Summary: 2026-2027 California State Budget

General Budget Overview

On June 29th, the Governor signed SB 111 (Laird), completing the adoption of a balanced budget. This budget cycle continued to grapple with ongoing funding shortfalls and challenges while working to maintain important programs and continue saving for future deficits. Budget challenges are still being felt from the 2025 wildfires and the lack of full reimbursement from the federal government; however, these have been offset somewhat by the boom in revenue coming from the growth of the AI industry. As a result, SB 111 presents a budget agreement that works to reduce projected future deficits, contains record total reserve funding, and funds core programs with $351.7 billion in total spending, $251.5 billion in General Fund spending, and total reserve funding of $35.2 billion. Reserve funds include $4.5 billion in the Regular Reserve, $15.1 billion in the Rainy Day Fund, $9.2 billion in the Prop 98 Rainy Day Fund, and $6.4 billion in the Surplus Set-aside for 2027-2028. More detail can be found HERE.

Following nearly $12 billion in spending reductions included in the 2025-2026 budget, this year's budget includes three major revenue proposals to address ongoing cost pressures. These include the extension of the MCO tax in compliance with H.R. 1, the continuation of existing business tax credit limits, and extending the existing sales tax on prewritten software. These three proposals are projected to bolster the 2026-2027 budget by $500 million, $1 billion, and $450 million respectively, with revenues increasing in future budgets.

With regard to apprenticeships, the state continued to prioritize investments in workforce training. In 2026-2027, the hourly reimbursement rate is set at $10.61 per hour for both schedule (2) and Schedule (3). As outlined in more detail below, the budget also includes $16 million in funding to address underfunded hours in Schedule 3 from 2024-2025 and 2025-2026. Finally, the state made specific investments in pre-apprenticeship and other workforce training programs outlined below.

Proposition 98

The Budget presents ongoing increases to the Proposition 98 Guarantee over both a multi-year period as well as between the May Revision and the final Budget. The revised Guarantee for TK-14 schools is calculated to be $124.9 billion in 2024-2025, $125.3 billion in 2025-2026, and $128.1 billion in 2026-2027. These revised Proposition 98 levels represent an increase of approximately $29.2 billion over the three-year period relative to the 2025 Budget Act, and an increase of approximately $1.2 billion from May Revision.

In addition, the Proposition 98 formula requires an $8.3 billion maintenance factor payment in 2024-25, which will be paid in addition to the Guarantee level and accounts for much of the increase in the Guarantee in that fiscal year. This payment will fully retire the Proposition 98 maintenance factor balance.

Proposition 98 remains in Test 1.

California Community College Funding

The California Community College adopted budget includes $16,331,172,000 in total funds, including more than $9 billion in state funds. The following includes several highlights of the CCC budget that are included in the budget overview linked above.

CCC Budget Adjustments

- **Student Centered Funding Formula (SCFF) Growth Adjustment**—An ongoing increase of $97.8 million Proposition 98 General Fund to fund 1.5-percent enrollment growth in the SCFF in 2026-27. The Budget also includes an increase of $55.3 million Proposition 98 General Fund to fund enrollment growth of 1 percent in fiscal year 2025-26, and it is the Administration's expectation that the net effect of these two enrollment growth investments support a combined growth percentage of 2.5 percent in 2026-27.
- **SCFF and Categorical Program Cost-of-Living Adjustment (COLA)**—To reflect a COLA of 4.31 percent, the Budget includes an ongoing increase of $440.5 million Proposition 98 General Fund for apportionments and an ongoing increase of $30.1 million Proposition 98 General Fund for select categorical programs.
- **SCFF Base Adjustment**—A $141 million one-time Proposition 98 General Fund to fully fund the SCFF in 2025-26.
- **SCFF Deferral**—$408.4 million one-time Proposition 98 General Fund to fully repay deferrals for the SCFF.
- **Local Property Tax Adjustments**—$120.6 million ongoing Proposition 98 General Fund as a result of decreasing offsetting local property tax revenues.
- **Credit for Prior Learning**—$37 million Proposition 98 General Fund, of which $2 million is ongoing, to support and build upon the Credit for Prior Learning Initiative. This initiative is part of the Administration's investments in the Master Plan for Career Education.
- **Strong Workforce Program**—$15.8 million one-time Proposition 98 General Fund to support the Strong Workforce Program.
- **Adult Learner Demonstration Project**—$9.7 million one-time Proposition 98 General Fund, available for use over three years, to support the Adult Learner Demonstration Project. This program provides comprehensive services to assist low-income adult workers to move into stable and higher-paying jobs.
- **Common Cloud Data Platform**—$41 million Proposition 98 General Fund, of which $5 million is ongoing, for further scaling of the Common Cloud Data Platform across the community college system. This platform will leverage existing local districts' student data systems to provide near real-time data reporting.
- **Student Support Block Grant**—$147.2 million one-time Proposition 98 General Fund for a flexible Student Support Block Grant for the community college system.
- **Dreamer Resource Grant Program**—$71.1 million one-time Proposition 98 General Fund for community colleges to support Dreamer Resource Centers.
- **Categorical Programs COLA**—$36.9 million ongoing Proposition 98 General Fund to provide a 2.87-percent COLA to select categorical programs and the Adult Education Program.
- **Financial Aid Administration Support**—$10 million one-time Proposition 98 General Fund for Community College Financial Aid Administration Offices.
- **California Healthy School Food Pathways Program**—$14.3 million ongoing Proposition 98 General Fund to support the California Healthy School Food Pathway

program, which strengthens the school food service workforce through apprenticeship and training programs.

California Labor and Workforce Development Agency

The 2026-2027 Budget contains $ 2.3 billion in state funding for the Labor and Workforce Development Agency, with $995 million allocated to the Department of Industrial Relations. This adopted Budget includes ongoing investments in upgrading and modernizing information systems, apprenticeship investments, and other priorities. Additionally, the Budget contains significant changes to the Subsequent Injuries Benefits Trust Fund (SIBTF), detailed below.

Specifically, regarding apprenticeships and workforce training the budget includes the following provisions that are taken from the budget summary linked above:

- **DIR Apprenticeship Training Grant Augmentation**—$18.2 million one-time Apprenticeship Training Contribution Fund in 2026-27, $18.1 million one-time in 2027-28, and $17.8 million one-time in 2028-29 and 2029-30 for grants to approved apprenticeship programs in construction and related trades.
- **Workforce Training and Development**—$18 million one-time General Fund to the California Workforce Development Board (CWDB) for various workforce training and development programs. This includes support for the Hospitality Training Academy, a high road training program administered by the United Food and Commercial Workers Western States Council, reentry support and programming through Creating Restorative Opportunities and Programs, and a new workforce training program for port workers.
- **Cal/OSHA Outreach and Enforcement**—$19.3 million Occupational Safety and Health Fund in 2026-27 and $17.1 million in 2027-28 and ongoing to establish a centralized complaint intake unit; investigate all fatalities and more serious injury cases for criminal violations; work with employers and proactively address workplace hazards related to rapidly developing workplace technologies and equipment; and to continue targeted education and enforcement efforts in the agricultural sector and to protect workers from heat-related illnesses and wildfire smoke hazards.
- **DIR Information Technology Projects**—$81.4 million one-time Labor and Workforce Development Fund to continue implementation of projects to modernize DIR's Information Technology systems, including the Cal/OSHA Data Management System, the Electronic Adjudication Management System, and Public Works data systems.
- **EDDNext**—$165.5 million ($70.9 million General Fund) one-time to continue the modernization of the Employment Development Department (EDD) through the implementation of EDDNext. The effort includes enhancements to EDD's benefits system—improving call centers, simplifying forms and notices, and data analysis tools to continue curbing fraudulent benefit claims.
- **Workers' Rights Enforcement Grant**—$9 million ongoing Labor and Workforce Development Fund for the Workers' Rights Enforcement Grant program administered by the Labor Commissioner's Office, which supports grants to facilitate the enforcement of state labor laws.
- **Subsequent Injuries Benefits Trust Fund**—The Budget includes $12.7 million Workers' Compensation Administration Revolving Fund and 57 positions in 2026-27, growing to $27.4 million and 133 positions in 2028-29 and ongoing, for DIR to address

the backlog of cases resulting from years of substantial growth in the SIBTF program. The original proposal contained more significant changes to the program that would have negatively impacted injured workers by limiting retroactivity and reducing payments, and while the final budget still enacts major changes the overall harm to workers has been limited.

Final Adopted Budget: SB 111 (Laird) - Apprenticeship Line Item

SB 111, which amends SB 101, represents the final 2026-2027 California State Budget. The bill includes the elements described above. In addition, below is the specific line item (6870-101-0001) that includes apprenticeship funding. Please note that the portions below includes schedules (2) and (3) and the implementing budget bill language but not the entire line item.

SEC. 145.

Item 6870-101-0001 of Section 2.00 of the Budget Act of 2026 is amended to read:

6870-101-0001—For local assistance, Board of Governors of the California Community Colleges (Proposition 98)	6,899,880,00 0

Schedule:

(1)	5670015-Apportionments	4,410,603,000
(2)	5670019-Apprenticeship	80,960,000
(3)	5670023-Apprenticeship Training and Instruction	64,241,000

3.	(a)	(1)	The funds appropriated in Schedule (2) shall be available pursuant to Article 3 (commencing with Section 79140) of

Chapter 9 of Part 48 of Division 7 of Title 3 of the Education Code. Funds appropriated pursuant to this subdivision shall be available for encumbrance or expenditure until June 30, 2029.

(2) Pursuant to Section 79149.3 of the Education Code, the reimbursement rate shall be $10.61 per hour.

(b) Of the funds appropriated in Schedule (2), $30,000,000 shall be used for the California Apprenticeship Initiative pursuant to Section 79148.1 of the Education Code. Funds appropriated pursuant to this subdivision shall be available for encumbrance or expenditure until June 30, 2032.

4. (a) The funds appropriated in Schedule (3) shall be available pursuant to Article 8 (commencing with Section 8150) of Chapter 1 of Part 6 of Division 1 of Title 1 of the Education Code. Funds appropriated pursuant to this subdivision shall be available for encumbrance or expenditure until June 30, 2029.

(b) Pursuant to Section 8152 of the Education Code, the reimbursement rate shall be $10.61 per hour.

SB 135 (Committee on Budget and Fiscal Review) - Higher Education Budget Trailer Bill

The Higher Education Budget Trailer bill made several adjustments to the prior budget acts and allocated one time spending to various higher education programs, including some adjustments to apprenticeship funding. Specifically, SB 135 amended the 2025 budget act to provide reimbursements for underfunded hours in Schedule 3 that occurred in 2024-2025 and 2025-2026, as outlined below.

SEC. 36.

(a) For the 2026–27 fiscal year, the sum of seven million eight hundred eighteen thousand dollars ($7,818,000) is hereby appropriated from the General Fund to the Board of Governors of the California Community Colleges for transfer to Section B of the State School Fund for allocation for related and supplemental instruction hours for the 2024–25 fiscal year. Funds appropriated for this subdivision shall be used for the same purpose as the funds appropriated in subdivisions (a) and (b) of Provision 4 of Item 6870-101-0001 in the Budget Act of 2024 (Chapters 22, 35, and 994 of the Statutes of 2024, as amended by Section 17 of Chapter 9 of the Statutes of 2025).

(b) For the 2026–27 fiscal year, the sum of eight million one hundred eighty-two thousand dollars ($8,182,000) is hereby appropriated from the General Fund to the Board of Governors of the California Community Colleges for transfer to Section B of the State School Fund for allocation for related and supplemental instruction hours for the 2025–26 fiscal year. Funds appropriated for this section shall be used for the same purpose as the funds appropriated in Provision 4 of Item 6870-101-0001 in the Budget Act of 2025 (Chapters 4, 5, and 77 of the Statutes of 2025).

(c) For purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriations made pursuant to subdivisions (a) and (b) shall be deemed to be “General Fund revenues appropriated for community college districts,” as defined in subdivision (d) of Section 41202 of the Education Code, for the 2026–27 fiscal year, and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B,” as defined in subdivision (e) of Section 41202 of the Education Code, for the 2026–27 fiscal year.

Summary

The final budget reflects ongoing efforts to fund programs and balance spending in the midst of constantly shifting economic outlooks and ongoing challenges presented by the federal government. You can find a detailed overview of the enacted 2026-2027 State Budget HERE.