The Governor's Budget reflects the third year of the multi-year compacts with the University of California (UC) and the California State University (CSU), and a multi-year roadmap with the California Community Colleges (CCCs), that focus on shared priorities benefitting students. Despite the state’s current fiscal condition, the Administration remains committed to the shared goals of increasing access to the UC and CSU, improving student success while advancing equity, increasing the affordability of higher education, increasing intersegmental collaboration, and supporting workforce preparedness and high-demand career pipelines.

The Budget proposes total funding of $44.8 billion ($26.9 billion General Fund and local property tax and $17.9 billion other funds) for the higher education segments and the California Student Aid Commission. The figure on Higher Education Expenditures displays additional detail about funding for higher education.
On August 31, 2023, Governor Newsom signed Executive Order N-11-23, initiating a comprehensive effort to rearchitect education and workforce systems to better reflect the lived reality of Californians.

Despite challenging budget circumstances, this multi-year effort will advance progress in California by both optimizing delivery of existing investments and developing policy proposals that will better align systems in the future. First, the Governor’s Office is convening interagency teams both at the state level (under the Governor’s Council for Career Education) and at the regional level (as part of the K-16 Regional Collaboratives) that will drive results on the tens of billions in new workforce investments made in the first four years of the Newsom Administration. Second, the Administration is engaging a 13-month planning process to investigate how existing policies...
investments, and structures can be improved, culminating in the Governor’s Master Plan for Career Education scheduled for publication in the winter of 2024.

The goal is to ensure all Californians from cradle to career are:

1. On-ramped into well-paying, purposeful careers.
2. Empowered to build real-life skills.
3. Able to access and afford a quality education throughout life.

**UNIVERSITY OF CALIFORNIA**

The 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 294,000 students and the UC extension centers register an additional 500,000 participants in continuing education programs. In 2022-23, the UC awarded more than 86,000 degrees, including over 62,000 undergraduate degrees.

To address the projected budget shortfall, the Budget defers the planned 2024-25 Compact investment of $227.8 million and the planned investment of $31 million to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students in 2024-25. These deferrals would largely maintain ongoing UC General Fund at 2023-24 levels, while enabling the UC to use interim financing structures or other internal borrowing to support UC spending at the planned 2024-25 Compact level and at the level necessary to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled in 2024-25.

This approach will enable the UC to continue its efforts to meet 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.

**SIGNIFICANT ONGOING BUDGET ADJUSTMENTS**

- **Compact Deferral**—A one-time deferral of approximately $227.8 million General Fund, which represents the 2024-25 five-percent General Fund resource adjustment pursuant to the Compact. In addition to the planned 2025-26 Compact investment, in 2025-26 UC should plan for both the repayment of this one-time deferral and the
approximately $227.8 million ongoing General Fund to be included within its base budget.

- **Resident Undergraduate Enrollment Growth Deferral**—A one-time deferral of approximately $31 million General Fund, 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 at these campuses. In addition to the planned 2025-26 investment to offset revenue reductions associated with the replacement of nonresident undergraduate students at three UC campuses, in 2025-26 UC should plan for both the repayment of this one-time deferral and the $31 million ongoing General Fund to be included within its base budget.

- **Graduate Medical Education Backfill**—An increase of approximately $2.6 million ongoing General Fund and $247,000 one-time General Fund to offset declining Proposition 56 revenue for a statewide grant program and maintain $40 million in funds for graduate medical residency slots.

- **Medical School Project at UC Merced**—Consistent with the 2019 Budget, an increase of $14.5 million ongoing General Fund to support a Medical School Project at UC Merced beginning in 2024-25.

**Significant One-time Budget Adjustment**

- **Adjustment in Capital Outlay Support**—The Budget proposes to forgo a planned investment of $300 million one-time General Fund support for the construction of an Institute for Immunology and Immunotherapy at UC Los Angeles. This adjustment was made because the project shifted away from the construction of a new facility to the acquisition and updating of an existing facility.

**California State University**

The CSU provides undergraduate and graduate instruction generally up to the master’s degree. Its 23 campuses enroll more than 457,000 students and in 2022-23, the CSU awarded roughly 127,000 degrees. The CSU also provides opportunities for residents to enroll in professional and continuing education programs. The CSU strives to further fulfill its mission through Graduation Initiative 2025, which aims to increase four-year graduation rates, increase two-year transfer graduation rates, and eliminate equity gaps. The CSU is an important institution for providing four-year education in some of
the most underserved regions of the state, including the Far North, the Central Valley, and the Inland Empire.

To address the projected budget shortfall, the Budget defers the planned 2024-25 Compact investment of $240.2 million to 2025-26. This deferral would largely maintain ongoing CSU General Fund at 2023-24 levels, while enabling the CSU to use interim financing structures or other internal borrowing to support CSU spending at the planned 2024-25 Compact level.

This approach will enable the CSU to continue its efforts to meet 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.

**Significant Budget Adjustment**

- **Compact Deferral**—A one-time deferral of approximately $240.2 million General Fund, which represents the 2024-25 five-percent General Fund resource adjustment pursuant to the Compact. In addition to the planned 2025-26 Compact investment, in 2025-26 CSU should plan for both the repayment of this one-time deferral and the approximately $240.2 million ongoing General Fund to be included within its base budget.

**California Community Colleges**

The CCCs are the largest system of higher education in the country, serving roughly one out of every four of the nation’s community college students, or approximately 1.9 million students. The CCCs provide basic skills, vocational, and undergraduate transfer education with 73 districts, 116 campuses, and 78 educational centers. In 2022-23, the CCCs awarded over 109,000 certificates and 187,000 degrees and transferred over 97,000 students to four-year institutions.

The Budget reflects a continued focus on the CCC multi-year roadmap, which focuses on equity, student success, and enhancing the system’s ability to prepare students for California’s future.
**Significant Budget Adjustments**

- **CCC Apportionments**—An increase of $69.1 million ongoing Proposition 98 General Fund to provide a 0.76-percent cost-of-living adjustment (COLA) for Student Centered Funding Formula apportionments and $29.6 million ongoing Proposition 98 General Fund for 0.5-percent enrollment growth.

- **CCC Categorical Program COLA**—An increase of $9.3 million ongoing Proposition 98 General Fund to provide a 0.76-percent COLA for select categorical programs and the Adult Education Program.

- **K-14 Rainy Day Fund**—A withdrawal of roughly $235.9 million in 2023-24, and $486.2 million in 2024-25, to support Student Centered Funding Formula resource needs.

- **Nursing Program Support**—An increase of $60 million one-time Proposition 98 General Fund to expand nursing programs and Bachelor of Science in Nursing partnerships to develop, educate, and maintain the next generation of registered nurses through the community college system, subject to future statutory changes.

**Student Housing**

The Higher Education Student Housing Grant Program was established to provide grants for the CCCs, CSU, and UC to construct student housing or to acquire and renovate commercial properties into student housing for low-income students. The 2023 Budget Act shifted the Program’s prior and planned General Fund support for UC and CSU affordable student housing grants to UC- and CSU-issued revenue bonds. It also reverted prior and planned General Fund support for CCC affordable student housing grants with the intent to develop a statewide lease revenue bond or other statewide financing approach by the 2024 Budget Act to support CCC affordable student housing projects approved pursuant to the Program. The Administration remains committed to a statewide lease revenue bond approach and is developing a proposal for consideration at the May Revision. In addition, for a limited number of projects that do not currently fit within a statewide lease revenue bond approach, the Administration proposes using resources included in the 2023 Budget to support those projects.

To address the projected budget shortfall, the Budget proposes suspending funding for the California Student Housing Revolving Loan Fund Program, which includes pulling back $300 million one-time General Fund previously intended to be appropriated for the program for each year from 2024–25 to 2028–29, and reverting $194 million of
$200 million one-time General Fund that was appropriated in 2023–24, which is the amount estimated to be net of the Program’s expected operational costs.

**CALIFORNIA STUDENT AID COMMISSION**

Administered by the California Student Aid Commission, the state’s primary financial aid program is the Cal Grant Program. This entitlement program provides financial aid awards to students who meet specified eligibility criteria, and who attend one of the state’s qualifying public institutions or independent and private institutions. Students who are ineligible for the Cal Grant entitlement program can compete for financial aid awards available through the Cal Grant competitive program.

The Budget assumes total financial aid expenditures of $3.3 billion, of which $2.5 billion supports the Cal Grant Program, and $636.2 million supports the Middle Class Scholarship program. The Budget forgoes a planned one-time Middle Class Scholarship investment of $289 million. In 2022-23, approximately 384,000 students received new or renewal Cal Grant awards. The Middle Class Scholarship Program and resources to support the construction of affordable student housing are intended to help facilitate students' access toward a debt-free college pathway.

The state’s Cal Grant entitlement program is estimated to provide over 377,000 financial aid awards to students who meet specified eligibility criteria in 2023-24. Students who demonstrate financial need, but do not meet all of the criteria for entitlement awards, may qualify for one of 13,000 proposed competitive Cal Grant awards. The majority of these awards provide a stipend to cover some living expenses, such as housing, food, and transportation.

**CAL GRANT REFORM**

The 2022 Budget Act reflected provisions regarding the fiscal conditions upon which the Cal Grant Reform Act may be implemented. The Cal Grant Reform Act would make significant changes to the state’s largest financial aid program, replacing the existing Cal Grant program with a new version of the program that provides a Cal Grant 2 for eligible CCC students with financial need, and provides a Cal Grant 4 for eligible four-year university students with financial need. The Administration remains attentive to the 2022 Budget Act’s provisions regarding the fiscal conditions upon which the Cal Grant Reform Act may be implemented, and will continue to work closely with the Legislature, the Commission, and others.
**College of the Law, San Francisco**

College of the Law, San Francisco is affiliated with the UC system, but is governed by its own Board of Directors. Located in San Francisco, it primarily serves students seeking a Juris Doctor degree, but also offers programs leading to Master of Laws; Master of Studies in Law; and Master of Science, Health Policy and Law degrees. In 2022-23, UC College of the Law, San Francisco enrolled 1,155 full-time equivalent students. Of these, 1,103 were Juris Doctor students.

**Significant Budget Adjustments**

- **Base Growth**—An increase of $2.2 million ongoing General Fund to support operating costs. This represents a 3-percent increase base augmentation.

**California State Library**

The California State Library serves as the central reference and research library for the Governor and the Legislature. The Library collects, preserves, generates, and disseminates information, and provides critical assistance to libraries across the state. The Library administers programs funded by state and federal funds to support local and public library programs.

**Significant Budget Adjustments**

- **Support for Local Library Infrastructure**—The Budget proposes to pull back $131.3 million one-time General Fund of the $439 million in one-time General Fund support provided for the Local Library Infrastructure Grant Program in the 2021 Budget Act, and proposes to forgo planned one-time General Fund investments of $33 million in 2024-25, $33 million in 2025-26, and $34 million in 2026-27.

- **Statewide Library Broadband Services**—To address the projected budget shortfall, the Budget proposes to pull-back $34 million of the $35 million provided to expand broadband access to isolated and under-served communities through a collaborative partnership of local education agencies, and regional libraries due to low participation in the program.