

Research Brief

August 4, 2025

Amidst ongoing uncertainty, funding for schools and community colleges is fairly stable in the 2025-26 state budget agreement

Legislative leaders and the governor reached agreement on a 2025-26 budget package on June 24. It reflects weaker than anticipated state revenues and tremendous uncertainty related to unpredictability in the federal government. The budget agreement addresses a \$12 billion deficit in the state general fund through a variety of measures, including withdrawals from the state's reserves and notable cuts to health care. Public education funding from TK through community college is largely protected through Prop. 98, and the final deal also prevented large proposed cuts to the University of California and the California State University.

The \$321 billion deal includes \$228 billion in General Fund expenditures and a Prop. 98 minimum guarantee of \$114.6 billion for 2025-26. The statutory COLA (2.3%) is fully funded, and will apply to core funding for TK-12 and community colleges. A base funding increase of 5% that was previously proposed for the University of California is deferred, but no cuts were made to the system's state funding base.

This year's state budget negotiations took place against the backdrop of a constantly changing federal policy and budget developments. Threats and actions to withhold, cancel, or cut federal programs and/or funding that California receives from the federal government exacerbate the state revenue outlook uncertainty. As a result, special legislative sessions or early actions that re-open the state budget for the 2025-26 fiscal year are a possibility.

The budget bill package includes several budget bills and 19 trailer bills. Of particular interest for CFT are the overall 2025 budget bill (AB 102), the TK-12 education trailer bill (AB 121), the higher education trailer bill (AB 123). The budget items in the final agreement are summarized below and are based on the enacted budget bill package.

PROPOSITION 98

	2025-26 BUDGET	NOTES
Prop. 98 Funding	<p>The Proposition 98 funding for 2024-25 is appropriated at a level that is \$1.9 billion below the minimum guarantee as calculated at this time. A new approach is introduced whereby the "settle up" required by the state constitution will become available in May 2026, when the actual revenues from the 2024-25 FY are known.</p> <p>For 2025-26, the minimum guarantee is currently projected to be about \$5.4 billion lower than the 2024-25 minimum guarantee, as a result of a shrinking state general fund.</p>	<p>2023-24 – \$98.5 billion (suspended level)</p> <p>2024-25 – \$118.0 billion appropriated guarantee (\$119.4 minimum guarantee)</p> <p>2025-26 – \$114.6 billion</p> <p>TK-12 per-pupil funding, accounting for all sources, is projected at more than \$25,000 per student.</p>

There is also a maintenance factor obligation based on the suspension of the Prop. 98 guarantee last year. The state constitution dictates repayments of and adjustments to the maintenance factor.

Public School System Stabilization Account (PSSSA)	For 2023-24, the reserves were all withdrawn; for 2024-25, \$455 million is deposited and then in 2025-26, it is withdrawn, drawing down the reserve balance to zero.	
Local Reserves	The 10% cap on local district reserves will not be triggered for 2025-26.	
Prop. 98 Re-benching and Split	<p>The Prop. 98 minimum guarantee is “re-benched” to account for the continued rollout of Universal TK.</p> <p>The enacted budget shifts the full TK expansion funding to the TK-12 education side of the Prop. 98 budget, beginning in the 2025-26 fiscal year. This moves \$232.9 million in ongoing resources from community colleges to TK-12 schools. In the previous years, the TK rebenching calculation has provided community colleges with additional funding.</p>	<p>Under Test 1, Prop. 98 guarantee increases from 39.2 to 39.6% of the state general fund.</p> <p>The final budget does not apply this recalculation back to 2023-24, as originally proposed.</p>

EARLY CHILDHOOD EDUCATION

	2025-26 BUDGET	NOTES
COLA	<p>The COLA for the state preschool provider rates was suspended for the 2025-26 fiscal year.</p> <p>Child Nutrition programs receive the 2.30% COLA.</p>	
Access / Slots	Maintains goal to reach 200,000 additional child care slots by 2028.	
Early Childhood Planning and infrastructure	Universal Preschool Planning Grant and Prekindergarten Planning and Implementation Grant Program expenditure deadlines are extended by two years.	New deadline is June 30, 2028.
Universal Transitional Kindergarten	<p>Continued TK expansion for 2025-26 offers TK to all children who turn four by September 1. Classroom ratios of 10 students to 1 adult are required.</p> <p>Requirement for additional TK certification is effective Aug. 1, 2025; penalties for failure to meet this requirement will reduce the LCFF base grant entitlement for TK.</p>	Total funding of \$2.1 billion will support UTK expansion. An additional \$2,397 per pupil is provided to meet 10:1 ratio required starting in 2025-26.

K-12 EDUCATION

	2025-26 BUDGET	NOTES
COLA	Statutory Cost-of-Living Adjustment (COLA) of 2.30% is fully funded in 2025-26.	Applied to the LCFF and most categorical programs outside the LCFF.
Deferrals	A budgetary deferral of \$246.6 million from June to July 2025 is fully repaid. A new deferral from June 2026 to July 2026 of \$1.9 billion is included in the 2025-26 budget.	

Local Control Funding Formula (LCFF)	<p>The LCFF base grant will increase by the 2.3% COLA. The total LCFF funding proposed is about \$2.1 billion above the 2024-25 budget act.</p> <p>TK Add-On to the LCFF is also increased by COLA, for a total of \$5,545 per ADA after the COLA is applied.</p>	
Categorical Funding and Equity Multiplier	<p>Statutory COLA of 2.3% is applied to most of the remaining categorical programs that are outside of the LCFF and the Equity Multiplier. This includes: Adult Education, American Indian Early Childhood Education Program, American Indian Education Centers, Charter School Facility Grant Program, Child Nutrition Program, Mandate Block Grant, Special Education, Youth in Foster Care. Adults in Correctional Facilities receive the prior year COLA (1.07%).</p>	\$173.4 million supports the COLA for these programs.
August Layoff Window Closed	For 2025-26, the statute allowing school district to issue August layoffs of certificated and classified staff does not apply.	
Student Support and Professional Development Discretionary Block Grant	New \$1.7 billion block grant to be allocated on a per-ADA basis; allowable uses are discretionary. Budget priorities encourage use on professional development; teacher recruitment and retention; career pathways and dual enrollment. Funds available through June 30, 2029	Estimated at \$315 per ADA.
Learning Recovery Emergency Block Grant	Enacted budget restores \$378.6 million to the grant; this funding can be used through the 2027-28 year to support learning recovery initiatives.	Training on mathematics and ELA frameworks are new allowable uses.
Arts and Music in Schools (Prop. 28)	Prop. 98 was permanently re-benched to include an amount equal to 1% of the K-12 share of the minimum guarantee.	Funding of \$1.05 billion is available for 2025-26.
Expanded Learning Opportunities Program (ELOP)	ELOP funding is increased by \$525 million for a total of \$4.5 billion ongoing funds. This supports reducing the threshold for Tier 1 LEAs from 75 to 55% unduplicated pupil percentage and increases minimum grant to \$100,000.	Tier 2 funding is estimated at \$1,575 per student.
Nutrition – Universal Meals	<p>Universal school meals are fully funded in the budget. Implementation support grant of \$160 million to support kitchen infrastructure, nutrition staff support and recruitment, and local food procurement. Of this amount, \$10 million is dedicated to staff recruitment and retention and \$5 million for studying school meal nutrition standards.</p>	Increase of \$90.7 million to cover 2 meals per day.
	\$22 million additional funding allocated to the SUN Bucks program, which provides nutrition funding to eligible students during summer.	State funds match federal funding for this program.
Literacy Instruction	\$200 million one-time funds for Literacy Instruction Professional Development, for training aligned with the ELA/ELD framework; \$215 million one-time funds to expand Literacy Coaches and Reading Specialists; \$40 million for screening materials and training; \$15 million for statewide literacy and mathematics networks; \$15 million for training for literacy instruction and multilingual education; \$10 million for implementation support for reading difficulties risk screening.	<p>\$495 million total for these programs</p> <p>Literacy Instruction funds available between 2026-27 and 2029-30.</p>
Professional Development and Educator Workforce	\$30 million one-time funds for Mathematics Professional Learning Partnership. \$300 million one-time funds for the Student Teacher Stipend Program, to provide grants of	

	\$10,000 to teacher candidates; \$70 million one-time funds to increase funding for teacher residency programs; \$30 million to extend timeline of the National Board Certification Incentive Program.
Community Schools	Additional funding provided for technical assistance centers; CDE to reallocate returned funds to support extending implementation grants
LA Wildfires	Protection provisions for affected LEAs include protection from loss of funding for the LCFF related to ADA and property tax revenues; ELO-P; and the Student Support Discretionary Block Grant. Savings from Scale up MTSS Statewide are redirected to support affected LEAs.
Other initiatives with One-time funding	Includes: \$20 million for Children and Youth Behavioral health Initiative Grants; \$30 million for Special Olympics, available over three years; \$10 million for the CCEE to run a pilot program to redesign middle and high school students; \$7.5 million for TK multilingual learners.

COUNTY OFFICES OF EDUCATION

	2025-26 BUDGET	NOTES
COLA	County Offices of Education operations grant (all three components) will receive the 2.3% statutory COLA.	COEs with property tax revenues that exceed the LCFF entitlement do not receive COLA.
LCFF Operations Grant	With the COLA, the base amount per county is \$901,757 and amount per district in county will be \$358,952. Operations grant rates per ADA also will increase, depending on countywide ADA totals.	
LCFF Alternative Education Grant	Base grant: \$16,951.92 Supplemental: \$5,933.17 per ADA Concentration: \$5,933.17 per ADA (\$2,966.65 for juvenile court school students)	COLA of 2.3% is applied to the formula
LCFF Add-Ons	COE's operating at least one Juvenile Court School receive \$200,000 and COE's with at least one county community school would receive \$200,000.	No changes to amounts.
Support for LEAs	COLA applied to LCAP support, with the greater of \$24,844 per district or \$106,298 per COE. Differentiated Assistance Support for districts and charter schools is included. Adjusted by 2.3% COLA.	Amount depends on size and numbers of LEAs
COE Budget Process	New requirement for SSPI to review reports or findings of fiscal distress in COEs. Failure to meet LCAP requirements will result in SSPI withholding apportionments.	

SPECIAL EDUCATION

	2025-26 BUDGET	NOTES
COLA	State special education funding receives the 2.3% COLA. AB 602 base rate: \$917.52 per ADA; Low incidence funding: \$3,927.91 per eligible pupil; Program	

Specialists/Regionalized Services: \$20.46 per 2019-20
ADA; State Mental Health Services: \$85.23 per ADA.

Other funding	\$30 million one-time funding for Special Olympics \$2 million one-time funding for digitization and multi-language translation of forms.
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CHARTER SCHOOLS

	2025-26 BUDGET	NOTES
COLA	The 2.3% COLA would apply to the LCFF base grant that charter schools receive.	
Deferrals	Deferrals from June 2026 to July 2026 apply to charter school funding.	
Facilities	Charter School Facility Grant Program is a categorical program that receives the 2.3% COLA.	
LA Wildfire	Protections for impacted charter schools include ADA provisions and instructional delivery flexibilities for classroom and nonclassroom-based programs.	

CAREER TECHNICAL EDUCATION

	2025-26 BUDGET	NOTES
Master Plan for Career Education	Funding to implement several areas of the Governor's Master Plan, including \$1.5 million for an Education and Workforce Development Coordinating Council; \$1 million to evaluate regional coordination models; \$25 million for a Career Passport; \$15 million plus \$5 million ongoing funding for the Credit for Prior Learning initiative.	
CTE grant	\$150 million one-time funding allocated for CTE and career pathways programming	This subject to pending legislation (SB 638 Padilla)
Universal Application	SSPI will assess feasibility of streamlining the CTE grant application and reporting, consider using a single universal application and consolidated program reports.	Would affect: Perkins V, CTEIG, Middle School Foundation Academies Planning Grants, specialized secondary programs, CTE Initiative, CA Partnership Academies, K-12 Strong Workforce.

CLASSIFIED EMPLOYEES

	2025-26 BUDGET	NOTES
August Layoff Window Closed	For 2025-26, the statute allowing school district to issue August layoffs of classified staff is not in effect.	
Kitchen Infrastructure and Training	Funds from the 2022-23 budget provided \$600 million for school kitchen upgrades and food service staff training. The budget extends the deadline for using the funds by one year, to June 30, 2026.	
Literacy Instruction	Funding for training applies to classified staff who provide literacy instruction	

Other funding	No changes to the Classified Employee Summer Assistance Program.
	Other budget items that will support Classified employees include the expansions to ELOP, universal meals, and the TK expansion, including the 10:1 ratio in TK classes.

ADULT EDUCATION

	2025-26 BUDGET	NOTES
COLA	Adult education would receive the 2.3% COLA, for an increase of \$15 million, and a total of \$674.1 million.	Funded through Community Colleges.

COMMUNITY COLLEGES

	2025-26 BUDGET	NOTES
COLA	The 2.3% COLA is be applied to the community college apportionments. This increases the SCFF component rates and many categorical programs.	
Deferrals	\$408.4 million of apportionment deferred from 2025-26 to 2026-27 fiscal year. Budgetary deferral of \$243.7 million from the 2024 budget act are repaid.	
Prop. 98 Reserves	Full funding of SCFF in 2025-26 is supported by \$49.7 million from the Prop. 98 reserve.	
Student Centered Funding Formula (SCFF)	\$217.4 million ongoing funding supports the COLA as applied to the SCFF. After adjustments, total SCFF funding would be about \$10 billion. New funding floor in effect starting in 2025-26, using the 2024-25 funding level as a new floor that will not be adjusted annually by the COLA	SCFF technical adjustments based on estimates of FTES plus supplemental and success metrics
Enrollment growth	\$140 million total provided to support combined enrollment growth of 2.35% in 2025-26.	\$100 million supports 2.28% growth in 2024-25 and \$40 million funds 0.57% growth in 2025-26.
Categorical Programs	Funding for several categorical programs is increased by the 2.3% COLA. These include: Adult Education, Extended Opportunity Programs and Services, Disabled Students Programs and Services, Apprenticeships, CalWORKS Student Services, Cooperative Agencies Resources for Education (CARE); Childcare Tax Bailout; Mandates Block Grant (adjusted by COLA and enrollment).	\$26.8 million total supports the COLA for these programs.
Student Support Block Grant	\$60 million one-time funds for new grant that will be allocated to districts based on a formula. There is a base amount of \$150,000 per district plus additional funds based on student headcount and number of students receiving waiver and exemptions from nonresident tuition.	Funds to be available through June 30, 2029 and used for student support.
Nursing Program Expansion and Grant Program	Continues from last year. \$60 million per year for five years is also earmarked to establish the Rebuilding Nursing Infrastructure Grant Program	Not new funding, but redirected from Strong Workforce.
Part-Time Faculty Programs	\$200 million ongoing funding for PT Faculty healthcare continues. PT Faculty compensation funding continues at	Total funding for PTHC is \$200.5 million.

	\$26.5 million and PT Faculty office hours funding continues at \$23.6 million ongoing funds. The Office Hours reimbursement amount is increased to up to 90% of employer costs, while funding is available but no new funding is included.	
Full-time faculty hiring	No new funding proposed; program would remain at current funding level of \$150 million ongoing.	
Career Education	\$25 million one-time funds for a Career Passport and \$20 million for credit for prior learning (\$5 million is ongoing).	Part of Master Plan for Career Education
	Increase of \$5 million for LA CTE workforce development associated with recovery from the LA wildfires.	
	\$10 million increase for CA Healthy School Food Pathways.	
	\$10 million increase for CA Firefighter Joint Apprenticeship Council for EMT and Paramedic pre-apprenticeships.	
FAFSA and Financial Aid	\$5.1 million increase with one-time funds for districts to develop grants for organizations that provide financial aid assistance. \$20 million additional one-time funds for emergency financial assistance grants.	
Wildfire Property Tax Backfill	\$3.8 million in 2024-25 and \$8.1 million in 2025-26 to backfill loss of property tax revenue due to the LA fires.	
Capital Outlay	\$68.5 million one-time funds from Props 2 and 51. 29 new projects supported	
Rising Scholars	\$10 million ongoing increase.	
Dreamer Resource Liaisons	\$15 million one-time funding increase for Dreamer Resource Liaisons.	
Common Cloud Data	\$12 million one-time funding increase to leverage existing data systems for real-time data reporting.	

UNIVERSITY OF CALIFORNIA

	2025-26 BUDGET	NOTES
Compact / Base Funding	<p>Base funding is flat, with none of the previously discussed cuts enacted. A 3% (\$129.7 million) base funding deferral from 2025-26 to 2026-27 is included, along with a zero-interest loan for this same amount.</p> <p>An originally planned 5% base increase (\$240.8 million) for 2025-26 continues to be delayed until 2027-28. In 2026-27, the base increase is set at 2%, with the remaining 3% promised in 2028-29.</p>	
Enrollment	\$31 million to replace nonresident students with CA students (at UC Berkeley, UCLA, and UC San Diego) is deferred to 2027-28.	Budget bill includes enrolment target of 209,535 FTES in 2025-26.
UC Labor Centers	No funding cut to the UC Labor centers	Funded at \$13 million, ongoing.
Foster Youth	\$1.8 million one-time support for First Start Youth Cohorts	

	at UC campuses, supporting youth in foster care.	
Journalism	\$15 million one-time funds for UC Berkeley Journalism Fellowship Program and \$430,000 ongoing support for the CA newspaper Project at UC Riverside.	
Student Housing	Two additional projects authorized through the Higher Education Student Housing Grant Program, at UC Davis and UC Santa Brbara.	\$2.6 million each
Additional funding	Includes \$5 million for UCSD bachelor's degree in public health; \$4.5 million for UC Davis Transportation Research Center; \$3.6 million for campus climate and antidiscrimination efforts; \$3 million for menopause health centers at UC hospitals; \$2.5 million for ALERTCalifornia at UCSD; \$1.8 million to UCSF for DDS-ASPIRE program; \$1.5 million for PRIME Central Coast program through UC Davis and UC Santa Cruz; \$1 million for UC Davis Firearms Research Center; \$750,000 for UCLA for social media research.	

CALIFORNIA STATE UNIVERSITY

	2025-26 BUDGET	NOTES
Compact / Base Funding	<p>A 3% (\$143.8 million) base funding deferral from 2025-26 to 2026-27 is included, along with a zero-interest loan for this same amount.</p> <p>An originally planned 5% base increase (\$252.3 million) for 2025-26 continues to be delayed until 2027-28. In 2026-27, the base increase is set at 2%, with the remaining 3% promised in 2028-29.</p>	
Sonoma State and Low Enrollment Campuses	\$45 million for Sonoma State's turnaround plan and \$5 million to increase enrollment at other low enrollment campuses	
Other funding	\$806,000 for Northridge Student Success and Inclusion Center; \$1.3 million ongoing increase to the Capitol Fellows program; \$345,000 to implement requirement of drug test devices at all campuses.	

Additional information

CALSTRS/CALPERS EMPLOYER CONTRIBUTION RATES*

	2024-25	2025-26	2026-27	2027-28	2028-29
CalSTRS	19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS	27.05%	26.81%	26.90%	27.80%	27.40%

*The employer contribution rates are determined by the respective boards and subject to change by the board

STATUTORY COLA: ACTUAL AND PROJECTED RATES^

	2024-25	2025-26	2026-27	2027-28	2028-29
COLA	1.07%	2.30%	3.02%	3.42%	3.31%

^Rates for 2026-27 and forward are estimates from the Department of Finance.

CALIFORNIA MINIMUM WAGE (EFFECTIVE. JAN 1)

	2024-25	2025-26	2026-27	2027-28	2028-29
	\$16.50	\$17.00	\$17.40	\$17.80	\$18.30

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