

# May Revision Overview

*May 19, 2026*

*Meeting of the Committee of the Whole*

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# Topics

- ❑ Major Changes to the Governor's Proposed 2026-27 Budget
- ❑ Impact on LAUSD's General Fund Revenue and Multi-Year Budget Projection
- ❑ Review Next Steps in District Budget Timeline

# Governor's Proposed 2026-27 Budget May Revision

## *(Statewide Amounts)*

- \$151.6 billion, total funding of for all TK-12 education programs
  - Increase of \$2.5 billion from January Budget
- Proposition 98 Guarantee for TK-12 schools and community colleges:
  - \$124.9 billion in 2024-25
  - \$125.1 billion in 2025-26
  - \$127.1 billion in 2026-27
- Proposed COLA of 4.31% (2.87% statutory + \$907 million discretionary)
  - California State Preschool Program COLA – 2.01%
- Public School Stabilization Account – final total balance of \$10.3 billion
  - \$1.6 billion discretionary deposit

# Governor's Proposed 2026-27 Education Funding

## *(Major Proposals – Statewide Amounts)*

Description	January Budget Proposal	May Revision
Proposition 98 Withholding	\$5.6 B	\$3.9 B
Discretionary Block Grant	\$2.8 B	\$5 B
Community Schools	\$1 B ongoing	Maintain \$1 B + \$485 M one-time
Special Education	\$509 M ongoing (\$999 per student)	\$2.4 B ongoing (\$1,340 per student)
Literacy Coaches and Reading Specialists Grant	--	\$429 M one-time
Mathematics Professional Learning Partnership	--	\$60 M one-time
Students Experiencing Homelessness	--	\$30 M one-time
Golden State Teacher Grant Program	\$14.4 M (reappropriated from 2021)	\$16.2 M ongoing and \$1.6 M one-time

*January proposals that were not changed are not included in this table.*

# Governor's Proposed 2026–27 Budget May Revision

## *(Policy Proposals)*

**Paid Pregnancy Leave** – Requires providing up to 14 weeks of paid pregnancy disability leave for all LEA staff, paid out of the proposed supplemental COLA to LCFF.

**State Education Governance Structure** – Shifts \$1.5 million from the Department of Education to the proposed new Office of the Superintendent of Public Instruction.

**Teacher Preparation** – Expanded access to transcript review for teacher candidates to demonstrate subject matter competency, an alternative to examination.

**At Risk of becoming a Long-Term English Learner (AR-LTEL) Definition** – Changes to “a pupil who has not attained English language proficiency within five years of initial classification as an English Learner.”

### **Charter Oversight and Accountability Proposals**

- Maintains requirements of authorizers as defined in the January budget without additional appropriations for the increased responsibilities, including the use of verified data through July 1, 2028.
- Changes start date from July 1, 2026 to July 1, 2027 to begin performing listed requirements, including annual reviews of non-classroom based charter schools.

# Governor's Proposed 2026-27 Budget May Revision

## *(Tax Policy Proposals)*

- **Permanent Business Tax Credit Limitation** — Proposes a more modest permanent business tax credit limitation that protects small businesses while ensuring that larger corporations pay a minimum level of tax. New proposed limit is the greater of \$5 million per company per year or 50 percent of a company's tax liability. Net operating losses can be fully utilized and are not impacted.
  - Estimated to increase revenues by \$850 million in 2026-27, \$1.7 billion in 2027-28, and similar ongoing revenue gains in subsequent years.
- **Digital Prewritten Software Tax** — Apply the sales tax to sales of digital prewritten software, regardless of how the product is delivered to the purchaser (i.e., whether on a disc or physical medium, electronic transmission, download, or remote access through the internet, including Software-as-a-Service (SaaS)).
  - Estimated revenue increase of \$450 million in 2026-27 and \$900 million in 2027-28 and annually thereafter.
- **Reduce the \$800 Annual Tax for New Businesses by Half** — Reduce the \$800 annual tax paid by limited liability companies, limited partnerships, and limited liability partnerships in their first year to \$400 during the 2027, 2028, and 2029 tax years.
  - Estimated tax relief of \$100 million per year for 250,000 new businesses.
- **Conform to Federal Tax Treatment of Trump Accounts** — Conform to federal law for tax-advantaged savings and retirement accounts treatment of Trump Accounts.
  - Estimated revenue decrease of \$1 million in 2026-27.
- **The Senate Democratic Leadership proposes a new "Fair Share Contribution" to fund Medi-Cal costs**
- To reduce the pressures on the Budget due to soaring Medi-Cal costs, the Senate budget plan generates new special fund revenue by requiring the state's top 1%-2% largest corporations to contribute to the Medi-Cal costs of their workers.
  - Estimated increase of \$5 - \$8 billion.

# Preliminary Legislative Budget Priorities

## **Assembly:**

- Reject \$5.6 B withholding
- Increase special education investments
- Paid teacher preparation funding in areas of high need
- Child care as a “consistent Assembly funding priority”

## **Senate:**

- Reject \$5.6 B withholding
- \$5.9 B deposited into the Prop 98 Rainy Day Fund
- \$5.7 B allocated for one-time purposes through the subcommittee process
- Funds all State Preschool (including community-based programs) out of the Proposition 98 guarantee
- Funds 44,000 additional child care slots, for a total of 200,000 slots

# Key Funding Bills

## **AB 1204 (Alvarez) Local Control Funding Formula**

This bill proposes various changes to increase the LCFF including:

- Minimum COLA of 4%
- Establishes regional COLAs
- Creates homelessness as an unduplicated pupil category
- Raise supplemental grant to 35% (currently 20%)
- Make concentration grants apply to unduplicated pupil percent (UPP) in excess of 45% enrollment (currently 55%)

## **AB 2526 (Muratsuchi) Special Education Local Plan Areas: Apportionments: Alternate Assessments**

This bill would add students who are eligible for the California Alternative Assessment to the special education “low-incidence” funding formula.

## **AB 1790 (Connolly) Corporations Tax Law: Water’s-Edge Election: Global Intangible Low-Taxed Income**

This measure would restore funding to public services including public schools by closing the loophole in the California’s tax system allowing the use of Water’s Edge election beginning January 1, 2028.

## **SB 1349 (Gonzalez) Tax Expenditures: Legislative Analyst’s Office: Assessment, Report and Recommendation**

This bill would direct the Legislative Analyst’s Office (LAO) to evaluate the costs and benefits of existing major state tax expenditures.

# LAUSD Advocacy Priorities

- Continue to advocate for full funding of Proposition 98 this year/Oppose the proposed \$3.9 billion withholding
- Support the proposed "Super COLA" or 4.31%, and urge at a minimum, the 2.87% statutory COLA for the CA State Preschool Program
- Support \$5 billion Discretionary Block Grant funding, urge it be allocated using the LCFF methodology, not per ADA
- Support \$2.4 billion increased funding for special education
- Support \$1 billion for Community Schools Partnership funding
- Support proposed policies to increase state revenues

# Governor's Proposed 2026-27 Budget May Revision

*Adds Additional Revenue to LAUSD's Multi-Year Budget Projection (MYP). For comprehensive planning, the FSP considers the Governor's revenue proposals that the District cannot include in the MYP*

<b>Revenue Sources*</b> <i>(Dollars in Millions)</i>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>MYP</b>	<b>FSP</b>
COLA for LCFF and SPED - ongoing	\$112	\$112	\$112	X	
Discretionary Block Grant (One-time)	\$328	\$0	\$0		X
Learning Recovery Emergency Block Grant (One-time)	\$68	\$0	\$0		X
SPED Base Rate (Ongoing)	\$187	\$189	\$190		X
Home-to-School Transportation (Ongoing)	\$19	\$20	\$20		X
Home-to-School Transportation (One-time)	\$26	\$0	\$0		X
<b>Total</b>	<b>\$740</b>	<b>\$321</b>	<b>\$322</b>		

\*LAUSD's potential share, if any, of the \$3.9 billion Prop 98 withholding is not included in the MYP or FSP

# Governor's Proposed 2026–27 Budget May Revision

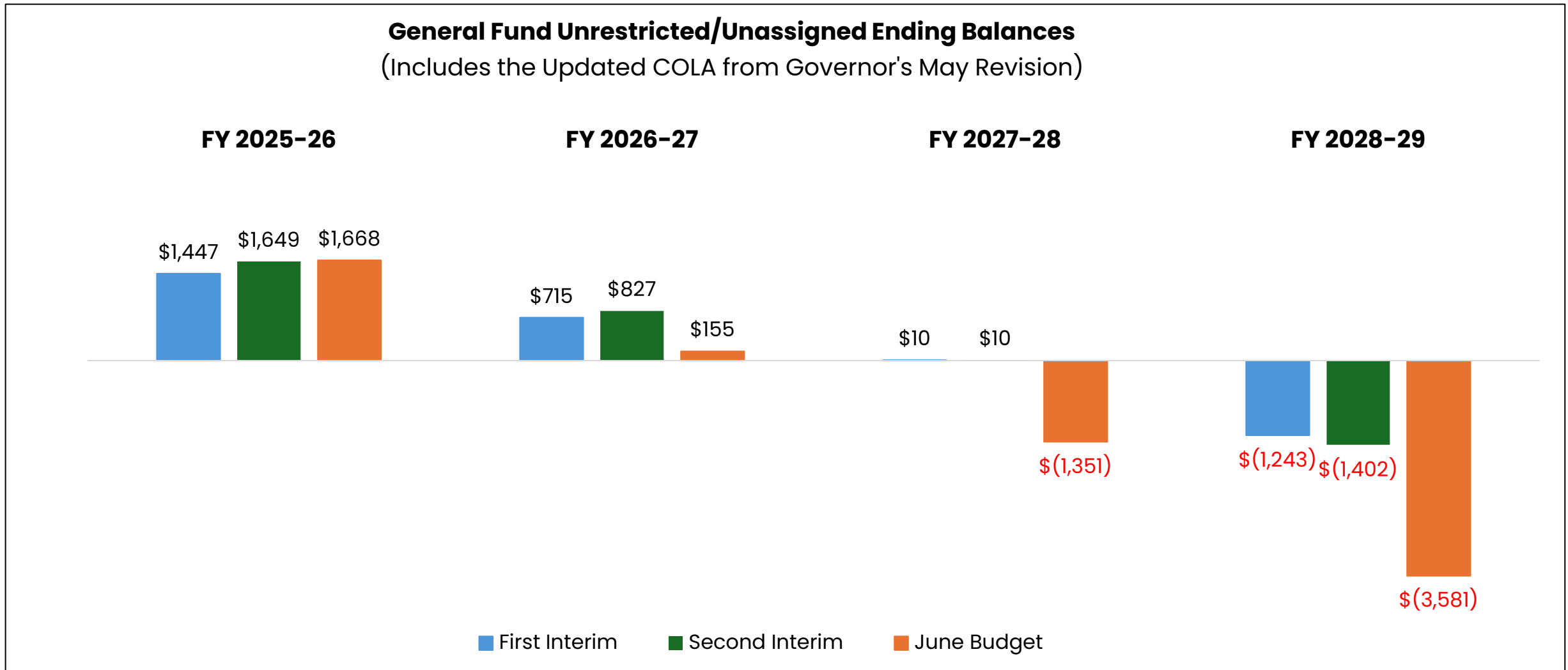
## *Multi-Year Budget Projection (MYP)*

### **Other Notable Factors:**

- Projections are based on FY2025–26 Estimated Actuals
  
- Collective Bargaining Agreements
  - UTLA
  - SEIU
  - AALA Teamsters Certificated
  - AALA Teamsters Classified
  
- Projected Matching Agreements
  - CSEA
  - Teamsters
  - LASPA and LASPMA

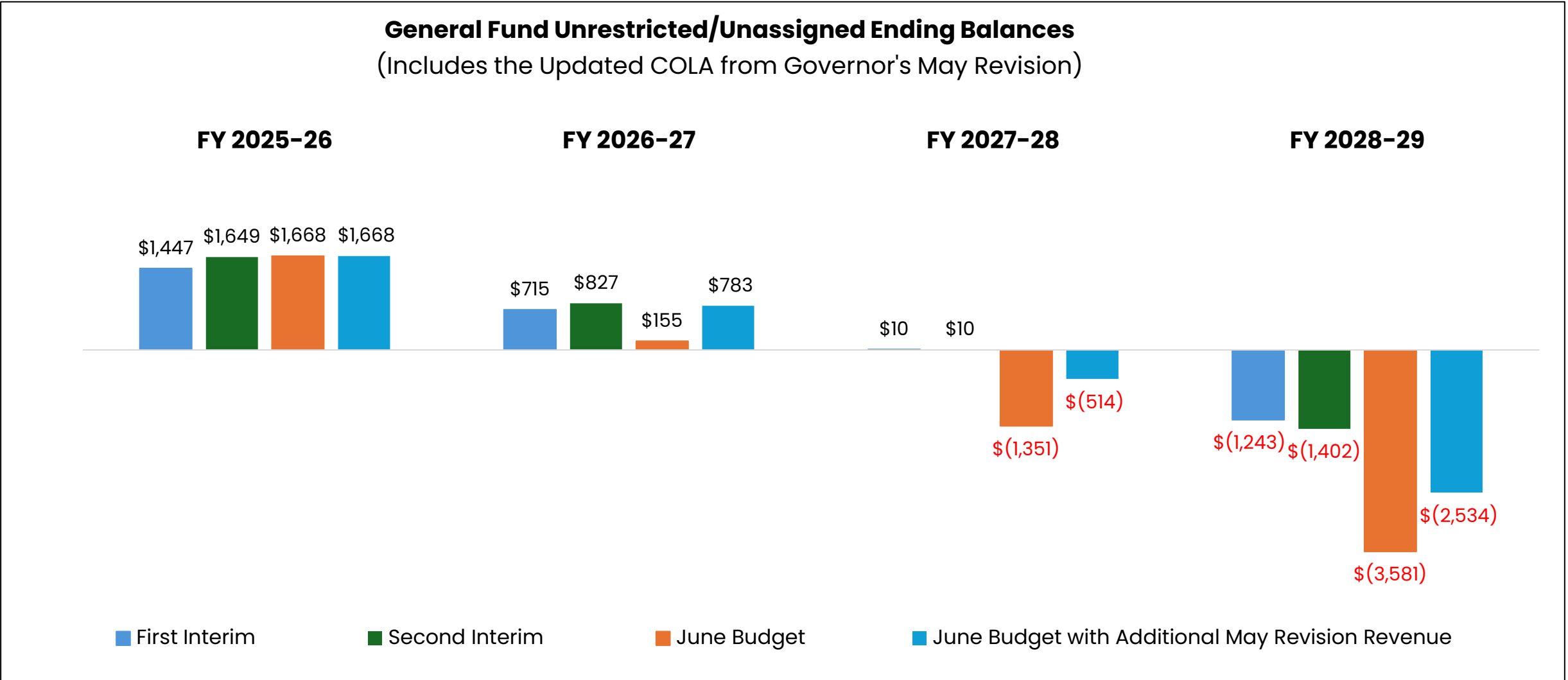
# LAUSD's Preliminary Multi-Year Projection

*Require additional Board-approved cost-saving measures for the District to certify that funds are available for the tentative CBA costs in the current and future years*

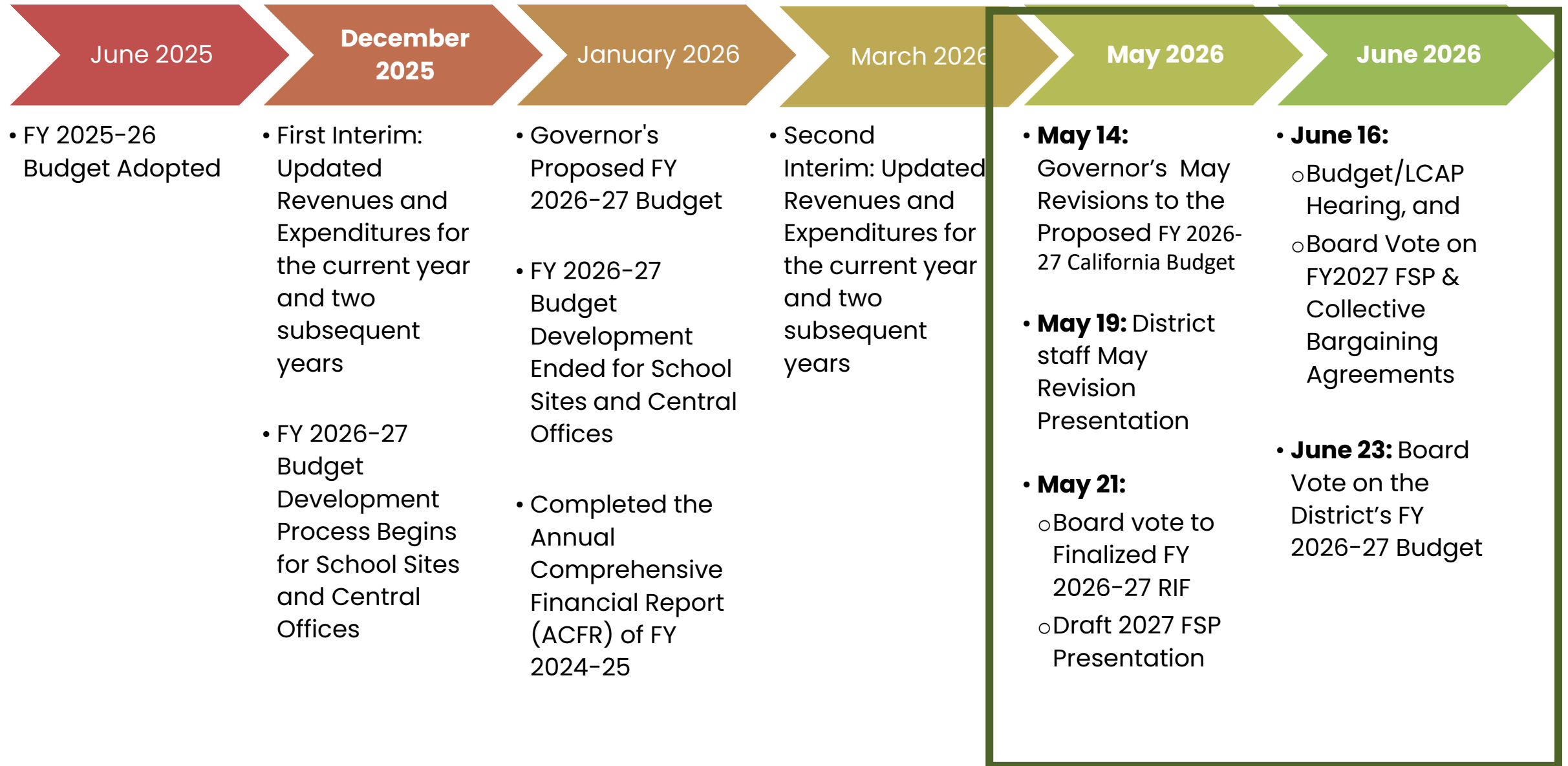


# LAUSD's Preliminary Multi-Year Projection

*Governor's revenue proposals excluded from the MYP are insufficient to cover the District's projected negative ending balance*



# Next Steps



**Thank you**