

Governor's Proposal for the 2026-27 State Budget and K-12 Education

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Presentation Items

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Overview The Annual Budget Reporting Cycle



Proposed State Budget and the State Economy

- Stock market highs, inflation is slowing, and consumer confidence is up slightly.
- Economic uncertainty remains, as stock market gains are driven by a few technology companies, along with uncertainty in federal policy related to immigration and foreign trade.
- The Governor's Budget is balanced in the 2026-27 fiscal year, but projects a deficit of \$22 billion in 2027-28 with continued deficits in 2028-29 and 2029-30.
- California tax collections are outperforming projections.
- Governor's Budget state revenue projections assume no economic recession, nor a stock market downturn in 2026-27 as occurred in 2022.

“Big Three” Taxes

- Compared to the Enacted Budget, the Governor assumes “Big Three” tax revenues are higher by \$20.8 billion for 2024-25 and 2025-26 combined:
 - Personal income taxes (PIT) increase by \$15.7 billion
 - Corporation taxes increase by \$5.7 billion
- In the budget year, “Big Three” revenue is up \$19.0 billion from June estimates

Risks to the State Budget

- Projected deficit of \$22 billion in 2027-28 and shortfalls totaling \$45 billion in 2028-29 and 2029-30.
- Stock market volatility is overly reliant on AI companies' performance.
- Federal policymaking uncertainty related to immigration and foreign trade .
- Inflation volatility and Fed's response.
- Medi-Cal costs and caseload pressures.

Proposed Proposition 98 and Education Funding

- Relative to the 2025-26 Enacted Budget, the minimum guarantee increases by \$3.9 billion, \$6.9 billion, and \$11.0 billion in 2024-25, 2025-26, and 2026-27, respectively.
- Proposed \$5.6 billion settle-up to address the state deficit. According to School Services of California Inc., if the 2025-26 minimum guarantee was fully appropriated and allocated to TK-12 agencies on an equal per-ADA basis, we would receive approximately \$909 per ADA, which if distributed on an equal per-ADA basis would equate to approximately \$10 million of additional funding for our district.
- Proposal confirms the continued trigger of the 10% cap on local school district reserves, a point of contention with the State's projection of a \$22 billion shortfall in the 2027-28 fiscal year.

Proposed State Budget and Santa Rosa City Schools Impacts

2026-27 LCFF Funding Factors (Latest Board-Approved 2025-26 1st Interim)

		2025-26	2026-27	2027-28
2025-26 Enacted Budget	Projected COLA	2.30%	3.02%	3.42%
	Projected LCFF Revenue	\$170,398,713	\$174,309,718	\$175,798,175
2026-27 Governor's Budget Proposal	Projected COLA	2.30%	2.41%	3.06%
	Projected LCFF Revenue	\$170,398,713	\$173,278,544	\$174,151,905
Change in Projected LCFF Revenue		\$0	-\$1,031,174	-\$1,646,270

Proposed State Budget and Santa Rosa City Schools Impacts

Student Support and Professional Development Discretionary Block Grant

- One-time funds intended to be fully discretionary, but with certain statewide priorities highlighted. Estimates \$512.48 per ADA equates to approximately \$5.6 million in revenue for our district.

Special Education

- Special Education funding for 2026-27 is proposed to receive the estimated 2.41% COLA and an additional proposal for an additional \$509 million to equalize the base rate.

2026-27 Learning Recovery Emergency Block Grant Funding (LREBG)

- Restores the remaining LREBG deferred in the 2023 Budget Act. Supports learning recovery initiatives through the 2027-28 school year. Allowable uses remain the same as in 2025-26. Estimates \$228 per ADA based on 2021-22 ADA and UPP.

Community Schools

- The 2026-27 Governor's Budget proposal continues to invest in California Community Schools Partnership Programs and expands the community schools model. The ongoing investment will support both existing grantees and additional community schools that have large concentrations of students who are low-income, English learners, or in foster care.

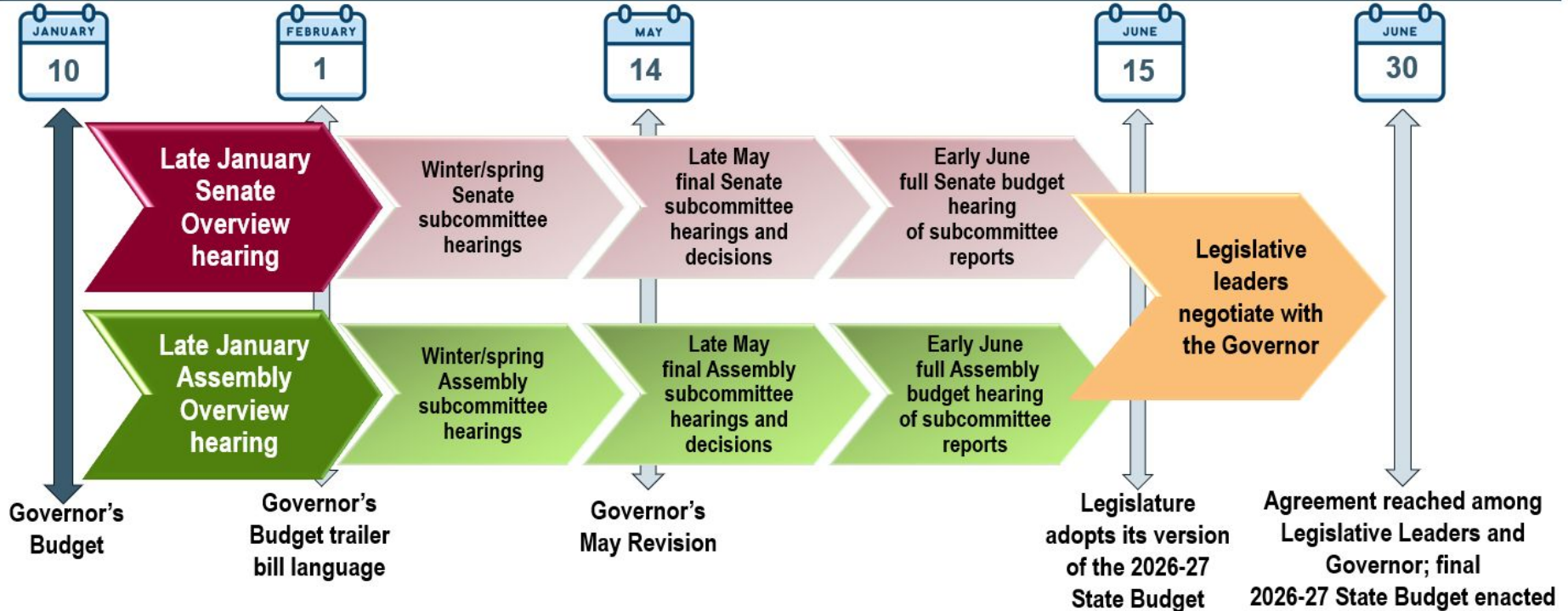
Proposed State Budget and Santa Rosa City Schools Impacts

Continues to invest existing programs and other investments including:

- Expanded Learning Opportunities Program
- Universal Meals Program and Nutrition
- Proposition 28 Arts and Music in Schools Funding
- Early Childhood Education
 - Transitional Kindergarten now fully implemented.
 - California State Preschool.
- Career Technical Education
- One-time and continued ongoing for higher cost of Home-to School Transportation.
- Teacher Preparation to support educator residency programs through 2029-30.
- Reading Difficulty and Risk Screening 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.
- The Governor signed two bills to address antisemitism and discrimination — AB 715 (Zbur, Statutes of 2025) and SB 248 (Gonzalez, Statutes of 2025)—effective on January 1, 2026

Next Steps for 2026-27 State Budget

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



Next Steps

February 2026:

- Round 2 Budget Solutions Action

March 2026:

- 2025-26 Second Interim
- Staff reductions taking effect the following school year preliminary notice before March 15.

May 2026:

- May Revision to the Governor's Proposal for the 2026-27 State Budget and K-12 Education
- Staff reductions taking effect the following school year final notice on or before May 15.

Board Member Questions

