

**CAC Legislative Committee
Apprenticeship Budget Report
January 2026 Meeting**

Summary: Governor's Proposed 2026-2027 California State Budget

General Budget Overview

On January 9, the California Department of Finance released the Governor's proposed state budget for the 2026-2027 fiscal year following the State of the State address given by the Governor the day before. The 2026-2027 proposed state budget is a \$348.9 billion spending plan, with approximately \$248.3 billion being spent from the General Fund. A summary of the proposed budget can be found here: [HERE](#).

Following the financial upheavals of 2025 caused by statewide natural disaster and ongoing chaos within the federal government, initial revenue and budget projections were grim. However, a surge of revenue later in the year, driven in part by the ongoing growth of the AI industry, boosted revenues higher than expected, with General Fund revenue estimates for the three-year budget window of 2024-2027 coming in \$40 billion higher than initially forecast. Despite this growth the proposed budget still seeks a cautious approach to spending to balance future uncertainty. Additionally, the Governor's proposal projects for future deficits of more than \$20 billion in the 2027-2028 fiscal year, with other sources including the LAO projecting a deficit of more than \$35 billion with the inclusion of potential stock market upheaval and economic downturn.

Proposition 98

The proposed education budget continues the state's commitment to funding, including a moderate increase to total education funding. The Budget includes total funding of \$149.1 billion (\$88.7 billion General Fund and \$60.4 billion other funds) for all TK-12 education programs.

The Guarantee continues to be in Test 1 for 2026-2027, meaning that the funding level of the Guarantee for 2025-2026 is equal to roughly 40 percent of General Fund revenues, plus local property tax revenues.

Revised Proposition 98 levels represent an increase of approximately \$21 billion over the three-year period relative to the 2025 Budget Act.

Higher Education and Community College Funding

The proposed budget for the California Community Colleges is \$23.14 billion in total funds, with \$15.4 billion being from General Fund and Property Taxes.

The budget proposed the following significant adjustments to Community College investments:

- CCC Apportionments—\$240.6 million ongoing Proposition 98 General Fund to provide a 2.41-percent cost-of-living adjustment (COLA) for Student Centered Funding Formula apportionments and \$31.9 million ongoing Proposition 98 General Fund for 0.5 percent enrollment growth. The budget also includes an increase of \$55.3 million Proposition 98 General Fund for additional enrollment growth of 1 percent in FY 2025-26, with the expectation that the combination of these two investments support a combined growth percentage of 1.5 percent in 2025-26.
- Apprenticeship Related and Supplemental Instruction (RSI) Costs Backfill – \$13.4 million one-time Proposition 98 General Fund to backfill apprenticeship RSI costs in 2024-25 and 2025-26.
- Credit for Prior Learning – An increase of \$37 million Proposition 98 General Fund, with \$2 million ongoing, to support the Credit for Prior Learning initiative implemented in 2026-2027.
- Community College Facilities—\$736.9 million one-time Proposition 2 bond funds allocated for critical infrastructure, facility modernization, and enrollment growth projects for 10 new projects and 29 continuing projects at community colleges.
- CCC Categorical Program COLA—\$30.6 million Proposition 98 General Fund to provide a 2.41-percent COLA for select categorical programs and the Adult Education Program.

Labor and Workforce Development

The 2025-2026 Budget contains \$2.2 billion in total funding for the Labor and Workforce Development Agency, with \$878 million allocated to the Department of Industrial Relations. This Budget proposal reflects investment priorities to continue upgrading and modernizing information technology systems. Additionally, the budget includes resources to support the Cal/OSHA complaint intake and referral process and to address the backlog of cases and substantial growth of the Subsequent Injuries Benefits Trust Fund.

The budget also proposed the following significant budget adjustment:

- 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 DIR for grants to approved apprenticeship programs in construction and related trades.

Governor's Budget Proposal in Print: AB 1563 (Gabriel) and SB 879 (Laird)

AB 1563 and SB 879 represent the Governor's proposed 2026-2027 California State Budget. The bills include the elements described above. In addition, below is the specific line item (6870-101-0001) that includes apprenticeship funding. Please note

that the provision only includes schedules (2) and (3) and the implementing budget bill language.

6870-101-0001—For local assistance, Board of Governors of the California Community Colleges (Proposition 98) 6,074,897,000

Schedule:

(1) 5670015-Apportionments	3,722,181,000
(2) 5670019-Apprenticeship	80,822,000
(3) 5670023-Apprenticeship Training and Instruction	.63,999,000

2.(a) The funds appropriated in Schedule (1) shall be allocated using the budget formula established pursuant to Section 84750.4 of the Education Code. The budget formula shall be adjusted to reflect the following:

- (1) Of the funds appropriated in Schedule (1), \$31,886,000 shall be used to increase statewide growth of full-time equivalent students (FTES) by 0.5 percent.
- (2) Of the funds appropriated in Schedule (1), \$240,604,000 shall be used to reflect a cost-of-living adjustment of 2.41 percent.
- (3) Notwithstanding paragraph (1), the Chancellor's Office of the California Community Colleges may allocate unused growth funding to backfill any unanticipated shortfalls in the total amount of funding appropriated and support the budget formula established pursuant to Section 84750.4 of the Education Code.

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 \$10.57 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.
- (c) the California Healthy School Food Pathways program. Funds appropriated pursuant to this subdivision shall be available for encumbrance or expenditure until June 30, 2029.

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 \$10.57 per hour. (b)

Summary

This initial proposed budget reflects an improved financial outlook from initial estimates near the end of 2025, while still approaching the budgetary outlook with caution and warning of significant shortfalls in future budget years. The Legislature will review the Governor's proposal in the coming months as they work toward a final budget by the June 15th deadline. You can find a full summary of the Governor's proposed 2025-2026 budget [HERE](#).