



CLIENT INFORMATIONAL UPDATE

2026-2027 State Budget Agreement Key Impacts for K-12 School Districts

Governor Newsom and legislative leaders have reached a final agreement on the Fiscal Year 2026-2027 State Budget. The package provides strong support for TK-12 education, continued investment in school facilities, and new discretionary funding opportunities for local educational agencies. Below is a summary of the key items most relevant to California school districts.



AT A GLANCE

OVERALL BUDGET \$351.7B TOTAL FUNDING	GENERAL FUND \$151.6B TOTAL FUNDING	PROPOSITION 98 \$128.1B in 2026-2027	LCFF / COLA +\$2.2B 4.31% SUPER COLA
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STATE BUDGET OVERVIEW

- \$351.7B total budget for 2026-2027, including \$251.5B General Fund
- Uses more conservative May revision revenue assumptions
- Balances the General Fund through 2027-2028
- Reduces the projected 2028-2029 structural deficit
- Maintains strong school funding while softening or delaying proposed cuts

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TK -12 EDUCATION HIGHLIGHTS

PROPOSITION 98

- 2024-2025: \$124.9B
- 2025-2026: \$125.3 B
- 2026-2027: \$128.1B
- \$21,148 per pupil from Proposition 98 funds
- \$28,207 per pupil from all sources

LCFF / TK-12 PROGRAMS

- \$2.2 billion additional funding for LCFF
- Reflects enrollment declines, Universal TK, and paid pregnancy disability leave costs
- Includes a 4.31% suppoer cost-of-living adjustment for 2026-2027
- Provides \$261 million for a 2.87% statutory COLA to TK-12 programs excluding preschool

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STUDENT SUPPORT & LOCAL FLEXIBILITY

DISCRETIONARY BLOCK GRANT

- \$5B one-time Proposition 98 General Fund
- Distributed to LEAs based on ADA
- Allowable uses include deferred maintenance, dual enrollment, career pathways, induction and mentorship programs, community schools, and professional development.

DISTRICT OPPORTUNITY

- Deferred maintenance is an allowable use
- Provide districts flexibility to address local priorities
- Can help elevate facilities maintenance needs in LCAP and budget discussions
- Not a dedicated Deferred Maintenance Program, but an important funding opportunity

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SCHOOL FACILITIES WATCH

- \$1.5B in Proposition 2 bond funds allocated for 2026-2027 construction projects
- Continues State investment in school facilities
- Important for districts with pending or planned SFP applications
- Education Governance trailer bill (AB 181) includes new default-related language affecting Board-administered programs (See Below)
- Districts should monitor OPSC and SAB implementation guidance
- Kitchen Infrastructure & Training
 - Additional \$500M one-time funding allowable expenditures clarified to include family food pantries, culinary curricula, and school gardens

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CAUTION/WATCH ITEMS

SFP DEFAULT LANGUAGE

The State Allocation Board may withhold new approvals for applicants that are in, or projected to be in, default under Board administered programs. This may affect unfunded approvals, apportionments, fund releases, and closed audit adjustments.

PAID PREGNANCY DISABILITY LEAVE

The budget includes one year of funding for new paid pregnancy disability leave requirement. Districts should monitor future State Budget actions, as ongoing costs may become an unfunded mandate and should be considered in future budget projections.

IMPLEMENTATION STILL EVOLVING

Governor Newsom has signed the 2026-2027 State Budget. The enacted budget is now moving into implementation, and districts should continue monitoring trailer bill language and agency guidance.

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WHAT HAPPENS NEXT

DISTRICT TAKEAWAY: Review pending OPSC/SAB applications, closeout status, and local deferred maintenance priorities.

Governor signed budget; enacted budget moves into implementation

State agencies issue implementation guidance

LEAs assess local funding opportunities

Districts align facilities, LCAP, and budget priorities

Additional legislation possible through August 31, 2026

DAG will continue to monitor developments related to Proposition 98, LCFF, discretionary education funding, and school facilities programs, and will provide updates as additional information becomes available.

