



Report on the Governor's Proposed 2026-27 Budget

January 21, 2026



Economic Outlook

- U.S: Gross domestic product (GDP) continues to grow, inflation is slowing, and consumer confidence is up slightly
- California: Economic uncertainty remains as stock market gains are driven by a few technology companies
- Governor presents a balanced budget but projects a deficit of \$22 billion in 2027-28 with shortfalls in the following two years



Governor's Proposed K-12 Budget

- Local Control Funding Formula (LCFF)
 - Cost-of-Living-Adjustment (COLA)
 - 2026-27 2.41%, previously projected at 3.02%
 - 2027-28 3.06%, previously projected at 3.42%
 - 2028-29 3.34%, previously projected at 3.31%
- Special Education Ongoing Funding
- District Reserve Cap *likely* triggered in 2026-27



Governor's Proposed K-12 Budget

- One Time Funding
 - Student Support and Professional Development Discretionary Black grant to support professional development for teachers on ELA and Mathematics framework, teacher recruitment and retention efforts.
 - Learning Recovery Emergency Block Grant restoration to support learning recovery initiatives through 2027-28
- Expanded Learning Opportunities Program
 - Additional funds to stabilize Tier II: \$1,800
- Transitional Kindergarten
 - Fully implemented
- Retirement Systems
 - No additional funding for California State Teachers Retirement System (CalSTRS) or California Public Employees Retirement System (CalPERS) for employer rate relief



Risks to the State Budget

- Projected deficit of \$22 billion in 2027-28 and future shortfalls in 2028-29 and 2029-30
- Stock market volatility overly reliant on Artificial Intelligence companies' performance
- Federal policymaking uncertainty related to immigration and foreign trade
- Inflation volatility and Fed's response
- Medi-Cal costs and caseload and pressure (non-Prop 98)



District Outlook

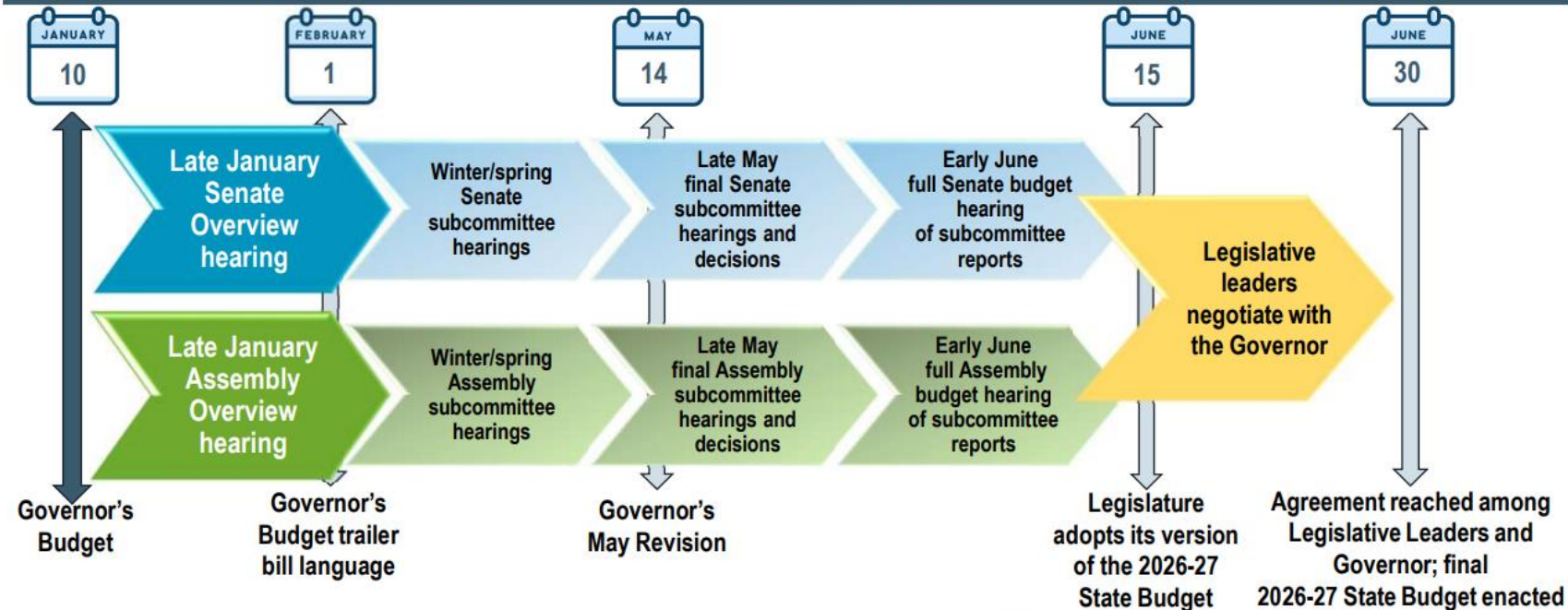
- District Structural Deficit
- Rising cost of programs
- Reduction in COLA in 2026-27 and 2027-28



Next Steps and Timeline

The Road Ahead—From January to June

The next steps in the State Budget process are controlled by the Legislature, which has the responsibility to examine the Governor's proposals during budget hearings





Questions?

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