

Research Brief

March 15, 2026

Governor’s proposal for 2026-27 budget reflects ongoing uncertainty, borrows from Prop. 98 to address state deficit

Governor Newsom’s final state budget proposal addresses an anticipated deficit, but is based on revenue estimates that are higher than anticipated and does not assume a recession or market downturn in the 2026-27 fiscal year. The proposals for education include modest increases and largely avoids cuts but also includes a controversial proposal to withhold \$5.6 billion from Prop. 98. CFT is aligned with other education labor and advocacy groups in opposition of this proposal.

Overall, the state budget as proposed is roughly 9% higher than the current year, for a total of \$348.9 billion. The General Fund spending is proposed to be \$20 billion more than 2025-26, at \$248.3 billion. Newsom’s proposal suspends an expected deposit for the current year into the state’s primary Rainy Day fund (Budget Stabilization Account) but ends the fiscal year with \$23 billion in total state reserves.

The governor’s approach maintains existing programs and limits new spending and programs, though there are a couple of significant education proposals. The Proposition 98 guarantee is now estimated at \$21.8 billion above the 2025-26 enacted budget, with higher amounts in all three years of the updated estimate. For TK-14, a fully funded statutory cost-of-living adjustment (estimated at 2.41%) is included in the proposal. For the University of California, there are proposed funding increases consistent with intent language in prior years.

The January budget proposal also includes a controversial proposal to reform the way the state’s public education governance bodies are structured. The reform would shift oversight and management of the CA Department of Education from the State Superintendent of Public Instruction to an Education Commissioner appointed by the governor. This new Commissioner would also serve as the executive officer of the State Board of Education. If adopted in the 2026-27 budget, the new structure would take effect on January 1, 2027.

Over the coming months, CFT will continue to closely monitor the state’s fiscal outlook and to advocate for a budget that prioritizes public education. The legislative budget committees will meet and deliberate this spring, and Gov. Newsom will release additional details about his proposals for the 2026-27 budget. The next full budget proposal will be released in May as the May Revision.

PROPOSITION 98

	2026-27 BUDGET PROPOSAL	NOTES
Prop. 98 Funding	<p>The Proposition 98 funding guarantee is revised up by about \$21.8 billion across three years. For 24-25, the guarantee is \$3.9 billion higher; for 25-26, it is \$6.9 billion higher; for 26-27 it is \$11 billion higher than estimated in June.</p> <p>Settle up of \$1.9 billion in the 2025-26 budget is included in the Gov’s proposal, but a new settle up of \$5.6 billion for the 2026-27 year is proposed.</p>	<p>2024-25 – \$123.8 billion (was \$119.9)</p> <p>2025-26 – \$121.4 billion (was 114.5)</p> <p>2026-27 – \$125.5 billion</p> <p>The \$5.6 billion equates to about \$909 per ADA in TK-12.</p>

Public School System Stabilization Account (PSSSA)	Proposal includes a new required \$3.8 billion deposit for 2024-25; for 2025-26, a \$424 million required and \$240 million discretionary deposits is proposed; for 2026-27, there is a required withdrawal of \$407 million.	Balance at the end of 2026-27 is estimated at \$4.06 billion.
Local Reserves	Updated estimates trigger the 10% cap on local district reserves for 2025-26 and 2026-27, however given the timing (budgets have been adopted) the 2025-26 cap is not operative.	Applies to K-12 districts, but not community colleges

EARLY CHILDHOOD EDUCATION

	2026-27 BUDGET PROPOSAL	NOTES
COLA	The 2.41% COLA would be applied to state preschool program and the Child Nutrition programs.	
Prop. 64 Funds	Proposes for \$11.5 million one-time Prop. 64 funds to support childcare infrastructure in communities impacted by recent fires.	
General Fund	Proposal to fund a COLA to support Department of Social Services administered childcare program.	\$89.1 million

K-12 EDUCATION

	2026-27 BUDGET PROPOSAL	NOTES
COLA	Statutory Cost-of-Living Adjustment (COLA) is estimated to be 2.41% for 2026-27.	Would be applied to the LCFF and most categorical programs.
Local Control Funding Formula (LCFF)	The LCFF base grant would increase by the 2.41% COLA. After adjustments, total LCFF funding is estimated to be approximately \$2.3 billion above 2025-26.	LCFF funding for 2026-27 would total about \$81.7 billion, including \$2 billion to support the COLA.
Equity Multiplier	This add-on to the LCFF was first funded in 2023-24 with \$300 million. The multiplier would be increased by the COLA.	\$317.7 million proposed for 2026-27.
Categorical funding	Proposal applies COLA of 2.41% to most of the remaining categorical programs that are outside of the LCFF. This includes: Adult Education, Adults in Correctional Facilities, 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.	\$228 million to support these programs
Learning Recovery Emergency Block Grant	The proposal restores the remaining \$757.3 million to the LREBG after cuts made in the 2023 budget act. Grant can be used through the 2027-28 year. Funds were already received by districts in 2022-23.	Estimated at \$228 per ADA.
Student Support and Professional Development Discretionary Block Grant	\$2.8 billion proposed as new round of one-time, discretionary funding to address rising costs and support priorities like TK professional development, recruitment and retention, and dual enrollment but grant as proposed is fully discretionary.	Estimated at \$512.48 per ADA, if distributed per ADA.

Community Schools	New proposal for \$1.0 billion new, ongoing funds to expand community schools.	
Expanded Learning Opportunities Program (ELOP)	Proposed increase of \$62.4 million ongoing funds to ELOP stabilize the Rate 2 amount per student at \$1,800.	Currently, Rate 2 fluctuates from year to year.
Arts and Music in Schools (Prop. 28)	Prop. 28 codified an amount equal to 1% of the K-12 share of the prior-year minimum guarantee. Funds supplement funding for arts and music programs. LEAs have 3 years to spend AMS funds; the first funding cycle ends in 2025-26 and a final expenditure report is due by Oct. 1, 2026. Funds are swept if not spent. Waivers to spend less than 80% on teachers and staff (for the first allocation) are due by June 30, 2026.	Funding estimated at \$1.07 billion for 2026-27, with amount finalized at May Revision.
Nutrition – Universal Meals	Adjusts universal meals funding down by \$67.9 million to reflect updated participation rates. \$100 million one-time proposed for Kitchen Infrastructure and Training Grants.	
Farm to School	Proposal to increase funding for Farm to School Incubator Grants	\$24.6 million proposed
Staffing Shortage / Educator Workforce	\$250 million proposed to support educator residency programs through 2029-30. \$14.4 million (non-Proposition 98) to the Golden State Teacher Grant Program	
Transportation	Proposal for \$322 million one-time and \$239.2 million in ongoing funding to support increases in the Home-to-School Transportation program.	
Dual Enrollment	Proposal for \$100 million (one-time) to increase access to college and career pathways, including dual enrollment	
Wildfire Recovery	\$22.9 million proposed to support LEAs as they continue to recover from the 2025 Los Angeles County wildfires.	
Reading Difficulty Screening	Proposal to continue screening students for reading difficulties. The budget also proposes changes in law to clearly explain how the screenings should be given, helping make results more consistent and reliable.	\$40 million proposed

COUNTY OFFICES OF EDUCATION

2026-27 BUDGET PROPOSAL		NOTES
COLA	County Offices of Education operations grant (all three components) would receive the 2.41% COLA.	
LCFF Operations Grant	The base amount per county after COLA would be \$923,489 and amount per district in county would be \$367,603. Operations grant rates per ADA also will increase by COLA.	
LCFF Alternative Education Grant	Proposal applies 2.41% COLA.	Base grant: \$17,360 Supplemental grant: \$6,076 Concentration grant: \$6,076 / \$3,038
LCFF Add-Ons	COE's operating at least one Juvenile Court School would receive \$200,000 and COE's with at least one county community school would receive \$200,000.	No changes to amounts.

Support for LEAs	Proposal applies COLA to LCAP support, with the greater of \$25,443 per district or \$108,860 per COE.	
	Differentiated Assistance Support for districts and charter schools is proposed.	\$13.3 million increase proposed.

SPECIAL EDUCATION

	2026-27 BUDGET PROPOSAL	NOTES
COLA	Special education funding would receive the 2.41% COLA, plus another \$509 million is proposed to equalize base rates. This is a very significant proposal; base rates will have increased by 179% since 2019-20 if adopted.	Base Rate: \$999.00 PS/RS Rate: \$20.95 Low Incidence: \$4,022.57 Mental Health Services: \$85.32 Out-of-Home Care: Rates vary

CAREER TECHNICAL EDUCATION

	2026-27 BUDGET PROPOSAL	NOTES
Master Plan for Career Education	\$100 million (one-time) proposed to increase access to college and career pathways, including dual enrollment	

CHARTER SCHOOLS

	2026-27 BUDGET PROPOSAL	NOTES
COLA	The 2.41% COLA would apply to the LCFF base grant that charter schools receive.	
Charter School Facility Program	2.41% COLA would apply	
Accountability	After vetoing legislation last year, budget includes a proposal to create new requirements for charter schools to increase oversight and accountability.	Additional details likely by May Revise.

ADULT EDUCATION

	2026-27 BUDGET PROPOSAL	NOTES
COLA	Adult education would receive the 2.41% COLA, for an increase of \$16.1 million, and a total of \$690.3 million.	Funded through Community Colleges

CLASSIFIED EMPLOYEES

	2026-27 BUDGET PROPOSAL	NOTES
Summer Assistance Programs	Proposal to reallocate \$8 million from the community college Summer Assistance program for two years.	As intended in the 2025-26 budget.
Transportation	Proposed increases of \$322 million (one time) and \$239 million (ongoing) for Home to School Transportation	

Healthy School Food Pathway	\$14.3 million proposed to train food service workers for K-12 schools; funds go to the Community colleges
Other funding	Other budget items that will support Classified employees include the ELOP, which would receive \$4.67 billion total in 2026-27 and continued funding for universal meals and kitchen infrastructure.

COMMUNITY COLLEGES

	2026-27 BUDGET PROPOSAL	NOTES
COLA	The 2.41% COLA would be applied to the community college apportionments. This increases the SCFF component rates. Many categorical programs are also increased by the COLA.	\$358.4 million for COLA and enrollment growth.
Student Centered Funding Formula (SCFF)	\$261.3 million supports the COLA as applied to the SCFF. After adjustments, total SCFF funding would be about \$10.4 billion. The new SCFF funding floor based on 2024-25 apportionments would remain in effect.	SCFF technical adjustments based on estimates of FTES plus supplemental and success metrics
Enrollment growth	\$31.9 million ongoing funding is proposed to support 0.5% growth in 2026-27 plus \$55.3 million proposed for an additional 1% growth in 2025-26.	
Categorical Programs	Several programs would have funding increased by the 2.41% COLA. These include: EOPS; DSPS; CalWORKS Student Service; Apprenticeship; Cooperative Agencies Resources for Education (CARE); Childcare Tax Bailout; Mandates Block Grant (adjusted by COLA and enrollment).	
Calbright	Proposal to increase funding for Calbright by \$38.1 million; Calbright funding would also be increased by the 2.41% COLA.	\$53.1 million total funding
Student Support Block Grant	An additional \$100 million proposed to be added to the \$60 million block grant in the 2025-26 budget.	
Healthy School Food Pathway	\$14.3 million proposed to train food service workers for K-12 schools	
Nursing	\$60 million one-time funds per year, for five years were anticipated in the 2024 budget act; \$60 million is included to fund the Rebuilding Nursing Infrastructure Grant Program.	
Part-Time Faculty	\$200 million ongoing funding for PT Faculty healthcare continues. PT Faculty compensation funding continues at \$26.5 million and PT Faculty office hours funding continues at \$23.6 million (no changes to funding amounts).	Total funding for PTHC is \$200.5 million
Full-time faculty hiring	No new funding proposed; program would remain at current funding level of \$150 million ongoing.	
Basic Needs	\$8 million from the Classified Summer Assistance Program funding proposed to be reallocated to Basic Needs Centers in 2026-27 and 2027-28.	
Dual enrollment	\$100 million for dual enrollment is proposed in the K-12 budget.	
Facilities / Capital Outlay	Bond measure from Prop. 2 will provide \$736.9 million for	

	community college projects. For 2026-27, 10 new and 29 ongoing projects are proposed for funding. \$120.7 million proposed for deferred maintenance.	
Deferrals	Proposal repays \$408.3 million of deferrals in the 2025-26 budget.	
Credit for Prior Learning	\$37 million proposed as part of the Master Plan for Career Education	\$2 million would be ongoing.
Data and Technology	Proposals include \$41 million (with \$5 million ongoing) for a cloud data platform for the system.	

UNIVERSITY OF CALIFORNIA

	2026-27 BUDGET PROPOSAL	NOTES
Base Funding and Enrollment	<p>The Compact funding agreement between Gov. Newsom and the University of California called for a 5% base funding increase for 2026-27; \$254.3 million proposed for this. Another \$96.3 million as part of the 2025-26 base increase (deferred last year) is also proposed to be funded.</p> <p>Next year, \$240.8 million is expected for a deferred Compact agreement) plus \$31 million for enrollment of CA residents.</p>	From State General Fund
General Fund Cut	State agency budgets were cut by 7.95% in the 2024 budget act. For UC, there is an ongoing deferral of a budget cut from the 2025-26 budget, expected to take effect in 2027-28.	

Additional information

CALSTRS/CALPERS EMPLOYER CONTRIBUTION RATES*

	2025-26	2026-27	2027-28	2028-29	2029-30
CalSTRS	19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS	26.81%	26.40%	26.90%	26.10%	25.30%

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

STATUTORY COLA: ACTUAL AND PROJECTED RATES^

	2025-26	2026-27	2027-28	2028-29	2029-30
COLA	2.30%	2.41%	3.06%	3.34%	3.14%

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

FOR ADDITIONAL INFORMATION, CONTACT:

Aimee Shreck Research Director ashreck@cft.org | **Tiffany Mok** Legislative Advocate tmok@cft.org