>Total</b>		<b>200</b>
<b>Growth Projects</b>		
Enrollment growth	Provides points based on projected enrollment growth over the next five years, with faster-growing campuses receiving more points.	50
Existing capacity	Provides points based on usage of existing space, with more highly used space (at or exceeding capacity) receiving more points.	50
Local contribution	Provides points based on the share of project costs covered by local funds, with larger local contributions receiving more points.	50
CTE status	Provides points to projects that add space for CTE programs.	25
Campus size	Provides points based on campus size, with larger campuses receiving more points.	20
Region	Provides points to projects in the Central Valley, Sierras, Inland Empire, and Far North.	5
<b>Total</b>		<b>200</b>

CTE = career technical education.

**Governor’s Budget.** The Governor’s budget proposes \$51 million in Proposition 2 Bond funds for the preliminary plans and working drawings phases of 29 projects. The total cost across all phases of these projects is \$1.6 billion, with the state covering \$729 million (46 percent) and districts covering \$842 million (54 percent). Of these projects, 17 are modernization projects, 8 are growth projects, and 4 are life safety projects. (The Chancellor’s Office indicates it has submitted one additional life safety project with an estimated total state cost of \$61 million to the administration for inclusion in the May Revision.)



**Governor’s Budget Funds New and Continuing CCC Capital Outlay Projects**

Bond Funds (In Thousands)

College	Project	Phase	2025-26	All Years	
			State Cost	State Cost	Total Cost <sup>a</sup>
<b>Proposition 2 (2024)</b>					
Los Angeles Trade-Tech	Advanced transportation and manufacturing building replacement	P, W	\$6,047	\$91,161	\$219,471
Mt. San Antonio	Library replacement	P, W	3,896	57,958	160,190
Citrus	Career technical education building replacement	P, W	3,226	47,520	116,852
Moreno Valley	New Library Learning Resource Center	P, W	2,997	44,420	106,322
Norco	Library Learning Resource Center and student services center replacement	P, W	2,512	34,340	82,749
Golden West	Physical education gym replacement	P, W	2,002	29,421	57,790
Fullerton	STEM vocational center replacement	P, W	1,922	27,496	56,417
Bakersfield	Center for Student Success replacement	P, W	1,934	28,786	56,256
Merritt	Gymnasium and locker room replacement	P, W	1,676	22,834	54,805
De Anza	Physical education complex renovation	P, W	3,386	41,090	54,422
Long Beach (Liberal Arts Campus)	Building B replacement	PC <sup>b</sup>	382	24,782	51,641
Riverside	Cosmetology building replacement	P, W	1,617	20,196	48,782
Clovis	New kinesiology and wellness center	P, W	1,682	24,374	48,607
Merced	Music Art Theater Complex renovation	P, W	1,469	24,379	48,009
Antelope Valley	Gymnasium replacement	P, W	1,622	24,601	46,711
Rio Hondo	Business and art building replacement	P, W	1,594	23,233	45,813
Los Angeles City	Kinesiology South building replacement	P, W	1,294	17,592	41,958
Ben Clark Training Center <sup>c</sup>	New Education Center Building 2, Phase 1	P, W	1,335	16,246	39,489
Hartnell	Gymnasium renovation	P, W	1,764	19,603	38,310
Reedley	Agriculture instruction complex renovation	P, W	1,295	16,806	32,405
Grossmont	Gymnasium replacement	P, W	1,175	15,006	29,604
Willits Center <sup>d</sup>	Willits Center expansion, Phase 2	P, W	1,343	14,609	28,647
Orange Coast	Skills lab replacement	P, W	1,110	13,418	26,435
Imperial Valley	Gymnasium renovation	P, W	1,039	12,798	25,677
Shasta	Life sciences building renovation	P, W	680	8,569	16,832
El Camino	Hydronic line replacement	P, W	813	9,155	12,206
Los Angeles Pierce	Sewer utility infrastructure replacement	P, W	692	7,385	9,847
Los Angeles Valley	Sewer utility infrastructure replacement	P, W	591	5,885	7,845
Skyline	Boiler plant replacement	P, W	393	5,132	6,843
<b>Subtotals</b>			<b>(\$51,488)</b>	<b>(\$728,795)</b>	<b>(\$1,570,935)</b>
<b>Proposition 51 (2016)</b>					
Alameda	Aviation complex replacement	C	\$13,836	\$14,889	\$52,178
Golden West	Fine Arts building renovation	C	14,740	16,132	31,609
<b>Subtotals</b>			<b>(\$28,576)</b>	<b>(\$31,021)</b>	<b>(\$83,787)</b>
<b>Totals</b>			<b>\$80,064</b>	<b>\$759,816</b>	<b>\$1,654,722</b>

<sup>a</sup>Community college districts issue local general obligation bonds to pay for a share of project costs.  
<sup>b</sup>The performance criteria phase is the initial phase of this design-build project.  
<sup>c</sup>Center operated by Riverside Community College District.  
<sup>d</sup>Center operated by Mendocino-Lake Community College District.  
P = preliminary plans; W = working drawings; STEM = science, technology, engineering, and mathematics PC = performance criteria; and C = construction.

**Governor Also Proposes Funding Two Continuing Capital Outlay Projects.** As the figure above show, the Governor’s budget also includes \$29 million in 2025-26 for the construction phase of two projects initiated in previous years. These projects are funded under an earlier state general obligation bond, Proposition 51 (2016). The total cost across all phases of these projects is \$84 million, with the state covering \$31 million (37 percent) and districts covering \$53 million (63 percent). Both of these are modernization projects. We have no concerns with the proposed funding for these two projects.

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**Legislative Analyst's Office.****Assessment**

***Key Factors to Consider in Deciding How Much Proposition 2 Funding to Commit Now.*** Under the Governor's budget, the state would commit roughly half of CCC Proposition 2 funding. (The Chancellor's Office intends to request about \$400 million in Proposition 2 funding for additional projects in 2026-27 and the remainder in 2027-28.) The Legislature could choose to allocate a different amount of Proposition 2 funding in 2025-26. One factor to consider in making this decision is cost escalation. Allocating a significant portion of the available bond funds in the first year allows districts to begin projects as soon as possible, avoiding cost escalation that typically occurs due to inflation over time. Beyond the projects included in the Governor's budget, the Chancellor's Office reports that districts submitted an additional 25 eligible project proposals for 2025-26, with total associated state costs of roughly \$650 million. The quality of projects, however, is another basic factor to consider. These additional 25 projects scored lower than the projects included in the Governor's budget. Moreover, districts submit a new round of project proposals each year, and some new projects submitted over the next year or two might have stronger justification (thereby scoring higher) than these additional projects for 2025-26. Furthermore, additional life safety projects could emerge over the next couple of years.

***New Scoring System Has Several Positive Aspects.*** The Proposition 2 projects included in the Governor's budget were selected using the Chancellor's Office's new scoring system. We think parts of the new scoring system are reasonable. First, the scoring system reflects a consistent, transparent way of reviewing districts' project proposals. Second, the scoring system places the highest priority on life safety projects, with requirements in place to ensure that districts submit only immediate needs under this category. Third, the system uses several relevant scoring metrics to rank all other projects, namely facility age and condition for modernization projects and enrollment projections and existing capacity for growth projects. Finally, the scoring system requires districts to provide a local contribution for all categories of projects and creates incentives to provide more than the minimum local contribution for modernization and growth projects.

***Share of Funding Allocated for Modernization Projects Could Be Too Low.*** At the time the new scoring system was adopted in September 2020, the allocation of funding between modernization projects (65 percent) and growth projects (35 percent) generally reflected the system's identified capital outlay needs. Over the past few years, however, those needs have shifted. In CCC's most recent five-year capital outlay plan, modernization projects account for about 80 percent of the capital outlay needs identified for 2025-26 through 2029-30, while growth projects account for only about 20 percent. The shift away from growth projects likely reflects in part the increase in online education, which reduces the need for colleges to add new space. The use of online and other distance education at CCC remains significantly above pre-pandemic levels, accounting for an estimated 42 percent of full-time equivalent (FTE) students in fall 2024, compared to 17 percent in fall 2019. The Chancellor's Office has not yet revisited the split of funding between modernization and growth projects to reflect this trend. Under the current split, modernization projects are somewhat more likely to go unfunded. Of the project proposals that districts submitted for 2025-26, 17 out of 36 eligible modernization projects (47 percent) were included in the Governor's budget, compared to 8 out of 14 eligible growth projects (57 percent). Whereas

modernization projects address deficiencies with existing space, growth projects add new space, thereby contributing to higher ongoing operational costs.

***Nearly One-Third of Selected Projects Are Gymnasiums.*** Gymnasiums account for 9 of the 29 new projects included in the Governor’s budget—a much higher share of projects than in previous years. For comparison, only 8 out of more than 100 projects funded under the previous facilities bond, Proposition 51, were gymnasium projects. This shift is likely related to the new funding categories. Under the old scoring system, gymnasium projects (along with projects relating to child development facilities, performing arts facilities, and certain other noninstructional facilities) were in a separate category eligible for up to 15 percent of available funding. Under the new scoring system, gymnasiums compete with all other types of facilities within each category. That is, gymnasiums effectively are treated the same as other academic space. Given that Proposition 2 funding covers only a portion of CCC’s identified capital outlay needs, the state faces trade-offs between funding gymnasiums and funding other facilities that more directly support instruction. Although colleges use gymnasiums for courses in physical education and related disciplines, some of these courses are not core to CCC’s instructional mission. For example, these courses commonly include practice and conditioning time for intercollegiate athletics teams, as well as fitness courses.

***Rationale for Certain Scoring Metrics Is Unclear.*** Although the new scoring system includes several relevant scoring metrics, it also includes a couple of metrics for which the rationale is less clear. First, projects receive more points if they are located on a campus with more FTE students. The Chancellor’s Office indicates this is because larger campuses require more space than smaller campuses. Other scoring metrics, however, already provide more points based on enrollment growth and having insufficient existing space. Second, projects receive more points if they are located in the Central Valley, Sierras, Inland Empire, and Far North regions. The Chancellor’s Office indicates this metric is intended to target funding toward regions that have historically had lower educational attainment rates. The state likely has more direct ways, however, to increase educational attainment in these regions, such as by continuing to provide districts with supplemental funding for enrolling and supporting low-income students under the Student Centered Funding Formula.

## **Recommendation**

***Direct Chancellor’s Office to Justify and Potentially Adjust Parts of New Scoring System.*** During spring hearings, we recommend the Legislature direct the Chancellor’s Office to further explain the rationale for the current split of funding between modernization and growth projects, the large number of gymnasium projects selected for funding, and the inclusion of campus size and region in its scoring metrics. If these or other issues raise notable concerns for the Legislature, it could direct the Chancellor’s Office to adjust its scoring system accordingly. For example, this might mean allocating a larger share of funding toward modernization projects or capping the amount of funding for gymnasium projects. The Chancellor’s Office could then use the adjusted scoring system to select a revised set of projects for 2025-26.

**Staff Recommendation.** Hold Open.

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**Issue 5: Rising Scholars**

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**Panel.**

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

**Background.** The Rising Scholars Network was established by AB 417 (McCarty), Chapter 558, Statutes of 2021, to 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.

In 2022, the Chancellor's Office awarded the Rising Scholars Network funds through a competitive process that accounted for a college's readiness based on its current programs and services for currently or formerly incarcerated students. Of the 68 applicants, 59 were selected for awards of between \$100,000 to \$190,000 annually through 2024-25. Two of the selected applicants were multi-college districts, bringing the total count of participating colleges potentially up to 62—just under the cap of 65. Based on information from the Chancellor's Office, participating colleges are spending the majority of their program funds on personnel, including staff to provide specialized support for currently and formerly incarcerated students and instructional designers to adapt courses to be delivered in correctional settings. Other program expenses include technology, classroom space, and professional development.

**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.

**Some of Same Colleges Are Participating in Juvenile Justice Component.** In 2023, the Chancellor's Office awarded the juvenile justice funds through a competitive process. Of the 47 colleges that applied, 44 colleges received awards of \$312,500 annually through 2026-27. (Each college's award amount was slightly lower in 2022-23 because of the one-time set-aside for a

program evaluation.) Two colleges that applied for the program did not receive awards, and one college declined an award. Most of the colleges participating in the juvenile justice component of the program are also participating in the original component focused on adult students. In total, 75 colleges are participating in one or both program components in 2024-25. As with the original component, colleges are spending the majority of program funds from the juvenile justice component on personnel costs.

**Governor's 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.

**Staff Recommendation.** Hold Open.

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**Issue 6: Cloud Data Platform & Enterprise Resource Planning System****Panel.**

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

**Background.**

**Common Cloud Data Platform.** 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. (Districts also use their ERP systems for many other purposes, as we discuss in the next section of this brief.) 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.

**Common Cloud Data Platform Demonstration Project.** In October 2023, the Chancellor's Office launched a demonstration project called the "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.

**Governor's Budget.** 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 state commonly takes this approach with CCC systemwide initiatives to ensure that Proposition 98 General Fund is allocated to local educational agencies.) 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.

**Legislative Analyst's Office.****Assessment**

***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 (which we discuss in the next section of this brief). 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.

**Recommendation**

**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, as we discuss in the nearby box. 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 Enterprise Resource Planning System.** 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. (Districts also use their ERP systems for many other purposes, as we discuss in the next section of this brief.) 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.

**Chancellor’s Office Recently Launched Demonstration Project to Share Student Data More Easily.** In October 2023, the Chancellor’s Office launched a demonstration project called the “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.

**Governor’s Budget.** 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 state commonly takes this approach with CCC systemwide initiatives to ensure that Proposition 98 General Fund is allocated to local educational agencies.) 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.



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**Legislative Analyst's Office.****Assessment**

***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.

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***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 (which we discuss in the next section of this brief). 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.

**Recommendation**

***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, as we discuss in the nearby box. 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 Enterprise Resource Planning (ERP) System**

**Each District Has Its Own 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 believes this approach has several drawbacks—including inconsistencies in the technology experience for students and employees across the system, information security vulnerabilities at districts with outdated ERP systems, and IT staffing challenges at smaller districts.

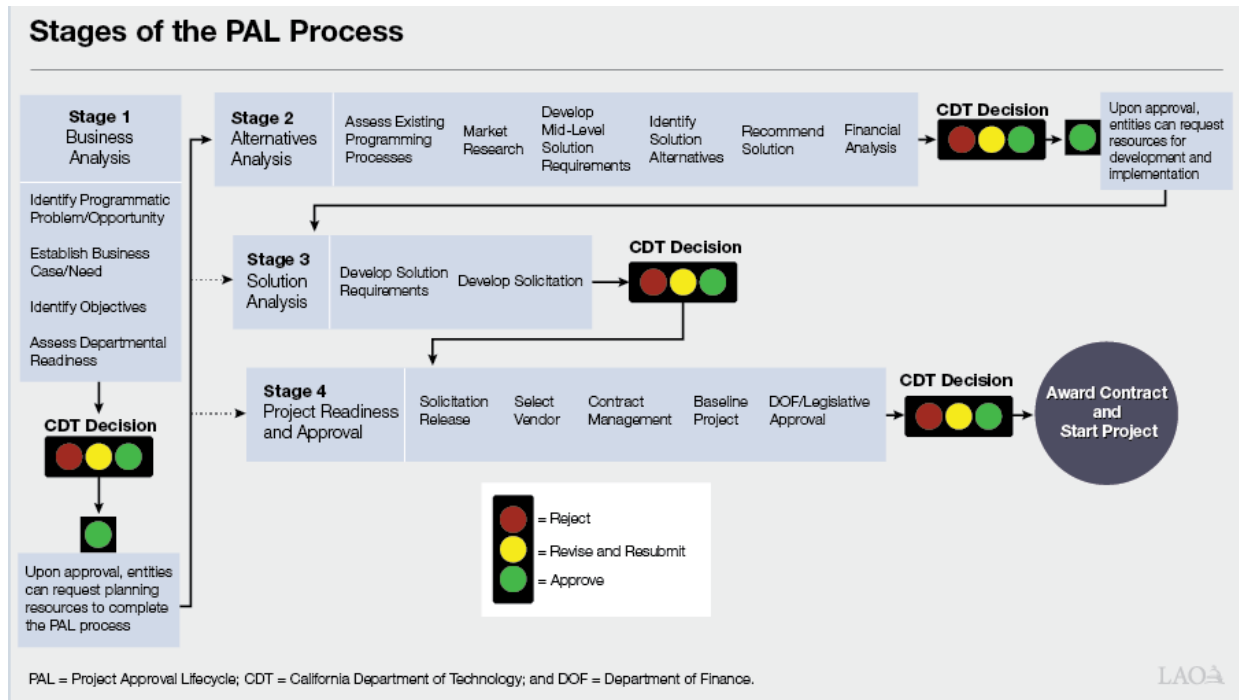
**Chancellor's Office Recently Initiated a Common ERP Project.** In February 2024, the Chancellor's Office convened a task force to provide input on systemwide technology issues. One issue the task force considered was the development of a common ERP—a centrally administered IT system that would replace 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 Budget.** 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.

### **Legislative Analyst's Office.**

#### **Assessment**

***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). The box below describes this process. 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.

## **Recommendation**

***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 Recommendation.** Hold Open.