

# Governor's January Budget

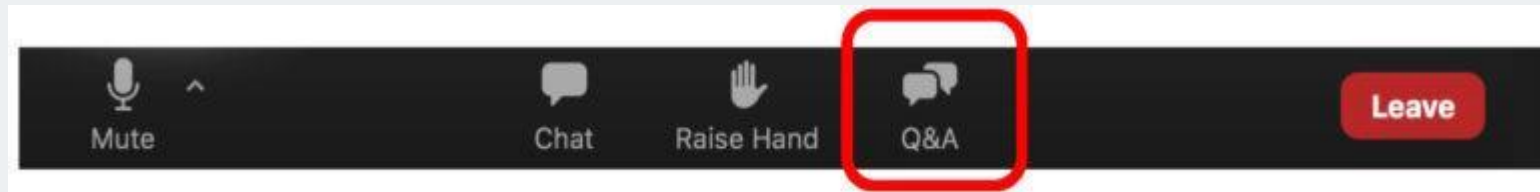
*CSBA Webinar*

*January 12, 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**

## **Introductory Remarks**

- ▶ **Dr. Debra Schade**, CSBA President and Solana Beach USD School Board Member
- ▶ **Vernon Billy**, CEO & Executive Director

## **Budget Overview**

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

## **Moderator**

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

# Introductory Remarks

**Dr. Debra Schade**

CSBA President

**Vernon M. Billy**

CSBA CEO & Executive Director

# The Budget





# Governor Newsom's last state budget

- In November, the nonpartisan Legislative Analyst's Office projected that the State is facing an \$18 billion budget deficit
- A tale of two revenue forecasts for 2026-27:
  - ❖ LAO projecting a decline in revenue
  - ❖ Governor's Department of Finance assumes modest revenue growth
- Governor is projecting a \$3 billion deficit that grows to \$22 billion in 2027-28
- State's volatile revenue structure continues to present risks to budget sustainability
  - ❖ Stock market volatility and federal budgetary actions loom large



# The numbers

- Overall state budget is \$348.9 billion – Includes all federal, state and special funding
- State revenues are up by \$42.3 billion
- The General Fund share of the budget is estimated at \$248.3 billion
- Budget includes a projected \$23 billion in increase in state reserves:
  1. \$14.4 billion – general fund reserve
  2. \$4.5 billion – special fund for economic uncertainties
  3. \$4.1 billion – Prop 98 rainy day fund

# State Education Governance Reform

- Surprise announcement during Governor's state of the state address
- Proposes 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
- Cites the fragmented education governance structure is inhibiting growth in student outcomes
- Devil is in the details...



# **Risks continue to shadow the state budget...**

- Difference in revenue projections by the Department of Finance and the LAO indicate different takes on whether continued growth in AI technology will result in higher/lower revenues
- Federal actions continue to hamper economic growth and revenues – from budget to policy – mercurial approach, lack of clarity and reliability continue to plague state's economy
- State's volatile/progressive revenue structure – relies heavily on the state's most wealthy – 50 percent of state income tax revenues come from the top one percent of income earners





## Obligations on non-Prop 98 side of the budget influencing Prop 98

- Governor proposes third manipulation of Prop 98 in as many years
  1. 2024-25 – Budget maneuver
  2. 2025-26 – Withholding #1
  3. 2026-27 – Withholding #2
- Cannot allow precedent to be set

# Proposition 98 Overview



# Proposition 98

- Revised estimates of Prop 98 over the three-year period spanning 2024-25, 2025-26 and 2026-27 represent an increase of \$21.7 billion
  - 2024-25 \$123.8 billion
  - 2025-26 \$121.4 billion
  - 2026-27 \$125.5 billion
- Prop 98 suspended by \$8.3 billion in 2023-24 (at \$98.5 billion)
- Test 1 operative in all three years – ~40 percent of the state's general fund



## Some bright spots but proposal undermines Prop 98

- Increase in general fund revenues also increases mandatory repayment of Prop 98 suspension in 2023-24 from \$5.5 to \$7.8 billion
- This leaves \$584.5 million remaining to be repaid to Prop 98
- Repays the last remaining deferral of \$1.9 billion
- Remaining \$1.9 billion withholding (budget manipulation #1) included as part of the 2025 Budget Act is proposed to be fully repaid

# Prop 98 manipulation, again

- Another Budget Maneuver: January budget includes proposal of a Prop 98 withholding – holding back \$5.6 billion in current year Prop 98 funds due to “inherent risk in revenue projections”
- This lowers the funding of the Guarantee from \$121.4 billion to \$115.9 billion for the current year
- By all appearances, it violates the intent of Proposition 98 and is likely unconstitutional
- According to the administration, the intent is “to mitigate the risk of potentially appropriating more resources to the Prop 98 Guarantee than are ultimately available in the final calculation for 2025-26”
- Depending on whether the projected amount (\$5.6 billion) grows or decreases, the intent is to “settle up” when the 2025-26 Prop 98 Guarantee is certified in 2027





# Prop 98 Reserve



- Due to adjustments in capital gains revenues in 2024-25, there is a mandatory deposit of \$3.8 billion
- A mandatory withdrawal in 2025-26 is eliminated and a deposit of \$424.3 million is required
- There is also a discretionary deposit of \$240 million proposed for a total of \$4.1 billion
- As a result, local school district reserve cap of 10 percent will be triggered in current year and in 2026-27
- Small school districts and community funded districts are exempt from reserve cap

# Local Control Funding Formula



# LCFF Cost of Living Adjustment (COLA)

## 2.41 percent statutory COLA for the LCFF

- \$2 billion for LCFF
- County Offices of Education LCFF will see a decrease of \$15.6 million adjusted for ADA and will receive the COLA

# Categorical Programs COLA

## **2.41 percent statutory COLA for specified categorical programs:**

- LCFF Equity Multiplier
- Special Education
- Child Nutrition
- State Preschool
- 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

# Necessary small school districts

- Proposal to provide \$30.7 million to increase LCFF funding for necessary small schools by 20 percent increase base
- Necessary small schools are elementary schools with 97 ADA or less or high schools with 286 ADA or less, and face specific significant geographic factors
- Win for CSBA advocacy



# Governor's Budget Proposals





## County Offices of Education

- Proposal to increase funding by \$13.3 million for a total of \$131.9 million in ongoing Prop 98 general funds to county offices of education for universal and targeted assistance funding
- Funding will be used to support county offices of education in their work to assist eligible school districts through the Statewide System of Support
- CSBA in strong support of this effort

# **Discretionary block grants**

- **Proposing a second Student Support and Professional Development Discretionary Block Grant**
  - \$2.8 billion in one-time Prop 98 General Funds to address rising costs
  - Appears similar to current year grant, including state mandates requirement
  - Also states that the block grant fund statewide priorities including:
    - 1) Professional development for teachers on the ELA/ELD and Mathematics Frameworks
    - 2) Teacher recruitment and retention strategies
    - 3) Career pathways and dual enrollment expansion effort
- **Learning Recovery Emergency Block Grant**
  - Restores funding to the LRE Block Grant by \$757.3 million
  - Will trigger reporting and compliance requirements as program continues



# Community Schools Grant Program

- Additional \$1 billion in ongoing Prop 98 funds for the California Community Schools Partnership Program
- Adds to the already allocated \$4.1 billion in one-time Prop 98 funds the state has appropriated for this program
- Funding is intended to expand the model to other school sites where there are large concentrations of English learners, foster care youth and students from low-income families



# Special Education

- \$500.9 million in ongoing Prop 98 General Funds to equalize special education funding
- Intent is for all LEAs to receive the same per pupil rate
- Special education will also receive the 2.41 percent COLA
- Allocation of \$40 million in one-time Prop 98 funding for ongoing literacy screening requirements





## **Teacher recruitment and preparation**

- \$250 million in one-time Prop 98 General Funds to extend the state's teacher residency program through 2029-30
- Current funding of \$620 million projected to be fully expended at the end of this fiscal year
- Eligibility for the funds includes teachers and counselors



## Charter school oversight

- Proposal to allow charter school authorizers to use verified data in renewal proceedings through the 2027-28 school year
- Includes new requirements for charter schools to prevent fraud
- Limited details provided in the proposed budget – details expected when budget trailer bill language released in early February





## Career technical education

- Proposes \$100 million in one-time Prop 98 general funds to expand dual enrollment/credit opportunities to increase high school student access to college and career pathways
- Also permits the Student Support and Professional Development Block grant to be used to support “career pathways and dual enrollment”

# Expanded Learning Opportunities Program

- An additional \$62.4 million in ongoing Prop 98 general funds is proposed for ELOP
- Increase in per-pupil funding for Tier 2 LEAs to \$1,800.
- This increases overall funding for ELOP to \$4.7 billion in *ongoing* Prop 98 general funds



# Universal Transitional Kindergarten and State Preschool

- Last year was the fourth and final year of UTK expansion
- Growth in Prop 98 funding remains
- No additional funding proposed for community funded districts
- Numerous challenges remain:
  - ❖ Facilities funding
  - ❖ Educator and staff recruitment and retention
  - ❖ Capacity and resource development
- Preschool will receive the 2.41 percent COLA, which it did not receive in the current year



# School nutrition

- Continued allocation of \$1.8 billion in ongoing Prop 98 general funds to fund the Universal School Meals Program
- Proposes \$100 million in one-time Prop 98 general funds for specialized kitchen equipment
  - ❖ Funding may be used for infrastructure costs and training and supports for nutritional services staff to help prepare fresh meals with local ingredients



## Discrimination Prevention

## AB 715 Implementation

- To implement Assembly Bill 715 and Senate Bill 48 from 2025, \$6.4 million in non-Prop 98 general funds is appropriated over a period of two years to the newly established Office for Civil Rights within the Government Operations Agency
- This includes five new discrimination-prevention coordinator positions to help support LEAs by providing discrimination prevention-related resources and assistance.
- \$1.3 million is also proposed for the new positions at the California Department of Education to help carry out its new responsibilities under the legislation





# Major Takeaways

- Prop 98 continues to grow... as intended to keep with the state's economy and changes in enrollment
- Costs on-Prop 98 side of the budget continue to grow
- State proposing yet another manipulation of Prop 98 – third in as many years
- CSBA Advocacy will be critical to defending Prop 98



# Advocacy Opportunities and Budget Workshops



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For questions, contact CSBA Governmental Relations at [advocacy@csba.org](mailto:advocacy@csba.org).





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**Coming to a County Office of Education  
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**January 20<sup>th</sup> – February 5<sup>th</sup>**

**To register:**

**[https://budgetperspectivesworksho.regfox.com/  
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**Thank you  
&  
Questions**

