Sacramento Legislative Report

State Revenues Ahead of Forecast – Implications for $3.9 billion hold-back

September general fund revenues came in a remarkable $2.9 billion above the 2026 Budget Act forecast, following healthy growth beyond expectations in August as well. Total revenue collections for the year are about $5.5 billion ahead. It's early. The big revenue months are December, January, and April, and the LAO continues to caution that much of the recent growth rides on stock market gains related to AI.

Under current law, a third of any General Fund revenue above forecast goes toward repaying the $3.9 billion still owed to schools for 2025-26. That share is measured after the May Revision, and only after the higher Prop 98 guarantee and reserve requirements are covered. The money goes into the Prop 98 reserve and reaches schools only when the Legislature appropriates it. Anything still owed gets certified next August. Because the repayment rules are in statute, the next Governor and Legislature could change them, and the CTA and CSBA lawsuits may shape that too. Stronger revenue would also raise this year's guarantee.

ETS Student Data Breach & SDCOE Assist in State's Field Response

CDE disclosed that someone used a compromised login to get into the file transfer site ETS uses for CAASPP and ELPAC data. Between May 22 and September 18, they copied student files covering every student enrolled in the last three school years, plus some older records. Depending on the student, the files include names, birth dates, addresses, SSIDs, demographics, disability and program participation, and test results. No Social Security numbers, financial information, passwords, or parent information were involved. ETS is offering affected students two years of free Experian identity protection, and the enrollment deadline is March 19, 2027. Please let us know if you're hearing any concerns that we can work with CDE and ETS on addressing.

SDCOE has assisted statewide by providing guidance to county tech leaders on student password formulas and phishing vulnerability. This includes staff participation in the joint effort by CASBO and CITE to present on a statewide webinar for LEAs as they move to mitigate the impact of the breach. Dates are still being set.

2026 Dashboard and Test Scores Are Out

CDE released the 2026 California School Dashboard and statewide CAASPP/ELPAC results in October. It's the first time both have come out together. Statewide, 49.3% of students scored proficient or advanced in English, up half a point, and 38.4% in math,

up 1.1 points. Science improved the most, to 36%. However, all three remain below pre-pandemic levels.

Assembly Education Held a Math Hearing

Assembly Education Chair Darshana Patel's committee held an informational hearing during the month on TK-12 math. She said the committee is preparing for next session and noted that LCFF spending has grown over the last decade while math proficiency hasn't. County offices came up as regional support through the Mathematics Professional Learning Partnership. One witness suggested districts should be able to use differentiated assistance dollars to get math help from a county office other than their own.

Sales Tax on Software Starts January 1

In what is emerging as a little-known but controversial element of the state budget agreement from last Summer, the state will be applying sales tax to downloaded and cloud-based software. That covers things like Google Workspace, Microsoft 365, student information systems, learning management and assessment platforms, and finance and HR systems. Under draft rules, prepaying in 2026 for a subscription period that starts after January 1 won't avoid the tax, but software purchased and accessible before January 1 isn't taxed. The state expects final rules in December. SDCOE and the districts across the county will be examining software contracts, checking renewal dates, and building half a year of the tax into midyear numbers.