



# FISCAL SERVICES UPDATE FY 2026-27 STATE BUDGET

January 2026

Jorge Andrade, Director of Fiscal Services

Governor Newsom recently released his proposed FY 2026–27 State Budget. This proposal marks the beginning of the annual budget process. Over the coming months, the Legislature will engage in ongoing negotiations and deliberations, and additional information will become available through the May Revision and the final enacted budget.

Several factors will influence the budget as it moves forward, including continued fiscal uncertainty at the state level and broader economic conditions such as tariffs, stock market performance, and trends in taxable sales, all of which may affect projected state revenues. The Governor's proposed budget can be viewed at [www.ebudget.ca.gov](http://www.ebudget.ca.gov).

## Areas of Importance

- The proposed budget projects a state deficit of \$2.9 billion, significantly better than the nearly \$13 Billion projection by the 2025 Budget Act. The new forecast is a result of expectations for higher state revenues during FY2026-27 related to a stronger than expected stock market and investor enthusiasm surrounding artificial intelligence. However, the Legislative Analyst's Office proposes a less optimistic forecast estimating the deficit at about \$18 billion. Greater clarity regarding the state's fiscal condition is expected with the May Revision.
- The proposed budget includes about \$1.2 billion in additional funding for the community colleges system for one-time and ongoing programs and initiatives compared to FY2025-26. Some of the most significant increases include:
  - \$240.6 million to adjust the Student-Centered Funding Formula (SCFF) rates through a cost-of-living adjustment (COLA) (ongoing)
  - \$408.4 million for repayment of prior-year deferrals (one-time)
  - \$120.7 million for deferred maintenance (one-time)
  - \$100 million for the Student Support Block Grant (one-time)

## Unrestricted General Fund

- Student-Centered Funding Formula (SCFF) - increase of \$240.6 million to fund a 2.41% COLA for increased operating costs and cost of living.
- FY2025-26 Enrollment Growth – provides an additional \$55.3 million to support an additional 1% enrollment growth (added to 0.5% provided by the 2025 Budget Act).
- FY2026-27 Enrollment Growth – provides \$31.9 million to fund 0.5% enrollment growth.
- Continues to support the District Funding Floor protection implemented in FY2025-26.



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## Other

The budget proposal includes additional important provisions regarding the Community College system, including:

- \$120.7 million in one-time funds for **deferred maintenance**.
- Increase of \$100 million in one-time funding to continue to support the **Student Support Block grant** established by the 2025 Budget Act.
- Reallocates \$60 million from Strong Workforce Program to support the Rebuilding Nursing Infrastructure Grant program (3rd year out of a 5-year plan)
- Continued support for the Common Cloud Data Platform project and the Credit for Prior Learning initiative.
- **2.41% COLA for select categorical programs**.

## Next Steps

SBCCD leadership continues to engage with the Legislature and the Administration, in coordination with the California Community Colleges Chancellor's Office and system partners, as the State budget process moves forward. These efforts are focused on ensuring the proposed budget is preserved and refined in ways that best support student access, institutional stability, and the District's ability to continue serving our students effectively as fiscal conditions evolve.

Key areas of focus include:

- Additional access to enrollment growth funding, to better align funded growth with actual student demand in current and future budget years.
- Preserving the proposed FY 2026–27 one-time investments, including:
  - \$120.7 million for Deferred Maintenance, recognizing the ongoing need to address health, safety, and infrastructure priorities across college campuses.
  - \$100 million for the Student Support Block Grant, which provides districts with flexibility to address student basic needs and support services.
- Continued dialogue on longer-term funding model considerations, including how enrollment trends and student needs are reflected in future budget proposals.

District staff will continue to monitor the State budget process and keep the SBCCD community informed of important developments as negotiations continue through the May Revision and adoption of the final budget.

For additional information, including the Joint Analysis of the 2026–27 proposed budget, please visit the California Community Colleges Chancellor's Office Budget News webpage:  
<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News>