CALIFORNIA COUNTY SUPERINTENDENTS

The Common Message

2026-27 May Revision

BASC

Business and Administration Services Committee

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Sources

Association of California School Administrators
Ball/Frost Group, LLC
California Association of School Business Officials
California Collaborative for Educational Excellence
California Department of Education
California Department of Finance
California Public Employees' Retirement System
California State Teachers' Retirement System
California State Board of Education
California School Boards Association
California School Information Services
Capitol Advisors
Fiscal Crisis and Management Assistance Team
K-12 High Speed Network
National Forest Counties and Schools Coalition
School Services of California
Small School Districts' Association
Statewide Local Educational Consortium Co-Chairs
WestEd

Background

Since May 2008, county office of education (COE) chief business officials (CBOs) have collaborated to develop common messages to guide districts in crafting assumptions for their budget and interim reports. The Business and Administration Services Committee (BASC) supports this endeavor by providing COE CBOs with a uniform common message based on assumptions used by the California Department of Finance (DOF).

The Business Administration Services Committee (BASC) would like to thank the DOF, State Board of Education (SBE), California Department of Education (CDE), Fiscal Crisis and Management Assistance Team (FCMAT), and our colleagues listed in the "Sources" section of this message for providing BASC and our local educational agencies (LEAs) with the most up-to-date information at the time of writing.

Key Guidance Based on Governor's May Revision

On May 14, 2026, Governor Gavin Newsom released the May Revision to the proposed 2026-27 State Budget. Updated General Fund revenue estimates resulted in notable adjustments to the Proposition 98 Guarantee. Under the May Revision, Proposition 98 funding levels increase by approximately $28 billion over the three-year period from 2024-25 through 2026-27 compared with the 2025 Budget Act, and by approximately $6.4 billion relative to the Governor's Budget. However, $4.6 billion of this increase is required to be deposited in the Public School System Stabilization Account, commonly referred to as the Proposition 98 Rainy Day Fund, and therefore will not be immediately available to transitional kindergarten through grade 12 (TK-12) schools and community colleges.

The May Revision proposes providing $121.2 billion for education programs in 2025-26, rather than the full Proposition 98 level of $125.1 billion. The May Revision refers to the approximately $3.9 billion difference as "settle-up." According to the administration, this approach is intended to reduce the risk of appropriating resources beyond what may ultimately be supported by final 2025-26 revenue calculations should revenues fall short of projections.

Major TK-12 funding provisions included in the 2026-27 May Revision include the following:

- The Proposition 98 minimum guarantee for TK-14 schools is funded under Test 1 in all three years and is estimated at $124.9 billion in 2024-25, $125.1 billion in 2025-26, and $127.1 billion in 2026-27.

- Repays $1.9 billion in settle-up created under the enacted 2025-26 state budget for the 2024-25 fiscal year, while also creating $3.9 billion in new settle-up for 2025-26.

- Includes mandatory Proposition 98 Rainy Day Fund deposits totaling $8.7 billion across the three-year budget window, along with a discretionary deposit of $1.6 billion. As a result, the reserve balance is projected to reach $8.7 billion at the end of 2025-26 and $10.3 billion by the end of 2026-27. The reserve cap is triggered for 2026-27.

- Includes a 2.87% cost-of-living adjustment (COLA) for the Local Control Funding Formula (LCFF) and other specified statutory programs. The proposal also provides an additional $926.9 million more to adjust LCFF base grants. These additional funds are intended to help local educational agencies (LEAs) address rising costs, help offset funding reductions related to declining enrollment, and support implementation of a new requirement to provide paid pregnancy disability leave. Combined, the statutory COLA and base grant adjustment result in a 4.31% increase in LCFF base grant rates. As a result, funding calculations tied to these grant amounts — including grade span adjustments and supplemental and concentration grant allocations — will also increase.

- Requires all TK-12 LEAs and community colleges, beginning in 2026-27, to provide eligible employees with up to 14 weeks of paid pregnancy disability leave when an employee is unable to work due to pregnancy, miscarriage, childbirth, termination of pregnancy, or recovery from those conditions. The duration of leave shall be determined by the employee and the employee's physician.

- Maintains the Governor's Budget proposal to increase special education base rates by $509 million and adds an additional $1.8 billion, for a total increase of $2.4 billion. This investment would establish a new statewide base rate of $1,340 per funded average daily attendance (ADA) for Special Education Local Plan Areas (SELPAs). No additional COLA is proposed for 2025-26. Because special education allocations may vary based on factors such as SELPA allocation plans, LEAs are encouraged to work closely with their SELPA to understand how this proposal will affect their LEA.

- Provides $5 billion in one-time funding (increased from $2.8 billion at Governor's Budget) for the Student Support and Professional Development Discretionary Block Grant. LEAs may use these funds for a broad range of discretionary purposes, including, but not limited to, state-identified priorities including (1) professional development for teachers on the English Language Arts/English Language Development Framework and the Literacy Roadmap, with a focus on strategies to support literacy for English learners; (2) professional development for teachers on the Mathematics Framework; (3) professional development for TK-3 teachers and elementary school site administrators on the principles and guidelines of developmentally appropriate instruction; (4) teacher recruitment and retention strategies; and (5) career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education.

- Reduces the 2026-27 COLA for the California State Preschool Program (CSPP) and for Department of Social Services administered childcare and development programs from 2.41% at Governor's Budget to approximately 2.01% at May Revision. The revised 2026-27 COLA would be redirected to provide a total of $33.3 million Proposition 98 General Fund and $18.1 million non-Proposition 98 General Fund for monthly cost of care plus payments to CSPP providers for 2026-27 and ongoing.

- Provides an additional $20 million ongoing Proposition 98 General Fund for the CSPP Quality Rating and Improvement System, which provides support for quality early care and education programs.

- Maintains the Governor's Budget proposal of $1 billion in ongoing funding for community schools, adds detail regarding the purposes of the $485 million one-time reappropriated extension grant funds to expand on prior investments in community schools, and to expand the model to more school sites with large concentrations of low-income, English learner, and foster youth students. The May Revision provides clarity on how the one-time $485 million reappropriated funds from the existing California Community Schools Partnership Program, previously set aside for extension grants, is used. The funding serve various purposes including $401 million in one-time grants for eligible schools to support planning, infrastructure-building, and implementation of the community schools model; $50 million to expand on the state's recent work to redesign middle and high schools in the context of community schools; $13 million for the planning and development of the long-term accountability and certification process; $15 million to the State Transformational Assistance Center to support the expansion of community school sites; and $6 million for the continued implementation of Transforming Together. In addition, the May Revision clarifies the Administration's intent for county offices of education to integrate county-level community schools implementation supports and services into the statewide system of support, incorporates language that uplifts the California Community Schools Framework and shared decision making practices with education interest holders, details the components required in a local educational agency's implementation plan and annual progress report, and adds various technical changes.

- Includes a one-time increase of $428.8 million to extend funding for Literacy Coaches and Reading Specialists Grant Program for all grantees until June 30, 2031. Includes an additional one-time increase of $11.2 million to the existing COE contractor to continue providing training and support to new and existing literacy coaches, representing a total investment of $440 million into the program.

- Includes a one-time increase of $60 million to expand the Mathematics Professional Learning Program beyond its current expiration date of June 30, 2029.

- Adds $1.7 million in additional ongoing Proposition 98 General Fund to provide total funding of $2.3 million for the Public School Restrooms: Menstrual Products mandated program. The impact to the mandate block grant rates is reflected in the planning factors.

- Provides $30 million one-time Proposition 98 General Fund for grants to local educational agencies to increase identification of and improve outcomes for students experiencing homelessness.

- Maintains the following Governor's Budget proposals:
  - Increase ongoing funding for the Expanded Learning Opportunities Program (ELOP) by $62.4 million and specify that Tier 2 rates cannot be less than $1,800 per pupil.
  - Fully repay the $1.9 billion deferral of the second principal apportionment (P2) payment in 2026-27. LEAs should still plan for the $1.9 billion deferral in June 2026.
  - $30.7 million in ongoing funds to increase the LCFF amount for Necessary Small Schools by 20% in addition to COLA. See Appendix A for the proposed rates.
  - $757.3 million to the Learning Recovery Emergency Block Grant as part of the state's final payment to the program.
  - $100 million (one-time) to the Kitchen Infrastructure and Training program. The May Revision proposes grants be awarded on an allocation basis, rather than a competitive basis. These grants support kitchen equipment, infrastructure, training, and continued implementation of universal school meals**.**
  - $40 million (one-time) funds for allocation to LEAs that administer literacy screening to pupils in kindergarten and grades 1 and 2 for risk of reading difficulties and proposes statutory changes to ensure consistency and quality of results.
  - $100 million in one-time funding to expand dual enrollment and dual credit opportunities for high school students.
  - $250 million in one-time funding to continue educator residency programs through the 2029-30 fiscal year.
  - Allocates $1.5 billion in Proposition 2 bond funding for school construction projects in 2026-27.

In addition to the funding proposals described above, the May Revision maintains several significant policy proposals included in the Governor's Budget:

- Proposes amendments to the Education Code to "move oversight authority of the management of the California Department of Education and support of LEAs" from the State Superintendent of Public Instruction (SSPI) to the State Board of Education. The proposal also seeks to provide the SSPI with the "ability to strengthen coordination and alignment among the bodies setting policy from early childhood through postsecondary education."
- Introduces several new audit requirements for inclusion in the annual audit guide, which would apply to all LEAs.
- Proposes additional requirements for charter schools intended to strengthen fraud prevention measures and improve accountability and oversight.
- Changes the requirement related to CALPADS data submission as a mechanism by which a district or COE qualifies for differentiated/targeted assistance. The May Revision proposes for support to still be provided to districts and COEs with data submission issues, but the technical assistance is separated from the Differentiated Assistance framework to allow assistance to focus on students who have the highest level of need rather than on data compliance issues.

The Legislature will now hold hearings on the May Revision and must pass a balanced Budget Bill by June 15. The Governor must sign the enacted budget into law by June 30, after which additional clean-up trailer bills may be considered in the subsequent months.

Cautionary Budget Scenarios

Recent revenue gains reflected in the May Revision are encouraging; however, they do not resolve the state's outyear structural budget challenges. Several factors continue to pose downside risks to the state's economic performance and fiscal outlook, including geopolitical uncertainty, inflationary pressures related to energy and tariff costs, monetary policy decisions, labor market conditions, and broader structural challenges. Longer-term concerns include demographic shifts, declining domestic and international migration, persistently high housing and living costs, and continued exposure to financial market volatility.

Taken together, these conditions warrant a cautious fiscal approach. Districts should avoid assuming that recent revenue growth will continue indefinitely, align ongoing expenditures with sustainable funding levels and enrollment trends, rebuild reserve balances where possible, and prepare for potential future budget shortfalls.

Local educational agencies should also exercise caution when budgeting for proposed increases beyond the statutory COLA, including the additional 1.44% LCFF base grant augmentation, the Student Support and Professional Development Discretionary Block Grant, community schools investments, and special education increases. These proposals may change before the final budget is enacted because there are no guarantees that the Legislature will adopt the Governor's proposals. Fiscal caution is similarly warranted regarding the proposed pregnancy disability leave mandate because the administration intends for LEAs to fund these costs using the LCFF base grant adjustments.

We recommend that LEAs develop multiple scenarios reflecting a range of plausible outcomes and local conditions. Each scenario may require different actions to balance revenues and sustain adequate reserve levels.

Planning Factors for 2026-27 and Multiyear Projections

Key planning factors for LEAs to include in their 2026-27 adopted budgets and multiyear projections (MYPs) based on the latest information available at the time of writing:

Planning Factor	2026-27	2027-28	2028-29
Cost-of-Living Adjustment (COLA)			
Local Control Funding Formula (LCFF) Statutory COLA	2.87%	3.30%	3.09%
Additional Base Grant Adjustment	1.44%	N/A	N/A
Special Education COLA/Rate	Base Rate $1,340	3.30%	3.09%
Employer Benefit Rates			
CalSTRS	19.10%	19.10%	19.10%
CalPERS-Schools	26.40%	26.80%	25.90%
State Unemployment Insurance	0.05%	0.05%	0.05%
Lottery			
Unrestricted per average daily attendance (ADA)	$190	$190	$190
Proposition 20 per ADA	$82	$82	$82
Minimum Wage	$17.40[1]	$17.90[2]	$18.40[3]
Universal TK/ADA LCFF add-on	$5,704	$5,892	$6,074
Mandate Block Grant			
School Districts			
Grades K-8 per ADA	$40.41	$41.74	$43.03
Grades 9-12 per ADA	$79.27	$81.89	$84.42
Charter Schools			
Grades K-8 per ADA	$21.31	$22.01	$22.69
Grades 9-12 per ADA	$60.48	$62.48	$64.41

[1]Effective January 1, 2027, [2]Effective January 1, 2028, [3]Effective January 1, 2029.

Deficit Spending and Fiscal Stabilization

Despite improvements reflected in the 2026-27 May Revision — including increased Proposition 98 funding, a higher LCFF COLA, and additional one-time discretionary support — many districts continue to face significant fiscal challenges. Key pressures include declining enrollment, reduced ADA associated with increased student absences, the expiration of one-time federal funding, inflationary pressures, rising compensation and benefit costs, and persistent structural imbalances.

When deficit spending is projected, districts should develop and implement specific, realistic plans to restore structural balance and ensure long-term fiscal solvency. If reductions have not yet been fully identified, governing boards should formally acknowledge the need for corrective action through a fiscal solvency statement or comprehensive fiscal stabilization plan. While governing board adoption of Reduction in Force resolutions may represent a significant fiscal corrective action, staffing reductions alone do not constitute a comprehensive stabilization strategy. Districts must continue addressing the broader scope of ongoing structural deficits, reserve adequacy, and multiyear financial sustainability.

Although the May Revision includes additional one-time discretionary funding and an enhanced LCFF base grant adjustment intended to help offset rising costs and mitigate financial pressures associated with ADA and enrollment declines, districts should continue using conservative assumptions in multiyear projections given ongoing state and federal economic uncertainty.

Maintaining adequate reserves remains essential because deficit spending directly erodes fund balance levels. Districts should regularly evaluate reserve adequacy beyond statutory minimum requirements, particularly in light of cash flow considerations and potential future fiscal volatility. Because the May Revision triggers the reserve cap for 2026-27, proactive fiscal planning and reserve management are especially important.

In addition to maintaining adequate reserve levels, districts should explicitly evaluate cash flow sufficiency throughout the fiscal year because fiscal solvency does not necessarily ensure liquidity. Districts are strongly encouraged to develop and regularly update monthly cash flow projections to identify potential periods of negative cash position. Particular attention should be given to the timing of major revenue receipts, including LCFF apportionments, as well as the expiration of one-time funding sources that may have previously supported cash balances. Where risks are identified, districts should proactively evaluate strategies such as short-term borrowing, interfund transfers, or other cash management tools to mitigate liquidity challenges and avoid cash insolvency.

Fiscal stabilization plans are strongly encouraged for districts experiencing structural deficits or declining reserve levels and should clearly demonstrate how the district will:

- Eliminate ongoing structural deficits.
- Maintain reserves at or above required minimum levels.
- Remain solvent throughout the multiyear projection period.

Effective stabilization plans include realistic expenditure reductions, prudent use of one-time funds, reasonable assumptions, ongoing fiscal monitoring, and transparent communication with governing boards, labor groups, and education partners. Early and conservative planning helps districts avoid more disruptive fiscal actions in future years.

Reserve Cap

The May Revision proposes deposits into the Public School System Stabilization Account resulting in a projected balance of $8.7 billion at the end of 2025-26 and $10.3 billion at the end of 2026-27. Because the projected 2025-26 balance exceeds 3% of the total TK-12 share of the Proposition 98 guarantee, the local reserve cap is triggered in the 2026-27 fiscal year.

Districts subject to the reserve cap must ensure that their combined assigned and unassigned ending balances in the General Fund (Fund 01), including applicable balances in the Special Reserve Fund for Other Than Capital Outlay Projects (Fund 17), do not exceed the allowable threshold in their 2026-27 adopted or revised budgets. Amounts reported as committed — those formally set aside through governing board action — are excluded from the reserve cap calculation.

Accordingly, districts should carefully monitor projected year-end balances and, where necessary, implement intentional budget strategies to maintain compliance. These strategies may include one-time expenditures, governing board commitments, or other strategic reserve designations. Small districts (fewer than 2,501 units of ADA) and community-funded districts remain exempt from local reserve cap requirements.

Summary

This edition of the Common Message provides LEAs with information and guidance to support fiscal planning and development of their 2026-27 budgets and multiyear projections. The information presented reflects the most current proposals and projections available at the time of writing and is intended to support LEAs in multiyear planning.

The state budget continues to face uncertainty and heightened fiscal risk, which may affect both revenues and expenditures. LEAs must navigate short- and long-term challenges, including volatility in the state revenue forecast, declining enrollment and attendance trends, rising pension costs, and ongoing inflationary pressures.

Because each LEA's funding, program structure, and local conditions are unique, it remains essential that LEAs regularly assess their fiscal outlook, collaborate closely with their respective county offices, and develop comprehensive strategies to maintain long-term fiscal solvency while preserving the quality and integrity of their educational programs.

APPENDIX A

Necessary Small School Funding Rates (Proposed 2026-27 May Revision)

Necessary Small Elementary Schools

Number of Teacher(s)	Average Daily Attendance	Funding Amount 2025-26	Funding Amount 2026-27 (with 2.87% COLA applied)
1	1 to 24	$277,457	$342,504
2	25 to 48	$549,072	$677,796
3	49 to 72	$820,926	$1,013,384
4	73 to 96	$1,092,539	$1,348,674

Necessary Small High Schools

Number of Certificated Employee(s)	Average Daily Attendance	Funding Amount 2025-26	Funding Amount 2026-27 (with 2.87% COLA applied)
1	1 to 19	$233,818	$288,635
2	1 to 19	$333,366	$411,520
3	1 to 19	$740,514	$914,120
4	20 to 38	$907,196	$1,119,879
5	39 to 57	$1,073,880	$1,325,640
6	58 to 71	$1,240,562	$1,531,399
7	72 to 86	$1,407,246	$1,737,161
8	87 to 100	$1,573,928	$1,942,920
9	101 to 114	$1,740,612	$2,148,681
10	115 to 129	$1,907,294	$2,354,440
11	130 to 143	$2,073,978	$2,560,202
12	144 to 171	$2,240,662	$2,765,962
13	172 to 210	$2,682,875	$3,311,848
14	211 to 248	$3,167,262	$3,909,794
15	249 to 286	$3,651,657	$4,507,751