

HIGHER EDUCATION

The Governor's Budget reflects the fifth year of the multi-year compacts with the University of California (UC) and the California State University (CSU), and of a multi-year roadmap with the California Community Colleges (CCCs), that focus on shared priorities benefiting students.

MAJOR HIGHER EDUCATION ACCOMPLISHMENTS

Since 2019, and with the support of the Administration and the Legislature, the higher education segments have been successful in improving student outcomes. Additionally, in spring 2022, the Administration entered into multi-year agreements known as the Compacts with UC and CSU and the Roadmap with the CCC. These agreements focus on shared student-focused priorities, especially for resident students, such as increasing access to the UC and CSU, enhancing student success and advancing equity, making higher education more affordable, increasing intersegmental collaboration to benefit students, and supporting workforce preparedness and high-demand career pathways. Each segment identified goals that were mutually agreed upon to work toward, alongside commitments for year-over-year funding increases with the state. Examples of progress towards these outcomes are outlined below.

UNIVERSITY OF CALIFORNIA

- The UC has increased the number of students graduating without any student loan debt, from 54 percent to 65 percent. For the 2018-19 academic year, 98,800 students graduated debt-free out of a total of 182,945 undergraduates. By the 2023-24 academic year, that figure had grown to about 129,200 debt-free students out of 198,718—an increase of more than 30,000 students graduating without loan debt.
- The UC enrolled its largest cohort of California resident undergraduates in academic year 2024-25, with an increase of 14,774 between 2022-23 and 2024-25. Additionally, from fall 2018 to fall 2024, total enrollment at all UC campuses increased from 280,380 to 299,407—the equivalent of adding an additional campus.
- Since 2016-17, UC increased the number of degrees awarded in science, technology, engineering, and mathematics (STEM) and educational fields by 38 percent, representing 80 percent of the overall growth in degrees awarded.

CALIFORNIA STATE UNIVERSITY

- The CSU has increased the number of students graduating without any student loan debt, from 53 percent to 65 percent. For the 2018-19 academic year, 57,600 students graduated debt-free out of a total of 107,300 undergraduates. By the 2023-24 academic year, that figure had grown to about 67,300 debt-free students out of 103,800—an increase of almost 10,000 students graduating without loan debt.
- Following two years of pandemic-related enrollment declines, the CSU increased total and undergraduate enrollment in both 2024-25 and 2025-26, with total enrollment of 471,451 and undergraduate enrollment of 416,531.
- In January 2022, CSU transitioned its Humboldt campus into a polytechnic campus, making Cal Poly Humboldt the third polytechnic institution in the system. The transition was supported by more than \$458 million General Fund and expands access to postsecondary natural sciences, applied sciences, technology, and engineering programs in Northern California. All programs are projected to be implemented by 2027.

CALIFORNIA COMMUNITY COLLEGES

- Following two years of pandemic-related enrollment declines, the CCCs enrollment levels have recovered to 2.2 million students in 2024-25, and further growth is anticipated in 2025-26 and 2026-27.
- In addition to the CCC's overall enrollment recovery, the CCC's saw:
 - Increased headcount of dual enrollment students to roughly 285,000, which is an increase of 55 percent since 2018-19.
 - Increased number of students completing degrees and certificates to approximately 156,000 in 2024-25, which is an increase of 10 percent from 2018-19.
 - A reduction in the average number of student excess units for associate degrees for transfer to 81 units in 2023-24, which is a decrease of 8 percent from 2018-19.

OTHER NOTABLE HIGHLIGHTS

- The number of students receiving state financial aid more than doubled from 429,306 in 2018-19 to 871,292 projected in 2025-26.
- As a result of recent state investments, it is estimated that by the time all approved projects have completed construction the number of students in state-funded affordable student housing will grow by nearly 12,000 low-income students annually—with heavily subsidized rent across 40 campuses at the UC, CSU, and CCCs. Students benefiting from affordable rent will be required to take a full-time courseload at their respective colleges, with the goal of educational outcomes such as improved time to completion for these students.

The Budget proposes total funding of \$50.4 billion (\$31.4 billion General Fund and local property tax, and \$19 billion other funds) for the three higher education segments and the California Student Aid Commission. The figure on Higher Education Expenditures below displays additional detail about funding for higher education.

Higher Education Expenditures

(Dollars in Millions)

	2024-25	2025-26	2026-27	Change from 2025-26	
				Dollars	Percent
University of California					
Ongoing General Fund	\$4,860.7	\$4,895.1	\$5,386.3	\$491.2	9.1%
One-Time General Fund	3.8	46.7	-	-46.7	-
Total Funds ^{1/}	\$11,179.5	\$11,442.2	\$12,217.3	\$775.1	6.3%
California State University					
Ongoing General Fund	\$5,479.2	\$5,621.8	\$6,191.7	\$569.9	9.2%
One-Time General Fund	5.0	65.8	-	-65.8	-
Total Funds ^{1/}	\$9,028.3	\$9,507.8	\$10,187.7	\$679.9	6.7%
California Community Colleges					
General Fund & Property Taxes	\$14,790.6	\$14,132.8	\$15,409.9	\$1,277.1	9.0%
Total Funds ^{2/}	\$23,037.6	\$23,085.0	\$23,140.9	\$55.9	0.2%
California Student Aid Commission					
General Fund ^{3/}	\$3,532.3	\$3,068.4	\$4,373.1	\$1,304.7	42.5%
Total Funds	\$3,951.3	\$3,487.5	\$4,792.3	\$1,304.9	37.4%
General Fund	\$28,671.6	\$27,830.6	\$31,361.1	\$3,530.4	12.7%
Total Funds	\$47,196.7	\$47,522.5	\$50,338.2	\$2,815.7	5.9%

^{1/} These totals include tuition and fee revenues and other funds the universities report as discretionary.

^{2/} Withdrawals from the Public School System Stabilization Account are reflected in this row.

^{3/} General Fund expenditures for the Cal Grant program are offset by reimbursements, including approximately \$400 million in federal Temporary Assistance for Needy Families (TANF) funds received through an agreement with the Department of Social Services.

UNIVERSITY OF CALIFORNIA

The University of California (UC) offers formal undergraduate and graduate education, is the public segment authorized to independently award doctoral degrees, and is designated as the state's primary academic agency for research. Its ten campuses enroll nearly 299,000 students, and the UC extension centers register an additional 500,000 participants in continuing education programs. In 2024-25, the UC awarded more than 89,000 degrees, including over 65,000 undergraduate degrees.

The Budget proposes \$5.3 billion General Fund for the UC, an increase of almost 50 percent since 2018-19. Specifically, the Budget includes an increase of \$254.3 million ongoing General Fund, representing a 5-percent base increase, for the UC. This reflects the fifth and final payment of the multi-year compact, fully meeting the state's obligation for 2026-27. Further, the Budget also includes an additional base funding

increase of \$96.3 million ongoing General Fund, representing partial funding of the fourth-year compact payment as scheduled in the 2025 Budget Act.

In alignment with the 2025 Budget Act, the Budget also maintains the planned one-time deferral of the 2025-26 fourth-year compact payment of \$240.8 million to 2027-28. Additionally, the Budget maintains the deferral of \$31 million to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three campuses with an equivalent number of California resident undergraduate students, from 2025-26 to 2027-28.

Finally, the Budget extends the deferral of a one-time 3-percent base decrease of \$129.7 million included in the 2025 Budget Act, shifting the repayment from 2026-27 to 2027-28. To mitigate the impacts of this delay, the Budget provides the UC with authority for a cash flow loan in 2026-27, which will allow the UC to repay and retire its existing 2025-26 cash flow loan.

The Administration continues to be committed to the multi-year compact with the UC and expects the segment to continue its efforts to meet the compact goals. This approach enables the UC to continue committing to the compact goals to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities. The Administration will continue to monitor the UC's actions toward meeting the compact goals.

CALIFORNIA STATE UNIVERSITY

The California State University (CSU) provides undergraduate and graduate instruction generally up to the master's degree. Its 22 campuses enroll more than 471,000 students. In 2024-25, the CSU awarded approximately 123,000 degrees. The CSU also provides opportunities for residents to enroll in professional and continuing education programs. The CSU provides four-year education in some of the most underserved regions of the state, including the Far North, the Central Valley, and the Inland Empire.

The Budget proposes \$5.6 billion General Fund for the CSU, an increase of almost 53 percent since 2018-19. Specifically, the Budget includes an increase of \$264.8 million ongoing General Fund, representing a five-percent base increase, for the CSU. This reflects the fifth and final payment of the multi-year compact, fully meeting the state's obligation for 2026-27. Further, the Budget also includes an additional base funding increase of \$100.9 million ongoing General Fund, representing partial funding of the fourth-year compact payment as scheduled in the 2025 Budget Act.

In alignment with the 2025 Budget Act, the Budget also maintains the planned one-time deferral of the 2025-26 fourth-year compact payment of \$252.3 million to 2027-28.

Finally, the Budget extends the deferral of a one-time 3-percent base decrease of \$143.8 million included in the 2025 Budget Act, shifting the repayment from 2026-27 to 2027-28. To mitigate the impacts of this delay, the Budget provides the CSU with authority for a cash flow loan in 2026-27, which will allow CSU to repay and retire its existing 2025-26 cash flow loan.

The Administration continues to be committed to the multi-year compact with the CSU and expects the segment to continue its efforts to meet the compact goals. This approach enables CSU to continue committing to the compact goals to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities. The Administration will continue to monitor the CSU's actions toward meeting the compact goals.

CALIFORNIA COMMUNITY COLLEGES

The California Community Colleges (CCCs) are the largest system of higher education in the country, serving roughly one out of every five of the nation's community college students, or approximately 2.2 million students. The CCCs provide basic skills, vocational, and undergraduate transfer education with 73 districts, 116 campuses, and 78 educational centers. In 2024-25, the CCCs awarded over 132,000 certificates and 206,000 degrees and transferred over 98,000 students to four-year institutions.

The Budget proposes \$15.4 billion in General Fund and property taxes for the CCCs, which is an increase of almost 50 percent since 2018-19. The Budget reflects a continued focus on the CCC multi-year roadmap, which prioritizes student success and enhances the system's ability to prepare students for California's future.

SIGNIFICANT STUDENT-CENTERED FUNDING FORMULA (SCFF) BUDGET ADJUSTMENTS

- **Payment of 2025 Budget Act Deferrals**—A one-time increase of \$408.3 million to fully repay deferrals for the SCFF in 2026-27.
- **CCC Apportionments Cost-of-Living Adjustment (COLA) and Growth**—An increase of \$240.6 million Proposition 98 General Fund to provide a 2.41-percent COLA for SCFF apportionments and \$31.9 million Proposition 98 General Fund for 0.5-percent enrollment growth. The Budget also includes an increase of \$55.3 million Proposition 98 General Fund to fund additional enrollment growth of 1 percent in

fiscal year 2025-26, and it is the Administration's expectation that the net effect of these two enrollment growth investments support a combined growth percentage of 1.5 percent in 2026-27.

- **SCFF Adjustment in 2025-26**—A one-time increase of \$88.7 million Proposition 98 General Fund to fund increasing SCFF costs in 2025-26.
- **Proposition 98 Rainy Day Fund**—A one-time withdrawal of \$44.5 million from the Proposition 98 Rainy Day Fund to support SCFF costs in 2026-27.

OTHER SIGNIFICANT BUDGET ADJUSTMENTS

- **Community College Facilities**—A one-time increase of \$736.9 million Proposition 2 bond funds to finance 10 new projects and 29 continuing projects at the community colleges.
- **Deferred Maintenance**—A one-time increase of \$120.7 million Proposition 98 General Fund to address deferred maintenance needs.
- **Student Support Block Grant**—A one-time increase of \$100 million Proposition 98 General Fund for a flexible block grant for the community colleges system.
- **Common Cloud Data Platform**—An increase of \$41 million Proposition 98 General Fund, \$5 million of which is ongoing, for further scaling of the common cloud data platform across the community college system.
- **Calbright College**—An increase of \$38.1 million Proposition 98 General Fund to support and provide stable funding for Calbright College in its base operations as it transitions out of its startup capacity.
- **Credit for Prior Learning**—An increase of \$37 million Proposition 98 General Fund, \$2 million of which is ongoing, to support and build upon the Credit for Prior Learning Initiative, as mentioned below in the Master Plan for Career Education section.
- **Categorical Program COLA**—An increase of \$30.6 million Proposition 98 General Fund for a COLA of 2.41 percent for select categorical programs.
- **California Healthy School Food Pathways Program**—An increase of \$14.3 million Proposition 98 General Fund for community colleges to support the California Healthy School Food Pathways Program, which strengthens the school food service workforce through apprenticeship and training programs.

- **Apprenticeship Related and Supplemental Instruction (RSI) Costs Backfill**—A one-time increase of \$13.4 million Proposition 98 General Fund to backfill apprenticeship RSI costs in 2024-25 and 2025-26.
- **Local Property Tax Adjustments**—A decrease of \$346.4 million Proposition 98 General Fund due to increased offsetting local property tax revenues.

CALIFORNIA STUDENT AID COMMISSION

The Budget reflects a total financial aid expenditure in 2026-27 of \$4.4 billion, an increase of more than 83 percent over 2018-19. These funds are expected to reach over 925,000 higher education students in the state.

Of this total, \$3.2 billion will be allocated to support Cal Grant. Cal Grant is the state's largest financial aid program and is administered by the California Student Aid Commission. This entitlement program provides financial aid awards to approximately 500,000 students who meet specified eligibility criteria and who attend one of the state's qualifying public and private universities, colleges and vocational schools.

Students who demonstrate financial need, but do not meet all the criteria for entitlement awards, may qualify for one of 19,000 proposed competitive Cal Grant awards. Most of these awards cover the cost of tuition and fees and provide a stipend to cover some living expenses, such as housing, food, and transportation.

The Budget provides \$1.1 billion General Fund for the Middle Class Scholarship, which is the state's second-largest scholarship program, to reimburse the cost of grants up to 35 percent of student need in 2025-26. In 2025-26, approximately 350,000 students are expected to receive a Middle Class Scholarship award. For the 2026-27 school year, the Budget projects available reimbursement of \$513 million General Fund, sufficient to provide grants of up to 17.5 percent of student need.

SIGNIFICANT BUDGET ADJUSTMENT

- **Golden State Teacher Grant Program Reappropriation**—Reappropriation of \$14.4 million General Fund from the 2021 Budget Act to support the Golden State Teacher Grant Program in 2026-27.

STUDENT HOUSING

The 2021 Budget Act established the Higher Education Student Housing Grant Program with the goal of providing affordable housing for students enrolled at UC, CSU, and CCC campuses. The 2023 and 2024 Budget Acts shifted roughly \$2 billion in prior and planned General Fund support for UC, CSU, and CCC affordable student housing grants to: (1) UC- and CSU-issued bonds for approved UC and CSU projects, and (2) state-issued lease revenue bonds under the State Public Works Board for approved CCC projects.

The Budget reflects the Administration's ongoing General Fund commitment to these projects and the affordable housing that will be available to students across all segments, specifically:

- For the UC, more than 7,000 new beds are expected to be available to students by fall 2028, of which more than 3,400 will be subsidized as part of the program's statutory requirements.
- For the CSU, more than 5,000 new beds are expected to be available to students by fall 2027, of which more than 3,700 will be subsidized as part of the program's statutory requirements.
- For the CCCs, more than 5,800 new beds are expected to be available to students by 2029, of which more than 4,800 are projected to be subsidized as part of the program's statutory requirements.

MASTER PLAN FOR CAREER EDUCATION

In April 2025, after extensive statewide stakeholder engagement, the Administration released the state's first Master Plan for Career Education, with the goals of: (1) aligning state education and workforce development programs with the needs of the future economy, (2) better coordinating and streamlining programs regionally and across state agencies, and (3) ensuring that the state's students and adult learners have affordable access to the educational and career preparation opportunities needed to navigate to and obtain good paying jobs that lead to sustained career pathways.

HIGHER EDUCATION

The 2025 Budget Act included investments to begin implementation of the Master Plan, including:

- \$25 million one-time Proposition 98 General Fund for the development of a Career Passport, a secure digital tool that displays an individual's validated skills, credentials, and academic achievements, which is intended to be shared with employers and institutions of higher education to present a skills-based portrait of an individual's education, career, and experience.
- \$15 million one-time and \$5 million ongoing Proposition 98 General Fund for the Credit for Prior Learning Initiative, which builds upon, expands, and embeds processes for awarding credit for prior learning across the community college system. Information on validated skills from credit for prior learning initiatives would be documented in a Career Passport.
- \$1.5 million ongoing General Fund for the Government Operations Agency to establish the California Education Interagency Council to improve planning and coordination between elementary, secondary, and postsecondary education agencies and workforce development agencies and related entities aligned with recommendations of the Master Plan.
- \$1 million one-time General Fund for the Labor and Workforce Development Agency to evaluate how regional coordination models can be expanded to create sustainable forums where educators, workforce training providers, and employers can work to align programs with employer needs.

The Budget proposes the following new investments to implement key provisions of the Master Plan, with additional phases of implementation to be considered in future fiscal years:

- \$100 million one-time Proposition 98 General Fund to increase access to college and career pathways for high school students, including expanding access to dual enrollment. See the TK-12 Education Chapter for more information.
- \$37 million Proposition 98 General Fund, of which \$2 million is ongoing, to further support and expand the Credit for Prior Learning Initiative. These additional funds are intended to provide a fiscal incentive that will allow more community college campuses to participate in the development of credit for prior learning, increasing access to the initiative for more students.