

Senate Budget and Fiscal Review—John Laird, Chair

SUBCOMMITTEE NO. 1

Agenda

Senator Sasha Renée Pérez, Chair
Senator Bob Archuleta
Senator Rosilicie Ochoa Bogh



Thursday, April 9, 2026
9:30 a.m. or Upon Adjournment of Session
1021 O Street, Room 2100

Consultants: Diego Emilio J. Lopez

6610	California State University (CSU)	3
	Issue 1: CSU Turnaround Plans Report Update	3
1111	Bureau for Private Postsecondary Education (BPPE)	5
	Issue 2: General Fund Backfill	5
6440	University of California (UC)	9
6610	California State University (CSU)	9
6870	Board of Governors of the California Community Colleges	9
6980	California Student Aid Commission (CSAC)	9
	Issue 3: Cal Grant Update	9
6440	University of California (UC)	15
6610	California State University (CSU)	15
6980	California Student Aid Commission (CSAC)	15
	Issue 4: Middle Class Scholarship Update & Governor’s Budget Proposal	15
6870	Board of Governors of the California Community Colleges	19
	Issue 5: Proposition 2 - Capital Outlay Projects	19

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6610 CALIFORNIA STATE UNIVERSITY (CSU)**Issue 1: CSU Turnaround Plans Report Update****Panel.**

Alex Anaya Velazquez, Department of Finance

Mark Martin, California State University

Natalie Gonzalez, Legislative Analyst's Office

Background. The 2025 Budget Act included provisional language requiring that every CSU campus that has experienced sustained enrollment declines to submit a turnaround plan to the CSU Chancellor's Office by December 31, 2025. In turn, the CSU Chancellor's Office is required to review and submit a consolidated report to the Department of Finance and the Legislature by March 1, 2026. This consolidated report shall also include systemwide strategies for increasing student demand and enrollment as developed by the CSU Chancellor's Office.

On February 26, 2026, the CSU Chancellor's Office requested and was granted a 30-day extension, with a new reporting deadline of March 31, 2026.

Each turnaround plan submitted by individual campuses are required to include, but not be limited to, the following information:

1. A list of strategies the campus has decided to implement to increase student demand and enrollment, including:
 - The expected outcomes of each strategy, including any results to date.
 - An implementation timeline for each strategy, including actions taken to date.
 - The cost of each strategy (one time, ongoing, and total).
 - Comparable information shall also be provided for any other strategies that the campus is seriously considering to increase its enrollment, even if the campus has not yet finalized or begun implementing them.
2. Enrollment projections for each of the next five years.
3. A list of cost-saving strategies the campus has decided to implement, including:
 - The amount of associated savings (one time, ongoing, and total) expected to be achieved as a result of each strategy, including any savings achieved to date.
 - An implementation timeline for each strategy, including actions taken to date.
 - Comparable information shall also be provided for any other strategies that the campus is seriously considering to reduce its costs, even if the campus has not yet finalized or begun implementing them.

The CSU Chancellor's Office identified seven campuses to submit turnaround plans, including: CSU Channel Islands, CSU Chico, CSU Dominguez Hills, CSU East Bay, CSU Humboldt, CSU San Francisco, and CSU Sonoma.

The CSU's Consolidated Turnaround Plan report is included as an attachment to this agenda.

Staff Recommendation. Informational Item Only.

1111 BUREAU FOR PRIVATE POSTSECONDARY EDUCATION (BPPE)

Issue 2: General Fund Backfill

Panel.

Taylor Schick, Chief Fiscal Officer, Department of Consumer Affairs

Deborah Cochrane, Bureau Chief, Bureau for Private Postsecondary Education

Charlene Manning, Principal Program Budget Analyst, Department of Finance

Lisa Qing, Legislative Analyst's Office

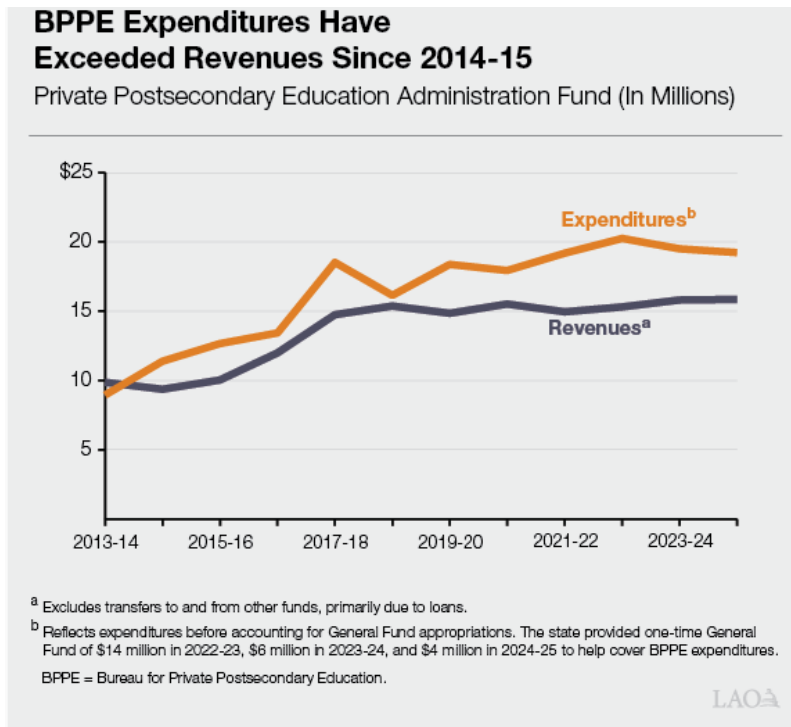
Governor's Budget. The Governor's budget includes a \$10 million one-time General Fund appropriation for BPPE in 2025-26. These funds would be used to repay the High Polluter Repair or Removal Account loan in full in the current year. This would effectively shift the litigation costs covered by that loan to the General Fund. The Administration indicates the General Fund support is intended to help mitigate BPPE's structural deficit and narrow BPPE's proposed fee increases for educational institutions to only recover BPPE's existing operational costs.

Background. The Bureau for Private Postsecondary Education oversees and approves private postsecondary degree-granting institutions to make sure they meet specified minimum statutory standards concerning the quality of education, ethical and business practices, health and safety, and fiscal responsibility. The Bureau responds to student complaints and oversees a fund designed to help reimburse a student's tuition if a school closes unexpectedly.

BPPE's Operations Are Supported by a Special Fund. BPPE deposits revenue into the Private Postsecondary Education Administration Fund (BPPE Fund). Like other regulatory agencies, BPPE receives revenue from various fees paid by the entities it oversees. The largest of these fees is an annual licensing fee, which accounts for more than 90 percent of the revenue in the BPPE Fund. This annual fee is currently set at 0.55 percent of each campus's total revenue from California students, with a minimum fee of \$2,500 and a maximum fee of \$60,000 per campus. BPPE also charges several smaller fees, including fees for institutions to apply for, renew, or make changes to their licenses. The Legislature sets BPPE's fees in statute. The last time the Legislature adjusted these fees was during BPPE's 2016 sunset review, when it changed the structure of the annual licensing fee, among other changes. Those changes were fully implemented by July 1, 2018. Since then, revenues in the BPPE Fund have been roughly flat in unadjusted dollars. Adjusting for inflation, revenues were 18 percent lower in 2024-25 than in 2018-19.

BPPE Fund Has a Structural Deficit. As the figure below shows, expenditures from the BPPE Fund have exceeded revenues annually beginning in 2014-15. This trend is counter to the typical expectation that regulatory agencies' fees cover their costs. As a result of BPPE's structural deficit, the state has taken several actions to keep the BPPE Fund solvent in recent years. Most notably, in 2021-22, the Department of Consumer Affairs issued a \$12 million loan to the BPPE Fund from the Bureau of Automotive Repair's Vehicle Inspection and Repair Fund. (Control Section 14.00 of the annual budget act authorizes DCA to issue loans between the special funds it oversees.) The

2022-23 budget then provided BPPE with \$24 million one-time General Fund over three years to repay this loan and cover its operational costs while BPPE developed a proposal for a new fee structure. BPPE submitted a report to the Legislature in February 2024 containing recommendations for fee increases. Consistent with that report, BPPE is now seeking legislative approval for fee increases as part of its sunset review this spring. Most notably, under BPPE’s proposal, the annual fee would increase to 0.75 percent of each campus’s total revenue from California students, with a minimum fee of \$4,000 and a maximum fee of \$80,000 per campus. The proposed increase in the maximum fee is roughly in line with inflation since the last time it was raised.



Source: Legislative Analyst’s Office – The 2026-27 Budget: Bureau for Private Postsecondary Education

Legislative Analyst’s Office (LAO).

Assessment

No General Fund Appropriation for BPPE Is Needed in the Current Year. The Administration has not demonstrated an immediate need for a current-year General Fund appropriation for BPPE. With the existing loan from the High Polluter Removal or Repair Account, the BPPE Fund can fully cover its expenditures and remain solvent in 2025-26. In addition, the High Polluter Repair or Removal Account does not need to be repaid in the current year. Even without repayment, that fund would have more than enough to cover its expenditures, with an estimated ending balance of \$95 million (22 months of expenditures) in 2025-26.

Proposal Would Not Address BPPE’s Underlying Structural Deficit. As the figure below shows, the BPPE Fund is projected to become insolvent in 2027-28 regardless of whether the state provides the proposed General Fund appropriation. (This appropriation would have a small impact

on BPPE’s near-term fiscal condition, as it covers loan repayment costs that would otherwise be spread across the next six years.) Furthermore, the state has already provided \$24 million in General Fund appropriations to keep the BPPE Fund solvent in recent years. The state likely will need to continue providing periodic General Fund appropriations for BPPE unless its underlying structural deficit is addressed.

BPPE Fund Faces Insolvency Even Under Governor’s Proposal

Projected Fund Condition (In Millions)^a

	2025-26	2026-27	2027-28
Current Law			
Prior-year fund balance	\$8.8	\$5.9	\$0.1
Revenues (+)	15.6	15.9	15.8
Expenditures (-)	-28.5 ^b	-19.7	-20.3
HPRRA loan (+) and repayment (-) ^c	10.0	-1.9	-1.9
Ending Fund Balance	\$5.9	\$0.1	-\$6.3
Governor’s Proposal			
Prior-year fund balance	\$8.8	\$5.9	\$2.1
Revenues (+)	15.6	15.9	15.8
Expenditures (-)	-28.5 ^b	-19.7	-20.3
General Fund appropriation (+)	10.0	—	—
Ending Fund Balance	\$5.9	\$2.1	-\$2.5

^aLoan repayment costs, 2027-28 revenues, and 2027-28 expenditures reflect estimates provided by the administration in December 2025. All other estimates come from the Governor’s budget.

^bIncludes \$10 million in one-time litigation costs.

^cReflects a \$10 million loan from HPRRA in 2025-26 that would be repaid in annual installments of \$1.9 million from 2026-27 through 2031-32.

BPPE = Bureau for Private Postsecondary Education and HPRRA = High Polluter Repair or Removal Account.

Source: Legislative Analyst’s Office – The 2026-27 Budget: Bureau for Private Postsecondary Education

Using General Fund to Cover Special Fund Costs Has Notable Drawbacks. BPPE is intended to function the same as other regulatory agencies—charging fees to cover its costs. For many regulatory agencies, these costs sometimes include legal settlements and other litigation costs. The General Fund is not intended to cover these costs. Using General Fund in place of special funds comes at the expense of supporting other core state programs (particularly ones that do not have the authority or ability to raise their own revenue). Moreover, using General Fund to cover litigation costs for BPPE sets a poor precedent, notably increasing the state’s General Fund exposure if other special fund agencies were to seek similar fiscal assistance. Furthermore, the General Fund currently is facing its own structural deficit, with its own spending exceeding revenues. Using \$10 million one-time General Fund to cover BPPE’s costs leaves less funding available for other important purposes, including building fiscal resiliency through higher General Fund reserves.

Recommendation

Reject Proposal and Address BPPE’s Structural Deficit as Part of Sunset Review. Given the concerns above, the LAO recommends the Legislature reject the proposed General Fund appropriation for BPPE in 2025-26. Furthermore, to remove the pressure for General Fund appropriations in future years, we recommend the Legislature address BPPE’s underlying structural deficit as part of the sunset review process this spring. The Legislature could approve a revised fee structure and associated fee increases to ensure the regulatory agency can cover its costs. BPPE’s fees have not been adjusted in nearly a decade and its associated revenue has not kept pace with inflation. The Legislature also could link BPPE’s statutory maximum annual fee to an inflation index so that structural deficits would be less likely to reemerge. While increasing fees would lead to higher costs for the institutions that BPPE oversees, we think it is unlikely that increases of the size BPPE is proposing would notably impact these institutions’ ability to operate in California and, in turn, student access to higher education. Beyond raising BPPE fees, the Legislature could consider ways to reduce BPPE’s expenditures, but this would likely require narrowing BPPE’s mission or otherwise scaling back its activities.

Staff Recommendation. Hold Open.

6440 UNIVERSITY OF CALIFORNIA (UC)
6610 CALIFORNIA STATE UNIVERSITY (CSU)
6870 BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES
6980 CALIFORNIA STUDENT AID COMMISSION (CSAC)

Issue 3: Cal Grant Update

Panel.

Shawn Brick, University of California

April Grommo, California State University

Allison Beer, California Community Colleges Chancellor's Office

Tae Kang, California Student Aid Commission

Hugo Solis Galeana, Department of Finance

Natalie Gonzalez, Legislative Analyst's Office

Governor's Budget.

2025-26 Revised Cal Grant Spending. The Governor's budget includes \$107 million General Fund to reflect a 3.8 percent increase in Cal Grant cost estimates from CSAC. Since budget enactment, spending is coming in higher than budgeted in all program areas (except for competitive awards), with the largest increases in the High School Entitlement and CCC Expanded Entitlement programs. Higher spending in the High School Entitlement program is due to an 8.1 percent increase in the expected number of recipients. For the CCC Expanded Entitlement program, higher spending is particularly concentrated at CSU (due to more recipients transferring to CSU and their average awards increasing).

Revised Cal Grant Spending for 2025-26 (Dollars in Millions)

	2025-26 Enacted	2025-26 Revised	Percent Change from Enacted to Revised
Total Spending	\$2791	\$2898	3.8%
By Segment:			
University of California	1234	1232	-0.2%
California State University	956	1026	7.3%
California Community Colleges	344	362	5.2%
Private nonprofit institutions	229	247	7.9%
Private for-profit institutions	28	30	7.1%
Other Public Institutions	—	1	—
By Program:			
High School Entitlement	1971	2044	3.7%
CCC Expanded Entitlement	478	515	7.7%
Competitive	157	150	-4.5%
Transfer Entitlement	165	167	1.2%
Cal Grant C	21	21	0.0%
By Award Type:			
Cal Grant B	1309	1379	5.3%
Cal Grant A	1461	1498	2.5%
Cal Grant C	21	21	0.0%
By Renewal or New:			
Renewal	1924	1940	0.8%
New	867	958	10.5%

Source: Legislative Analyst's Office – September 2025 and January 2026 EdBudget Figures

Cal Grant Costs in 2026-27. The Governor's budget includes an additional \$337 million ongoing General Fund in 2026-27, representing an estimated 12 percent increase in Cal Grant spending over the revised 2025-26 spending level. The higher spending reflects a 9.1 percent projected increase in recipients and a 2.3 percent projected increase in average Cal Grant award amounts, primarily due to UC's and CSU's planned tuition increases. (Under CSAC's estimates, \$65 million of the Cal Grant spending increase in 2026-27 is attributable to covering higher tuition costs at UC and CSU.) The figure below summarizes the projected changes for 2026-27 by segment and award type.

Cal Grant Spending Is Estimated to Be Up 12 Percent in 2026-27

Reflects Cost Estimates in Governor's Budget (Dollars in Millions)

	2024-25 Actual	2025-26 Revised	2026-27 Proposed	Change From 2025-26	
				Amount	Percent
Totals	\$2,496	\$2,898	\$3,235	\$337	11.6%
By Segment:					
California Community Colleges	\$1,082	\$1,232	\$1,365	\$133	10.8%
California State University	844	1,026	1,188	161	15.7
University of California	315	362	388	26	7.3
Private nonprofit institutions	228	247	261	14	5.8
Private for-profit institutions	25	30	33	2	7.3
Other public institutions	1	1	— ^a	— ^a	-63.7
By Program:					
High School Entitlement	\$1,762	\$2,044	\$2,317	\$273	13.4%
CCC Expanded Entitlement	426	515	562	46	9.0
Competitive	148	150	155	5	3.2
Transfer Entitlement	145	167	180	12	7.4
Cal Grant C	16	21	22	1	4.6
By Award Type:					
Cal Grant B	\$1,170	\$1,379	\$1,558	\$179	13.0%
Cal Grant A	1,310	1,498	1,656	157	10.5
Cal Grant C	16	21	22	1	4.6
By Renewal or New:					
Renewal	\$1,662	\$1,940	\$2,219	\$279	14.4%
New	834	958	1,016	58	6.1

^aLess than \$500,000.

Notes: Data reflect California Student Aid Commission estimates.

Source: Legislative Analyst's Office – The 2026-27 Budget: California Student Aid Commission

Background. The state created the Cal Grant program to increase college access by making college more affordable for California students with financial need. The program gives these students choice in where they attend school, as students can use their Cal Grant award at any of the state's three public segments, private nonprofit institutions, and private for-profit institutions. The program began in 1956 with 600 students receiving awards to assist with the cost of college. In 2024-25, the program served more than 450,000 students and spent \$2.5 billion.

The Cal Grant program includes three types of awards that cover certain kinds of college costs.

- Cal Grant A awards cover full systemwide tuition and fees at public universities and a fixed amount of tuition at private universities.

- Cal Grant B awards provide the same amount of tuition coverage as Cal Grant A awards in most cases, while also providing an “access award” for nontuition expenses such as food and housing.
- Cal Grant C awards, which are only available to students enrolled in career technical education (CTE) programs, provide lower amounts of tuition and nontuition coverage. Across all award types, larger amounts of nontuition coverage are available to students with dependent children as well as current and former foster youth.

The figure below shows how Cal Grant award amounts differ by award type, sector and student characteristics.

Cal Grant Amounts Vary by Award Type, Sector, and Student Characteristics
Maximum Annual Award for a New, Full-Time Undergraduate Student, 2026-27

Tuition Awards	
Cal Grant A and B	
UC	\$15,588
Nonprofit institutions	9,358
WASC-accredited for-profit institutions	8,056
CSU	6,838
Other for-profit institutions	4,000
Cal Grant C	
Private institutions	\$2,462
Access Awards ^a	
Cal Grant A	
Students with dependent children	\$6,000
Foster youth	6,000
Cal Grant B	
Students with dependent children	\$6,000
Foster youth	6,000
Other students	1,648
Cal Grant C	
Students with dependent children	\$4,000
Foster youth	4,000
Other CCC students	1,094
Private institution students	547

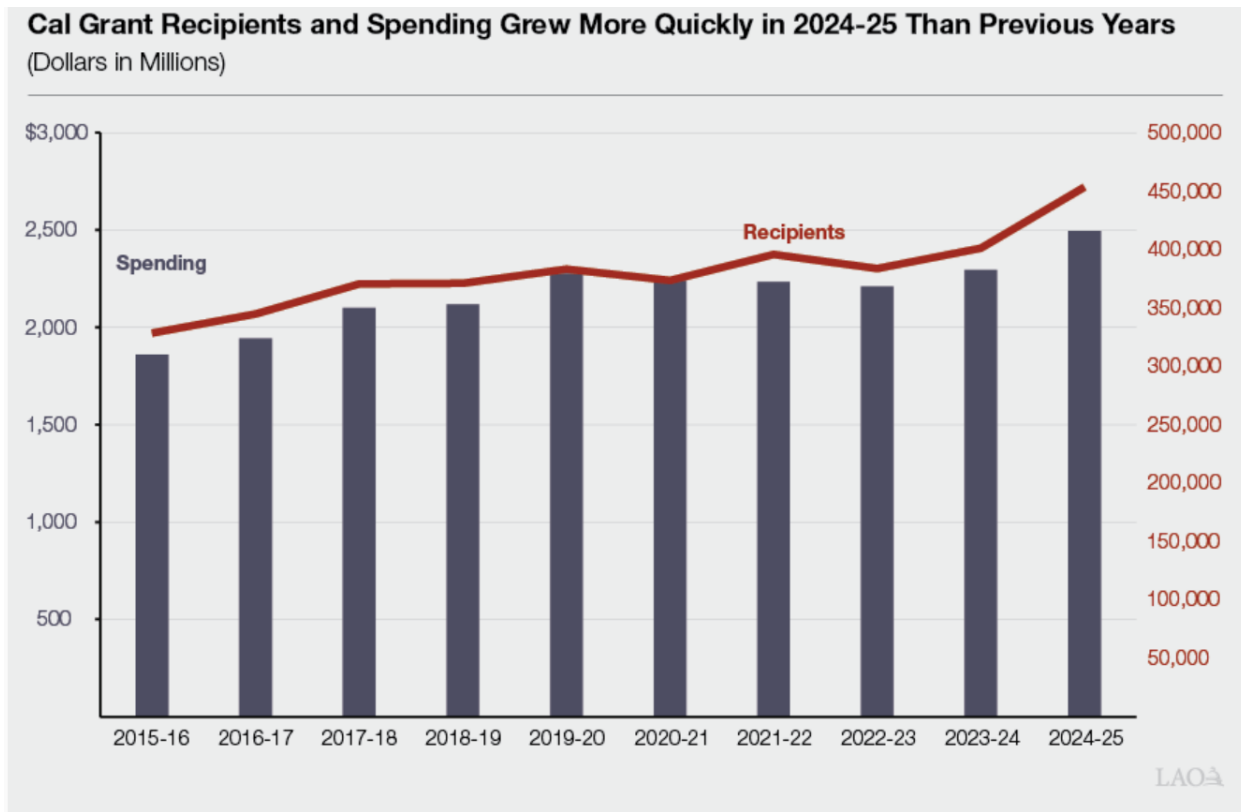
^aAccess awards generally may cover any living cost, including housing, food, transportation, books, and supplies. Cal Grant C awards for students attending private institutions may cover only books, supplies, and equipment. Students attending private for-profit institutions are ineligible for “students with dependent children” and “foster youth” awards.

WASC = Western Association of Schools and Colleges.

Source: Legislative Analyst’s Office – The 2026-27 Budget: California Student Aid Commission

Cal Grants Have Financial and Academic Eligibility Criteria. Students apply for Cal Grant awards by submitting a Free Application for Federal Student Aid (FAFSA) or, in certain cases, a California Dream Act Application (CADAA). To qualify for an award, students must demonstrate “financial need,” which, for most students, is determined through a federal calculation using information submitted on the FAFSA. (This financial need calculation is used for many needs-based financial aid programs across the country.) Students have financial need if their total cost of attendance exceeds their Student Aid Index, which is a proxy for what households can contribute toward college costs. In addition, students must have household income and assets below specified Cal Grant caps. The state uses these caps both to target aid and contain program costs. The income and asset caps vary by family size and are adjusted annually for inflation. In the [2025-26 award year](#), the annual household income cap for a dependent student from a family of four is \$135,900 to qualify for Cal Grant A or C awards and \$71,500 to qualify for Cal Grant B awards. Beyond financial criteria, students must also meet a minimum grade point average (GPA) requirement to qualify for a Cal Grant. The specific GPA requirement varies by award type. Most award types require a minimum high school GPA of 2.0 or 3.0 or a minimum community college GPA of 2.0 or 2.4.

Number of Cal Grant Recipients and Spending Have Been Rising. As the figure below shows, the number of Cal Grant recipients and Cal Grant spending have increased over the past decade. The number of recipients grew from approximately 328,000 in 2015-16 to 453,000 in 2024-25—a 3.7 percent average annual increase. Spending grew from \$1.9 billion to \$2.5 billion over the same period—a 3.1 percent average annual increase. Growth in both recipients and spending were particularly high in 2024-25 (the most recent year of actual data). In 2024-25, Cal Grant recipients increased by 13 percent and spending increased by 8.7 percent.



Source: Legislative Analyst’s Office – The 2026-27 Budget: California Student Aid Commission

Staff Recommendation. Hold Open.

6440 UNIVERSITY OF CALIFORNIA (UC)
6610 CALIFORNIA STATE UNIVERSITY (CSU)
6980 CALIFORNIA STUDENT AID COMMISSION (CSAC)

Issue 4: Middle Class Scholarship Update & Governor’s Budget Proposal

Panel.

Shawn Brick, University of California

April Grommo, California State University

Tae Kang, Deputy Director for Program Administration & Services Division, CSAC

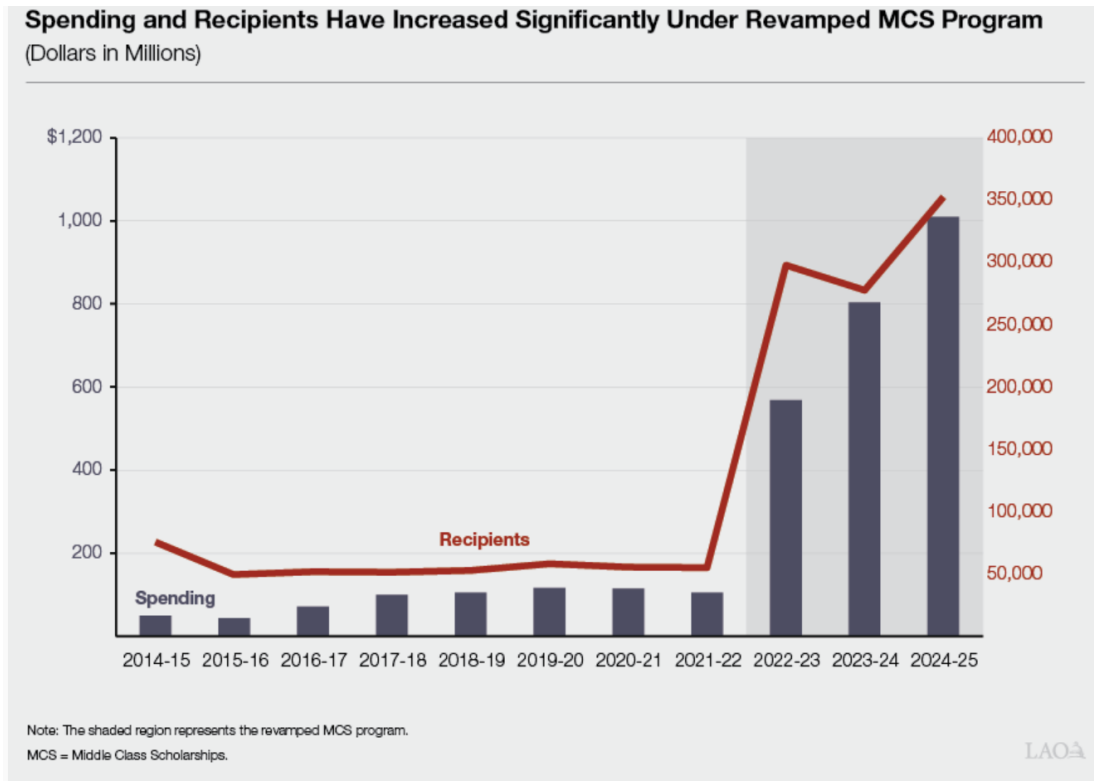
Hugo Solis Galeana, Department of Finance

Natalie Gonzalez, Legislative Analyst’s Office

Governor’s Budget.

Reducing Middle Class Scholarship (MCS) Award Coverage to 17.5 Percent. The Governor’s budget reduces MCS award coverage by half—from 35 percent to 17.5 percent—for the 2026-27 award year. This is the only proposed higher education budget solution. The proposed funding level is \$513 million ongoing General Fund. The reduction in award coverage would decrease MCS spending by \$541 million. The administration scores the \$541 million as one-time savings. The Governor’s budget maintains the new budgetary approach of funding MCS awards one year in arrears, as adopted in the 2025 Budget Act. Given this budgetary approach, the state would not achieve the identified one-time General Fund savings until 2027-28.

Background. The state created the original MCS program in the 2013 Budget Act to provide partial tuition coverage to certain UC and CSU students. Originally, awards were for students who were not receiving tuition coverage through the Cal Grant program or other need-based financial aid programs. In 2022-23, the state implemented a new set of rules for the MCS program. The new program focuses on total cost of attendance (rather than only tuition). Under the new program, students may use their awards for nontuition expenses, such as housing and food. As the figure below shows, the spending for the program and number of recipients increased sharply in 2022-23 with the launch of the new MCS program.



Source: Legislative Analyst’s Office – The 2026-27 Budget: California Student Aid Commission

Increase in MCS Spending Stems Primarily From Expanding Eligibility to Cal Grant Recipients. In 2024-25, about 190,000 (55 percent) MCS recipients were also Cal Grant recipients (that is, students who were not eligible for awards under the original program). These recipients account for roughly 80 percent of the increase in MCS spending. Though much of the increase in MCS recipients under the revamped program is due to expanded eligibility, some is due to higher enrollment at UC and CSU. Specifically, from 2021-22 (the year before MCS was revamped) to 2024-25, resident undergraduate enrollment increased by 7.5 percent and 2.1 percent at UC and CSU, respectively.

Average MCS Award Amount Increased by About Half Between Original and Revamped Program. Across all MCS recipients, the average MCS award in 2024-25 was \$3,673—50 percent higher than in 2021-22. In 2024-25, the average MCS award for CSU students was 70 percent higher than it had been under the original program. By comparison, the average MCS award for UC students was slightly lower than under the original program. These changes in average award amounts are due to switching the program from partial tuition coverage to a share of remaining cost of attendance.

Middle Class Scholarship Award Calculation. Calculating each student’s award amount involves several steps. Starting with a student’s total cost of attendance, CSAC deducts the student’s available resources, consisting of:

- Other need-based and non-need-based gift aid.
- Student Contributions from part-time works earnings.

- Parent contribution for dependent students with household incomes over \$100,000. This parent contribution is one-third of the expected parent contribution calculated according to the federal student aid index methodology.

Awards are then prorated based on program funding level.

MCS Award Coverage Has Been Determined in Two Ways. Under the revamped program, every student receives the same percentage of their remaining costs covered (except foster youth, who receive awards that cover 100 percent of their remaining costs). From 2022-23 through 2024-25, CSAC determined what percentage of each student's remaining costs to cover based on the annual MCS appropriation. In 2022-23, award coverage was 26 percent, followed by 36 percent in 2023-24, and 35 percent in 2024-25. Using this approach, CSAC could not finalize the percentage of award coverage until August when it received enrollment rosters from campuses. This issue made it challenging for campuses to inform students of their estimated MCS award amounts prior to the start of the academic year. As a result, students often did not know their full financial aid package prior to the start of the academic year. To help mitigate this issue, in 2025-26, rather than setting the appropriation for MCS and adjusting award coverage accordingly, the state locked in the percentage of award coverage that year at 35 percent. The state is now responsible for covering whatever is the associated cost.

The 2025 Budget Act Began Funding the MCS Program in Arrears. The state also adopted a new budgetary approach for the MCS program last year. Under the new budgetary approach, the state began funding the MCS program one year in arrears. As a result, the state will pay for the cost of MCS awards for the 2025-26 academic year in 2026-27. The state is covering costs in 2025-26 using a General Fund loan.

Staff Comments. As a result of the Administration's proposal to reduce the Middle Class Scholarship program's funding levels by more than half, students will see significantly less support in financial aid, with award coverage levels dropping from 35 percent to 17.5 percent. This leads to significant volatility for students as they potentially face having to cover a shortfall in financial aid from one year to the next and potential new students basing decisions on less affordable financial aid packages. As shown in the figure below, average awards amounts are estimated to be reduced by \$1,568 for students at the CSU and \$1,464 for students at the UC.

Middle Class Scholarship Program

Key Information by Segment

	2024-25 Actual	2025-26 Revised	2026-27 Proposed	Change from 2025-26	
				Amount	Percent
Recipients					
CSU	250,587	239,590	251,569	11,979	5%
UC	101,848	109,984	115,483	5,499	5
CCC ^a	117	93	98	5	5
Total	352,552	349,667	367,150	17,483	5%
Spending (Dollars in Millions)					
CSU	\$711	\$719	\$360	-\$358	-50% ^b
UC	298	335	183	-152	-45
CCC ^a	1	— ^c	— ^c	— ^c	-45
Total	\$1,009	\$1,054	\$544^d	-\$511	-48%
Average Award					
CSU	\$2,836	\$2,999	\$1,432	-\$1,568	-52% ^b
UC	2,926	3,050	1,586	-\$1,464	-48
CCC ^a	5,255	4,227	2,198	-\$2,029	-48

Source: Legislative Analyst's Office – The 2026-27 Budget: California Student Aid Commission

Staff Recommendation. Hold Open.

6870 BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

Issue 5: Proposition 2 - Capital Outlay Projects

Panel.

Chris Ferguson, California Community Colleges Chancellor’s Office

Alexandra Wildman, Department of Finance

Lisa Qing, Legislative Analyst’s Office

Governor’s Budget.

Funding for Planning Phases of 10 Projects in 2026-27. The Governor’s budget includes \$28 million Proposition 2 bond funds for the preliminary plans and working drawings phases of 10 projects selected by the California Community College Chancellor’s Office. The total cost across all project phases is \$748 million, with the state covering \$399 million (53 percent) and districts covering \$348 million (47 percent). The figure below provides a list of the proposed projects.

Governor’s Budget Funds New CCC Capital Outlay Projects
Proposition 2 Bond Funds (In Thousands)

College	Project	Phase	2026-27		All Years	
			State Cost	State Cost	Total Cost ^a	
Modernization						
El Camino	Interdisciplinary science center replacement	P, W	\$4,259	\$64,089	\$146,927	
Los Angeles City	Communications cinema building replacement	P, W	2,441	36,570	81,231	
Bakersfield	Fine arts building replacement	P, W	1,861	40,278	52,925	
Reedley	Vocational-technical complex renovation	P, W	2,647	34,106	51,316	
Merced	Gym complex replacement	P, W	2,461	35,626	50,571	
Golden West	Performing arts building replacement	P, W	1,542	21,782	42,824	
Chaffey	Theater renovation	P, W	1,489	17,848	25,041	
Subtotals			(\$16,700)	(\$250,299)	(\$450,835)	
Growth^b						
Riverside	Advanced technology building replacement	P, W	\$4,677	\$71,925	\$178,825	
Hanford Center ^c	New science building	P, W	4,182	51,137	67,082	
Porterville	Career technology building replacement	P, W	2,250	26,067	50,944	
Subtotals			(\$11,109)	(\$149,129)	(\$296,851)	
Totals			\$27,809	\$399,428	\$747,686	

^aCommunity college districts issue local general obligation bonds to pay for a share of project costs.
^bReplacement buildings listed in this category involve adding space.
^cCenter operated by Sequoias Community College District.
P = preliminary plans and W = working drawings.

Source: Legislative Analyst’s Office - The 2026-27 Budget: Community College Facilities

Continued Funding for 2025-26 Projects. The Governor’s budget includes \$709 million Proposition 2 bond funds for the construction phase of 29 capital outlay projects initiated in 2025-26. The total cost across all project phases is \$1.6 billion, with the state covering \$764 million (48 percent) and districts covering \$834 million (52 percent). As of the Governor’s budget, all but two of these projects were scheduled to complete working drawings in 2026-27, with the remaining projects expected to do so by August 2027. The figure below provides details of those continuing projects.

Governor’s Budget Funds Continuing CCC Capital Outlay Projects

Proposition 2 Bond Funds (In Thousands)

College	Project	Phase	2026-27		All Years	
			State Cost	State Cost	Total Cost ^a	
Life Safety						
American River	Davies Hall replacement	C	\$55,655	\$59,984	\$79,749	
El Camino	Hydronic line replacement	C	8,530	9,343	12,457	
Los Angeles Pierce	Sewer utility infrastructure replacement	C	6,576	7,268	9,692	
Skyline	Boiler plant replacement	C	5,519	5,973	7,925	
Los Angeles Valley	Sewer utility infrastructure replacement	C	5,203	5,794	7,726	
Subtotals			(\$81,483)	(\$88,362)	(\$117,549)	
Modernization						
Los Angeles Trade-Tech	Advanced transportation and manufacturing building replacement	C	\$83,567	\$89,614	\$215,809	
Citrus	Career technical education building replacement	C	43,784	47,010	114,887	
Golden West	Physical education gym replacement	C	26,907	28,909	56,801	
Bakersfield	Center for Student Success replacement	C	26,363	28,297	55,336	
Merritt	Gymnasium and locker room replacement	C	20,769	22,445	53,877	
De Anza	Physical education complex renovation	C	36,999	40,385	53,487	
Long Beach (Liberal Arts Campus)	Building B replacement	DB	24,400	24,782	51,639	
Merced	Music Art Theater Complex renovation	C	22,604	24,073	47,206	
Antelope Valley	Gymnasium replacement	C	22,562	24,184	45,927	
Rio Hondo	Business and art building replacement	C	21,133	22,727	45,016	
Los Angeles City	Kinesiology South building replacement	C	16,008	17,302	41,270	
Hartnell	Gymnasium renovation	C	17,501	19,265	37,648	
Reedley	Agriculture instruction complex renovation	C	15,204	16,499	31,825	
Orange Coast	Skills lab replacement	C	12,086	13,196	25,998	
Imperial Valley	Gymnasium renovation	C	11,736	12,775	25,373	
Shasta	Life sciences building renovation	C	7,757	8,437	16,560	
Subtotals			(\$409,380)	(\$439,900)	(\$918,659)	
Growth^b						
Mt. San Antonio	Library replacement	C	\$53,066	\$56,962	\$157,509	
Moreno Valley	New Library Learning Resource Center	C	40,665	43,662	104,628	
Norco	Library Learning Resource Center and student services center replacement	C	31,247	33,759	81,389	
Fullerton	STEM vocational center replacement	C	25,092	27,014	55,471	
Riverside	Cosmetology building replacement	C	18,240	19,857	47,989	
Clovis	New kinesiology and wellness center	C	22,251	23,933	47,752	
Ben Clark Training Center ^c	New Education Center Building 2, Phase 1	C	14,634	15,969	38,844	
Willits Center ^d	Willits Center expansion, Phase 2	C	13,022	14,365	28,181	
Subtotals			(\$218,217)	(\$235,521)	(\$561,763)	
Totals			\$709,080	\$763,783	\$1,597,971	

^aCommunity college districts issue local general obligation bonds to pay for a share of project costs.

^bReplacement buildings listed in this category involve adding space.

^cCenter operated by Riverside Community College District.

^dCenter operated by Mendocino-Lake Community College District.

C = construction; DB = design Bbuild; and STEM = science, technology, engineering, and math.

Source: Legislative Analyst’s Office - The 2026-27 Budget: Community College Facilities

Background. In the November 2024 election, voters approved Proposition 2, a state general obligation bond that provides \$1.5 billion for community college facilities. (The measure 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 bond, voters in the same election approved 14 local general obligation bonds totaling \$9.9 billion for community college facilities.

Chancellor’s Office Uses Scoring System to Select Projects for Bond Funding. To receive state bond funding, a community college district must first submit a project proposal to the Chancellor’s Office. Each year, the Chancellor’s Office requests state funding for a subset of these project proposals, using a scoring system to prioritize among them. The Chancellor’s Office generally develops its scoring systems without legislative involvement. The CCC Board of Governors adopted the current scoring system in September 2020.

Scoring System Includes Three Project Categories. Under its current scoring system, the Chancellor’s Office allocates available bond funding across three project categories: life safety, modernization, and growth. It 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 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, 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.

Projects Are Ranked Within Modernization and Growth Categories. 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 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
Modernization Projects		
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 modernize 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
Total		200
Growth Projects		
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 to campuses that have enrollment in excess of their existing capacity, with points based on the extent to which campuses exceed their capacity.	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
Total		200

CTE = career technical education.

Source: Legislative Analyst's Office - The 2026-27 Budget: Community College Facilities

Legislative Analyst's Office.

Assessment

Trade-Offs in Deciding How Much Funding to Allocate in 2026-27. Under the Governor's budget, the state would be committing nearly \$1.3 billion (83 percent) of total Proposition 2 bond funding through 2026-27, leaving \$249 million (17 percent) available for future years. While this is a reasonable starting point, the Legislature could choose to allocate a different amount by adjusting the new project proposals for 2026-27. In deciding how much funding to allocate, the Legislature faces a basic trade-off. On the one hand, allocating more funding now would allow more projects to begin in 2026-27, avoiding the construction cost escalation associated with waiting until a future year. On the other hand, allocating less funding now would leave more available for high-priority projects (including life safety projects) that could emerge over the next year or two.

Scoring System Used to Select Projects Has Some Positive Aspects. Overall, the scoring system the Chancellor's Office uses to select projects is a consistent and transparent way of reviewing districts' proposals. Having clear standards in evaluating projects can help guide the Legislature in identifying which projects have the strongest justification. The scoring system also places highest priority on life safety projects, with requirements in place to ensure that districts submit

only immediate needs under this category. Moreover, the scoring system uses several relevant metrics to rank other projects (namely facility age and condition for modernization projects and enrollment and capacity for growth projects).

Share of Funding Allocated Toward Modernization Projects Is Likely Too Low. Though we think the scoring system is generally reasonable, it has a few shortcomings. One of these shortcomings is that it weights modernization and growth projects in a way that does not align tightly with identified project needs. While modernization projects account for 84 percent of the facility needs identified in CCC’s most recent five-year capital outlay plan, they receive only 65 percent of funding each year under the Chancellor’s Office’s scoring system. Under the current split of funds between modernization and growth projects, modernization projects are somewhat less likely to be selected for funding. Of the project proposals that districts submitted for 2026-27, 7 out of 27 eligible modernization projects (26 percent) are included in the Governor’s budget, compared to 3 out of 8 eligible growth projects (38 percent). Providing insufficient funding for modernization can lead to higher project costs in the future, as well as potential programmatic disruptions when aging building components fail.

Several Campuses Are Receiving Multiple Proposition 2 Projects. Another shortcoming of the current scoring system is it does not take into account if a campus already has received funding for another project. Of the ten new projects included in the Governor’s budget, seven are at campuses that already received Proposition 2 funding for a different project in 2025-26. While these campuses may have significant facility needs, they are likely also benefiting from certain other scoring metrics. For example, five of these campuses enroll at least 10,000 full-time equivalent students, placing them in the highest two tiers of points based on campus size. In addition, four of these campuses are located in geographic regions that qualify for additional points. While these campuses would receive a second Proposition 2 project, many other campuses have not yet received any Proposition 2 funding. To address this issue, the Chancellor’s Office intends to begin limiting each campus to one new project every two years. However, it does not plan to implement this rule until 2027-28 (at which point the bulk of Proposition 2 funding will likely have been committed).

Half of New Projects Have Low Local Contributions. Though the scoring system grants more points to districts with higher local contributions, projects can still be selected with relatively low local contributions. Of the ten new projects included in the Governor’s budget, five have local contributions of between 25 percent and 35 percent—the low end of the allowable range. This is a departure from previous years, in which most projects have had local contributions covering roughly half of total project costs. A few of the projects with low local contributions are located in districts with sizable capital reserves. These districts might be putting forth smaller local contributions in part because their projects can still qualify for funding based on other scoring metrics. When districts provide smaller local contributions, the available state bond funding cannot stretch across as many projects.

Some New Projects Are Not Traditional Instructional Facilities. Under the old scoring system the Chancellor’s Office used prior to 2020, the majority of funding allocated each year was designated for instructional space, mainly classrooms and laboratories. In addition, 15 percent of funding each year was designated for other facilities that “promote a complete campus concept,”

including gymnasiums, performing arts centers, and child development centers. Of the ten new projects included in the Governor’s budget, four of them—consisting of one gymnasium and three performing arts centers—would have fallen into that latter category. (That category similarly accounted for a large share of the new projects approved last year, including eight gymnasiums.) Facilities in that category do support instruction in physical education, music, theater, and other programs. Nonetheless, they differ from the instructional spaces the state has traditionally prioritized for bond funding. For example, these types of facilities can generate revenue from activities such as athletic events and concerts.

Recommendation

Consider Directing Chancellor’s Office to Adjust Scoring System. The Chancellor’s Office’s scoring system has significant implications for which projects receive state funding. While the LAO thinks this scoring system is generally reasonable, they have also identified a few potential issues with it. If any of the issues above raise notable concerns for the Legislature, it could direct the Chancellor’s Office to adjust its scoring system. For example, this might mean allocating a larger share of funding toward modernization projects, limiting each campus to one Proposition 2 project across all years, or capping the share of funding going toward “complete campus concept” projects. The Legislature could direct the Chancellor’s Office to make any changes to its scoring system in the spring and work with the Administration to propose a new set of projects at the May Revision. Though the LAO understands community college districts submitted their project proposals assuming the current scoring system, they think it may be worth addressing any notable concerns with that system now—while Proposition 2 funding remains available. If the Legislature waits to implement changes until some future year, Proposition 2 funding likely will already have been exhausted.

Staff Recommendation. Hold Open.