

California State Assembly



Assembly Budget Agenda

Assembly Budget Subcommittee No. 3 on Education Finance

Assemblymember David Alvarez, Chair

Tuesday, May 19, 2026

9:00 A.M. – State Capitol, Rm 447

May Revise – Part 1 Proposition 98 and Higher Education Proposals

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Public Comment will be taken in person at the May 19, 9:00am Hearing, for Issues 1 through 6, and again at the May 20, 9:00am Hearing for Issues 7 and 8.

May Revise – Part 2: PreK-12 Proposals

(To begin immediately upon completion of Part 1, or on Wednesday, May 20th at the 9:00am Hearing, whichever comes first)

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Proposition 98 Overview – All Departments

Issue 1: Proposition 98 May Revision Proposals

This panel will hear the May Revision proposals and assumptions impacting the Proposition 98 guarantee calculation, including the Proposition 98 Rainy Day Fund.

Panel

- Alex Shoap, Department of Finance (DOF)
- Kenneth Kappahn, Legislative Analyst's Office (LAO)

Background

Proposition 98 Funding: Early Education, TK-12, and Community Colleges

- Estimates a Proposition 98 funding level of \$124.9 billion in 2024-25, \$125.1 billion in 2025-26, and \$127.1 billion in the 2026-27 Budget Year.
- Estimates \$127.1 billion for Proposition 98 funding for 2026-27, which meets the Test One guarantee level, for state preschool, TK-12 public education, and community colleges.
- Proposes the creation of approximately \$3.9 billion in one-time, 2025-26 Proposition 98 “settle-up” funding due to revenue estimate uncertainties.
- Estimates an increase in Proposition 98 funding of \$24.3 billion over the three-year period, compared to the enacted Budget.
- Increases the 2024-25 Maintenance Factor payment to a total of \$8.3 billion, which fully funds the obligation.
- Increases the projected “Proposition 98 Rainy Day Fund”, the Public School System Stabilization Account, to a total of \$10.3 billion through the Budget year. Projects a revised \$8.7 billion in mandatory contributions across the three year budget window. Proposes a discretionary \$1.6 billion deposit in the 2025-26 fiscal year.

This level of Prop 98 Rainy Day funding triggers the statutory 10% cap on local school district reserves in the current and 2026-27 fiscal years.

- Pays off all Proposition 98 funding deferrals in the Budget Year.

Suggested Questions

1. What is the Administration's reasoning behind the proposed \$3.9 billion in Current Year revenues settle-up? Is there a methodology based on volatility of revenue projections at this time?
2. What is the Administration's reasoning behind the \$10.3 billion Prop 98 Rainy Day Fund proposal? Is there a methodology based on multi-year risk to ongoing Prop 98 growth versus ongoing costs?

Staff Recommendation: Hold Open.

6870 – California Community Colleges

Issue 2: May Revision Budget Proposals

The May Revision proposes providing a “Super Cola” to the Student Success Funding Formula with the majority of the additionally projected reflecting ongoing Proposition 98 funding.

Panel

- Phil Osborn, Department of Finance
- Imran Majid, California Community Colleges
- Lisa, Qing, Legislative Analyst’s Office

May Revision Proposals

\$218 million in new Proposition 98 Funding

The May Revision includes about \$218 million in additional Proposition 98 funds for Community Colleges, of which \$197 million is provided for ongoing COLA funding, with a proposed 4.31 percent “Super COLA” for the Student Centered Funding Formula. The LAO chart below details the funding provided for new programs in both the January budget and the May Revision:

	Governor's Budget	May Revision	Change
Ongoing Spending			
Apportionments COLA ^a	\$241	\$292	\$51
Apportionments increase above COLA ^a	—	146	146
Calbright College	38	38	—
Enrollment growth (0.5 percent)	32	34	2
COLA for select categorical programs ^b	31	36	6
Healthy School Foods Pathways	14	14	—
Common Cloud Data Platform	5	5	—
Credit for prior learning	2	2	—
Subtotals	\$363	\$568	\$205
One-Time Spending			
2025-26 deferral repayment	\$408	\$408	—
Deferred maintenance	121	121	—
Student support block grant	100	101	\$1
Higher 2025-26 apportionments costs	89	89	—
Additional 2025-26 enrollment growth (1.0 percent) ^c	55	55	—
Common Cloud Data Platform	36	36	—
Credit for prior learning	35	35	—
Higher apprenticeship costs ^d	13	16	3
Adult learner demonstration project	—	10	10
Subtotals	\$857	\$870	\$13
Totals	\$1,220	\$1,438	\$218

^a Proposed COLA increased from 2.41 percent in January to 2.87 percent at the May Revision. On top of this COLA, the May Revision provides a 1.44 percent increase for apportionments.

^b Applies to the Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Student Programs and Services, Extended Opportunity Programs and Services, and mandates block grant. Proposed COLA increased from 2.41 percent in January to 2.87 percent at the May Revision.

^c Increases budgeted growth from the enacted 2025-26 level of 0.57 percent to 1.57 percent. The associated ongoing cost is built into apportionments in 2026-27.

^d Related and supplemental instruction costs for apprenticeship programs in 2024-25 and 2025-26 are higher than budgeted.

COLA = cost-of-living adjustment.

Adult Learner Demonstration Project

There is only one major new one-time Proposition 98 investment in the May Revision, \$9.7 million to support the Adult Learner Demonstration Project. According to the Department of Finance, this program provides comprehensive services to assist low-income adult workers move into stable and higher-paying jobs.

Parental Leave Proposal

The May Revision includes a proposal to require school and college districts to provide 14 weeks of paid pregnancy disability leave. Part of the rationale for the Super COLA is to offset expected costs from this new requirement. Because this policy change is proposed for both TK-12 and Community Colleges, this issue will be discussed in the Significant Trailer Bill items (Issue 8) later in this agenda.

Staff Comment

The Subcommittee has heard consistent feedback from stakeholders across the state that were hopeful that the May Revision may provide additional funding for enrollment growth to help colleges that have been successful in growing and attracting new students. Instead, the May Revision has chosen to increase the COLA with almost all ongoing funding. The Subcommittee could revisit or modify how COLA or other ongoing programs are funded if funding growth is a higher priority.

The Subcommittee was hoping to change the current enrollment funding methodology to allow funding to materialize quickly after growth occurs for districts that have been successful in attracting new students. The current three-year average approach results in a multi-year lag in funding that disincentivizes districts from growing, which is counter to the Assembly’s goal to expand access. Without ongoing funding, there are few tools available to advance this agenda this year.

Some questions for the Subcommittee to consider:

1. How did you determine the 4.31 percent level of the COLA?
2. Why didn’t the Administration provide any additional growth funding in the May Revision?
3. Why is the Adult Learner Demonstration Project the sole new one-time investment in the May Revision?

Staff Recommendation: Hold Open.

6980 – Student Aid Commission

Issue 3: Workforce Pell Implementation

The May Revision includes a proposal to implement the Workforce Pell provisions of HR 1.

Panel

- Jennifer Louie, Department of Finance
- Dr. Daisy Gonzales, Student Aid Commission
- Natalie Gonzalez, Legislative Analyst's Office

Background

HR 1 of 2025 included \$1.5 billion nationwide for a new Pell grant for students enrolled in short-term programs, called the Workforce Pell Grant program. The federal government will begin the program on July 1, 2026, but the requirements for participation will be subject to regulations that are not expected to be issued until later in the summer.

Programs that qualify for Workforce Pell provide training and education lasting between eight and 14 weeks, or 150 to 599 clock hours of instruction, and must be offered by accredited institutions that are eligible for federal financial aid. Each program must confer an industry-recognized “stackable” credential that can count as academic credit toward an advanced certificate, associate degree or bachelor’s degree in the same field. Programs must have been in operation for at least one year before becoming eligible to receive Workforce Pell. The Workforce Pell program considers completion rates, job placement rates, and earnings “value” threshold in determining which programs may be eligible for an award.

May Revision Proposal

The May Revision includes Trailer Bill language and \$664,000 one-time General Fund for the Student Aid Commission to begin the implementation of Workforce Pell.

Staff Comment

The May Revision proposal responds to a timing challenge the state will face in implementing the Workforce Pell Program. With the new fiscal year approaching, the State has not authorized the basic fiscal infrastructure to implement this new program, yet the state still awaits direction from the federal government to articulate the exact resources needs. The Subcommittee needs to consider how to take action in the budget that positions the Student Aid Commission to be able to quickly implement the new program, but also allows more discussion between the Commission, Finance, and other stakeholders on the exact requests and needs as the State’s role becomes clearer.

It is hard to imagine a one-time allocation being sufficient to implement this new program. Workforce Pell requires the Student Aid Commission to work with the Labor Agency and the Cradle-to-Career system to collect the data necessary to demonstrate the outcomes required by the new program. However, it is also likely that the real resources need won't be known until after implementation has begun.

In addition to the budget proposal, stakeholders have been working on a policy bill AB 1534 (Irwin) that includes provisions to implement the Workforce Pell. Since the regulations that finalize the federal expectations for Workforce Pell may not be known until after the budget has been adopted, the Subcommittee may wish to consider how the state can best create a path for implementation that can occur as soon as the state has direction. It may be possible for the budget to provide a broad framework to get implementation moving forward, but to defer to the policy bill to finalize any details that respond to federal direction.

Some questions the Subcommittee may wish to consider:

1. Can you provide an update on the federal government's implementation of Workforce Pell and the expected next steps on implementation?
2. What is the Student Aid Commission's plan for administering this new federal program and how can we limit risks to students, institutions and California?
3. How are other states preparing to implement this new program?
4. Short-term program students have had limited access to state aid, what will be impact of Workforce Pell for students?
5. How would this proposed trailer bill interact with AB 1563? Would it replace the need for that bill or would it complement its provisions?
6. How has the Department of Finance solicited feedback from stakeholders in the development of the proposed trailer bill?

Staff Recommendation: Hold Open.

Issue 4: Student Aid Operations Funding and Cybersecurity

The Student Aid Commission will provide an overview of their operational requests.

Panel

- Jennifer Louie, Department of Finance
- Dr. Daisy Gonzales, Student Aid Commission
- Natalie Gonzalez, Legislative Analyst's Office

May Revision Proposals

Besides the Workforce Pell program, the Student Aid Commission has a few additional budget proposals in the May Revision:

1. Golden State Teacher Grant Program

- A decreased of \$14,400,000 one-time General Fund to reflect the revised estimates for the Golden State Teacher Program authorized in the Budget Act of 2021.
- An increase of reimbursement authority by \$1,630,000 one-time to reflect available Federal Title II, Part A funds to support the Golden State Teacher Grant Program. It is also requested that provisional language be added as follows to conform to this action: 1.3. Of the reimbursements identified in Schedule (2) of this Item, \$1,630,000 is for Federal Title II, Part A support for the Golden State Teacher Grant Program, pursuant to Article 5.1 (commencing with Section 69617) of Chapter 2, of Part 42, of Division 5, of Title 3 of the Education Code and shall be available on a one-time basis for encumbrance and expenditure through June 30, 2030.
- An increase reimbursement authority by \$16,152,000 ongoing to reflect available federal Individuals with Disabilities Act (IDEA) funds to support the Golden State Teacher Grant Program.
- An increase to the 2025-26 budget of \$11,294,000 one-time to reflect revised Golden State Teacher Grant Program estimates in 2025-26.
- Statutory changes to increase the Golden State Teacher Grant Program award amount for recipients earning a special education credential to \$20,000 and authorizes the California Student Aid Commission to issue new awards associated with any unexpended General Fund from the Budget Act of 2025.

2. Caseload Estimate Changes

- Middle Class Scholarship Program:
 - Decreased by \$90,446,000 one-time General Fund to reflect the revised estimate for awards issued in the 2025-26 academic year for awards at a level of 35 percent of unmet need of the total cost of attendance for eligible University of California and California State University resident undergraduate students as specified in the Budget Act of 2025 (Chs. 4 and 5, Stats. 2025).
 - Increase of \$10,576,000 ongoing General Fund to reflect the revised estimate for the Middle Class Scholarship program in 2027-28 for awards issued in 2026-27 for a total of \$523,614,000. This revised estimate maintains the Governor's Budget proposal to support 17.5 percent of total unmet need.
 - Budget Bill Language to authorize a loan from the General Fund for cashflow purposes to cover the cost of Middle Class Scholarship awards issued in 2026–27.
- Cal Grant Program: A decreased of \$31,455,000 ongoing General Fund to reflect revised Cal Grant program estimates starting in 2026-27. Compared to the Governor's Budget, it is also requested that the item be increased by \$4,761,000 one-time General Fund for 2025-26 awards.
- Chafee Grant for Foster Youth Award: An increase reimbursement authority by \$1,228,000 to reflect revised estimates of available ongoing General Fund for the Chafee Grant for Foster Youth Award program.
- Law Enforcement Personnel Dependents Scholarship Awards: An increased of \$52,000 ongoing to reflect revised Law Enforcement Personnel Dependents Scholarship awards in 2026-27.
- Cal-HBCU Transfer Grant Program: A decreased of \$200,000 ongoing to reflect revised estimates for the Cal-HBCU Transfer Grant Program. Compared to the Governor's Budget, there is also a \$145,000 one-time decreased cost for the program in 2025-26.
- Public Interest Attorney Loan Repayment Program Administration : A decrease of \$754,000. The adjustment consists of \$618,000 ongoing, to reflect the revised estimate of \$286,000, for the Public Interest Loan Attorney Loan Repayment Program, and the removal of \$468,000, of which \$136,000 is one-time, for a technical accounting correction in the Governor's Budget.

3. Other Small Administrative Adjustments

- Adjustment to Department Vacancy Savings and Position Elimination: Reductions of \$164,000 and 0.5 positions ongoing General Fund to adjust the reductions authorized under Control Section 4.12 in the Budget Act of 2024.

- Administrative Support for CalKIDS Program: An increase reimbursement authority by \$10,000 one-time to reflect available General Fund to promote and support CalKIDS award recipients in accessing student financial aid. This program is a collaboration and partnership between the Scholarshare Investment Board and the California Student Aid Commission.

Staff Comment

The change to the Golden State Teach Program's funding and focus reflects the ability of the state to leverage federal funding to continue this successful teacher pipeline program. The other changes proposed in May are consistent with normal annual caseload and operations adjustments.

Cyber Security Redundant Server

As noted in a recent article published in the Sacramento Bee, the Student Aid Commission had requested funding to continue existing cyber security resources for its database that was not included in the budget. Subcommittee staff requested the Commission provide the committee with the proposal. The summary for that Budget Change Proposal is quoted below:

The California Student Aid Commission (Commission) is requesting ongoing funding of \$92,000 to maintain a production cloud-based redundant standby server in 2027-28 and ongoing and \$224,000 in ongoing funding for 1.0 Information Technology Specialist II (ITS II) in 2026-27 and ongoing. Because the California Department of Technology is assisting the Commission with a temporary Information Technology Specialist III position, the proposed position would not be initiated until September of the Budget Year 2026-27. The total impact of this request is \$187,000 FY 2026-27 and \$316,000 in FY 2027-28 and ongoing from the State Operations General Fund.

Based on the assessment recommendations conducted by California Department of Technology (CDT), the implementation of a cloud-based redundant standby server is mission critical to prevent loss of data, interruptions in service, data breaches and fraud. The ITS II is also a mission-critical position that can provide leadership and technical expertise to design, develop, and guide the implementation of complex systems and solutions aligned with the Commission's organizational goals which include the setup, configuration, and maintenance of a cloud-based redundant standby server. Our objective is to protect students' data privacy, data security, and prevent data loss. To do so, the Commission needs a failover system that ensures uninterrupted access to critical systems during outages. The cloud-based redundant standby server will continuously monitor the primary environment and automatically switch to a secure backup if a failure occurs. This request will allow California to safeguard the integrity and confidentiality of

student's information, aligns with CDT Critical Services recommendations, and supports compliance with state and federal data privacy standards.

Staff strongly recommend the budget include \$92,000 in funding necessary for this requested cloud server back up. This would provide the state with protection to prevent a ransomware attack that would allow hostile actors to hold the state's data hostage, similar to the one experience by the Department of Finance in December of 2022. The small requested investment would substantially reduce the risk to the State and appears to have been well vetted by the Department of Technology to conform to best practices for cybersecurity.

Subcommittee members may wish to ask the following questions:

1. Why was the Cybersecurity budget proposal not included in the May Revision?
2. Given the proposed backup system support ends in September, what is the State plan for continuing to operate CalGrant and the Middle Class Scholarship programs if the information technology database is captured by ransomware hackers?

Staff Recommendation: Hold Open.

6440 – University of California

Issue 5: In-State Enrollment Buyout and Enrollment Targets

The May Revision includes language related to enrollment targets.

Panel

- Jennifer Louie, Department of Finance
- Seija Virtanen, University of California
- Florence, Bouvet, Legislative Analyst's Office

May Revision Proposals

While the May Revision continues the funding levels of the Governor's January Budget, it does propose new provisional language related to enrollment and in-state buyouts. These provisions are:

- **Replacement of Nonresident Undergraduate Full-Time Equivalent Students.** The May Revision includes provisional language related to the in-state enrollment buyout, which is similar to language included in recent budgets. The actual language is included below:

Of the funds appropriated in this item, \$153,000,000 is provided for the replacement of 4,510 nonresident undergraduate full-time equivalent students. As specified in Section 93000 of the Education Code, it is the intent of the Legislature that the University of California replace the 4,510 an additional 902 nonresident undergraduate full-time equivalent students by replacing 902 nonresident undergraduate full-time equivalent students annually from 2022-23 through 2026-27 with an equal number of resident undergraduate full-time equivalent students combined at the Berkeley, Los Angeles, and San Diego campuses. The total combined annual replacement of nonresident students should be 902 full-time equivalent students, with Berkeley, Los Angeles, and San Diego each contributing towards the 902 full-time equivalent student replacement total annually. If the University of California replaces more than 902 nonresident undergraduate full-time students in the 2025-26 enrollment target, those additional students can be counted towards the 2026-27 target. Nonresident undergraduate full-time equivalent student replacement above that annual 902 target from 2022-23, 2023-24, 2024-25, and 2025-26 can be counted towards the replacement of 902 nonresident undergraduate full-time equivalent students in 2026-27. If the actual reduction in nonresident undergraduate enrollment in 2026-27 at these campuses is fewer than 902 full-time equivalent students, the Director of Finance shall reduce funding for the University of California by the portion that is attributable to each student under the target reduction level, as specified in Section 93000 of the

Education Code. (b) It is the intent of the Legislature to provide \$31,000,000 one-time General Fund support for the purposes specified in paragraph (a) in 2027-28.”

- Full-Time Equivalent Students** The May Revision include language to reflect the legislative intent that the University of California shall meet the required Full-Time Equivalent Students target in 2026-27. This language has been a fixture of the budget bill over the years, but was not proposed in the January budget. The actual language proposed is below:

(a) It is the intent of the Legislature that the University of California also increase resident undergraduate enrollment by 2,968 FTES in 2026–27, for a total level of 212,503 resident undergraduate FTES in 2026–27. (b) The systemwide growth identified in this provision is inclusive of the additional 902 resident undergraduate FTES resulting from the replacement of nonresident undergraduate FTES identified in Provision 30 of this item.

LAO Report

On May 12, LAO issue a report on “Nonresident Tuition Rates at UC, as requested by the Subcommittee.

Among the key findings of that report:

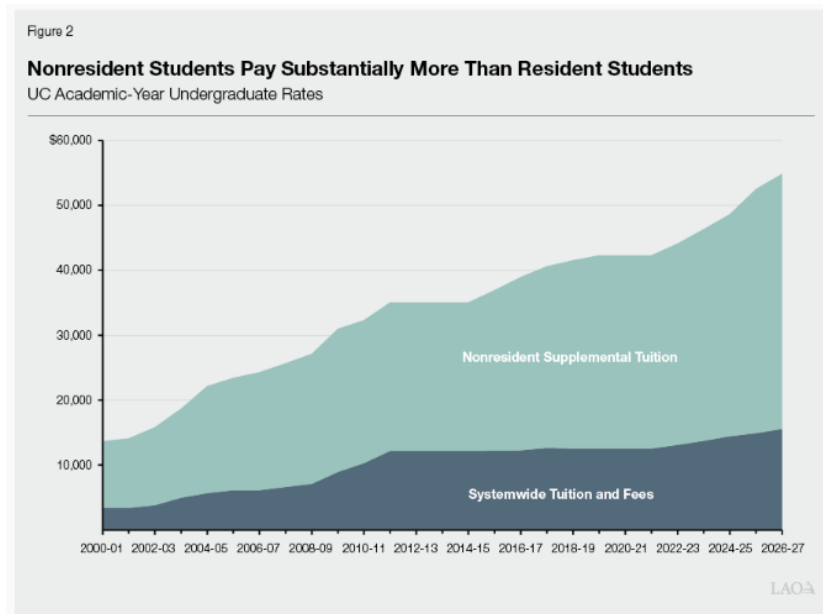
Figure 1

Currently, About One in Five Undergraduates Are Nonresidents at Highest-Demand Campuses

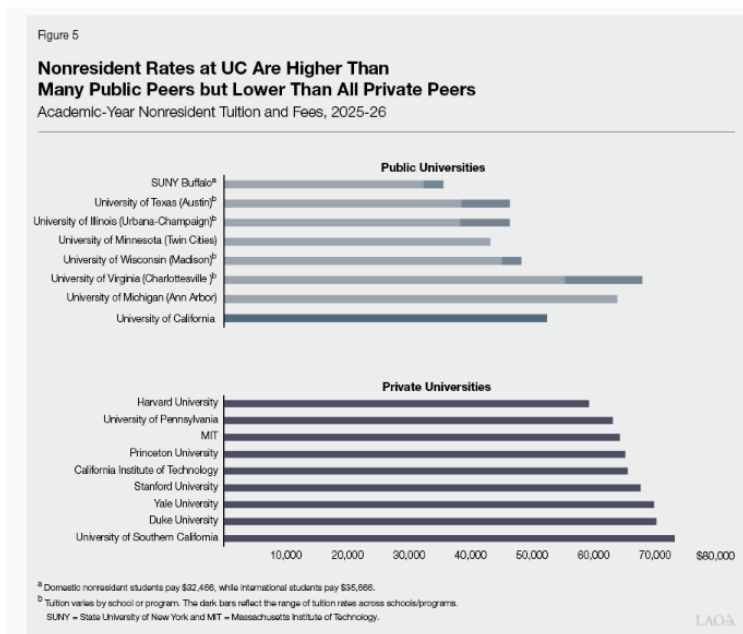
Nonresident Students as a Share of Undergraduate Enrollment, Fall Headcount

	2010			2015			2025		
	Nonresident domestic	International	Total	Nonresident domestic	International	Total	Nonresident domestic	International	Total
Systemwide	3.0%	3.0%	5.9%	5.4%	10.0%	15.4%	7.1%	8.4%	15.5%
Berkeley	6.4	6.2	12.7	12.3	12.1	24.4	9.9	9.6	19.5
Los Angeles	5.9	5.6	11.5	10.5	12.5	23.0	11.2	7.7	18.9
San Diego	2.4	3.7	6.1	4.7	16.1	20.9	8.7	11.6	20.3

Nonresident costs have continued to climb, diverting from the costs for in-state students:



Compared to private schools, UC is still lower cost, but compared to other public universities, it is among the most expensive:



LAO Recommendations

Recommend Piloting Higher NRST Rate at the Three Highest-Demand Campuses. We recommend the Legislature request UC to pilot an increase to the NRST rate for new nonresident undergraduate cohorts at UC Berkeley, UCLA, and UCSD. Though Berkeley and UCLA are notably more selective than UCSD among nonresident students, we encourage the Legislature to include UCSD in the pilot, as it could help inform the possibility for further differentiating NRST rates (for example, subsequently applying a higher rate to the Irvine campus). Though the pilot could begin as early as 2026-27, we recommend beginning it in 2027-28 given UC already has published its 2026-27 rates. We recommend running the pilot for four years, such that the impact on four cohorts of students can be examined. (We recognize that another option is to have different NRST rates for each UC campus based on its selectivity, but we think beginning with a two-tier rate structure—a higher rate at the most selective UC campuses and a lower rate at the other UC campuses—makes for a reasonable, somewhat simpler pilot.)

Pilot Would Raise Tens of Millions of Dollars Over Next Few Years. If the Legislature decides to implement the two-tier pilot, one option would be requesting UC to raise the NRST rate for 2027-28 by roughly \$6,000 at UC Berkeley, UCLA, and UCSD, compared to an increase of roughly about \$2,000 at the other UC campuses. (These rates are 15 percent higher and 5 percent higher, respectively, than the 2026-27 NRST rate.) Based on recent enrollment patterns, this increase would generate roughly \$20 million in additional revenue in 2027-28. As new cohorts are added over the next three years, the amount of additional revenue generated would ramp up—reaching about \$80 million by year four. This additional revenue could be used to supplement core funds at UC or replace state General Fund in response to a state budget deficit or competing state budget priorities. (We note that a differential tuition policy could be enacted regardless of what the Legislature decides on UC’s nonresident enrollment levels. Whether the Legislature decides to lower, maintain, or raise nonresident enrollment levels at some or all UC campuses, differential tuition rates still could be structured in a way that generates more revenue compared to uniform tuition rates.)

Recommend UC Report Certain Data About Impacts of the Pilot. While the differential tuition pilot is in place, we recommend the Legislature have UC collect and report data on the impacts of the higher rates at the three selected campuses. In particular, we recommend UC collect the data to determine whether the higher NRST rates dampen enrollment demand among nonresident students, lower yield rates, or raise the household income levels of nonresident students. UC also could leverage survey data it already collects from students who decline a UC admission offer. That existing survey asks students to report the primary reason for declining UC admission (with one response option being “financial reasons”). Additionally, that survey asks students to report where they decided to enroll instead of UC. Upon completion of the four-year pilot, UC could summarize key lessons learned and identify potential future modifications to the NRST rate structure.

Staff Comment

This issue continues the conversation that began in the UC hearing earlier this year. The Subcommittee may wish to consider options for how to advance the concept proposed by LAO in piloting increased tuition so this conversation can continue.

Possible questions the Subcommittee could consider:

1. Why did the January budget not include the proposed provisional language?
2. Has the UC considered tuition rates like the proposed LAO pilot?

Staff Recommendation: Hold Open.

- 6120 – California State Library**
- 6440 – University of California**
- 6600 – College of the Law, San Francisco**
- 6610 – California State University**
- 6645 – CSU Health Benefits for Retired Annuitants**
- 6870 – Capital Outlay, California Community Colleges**

Issue 6: Other May Revision Budget Proposals

The May Revision contains many small budget items and technical changes that are summarized in this issue to allow member to ask questions.

Panel

No presentation was requested; the panel is available if members have questions.

- Department of Finance
- Legislative Analyst’s Office

May Revision Proposals

The May Revision includes various budget adjustments not included in previous items. These are:

California State Library

1. The May Revision proposes to extend the period to liquidate encumbrance for the Local Library Infrastructure Grants and Community Development Support Liquidation Extension

University of California

2. The May Revision proposes \$1,999,000 ongoing federal funds to reflect revised award amounts for the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). This federal program focuses on increasing post-secondary education attainment among middle and high school students from low-income, under-served communities.
3. The May Revision includes \$1.5 million one-time to support the matriculation of students in foster care through the University of California First Star Program for postsecondary education success.

4. The May Revision includes reappropriations of six budget items that need more time to be fully expended.
5. Statutory Changes: The May Revision provides small statutory changes to change to reporting frequency and remove reporting language from the budget bill. These include:
 - a. Student Housing Data Collection Report—It is requested that statutory changes be added to consolidate the reporting requirements.
 - b. Student Housing Grant Program Report—It is requested that statutory changes be added to consolidate the reporting requirements.
 - c. Basic Needs, Mental Health, and Rapid Rehousing Programs Report—It is requested that statutory changes be added to consolidate and codify the reporting requirements previously included in budget provisional language. It is further requested that statutory changes be made to shift reporting from annual to biennial.
 - d. Summary of Campus Capacity, Instructional & Faculty Office Space Report—shift reporting from annual to biennial.

College of the Law, San Francisco

The May Revision includes an increase of \$1 million ongoing to provide support for campus public safety and security programs.

California State University

6. The May Revision includes budget bill language reflecting the ongoing annual funding for the Higher Education Student Housing Grant Program.
7. Statutory Changes: The May Revision provides small statutory changes to change to reporting frequency and remove reporting language from the budget bill. These include:
 - a. Basic Needs, Mental Health, and Rapid Rehousing Programs Report—It is requested that statutory changes be added to consolidate and codify the reporting requirements previously included in budget provisional language. It is further requested that statutory changes be made to shift reporting from annual to biennial.
 - b. Acquisition of Real Property Using Parking and Housing Revenues Report—It is requested that statutory changes be added to shift reporting from annual to biennial.
 - c. Student Housing Data Collection Report—It is requested that statutory changes be added to consolidate the reporting

- d. Student Housing Grant Program Report—It is requested that statutory changes be added to consolidate the reporting requirements.

- 8. The May Revision requests \$2,850,000 ongoing to reflect increased health premiums for CSU retired annuitants at the CSU Health Benefits for Retired Annuitant.

Community Colleges Capital Outlay

- 9. The May Revision requests budget language to reappropriate the working drawings and performance criteria appropriations for several ongoing projects. Many of the projects included in this item are nearing the completion of the preliminary plans phase, though any delays could risk the ability to encumber the working drawings appropriations before the end of the fiscal year.

Staff Comment

The May Revision items included in this issue make small or technical adjustments. Staff grouped these items here to allow members to ask questions if needed but to avoid presentations on all of these items. This group allows the members focus time on the hearing on items that were more likely to trigger member engagement.

Staff Recommendation: Hold Open.

**6100 California Department of Education
7760 Office of Public School Construction
6360 Commission on Teacher Credentialing
0985 California School Finance Authority**

Issue 7: May Revision of January PreK-12 Funding & Trailer Bill Proposals

This panel will hear changes at May Revision to Governor's Budget TK-12 funding and trailer bill proposals.

Panel

- Various, Department of Finance
- Edgar Cabral, Legislative Analyst's Office

Background

Maintains Major January Proposals with Revisions:

- For the 2026-27 Budget Year, projects TK-12 per pupil spending to be \$151.6 billion from all funding sources.
- Per-pupil funding grows in the Governor's Budget to a funding rate of \$28,282 per student. Proposition 98 TK-12 funding per student is proposed to grow to \$21,032 in 2026-27.
- Increases Proposition 98 funding for the Local Control Funding Formula (LCFF) by \$2.2 billion, reflecting declining enrollment, Universal Transitional Kindergarten (UTK) and a 4.31% cost-of-living adjustment (COLA) in 2026-27. Provides an increase of \$32.7 million for County Office of Education LCFF costs, adjusted for average daily attendance rates and COLA.

This LCFF COLA is 1.44% higher than the statutory COLA of 2.87%, and references costs for the proposed Paid Family Leave trailer bill provisions.

- Provides \$261 million for a 2.87% COLA to all statutorily-required TK-12 programs, except preschool.
- Proposes two increases to the Charter School Facility Grant Program: (1) \$1.9 million for a statutory COLA adjustment to account for increasing costs over time and (2) a \$3.5 million Current Service Level adjustment to address increased demand.

- Proposes \$5 billion, for an additional one-time Student Support and Discretionary Block Grant, based on Average Daily Attendance, that includes support for dual enrollment, career pathways approaches, and professional development for educators in UTK, English Language Arts and Development, and mathematics.
- Proposes an ongoing \$1 billion investment to expand the California Community Schools Partnership Program, including \$10 million ongoing for the technical assistance system, and trailer bill proposals to adjust the program design for an ongoing apportionment and expansion. Creates a new certification system for Community School standards.
- Proposes to increase Special Education base rates by an ongoing total of \$1.8 billion, to increase per pupil funding to \$1,340.
- Allocates \$1.5 billion in Proposition 2 school facility bond funds for 2026-27 construction projects.
- Adjusts the Home to School Transportation funding with \$322 million one-time and \$306.8 million ongoing to reflect local education agency actual costs.
- Increases the Expanded Learning Opportunities Program by \$62.4 million ongoing, for the projected cost of a new \$1,800 per unduplicated pupil rate for local education agencies with less than 55% total unduplicated pupils.
- Increases the Necessary Small Schools funding by 20 percent in the Local Control Funding Formula, with \$31.26 million ongoing Proposition 98.
- Expands existing funding for County Offices of Education to provide universal and targeted assistance in the System of Support for struggling schools, by \$10.9 million ongoing Proposition 98. Includes statutory proposals for updated performance criteria and timelines for support.
- Expands the existing Learning Recovery Emergency Block Grant with \$757.3 million one-time funding through 2027-28, to a restored total of \$7.2 billion.
- Extends the Teacher Residency programs through 2029-30 with an increase of \$250 million, one-time.
- Proposes \$100 million, one-time for expanding dual enrollment programs, on a competitive basis. This funding must be committed by June 30, 2029. The proposal includes trailer bill changes to the program design, and would allow dual enrollment students to have more lower instructional minutes standards.

- Proposes an additional \$100 million one-time for the Kitchen, Infrastructure and Training program.
- Proposes \$16.2 million in ongoing federal IDEA funding to the Golden State Teachers Grant program, for special education teacher applicants, and \$1.6 million federal Title II funds for all program applicants in 2026-27. Increases special education teacher grant levels to \$20,000. Eliminates the January Budget general fund proposal.
- Maintains the California universal meals commitment with an increase in \$2.81 million in annual Proposition 98 funding, to reflect meal service estimates and a proposed meal reimbursement rate increase.
- Provides an additional \$40 million one-time Proposition 98 for the implementation costs in 2026-27 for the new reading difficulties screener, and proposes statutory changes for screen administration.
- Proposes an additional \$22.9 million one-time Proposition 98 support for LEAs recovering from the 2025 wildfires.
- Increases the Fiscal Crisis and Management Assistance Team funding by \$994,000 ongoing Proposition 98.
- Increases the California School Information System funding by \$975,000 ongoing Proposition 98.
- Increases the K-12 High Speed Network funding by \$629,000 ongoing Proposition 98.
- Proposes \$890,000 ongoing Proposition 98 funding for the Los Angeles County Office of Education science performance task resources.
- Proposes to extend the encumbrance deadline for the Computer Science Supplementary Authorization Incentive Grants program to June 30, 2030 and increase the maximum grant size to \$6,000 per teacher. In addition, the Governor proposes to reduce the match requirement for districts to one-third of grant funding
- Proposes new requirements for charter schools to address verified data, fraud, and accountability.
- Proposes to amend Education Code sections 313.1 and 313.2, which defines Long Term English Language Learners, and pupils at risk of being a Long Term English Language

Learner, and directs how the CDE provides data on Long Term English Language Learners.

- Proposes to amend Education Code Sections 44259 and 44281 to expand the definitions of subject matter competency.
- Proposes 10 permanent, ongoing positions, and a total of \$1,436,000 ongoing to support the CTC with the costs of Senate Bill (SB) 848 (Chapter 460, Statutes of 2025).
- Proposes various new positions for the Department of Education.

Major New May Revision PreK-12 Education Proposals

- Proposes to mandate Paid Family Leave policies for local education agency employees.
- Proposes one-time investments in the Community Schools Partnership Program:
 - \$401 million for Planning Grants
 - \$50 million for Middle and High School Redesign
 - \$28 million for the State Transformation Assistance Center
 - \$6 million for the CYBHI Transforming Together initiative
 - \$50 million for the Multi-Tiered Systems of Support (MTSS) initiative.
- Increases the Quality Rating and Improvement Grant with \$20 million, ongoing.
- Proposes to fund the UCSF Dyslexia Center with \$5 million ongoing, for the Multitudes Screener.
- Increases the Mandate Block Grant by \$1.7 million ongoing for the Menstrual Products mandated program.
- Proposes to extend Literacy Coaches grants through the 2030-31 fiscal year with \$428.8 million, one-time, and the Literacy Coaches and Reading Specialists Educator Training grant with \$11.2 million, one-time.
- Proposes to extend the Math Professional Learning Partnership to more grantees and through the 2028-29 fiscal year with \$60 million one-time.
- Proposes a one-time increase of \$25 million for the Inclusive College Technical Assistance Center.

- Proposes to extend the Teacher Residency Technical Assistance Center through 2034 with \$30 million, one-time.
- Proposes to extend the 21st Century California School Leadership Academy with \$15 million, one-time.
- Creates a new, \$30 million one-time grant to support identification of and support for Students Experiencing Homelessness.
- Proposes an additional \$10 million one-time for the Holocaust and Genocide Education Grant Program, with programmatic changes.
- Proposes \$5 million one-time for a Commission on Teacher Credentialing teacher candidate transcript review IT system, and a \$25 fee increase on teacher credentials to offset the ongoing policy changes.
- Proposes another \$5 million one-time non-Prop 98 for Save the Children.

See **Attachment A** for the Finance Letter for all PreK-12 May Revision proposals. The Department of Finance may correct any misinterpretations of their May Revision proposals contained in the agenda, as part of their formal presentation to the Subcommittee.

The Subcommittee will not be considering the revised Education Governance trailer bill proposals, and has deferred to AB 2117 (Alvarez).

Suggested Questions

1. Should the Student Support Discretionary Block Grant be aligned to LCFF, to support coherence and equity?
2. Given the research showing positive outcomes from LCFF and the Learning Recovery Block Grant designs, should there be some restrictions or focus in the Discretionary Block Grant, as such an enormous one-time investment in schools?
3. Did the Administration consider increasing the Special Education cost pools?
4. Should the Golden State Teachers Program be further restricted to the state's most chronic educator shortage areas, due to limited funds?
5. Why are the estimates for the new Universal and Targeted Assistance rates lower at May Revision?

6. Why is the UCSF Multitudes screener the only one subsidized by the state?
7. Why is the Reading Screener trailer bill restricting screen timelines in 1st grade, if there is no evidence that is needed?
8. Why is Save the Children proposed to receive General Funds for after school programs, when ELOP is available for the same services?

Staff Recommendation: Hold Open.

Issue 8: New May Revision Trailer Bill Proposals

This panel will hear new and significant PreK-12 education trailer bill proposals in the May Revision.

Panel

- Various, DOF
- Edgar Cabral, LAO

Background**Major May Revision PreK-12 Education Proposals:****TK-12**

- **Charter School Accountability** - It is requested that statutory changes transmitted with the Governor's Budget be amended to specify and clarify auditing and reporting requirements for charter schools to improve accountability and oversight.
- **Paid Pregnancy Disability Leave** - It is requested that statutory changes be added to require public school employers and community college districts provide up to 14 weeks of paid pregnancy disability leave to all employees.
- **California Educators Together** - It is requested that statutory changes be added to appropriate \$600,000 ongoing Proposition 98 General Fund to support the California Educators Together Platform. The platform will be utilized to, among other things, host digital and media literacy resources for educators that have been developed by the California Innovation Council, in collaboration with the California Department of Technology and State Board of Education, to better protect students online and establish safeguards for use of new and emerging technology in schools, such as Artificial Intelligence (AI).
- **Students Experiencing Homelessness** - It is requested that statutory changes be added to appropriate \$30 million one-time Proposition 98 General Fund for grant program for local educational agencies to increase identification of and improve outcomes for students experiencing homelessness

All Segments

- **Cradle to Career Data** - This bill would require the data providers in the Cradle to Career Data System to enter into a memoranda of understanding for data sharing purposes for implementation of the data system.

Suggested Questions

1. How does the charter accountability provisions differ from SB 414 (Ashby, 2025) and why?
2. How does the LEA Paid Family Leave proposal differ from the state’s Paid Family Leave program through the Employment Development Division?
3. Why is the new one-time homeless youth proposal separate from the Community Schools’ grants?
4. What is the California Educators Together Platform, and why does it warrant ongoing Proposition 98 funding?
5. What is the purpose of the Cradle to Career reporting requirement on the segments?

Staff Recommendation: Hold Open.

This agenda and other publications are available on the Assembly Budget Committee’s website at: [Sub 3 Hearing Agendas | California State Assembly](#). You may contact the Committee at (916) 319-2099. This agenda was prepared by Erin Gabel and Christian Griffith.