



May 14, 2025

Dear Colleagues,

The Governor's May Revision of the 2025-26 California State Budget provides important updates affecting education, with particularly notable changes to **Proposition 98 allocations and California Community Colleges (CCCs)**. Below is a comprehensive and easy-to-follow summary, including **multi-year implications for Cerritos College**.

State Budget Overview

California faces a **\$12 billion deficit** for 2025-26. This is driven by:

- A **slowing economy** influenced by federal tariffs and reduced consumer activity,
- A drop in **personal income tax revenues** tied to lower capital gains and equity compensation,
- Rising **Medi-Cal costs** that are crowding out discretionary state spending.

To address the shortfall, the budget relies on:

- Spending reductions,
- Payment deferrals,
- Strategic use of emergency reserves,
- And a rollback or delay of previously funded initiatives.

Proposition 98 Overview – What It Is and Where It Stands

Proposition 98 ensures a guaranteed level of funding for **TK-12 schools and community colleges**, typically about **40% of the state's General Fund**. The guarantee amount is based on formulas tied to state revenue, inflation, and school attendance.

Prop 98 Funding Levels:

Fiscal Year	January Proposal	May Revision	Change
2024-25	\$122.3 billion	\$118.9B	-\$3.4B
2025-26	\$115.8 billion	\$114.6B	-\$1.2B

Explanation: These reductions reflect weaker-than-expected state revenues. Although the Prop 98 totals remain historically high, **they are lower than what was forecasted earlier in the year**, requiring the state to **tap reserves** and **delay payments** to meet the guarantee.

Use of the Prop 98 Rainy Day Fund (PSSSA)

To prevent deeper cuts to education, the state is drawing heavily on the **Public School System Stabilization Account (PSSSA)**—the Prop 98 Rainy Day Fund.

Fiscal Year	Withdrawal	Purpose	Remaining Balance
2023-24	\$8.4 billion	To meet the Prop 98 minimum funding level amid revenue shortfalls	↓ from ~\$14.4B to ~\$6B
2025-26	\$540 million	Further support to avoid midyear cuts	↓ to ~\$5.4B

Implications:

- These are the largest draws in the fund's history.
- While they stabilize funding now, they **significantly reduce the state's flexibility** to protect schools and colleges in future downturns.

Community College Funding – Key Changes

The **Student Centered Funding Formula (SCFF)** remains in place and funds CCCs based on enrollment, student demographics, and outcomes.

Increases:

- **\$210.2 million** to fully fund SCFF base in 2024-25.
- **\$104.7 million** to sustain it in 2025-26.
- **\$109.5 million** for 2.35% enrollment growth.
- A 2.3% COLA (reduced from 2.43%).

Reductions and Deferrals:

- **\$531.6 million in deferrals** from June 2026 to July 2026.
- **\$59 million drawn from the PSSSA** to cover CCC costs in 2025-26.

Major program cuts or scale-backs, including:

Program	Original	Revised
Collaborative ERP	\$168M	Eliminated
Common Cloud Platform	\$162.5M	\$12M
Rising Scholars	\$30M ongoing	\$10M
Credit for Prior Learning	\$50M + \$7M ongoing	\$15M + \$5M
Career Passport	\$50M	\$25M

Key Shift: TK Expansion Reallocation

Previously, community colleges received a share (10.93%) of Proposition 98 funds allocated for **Transitional Kindergarten (TK) expansion**.

In 2025-26:

- The state is **redirecting 100% of TK expansion funds to TK-12 schools**.
- CCCs lose **\$492.4 million over three years** as a result.

Impact: This significantly reduces the amount of Prop 98 growth funding available to the CCC system overall, including Cerritos College.

Implications for Cerritos College

Challenges:

- **Systemwide funding pressure** from the TK reallocation.
- **Cash flow strain** due to SCFF deferrals.
- **Limited access to innovation grants and infrastructure funds**.
- **COLA increase below inflation** creates structural cost pressures.

Opportunities:

- **Enrollment growth is funded**—strong FTES growth could yield new resources.
- Continued reward for **student success outcomes** via SCFF metrics.
- Local innovation and grant strategies can help offset state reductions.

Multi-Year Outlook

Year	Key Budget Pressure	Cerritos College Impact
2025-26	SCFF fully funded, major deferral	Stable operations, needs cash management
2026-27	Deferred payments arrive	Planning must adjust for timing of funds
2027-28	If Prop 98 Rainy Day Fund depleted	Increased risk of midyear cuts
2028-29	Growing state budget gap	Limited Prop 98 growth potential, cost constraints

Final Thoughts

While the state is maintaining its education commitment through Proposition 98, **community colleges are bearing a disproportionate share of the tradeoffs**—particularly through the TK funding reallocation, payment deferrals, and program eliminations. We need to remain strategically **focused on enrollment, student outcomes, and fiscal stewardship** while preparing for a more constrained funding environment in the next budget cycle.

Please let me know if you have any questions,

Jose

Jose L. Fierro, D.V.M., Ph.D.
President/Superintendent
Cerritos College
11110 Alondra Blvd
Norwalk, CA 90650