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FACT SHEET

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California Community Colleges Reserve Funds

Some Community Colleges Have Growing Reserves but Lack Clear Spending Plans That Would Improve Student Outcomes

Background

The California Community Colleges (CCC) system—comprising 116 colleges across 73 districts—is the largest system of higher education in the nation. The system is open to all Californians with a high school diploma or equivalent and currently serves 2.2 million students. The CCC Chancellors' Office (Chancellor's Office) oversees districts in the CCC system. Districts routinely save excess revenue earned or received—referred to as reserves in this report—for various purposes, such as to maintain cash flow; to respond to significant unplanned costs or future revenue losses from a natural disaster or a recession; and to make large, nonrecurring planned purchases of land and buildings. We reviewed six community college districts—Antelope Valley Community College District (Antelope Valley), Butte-Glenn Community College District (Butte), Calbright Online Community College (Calbright), Kern Community College District (Kern), Mt. San Jacinto Community College District (Mt. San Jacinto), and San Francisco Community College District (San Francisco). Our review focused on whether these districts' maintained appropriate reserve levels and how the Chancellor's Office oversees the districts' increasing reserves.

Key Recommendations

- To ensure that districts maintain adequate levels of reserves, the Legislature should direct districts to disclose reserves in their budgets and reasons for falling short of or exceeding the reserve levels established by the district. The Legislature should also direct the Chancellor's Office to monitor districts' reserve policies and to use available data to monitor districts' increasing reserves.
- The Chancellor's Office should develop policies and procedures for monitoring districts' financial reporting, improve its process for calculating districts' reserves, enhance its monitoring of districts' reserve levels, and require districts to establish risk-based reserve policies and plans to spend excess reserves to improve student support and outcomes.

Key Findings

- Four of the six districts we reviewed had more reserves than they needed, which presents an opportunity to spend excess funds to provide additional support to students and improve student outcomes.
  - At the end of fiscal year 2024–25, Antelope Valley had reserves equal to more than eight months of its operating expenditures, exceeding the statewide median reserve by five months. Mt. San Jacinto and Kern had reserves of more than six months, exceeding the statewide median by about three months. Although San Francisco's reserve was below the statewide median, it exceeded its own reserve policy by about 1.5 months.
  - These districts did not have formal plans to spend the excess reserves despite the opportunities to continue improving student support and outcomes through additional spending.
- None of the six districts has adequately identified and projected their reserve balances, leaving four districts with significant unbudgeted funds that exceed their reserve goals, or the statewide median in the absence of such goals.
  - None of the six districts we reviewed has established risk-based policies that outline their reserve needs.
  - None of the districts accurately projected their reserve balance at the end of each fiscal year. As a result, Antelope Valley, Kern, Mt. San Jacinto, and San Francisco had tens of millions of dollars that they could budget for programs to better support students and their needs.
- The Chancellor's Office lacks processes to monitor districts' increasing reserves.
  - The Chancellor's Office's oversight is limited to reviewing districts' risks of insolvency. It does not have policies or processes to monitor districts' increasing reserves.
  - The Chancellor's Office did not conduct a thorough review of financial information districts report to it and may not have the correct information to monitor whether districts have sound fiscal management practices.