

2026-2027 May Budget Revision

Budget Impacts on Schools

May 18, 2026



Housekeeping

- At the end of the presentation, we will have a Question-and-Answer segment where we will try our best to answer your questions
- Please, use the Q & A feature of Zoom to type your questions. This is located on ribbon below the speaker.



- Your questions will be answered either in the Q & A panel or live by our presenters
- All attendees will receive a link to the **video** of this webinar as well as **the slide deck**





Today's Presenters

- ▶ **Patrick O'Donnell**, Chief, Governmental Relations
- ▶ **Chris Reefe**, Legislative Director
- ▶ **Carlos Machado**, Legislative Advocate
- ▶ **Dan Merwin**, Legislative Advocate
- ▶ **Marissa Vismara**, Legislative Advocate

Moderator:

- ▶ **Troy Flint**, Chief Communications Officer

What is the May Revise?

- The May Revise is the formal presentation of updated general fund revenues received due to the annual April 15 income tax filing deadline.
- Required by law to be presented on or before May 14, it is an opportunity for the Governor to provide an update on:
 - ❖ State general fund revenues for the current year and coming budget year.
 - ❖ Governor's proposals to expand or reduce programs and expenditures.
- State law also requires the May Revise to include an update on Proposition 98 funding and the state's efforts to meet the constitutional guarantee.



The State Budget

State Budget

- Governor Newsom's last May Revise
- State's non-partisan Legislative Analyst's Office projected an \$18 billion deficit last November
- Growth in personal incomes and capital gains revenues largely driven by AI has led to state revenues surpassing projections - \$58 billion beyond LAO estimates
- However, caution remains as concern about sustainability of AI continues
- Governor proposing a balanced budget over the next two fiscal years – after that operational deficits reappear



The numbers

- Overall state budget is \$349.9 billion – Includes all federal, state and special funding
- State revenues are up by \$16.5 billion
- The General Fund share of the budget is estimated at \$246.6 billion – a decrease of \$1.8 billion compared to the January Budget
- Budget includes increase in deposits to state reserves to \$29.9 billion:
 1. \$15.1 billion – general fund reserve
 2. \$4.5 billion – special fund for economic uncertainties
 3. \$10.3 billion – Prop 98 rainy day fund

Risks remain

- State operational budget deficits remain
- Federal actions continue to threaten public education funding
- State's volatile revenue structure heavily dependent on top 1 percent of income earners
- In response, Governor continues call for doubling of Prop 2 state general fund reserve cap from 10% and 20%

Proposition 98

Proposition 98 Overview

- Revised *minimum* guarantee for the current year is \$125.1 billion – \$3.7 billion above the January Budget estimate.
- For 2026–27, the minimum guarantee is estimated to be \$127.1 billion
- When accounting for adult education, Proposition 28 and other agencies, the Prop 98 total for the split is approximately \$122.9 billion
 - ❖ TK–12 share: \$109.47 billion – 89.07%
 - ❖ Community College share: \$13.4 billion – 10.93%
- The revised three-year estimate for Prop 98 is:
 - ❖ \$124.9 billion in 2024-25 (reflects an \$8.3 billion maintenance factor repayment)
 - ❖ \$125.1 billion in 2025-26
 - ❖ \$127.1 billion in 2026-27



Proposition 98 Overview Continued

- According to the Department of Finance, revised estimates of Prop 98 over the three-year period spanning 2024–25, 2025–26 and 2026–27 represent an approximate increase of \$28 billion compared 2025 Budget
- In comparison to last year, which reflected a \$300 million decrease in the growth of Prop 98 over the three-year budget period – Prop 98 continues to grow but at a slower rate on a year-over-year basis
- In January Prop 98 was projected to see an increase of \$21.7 billion over the three-year period – it has increased by \$6.4 billion in the May Revise for the three-year estimate
- Prop 98 continues operating under Test 1 in the current year and budget year, i.e., current year funding adjusted for increases in property tax revenue.
- Test 1 is estimated to be 39.3% of the overall state budget



Prop 98 Reserve



- The January budget estimated a reserve of \$4.1 billion – last year’s budget zeroed out the reserve – what a difference a year makes
- Due to growth in revenues, it is increasing mandatory deposits into the Prop 98 Reserve
- Gov is also proposing a discretionary deposit
- In sum, this will increase the reserve to \$10.3 billion
- This will trigger the 10% local reserve cap for 2027-28

Full repayment of Prop 98 Maintenance Factor

- State suspended Prop 98 in 2023-24 creating a maintenance factor (debt) owed to public schools of \$8.3 billion
- Prop 98 repayment if formula driven – when state general fund revenues grow repayment amount also grows
- Due to improving revenue picture, repayment increases to \$8.3 billion, retiring full amount
- Maintenance factor is what makes the guarantee the guarantee – mandatory repayment

Cost-of-Living Adjustment (COLA)

Super COLA proposed for the LCFF

- Statutory COLA estimated to be 2.87% for 2026-27, up from 2.41% as estimated in January Budget
- Governor is proposing an additional 1.4% for the LCFF, creating a “super COLA”
- Super COLA will not apply to statutory programs
- Equates to \$2.2 billion increase in LCFF
- Comes with a caveat – mandatory paid pregnancy leave

COLA continued

2.87% COLA proposed categorical programs - Modified 2.01% COLA proposed for State Preschool

- LCFF Equity Multiplier
- Special Education
- Child Nutrition
- Youth in Foster Care
- Mandates Block Grant
- Adults in Correctional Facilities Program
- Charter School Facility Grant Program
- American Indian Education Centers and the American Indian Early Childhood Education Program

The Proposition 98 Third Manipulation



Third manipulation

- Governor is doubling down on his proposed withholding of Proposition 98 funding
- Proposed to be \$5.6 billion in the January Budget it has been reduced to \$3.9 billion
- Withholding as a manipulation threatens the minimum funding guarantee
- Operates as an amount owed to Prop 98 in the following year but only if the state has the funding to repay the withholding
- Amount of the \$3.9 withholding amounts to \$643 per student

Concerning precedent

- This represents the third manipulation of the Prop 98 funding guarantee is calculated.
- This is not how the guarantee is calculated – public education funding cannot be withheld arbitrarily.
- CSBA is opposed to this and urges all board members to respond to its action alert to send a message to the Governor and their legislators opposing the withholding



Governor's Budget Proposals



State education governance reform

- Continues proposal to shift all statutory oversight responsibility from the State Superintendent of Public Instruction to the State Board of Education
- SSPI would become mostly a figurehead role with increased voting rights on the SBE and Community College Board of Governors
- CSBA supports this effort as it speaks to the SOS for Student Achievement and need for greater state education governance alignment
- Shifts a total of \$1.5 million in 2026-27 and then \$3 million beginning 2027-28 from the Department of Education to the new Office of the Superintendent of Public Instruction
- Legislature continues to pursue a bill to institute the Governor's proposal – AB 2117 by Assemblymember David Alvarez (D-San Diego)



Two block grants

- 1) Increases the second proposed Student Support and Professional Development (SSPD) Discretionary Block Grant block grant from \$2.8 billion in January to \$5 billion and will go out on an ADA basis.
 - ❖ Professional development for teachers ELA/ELD Framework
 - ❖ Professional development for teachers on the Mathematics Framework
 - ❖ Teacher recruitment and retention strategies
 - ❖ Career pathways and dual enrollment expansion efforts
- 2) Maintains the restoration of \$757.3 million in prior cuts to the Learning Recovery Emergency Block Grant.
 - ❖ This will trigger existing LCAP assessment requirements



County offices of education

- Includes \$48.3 million in additional LCFF funding for COEs due to changes in ADA
 - ❖ This includes the proposed super COLA of 4.31 percent.
- Continues the proposed increase of \$13.3 million for a total of \$131.9 million in universal and targeted assistance funding
 - ❖ CSBA is in strong support of this proposal





Necessary small school districts

- Retained in the budget is the proposal from January to provide \$30.7 million to increase Necessary Small School funding rates by 20 percent
- Necessary small schools are elementary schools with 97 ADA or less and high schools with 286 ADA or less and face specific significant geographic factors
- This reflects CSBA's continued effort to push for increased funding for small school districts

Special Education

- Increases the proposal to increase special education base funding from \$509 million in the January Budget by \$1.9 billion for a total of \$2.4 billion
- Increases the base rate to \$1,340 per student – a 43% over the 2025 budget
- \$25 million one-time increase for Inclusive College Technical Assistance Centers to expand inclusive postsecondary education opportunities for students receiving special needs services



Paid pregnancy disability leave

- Similar to AB 65 by Assemblymember Aguiar-Curry from last year, which failed passage, requires LEAs provide all staff 14 weeks of paid pregnancy disability leave
- Estimated costs, according to the Department of Finance is \$218 million statewide
- Noted in the May Revise that the super COLA would be required to be used to fund these costs
- According to the Department of Finance, funding from the super COLA must be first be directed to cover costs associated with this leave



Literacy

- One-time increase of \$428.8 million to extend the existing literacy instruction and support through June 30, 2031, for all Literacy Coaches and Reading Specialists Grant Program grantees
- \$11.2 million to support the literacy coaches through the Literacy Coaches and Reading Specialists Educator Training Competitive Grant
- \$5 million to make the Multitudes screening tool available statewide at no cost to LEAs and expand the number of languages supported by the tool





Mathematics

- \$60 million in one-time Prop 98 general funds to extend the work of the Mathematics Professional Learning Partnership
- Intent is to expand access to coaching services and extend the program's operation through the 2028-29 school year

Teacher Recruitment and Preparation

- \$30 million in one-time Prop 98 general fund to expand and extend the following programs through 2034:
 - ❖ Statewide Teacher Residency Technical Assistance Center
 - ❖ National Board of Professional Teaching Standards Certification Incentive Program
 - ❖ Unspecified “grow-your-own educator preparation” programs
- Continues to invest in the Golden State Teacher Grant Program by providing \$16.2 million in ongoing IDEA funding to provide \$20,000 grants to prospective special education teachers
- \$1.6 million in one-time federal Title II funds to provide \$10,000 grants to teaching candidate via the grant program



Teacher Recruitment and Preparation continued

- \$15 million in one-time Prop 98 general fund to expand access to the 21st Century California School Leadership Academy
- \$5 million in one-time Prop 98 general fund for the California Commission on Teacher Credentialing (CTC) to validate a free system to review college transcripts as an alternative to the successful completion of subject matter competency assessments
- Increases the five-year credential renewal fee by \$25 from \$100 to \$125. Revenues generated by this increase would be used to backfill lost subject matter competency testing revenues and supporting CTC operational costs



Community Schools Grant Program

- Redirects \$485 million from the existing California Community Schools Partnership Program to the Governor's January proposal to establish \$1 billion in ongoing Prop 98 general fund for the Community Schools Grant Program – intent is to support new school grants
- The \$485 million would fund the following:
 - ❖ \$401 million in one-time grants to support planning and implementation
 - ❖ \$50 million to expand existing work to redesign middle and high schools
 - ❖ \$15 million for the State Transformational Assistance Center to support new community schools and additional \$13 million to assist community school recipients
 - ❖ \$6 million to support collaboration between COEs and community partners



Other notable budget proposals

- Maintains the Governor's January Budget proposal to increase Expanded Learning Opportunities Program by \$62.4 million in ongoing Prop 98 general fund
 - ❖ Overall amount of Prop 98 funds for ELOP would be \$4.7 billion or \$876 per student
- \$2.8 million in additional ongoing Prop 98 General Fund to fully fund the Universal School Meals program.
- \$30 million in one-time Prop 98 general funds to supplement existing McKinney-Vento Children and Youth grants to expand access to the program.



Other notable budget proposals continued

- \$265.6 million and \$344.4 million in 2025-26 and 2026-27 general funds, respectively, for LEAs due to decreased offsetting property taxes.
- Additional support for Holocaust and genocide education in the amount of \$10 million in one-time Prop 98 General Fund dollars to increase access to related professional development and resources under the Holocaust and Genocide Education Grant Program.
- 1.7 million in additional ongoing Prop 98 general fund for the mandated menstrual products mandated program





Major Takeaways

- AI has had a significant impact on state revenues in a short period of time but concerns remain about the “AI bubble”
- Budget is largely balanced but operational deficits are on the horizon
- Manipulation of Prop 98 remains
- Fragmented governance remains – CSBA continues its SOS for Student Achievement campaign

2026-27 May Revision Budget Perspectives Workshops

In collaboration with:



Learn more:

<https://budgetperspectivesworksho.regfox.com/may-revision-workshop-2026-27>



Thank you

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Questions

