



May 14, 2025

**MEMORANDUM**

**TO:** Eric Kaljumägi, CCA President  
Randa Wahbe, CCA Vice President

**FROM:** Xong Lor, Legislative Advocate

**RE:** Governor's 2025-26 May Revision

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The following is a summary of the major components of the Governor's May Revision of the 2025-26 Budget related to Pre-K-12 education and community colleges. The May Revision includes updated revenue estimates and changes to the Governor's January Budget proposal.

**Governor Newsom's Updated Overall Budget**

The May Revision includes \$321.9 billion in total expenditures (\$226.4 billion General Fund) and projects a budget deficit of **\$12 billion** in 2025-26. The Governor noted that federal policy changes, specifically broad-based tariffs and increased expenditures, most notably in Medi-Cal, have contributed to California's budget deficit (Medi-Cal is a public health care coverage program that currently provides comprehensive health care services at no or low cost to 15 million low-income individuals regardless of immigration status and to seniors without regard to assets). To solve this deficit the May Revision employs \$5 billion in reductions, \$5.3 billion in borrowing, and \$1.7 billion in fund shifts.

Total budget reserves at the end of the 2025-26 fiscal year are estimated to be \$15.7 billion. This includes \$11.2 billion in the Budget Stabilization Account and \$4.5 billion in the Special Fund for Economic Uncertainties. The balance in the Public School System Stabilization Account will be zero.

**Proposition 98**

The Prop 98 Minimum Guarantee (Guarantee) for schools and community colleges at May Revision is projected to be \$98.5 billion in 2023-24, \$118.9 billion in 2024-25, and \$114.6 billion in 2025-26. As compared to the Governor's January Budget, the Guarantee remains the same in 2023-24 (due to suspension), down \$300 million in 2024-25, and down \$4.3 billion in 2025-26.

The Guarantee is in Test 2 for 2023-24 and continues to be in Test 1 for 2024-25 and 2025-26. This means that the funding level of the Guarantee for 2024-25 and 2025-26 is equal to roughly 40 percent of General Fund revenues, plus local property tax revenues.

The Guarantee is rebenchd to reflect the continued implementation of universal TK and property tax backfills related to the January 2025 fires in the County of Los Angeles. The resulting Test 1 percentage is then rebenchd to increase the percentage of General Fund revenues due to the Guarantee, from 39.2 percent to 39.6 percent.

**Underfunding in 2024-25 by \$1.3 billion** – The May Revision proposes to underfund the 2024-25 Guarantee by \$1.3 billion, down from \$1.6 billion at the Governor's January Budget, due to a \$300

million decrease in the Guarantee. This is intended to mitigate the risk of potentially appropriating more resources to the Guarantee than are ultimately available in the final calculation for 2024-25. The 2024-25 Guarantee level will not be finalized until that fiscal year is certified—a process that will occur throughout 2026. At that time remaining funds due schools will be treated as “settle-up.”

**Proposition 98 Rainy Day Fund** – The May Revision maintains the withdrawal of the full \$8.4 billion balance from the Public School System Stabilization Account, or Prop 98 Rainy Day Fund, in 2023-24. For 2024-25, the May Revision reduces the projected mandatory deposit from \$1.2 billion to \$540 million. No mandatory or discretionary deposit is proposed for 2025-26. Instead, a mandatory withdrawal of \$540 million is triggered due to a decrease in the Guarantee. This results in a zero-fund balance in the Prop 98 Rainy Day Fund.

**Proposition 98 Funding Split** – The May Revision includes a shift in how TK expansion funds are distributed between TK-12 schools and community colleges. In prior years, consistent with the statutory Prop 98 split, 10.93 percent of the amount of General Fund added to the Prop 98 Guarantee for the cost of TK expansion was allocated to the community colleges. Over the budget window, this has resulted in \$492.4 million in increased resources for community colleges, and an equivalent amount not available to TK-12 schools to implement the expansion of TK. The May Revision shifts the full \$492.4 million back to the TK-12 side of the Prop 98 split to fully fund TK expansion as was the purpose of rebenching Prop 98.

#### **California Community Colleges**

The May Revision provides a total of \$12.91 billion in Prop 98 funding, including a 2.3 percent COLA.

- **Base Adjustment** – The May Revision provides a one-time increase of \$210.2 million to fully fund the Student Centered Funding Formula (SCFF) in 2024-25 and an ongoing increase of \$104.7 million to fully fund the SCFF in 2025-26.
- **Enrollment Growth** – The May Revision provides an ongoing increase of \$109.5 million to fund 2.35 percent enrollment growth in the SCFF in 2025-26 (an increase from the Governor’s January Budget proposal of 0.5 percent).
- **SCFF Deferral** – To fully fund the SCFF and maintain the level of 2025-26 apportionments, the May Revision proposes deferring \$531.6 million in SCFF funding from 2025-26 to 2026-27. Prior deferrals of \$243.7 million from 2023-24 and 2024-25 are fully repaid in the budget window.
- **Categorical Programs COLA** – The May Revision includes an ongoing decrease of \$122,000 Prop 98 funding for select categorical programs and the Adult Education Program.
- **Fire-Related Property Tax Backfill** – The May Revision provides a one-time fire-related property tax backfill of \$3.8 million in 2024-25 and \$8.1 million in 2025-26 for impacted community colleges.
- **Collaborative Enterprise Resource Planning (ERP) Project** – The May Revision proposes to withdraw a one-time investment of \$168 million Prop 98 funding for the Collaborative ERP Project, which would have funded the procurement of an ERP platform to upgrade outdated systems that aimed to standardize student and staff experience throughout the CCC system.
- **Common Cloud Data Platform** – The May Revision reduces the Common Cloud Data Platform to \$12 million one-time Prop 98 funding for an initiative to leverage existing local districts’

student data systems to provide near real-time data reporting. This is a \$150.5 million reduction to a one-time investment of \$162.5 million, of which \$29 million was ongoing.

- **Career Passport and Credit for Prior Learning**—The May Revision reduces the Career Passport proposal from \$50 million to \$25 million one-time and reduces the Credit for Prior Learning proposal from \$50 million to \$15 million one-time and from \$7 million to \$5 million ongoing.
- **Rising Scholars**—The May Revision reduces the proposed \$30 million ongoing augmentation for the Rising Scholars Network to \$10 million ongoing.

Please note these are only highlights and more details will be forthcoming. As always, please keep in mind that this is only a “proposal” and must be negotiated through the Legislative process.

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