

THIRD READING

Bill No: AB 2121
Author: Berman (D)
Amended: 8/4/26 in Senate
Vote: 27 - Urgency

SENATE EDUCATION COMMITTEE: 6-0, 6/10/26
AYES: Pérez, Ochoa Bogh, Cabaldon, Cortese, Menjivar, Reyes
NO VOTE RECORDED: Choi

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 72-1, 5/14/26 - See last page for vote

SUBJECT: Community colleges: current expense of education: exclusions

SOURCE: West Valley-Mission Community College District

DIGEST: This bill, an urgency measure, authorizes a community college district (CCD) to exclude, as part of its current expense of education, any local unrestricted expenditures from a CCD's unrestricted general fund maintaining student support functions previously funded through federal discretionary grants that were terminated due to federal action on or after September 10, 2025, for a period of five fiscal years following the 2025-26 fiscal year or until federal funding is fully restored.

Senate Floor Amendments of 8/4/26 require a CCD opting to exclude expenditures from its current expense of education pursuant to the provisions of this bill to (1) first present this action at a regular public meeting of the governing board of the CCD, (2) identify the action as a distinct agenda item, and (3) provide advance notice of the item to the campus community, including faculty, consistent with the CCD's established practices for noticing governing board meetings.

ANALYSIS:

Existing law:

- 1) Establishes the California Community Colleges (CCCs), a postsecondary education system in this state, under the administration of the Board of Governors (BOG), and specifies that the CCC system consists of CCDs. (Education Code (EC) § 70900)
- 2) Defines “current expense of education” as the gross total expended for the purposes classified in the final budget of a district for the following:
 - a) Academic salaries other than academic salaries for student transportation, food services, and community services.
 - b) Classified salaries other than classified salaries for student transportation, food services, and community services.
 - c) Employee benefits other than employee benefits for student transportation personnel, food services personnel, and community services personnel.
 - d) Books, supplies, and equipment replacement other than for student transportation and food services.
 - e) Community services, contracted services, and other operating expenses other than for student transportation, food services, and community services. (EC § 84362)
- 3) States that “current expense of education” does not include:
 - a) Expenditures classified as sites, buildings, books, media, and new equipment.
 - b) The amount expended from categorical aid received from the federal or state government which funds were granted for expenditures in a program not incurring any instructor salary expenditures or requiring disbursement of the funds without regard to the requirements of this section.
 - c) Expenditures for facility acquisition and construction.
 - d) The amount expended pursuant to any lease agreement for plant and equipment or the amount expended from funds received from the federal government pursuant to the “Economic Opportunity Act of 1964” or any

extension of that act of Congress or the amount expended by a community college from state or federal funds received by the community college for grants to community college students or for the employment of community college students. (EC § 84362)

- 4) Requires that, during each fiscal year, a CCD expend 50% of the district's current expense of education for payment of salaries of classroom instructors. Also known colloquially as the Fifty Percent Law. (EC § 84362)
- 5) Requires the BOG, for CCDs that have not expended at least 50% of their current expense of education, to designate an amount of apportionment equal to the deficiency in CCD expenditures and make those funds unavailable for expenditure by the CCD pending the determination to be made by the BOG on any application for exemption which may be submitted to the BOG. (EC § 84362)
- 6) Requires, if no exemption is made or an exemption is denied, the BOG to order the designated amount or amount not exempted to be added to the amounts expended for salaries for classroom instructors during the next fiscal year. (EC § 84362)
- 7) Permits the governing board of a CCD to apply to the BOG, in writing, not later than September 15 of the immediately succeeding fiscal year for exemption from the requirements of the Fifty Percent Law, in the event it appears to the governing board of a CCD that the application of the Fifty Percent Law during a fiscal year results in serious hardship to the CCD, or in the payment of salaries of classroom instructors in excess of the salaries of classroom instructors paid by other districts of comparable type and functioning under comparable conditions. (EC § 84362)
- 8) Permits the BOG to grant an exemption for a CCD from the requirement for the fiscal year for which the application is made if a majority of all the members of the BOG finds, in writing, that the CCD will suffer serious hardship or will have to pay salaries of classroom instructors in excess of those paid by other CCDs of comparable type and functioning under comparable conditions, unless the CCD is granted an exemption. (EC § 84362)
- 9) Requires the BOG, no later than the 10th calendar day of each year of the Legislature, to submit to the Legislature a written report on the operation,

effect, and the extent of compliance with this section by CCDs during the two most recently ended fiscal years. (EC § 84362)

This bill, an urgency measure:

- 1) Authorizes a CCD, for a period of five fiscal years following the 2025-26 fiscal year or until federal funding is fully restored to every CCD, to exclude, as part of its current expense of education, any local unrestricted expenditures from a CCD's unrestricted general fund that maintain student support functions previously funded through federal discretionary grants that have been terminated, nonrenewed, or defunded due to federal action on or after September 10, 2025.
- 2) Requires CCDs that choose to exclude expenditures to annually certify eligibility to the California Community Colleges Chancellor's Office (CCCCO), consistent with existing law, and requires the CCCCCO to maintain documentation and include certifications the CCCCCO receives from CCDs in the annual report the CCCCCO submits on the current expense of education.
- 3) Prohibits excluded expenditures from exceeding the amount of federal discretionary grant funding awarded for use by a CCD to maintain student support functions before the termination, nonrenewal, or defunding of federal discretionary grants due to federal action on or after September 10, 2025.
- 4) Prohibits excluded expenditures from being considered in determining compliance with a CCD's current expense of education requirement, and prohibits the use of excluded expenditures as grounds to reduce instructional expenditures.
- 5) Requires that a CCD continues to have the obligation to do all of the following:
 - a) Maintain compliance with the requirement that not less than 50% of a CCD's current expense of education be expended for salaries of classroom instructors.
 - b) Maintain compliance with the Faculty Obligation Number and related requirements established by the BOG.
 - c) Not reduce the number of full-time faculty positions or otherwise diminish the overall quality of instruction.

- d) Avoid the use of the exclusion to fund the creation or expansion of administrative positions, or to provide compensation increases to administrators or supervisors beyond adjustments otherwise authorized by existing contracts or salary schedules.
 - e) Continue to treat as a matter of negotiation any decisions affecting instructional assignments, faculty load, or course offerings.
- 6) Defines the following terms:
- a) “Discretionary grant” means a grant awarded on a competitive basis by the United States Department of Education to a CCD for the specific and limited purpose of funding student support functions, and does not include a financial award provided directly to an individual student on the basis of student eligibility.
 - b) “Student support functions” means any activities that were authorized to be funded by federal discretionary grants awarded to a CCD that has been terminated, nonrenewed, or defunded due to federal action on or after September 10, 2025. “Student support functions” include, but are not limited to: academic tutoring; individualized counseling; mentoring programs; providing information on the full range of federal student financial aid programs and benefits; developing articulation agreements designed to facilitate the transfer of students; and faculty development, curriculum development, and academic instruction support.
- 7) Requires that the provisions of this bill become inoperative on July 1, 2031, or on the first day of the fiscal year following the full restoration of the federal funding for every CCD, whichever occurs first, and requires that the provisions of this bill be repealed on January 1 of the year following the date that this section becomes inoperative.

Comments

Need for the bill. According to the author, “In September 2025, the Trump administration terminated \$350 million in Minority Serving Institution (MSI) grants, leaving colleges without funding for these vital student support programs. The administration’s proposed fiscal year 2026 budget seeks to eliminate MSI and

TRIO programs entirely, threatening long-standing initiatives that provide counseling, tutoring, mentoring, and transfer guidance to more than 1.6 million California community college students. These cuts threaten services that help California's most vulnerable students – low-income, first-generation, and students of color – complete their degrees.

AB 2121 responds to the Trump administration's systematic dismantling of federal student success programs by removing barriers that prevent community colleges from backfilling this loss in federal funding. By temporarily excluding those backfill dollars from the Fifty Percent Law, community colleges can preserve federally-defunded student supports.”

Federal government actions for various discretionary grants. Actions taken by the federal government have created programmatic and fiscal uncertainty at the CCCs, including the sudden termination of certain discretionary federal grants in September 2025, including Hispanic Serving Institution (HSI) Grants, Minority Serving Institution (MSI) Grants, and Asian American and Native American Pacific Islander-Serving Institutions (AANAPISI) Grants. The federal government also terminated some federal TRIO grants in September 2025 for specified higher education institutions, which are outreach and student services programs designed to identify and provide services for individuals from disadvantaged backgrounds. According to the CCCCO, these HSI, MSI, and AANAPISI grants were provided to select colleges and are projected to be a loss of \$61.4 million statewide over the next 5 years:

	(In millions)					
Program	2025-26	2026-27	2027-28	2028-29	2029-30	Total
HSI	\$26.4	\$13.4	\$7.5	\$4.7	-	\$52.0
MSI	\$1.6	\$1.2	\$0.4	\$0.0	\$0.5	\$3.8
AANAPISI	\$3.2	\$2.0	\$0.4	\$0.0	-	\$5.6
Total	\$31.2	\$16.6	\$8.3	\$4.7	\$0.5	\$61.4

Differences between the current statutory exemption and the exclusions authorized by this bill. Existing law requires CCDs that have not complied with the Fifty Percent Law to designate the amount equal to the deficiency in expenditures and have those amounts expended for salaries for classroom instructors during the next fiscal year. Current statute also permits CCDs to apply for an exemption if the application of the Fifty Percent Law results in a serious hardship for the CCD. This

bill provides a process for temporarily *excluding* specified expenditures from the calculation of the Fifty Percent Law, rather than *exempting* them.

According to the author, “a qualifying district may exclude the expenditures and certify eligibility to the Chancellor’s Office annually, rather than an exemption [and] applying for after-the-fact discretionary relief. This provides upfront budget certainty districts need to commit resources during the budget planning cycle.”

Urgency measure. The author indicates that this bill is an urgency measure because the federal funding disruptions are already underway and CCDs are in need of immediate relief from the sudden termination of federal grant funds. A similar provision was included in the 2020 Budget Act to provide CCDs with flexibility in the wake of the COVID-19 pandemic, and this provision excluded, on a one-time basis, pandemic-related expenditures that wouldn’t be considered normal expenditures from the calculation of the Fifty Percent Law, specifically for fiscal year 2020-21. However, statutory changes to the Fifty Percent Law itself have not been enacted since 1995.

Related/Prior Legislation

SB 116 (Committee on Budget and Fiscal Review, Chapter 25, Statutes of 2020) requires, from July 1, 2020 to July 1, 2021, a CCD from excluding from its computation of the Fifty Percent Law any expenditures incurred by that district during a state or local declared emergency related to the COVID-19 pandemic that are not otherwise normal expenditures that would have been incurred by the CCD.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 8/5/26)

West Valley-Mission Community College District (source)
 Antelope Valley Community College District
 Associated Students of West Valley College
 Association of California Community College Administrators
 Campaign for College Opportunity
 Community College League of California
 EdTrust-West
 Foothill-De Anza Community College District
 Kern Community College District
 Lake Tahoe Community College District
 Los Rios Community College District
 San Bernardino Community College District

Southwestern Community College District
State Center Community College District
The Institute for College Access and Success
University of California Student Association
Victor Valley Community College District
West Valley College Classified Senate

OPPOSITION: (Verified 8/5/26)

California Teachers Association
CFT – A Union of Educators & Classified Professionals, AFT, AFL-CIO
Faculty Association of California Community Colleges

ASSEMBLY FLOOR: 72-1, 5/14/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, Dixon, Elhawary, Ellis, Fong, Gabriel, Gallagher, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Rivas

NOES: DeMaio

NO VOTE RECORDED: Arambula, Flora, Garcia, Hadwick, Muratsuchi, Celeste Rodriguez, Zbur

Prepared by: Michelle Nguyen / ED. / (916) 651-4105
8/5/26 16:20:46

**** **END** ****