Senate Budget and Fiscal Review—Scott D. Wiener, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator John Laird, Chair
Senator Rosilicie Ochoa Bogh
Senator Sasha Renée Pérez

Thursday, February 27, 2025
9:30 a.m. or Upon Adjournment of Session
1021 O Street, Room 2100

Consultant: Yong Salas

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6100 DEPARTMENT OF EDUCATION

Issue 1: State of Education

Panel.

- Tony Thurmond, California State Superintendent of Public Instruction

Background.

The Superintendent of Public Instruction will provide an update on the state of K-12 education in California. This item is informational only.

Issue 2: Proposition 98 Overview and Structure

Panel.

- Alex Shoap, Department of Finance
- Ken Kapphahn, Legislative Analyst's Office

Proposition 98.

California provides academic instruction and support services to nearly six million public school students in kindergarten through twelfth grades (K-12) and 1.8 million students in community colleges. There are 58 county offices of education, approximately 1,000 local K-12 school districts, nearly 10,000 K-12 schools, and nearly 1,300 charter schools throughout the state. Of the K-12 students, approximately 3.8 million are low-income, English learners, or foster youth students or some combination of those categories. Approximately 1.12 million of the K-12 students served in public schools are English learners. There are also 73 community college districts, 116 community college campuses, and 72 educational centers. Proposition 98, which was passed by voters as an amendment to the state Constitution in 1988, and revised in 1990 by Proposition 111, was designed to guarantee a minimum level of funding for public schools and community colleges.

For 2025-26, the proposed budget includes $118.9 billion in Proposition 98 funding. The Governor's budget also maintains the suspended level of Proposition 98 funding for 2023-24 of $98.5 billion from the 2024-25 enacted budget. For 2024-25, while the Governor estimates an increase in the total Proposition 98 minimum guarantee of $3.9 billion for a total of $119.2 billion, the budget appropriates the 2024-25 guarantee at $117.6 billion, a difference of approximately $1.6 billion. These adjustments are primarily the result of higher than anticipated General Fund revenues than projected at the 2024 final budget act.

Proposition 98 Funding. State funding for K-14 education—primarily K-12 local educational agencies and community colleges—is governed largely by Proposition 98. The measure, as modified by Proposition 111, establishes minimum funding requirements (referred to as the "minimum guarantee") for K-14 education. General Fund resources, consisting largely of personal income taxes, sales and use taxes, and corporation taxes, are combined with the schools' share of local property tax revenues to fund the Proposition 98 minimum guarantee. These funds typically represent about 80 percent of statewide funds that K-12 schools receive. Non-Proposition 98 education funds largely consist of revenues from local parcel taxes, other local taxes and fees, federal funds and proceeds from the state lottery. In past years, there have been two statewide initiatives that increased General Fund revenues and therefore, the Proposition 98 minimum guarantee. Proposition 30, passed by the voters in 2012, raised sales and income taxes, but was designed to phase out over seven years. Anticipating the expiration of the Proposition 30 taxes, Proposition 55 was passed by voters in 2016, extending the income tax portion of Proposition 30 for another 12 years.

The Great Recession that began in 2008 impacted both General Fund resources and property taxes. The amount of property taxes has also been impacted by a large policy change since then—the elimination of redevelopment agencies (RDAs) and the shift of property taxes formerly captured by the RDAs back to school districts. The guarantee was adjusted to account for these additional property taxes, so although Local Educational Agencies (LEAs) received significantly increased property taxes starting in 2012-13, they received a roughly corresponding reduction in General Fund.

The table below summarizes overall Proposition 98 funding for K-12 schools and community colleges in 2007-08, or just prior to the Great Recess, and 2018-19, prior to the COVID-19 pandemic.

The Governor's 2025-26 proposed budget includes significant increases in comparison to the 2024 Budget Act, due to higher revenue estimates as well as a $1.6 billion increase in the required maintenance factor payment in 2024-25 as result of suspending Proposition 98 in the 2023-24 fiscal year.

Proposition 98 Funding
Sources and Distributions
(Dollars in Millions)

	Pre-Recession **2007-08**	Pre-Pandemic **2018-19**	Revised **2023-24**	Revised **2024-25**	Proposed **2025-26**
Sources					
General Fund	42,015	54,505	67,093	86,619	84,603
Property taxes	14,563	23,942	31,392	32,569	34,321
Total	**56,577**	**78,448**	**98,484**	**119,188**	**118,923**
Distribution					
K-12	50,344	69,253	94,630	103,114	104,968
CCC	6,112	9,195	12,267	13,352	13,579
PSSSA	N/A	N/A	-8,413	1,157	376

Source: Legislative Analyst's Office

Calculating the Minimum Guarantee. The Proposition 98 minimum guarantee is determined by comparing the results of three "tests," or formulas, which are based on specific economic and fiscal data. The factors considered in these tests include growth in personal income of state residents, growth in General Fund revenues, changes in student average daily attendance (ADA), and a calculated share of the General Fund. When Proposition 98 was first enacted by the voters in 1988, there were two "tests", or formulas, to determine the required funding level. Test 1 calculates a percentage of General Fund revenues based on the pre-Proposition 98 level of General Fund that was provided to education, plus local property taxes. The Test 2 calculation is the prior year funding level adjusted for growth in student ADA and per capita personal income. K-14 education was initially guaranteed funding at the higher of these two tests. In 1990, Proposition 111 added a third test, Test 3, which takes the prior year funding level and adjusts it for growth in student ADA and per capita General Fund revenues. The Proposition 98 formula was adjusted to compare Test 2 and Test 3, the lower of which is applicable. This applicable test is then compared to Test 1; and the higher of the tests determines the Proposition 98 minimum guarantee. Generally, Test 2 is operative during years when the General Fund is growing quickly and Test 3 is operative when General Fund revenues fall or grow slowly.

Proposition 98 Tests
Calculating the Level of Education Funding
(Including the 2025-26 Governor's Budget Estimate)

Test	Calculated Level	Operative Year	Times Used
Test 1	Based on a calculated percent of General Fund revenues (currently around 38 percent).	If it would provide more funding than Test 2 or 3 (whichever is applicable).	11
Test 2	Based on prior year funding, adjusted for changes in per capita personal income and attendance.	If growth in personal income is ≤ growth in General Fund revenues plus 0.5 percent.	16
Test 3	Based on prior year funding, adjusted for changes in General Fund revenues plus 0.5 percent and attendance.	If statewide personal income growth > growth in General Fund revenues plus 0.5 percent.	8

Source: Legislative Analyst's Office

The Governor's proposal assumes that in 2024-25 and 2025-26 the Proposition 98 minimum guarantee is calculated under Test 1. Proposition 98 in 2023-24 remains suspended.

Generally, the Proposition 98 minimum guarantee calculation was designed in order to provide growth in education funding equivalent to growth in the overall economy, as reflected by changes in personal income (incorporated in Test 2). In a Test 3 year, the Proposition 98 minimum guarantee does not grow as fast as in a Test 2 year, recognizing the fact that the state's General Fund is not reflecting the same strong growth as personal income and the state may not have the resources to fund at a Test 2 level; however, a maintenance factor is created, as discussed in more detail later.

The Test 1 percentage is historically-based, but is adjusted, or "rebenched," to account for large policy changes that impact local property taxes for education or changes to the mix of programs funded within Proposition 98. In the past few years, rebenching was done to account for property tax changes, such as the dissolution of the redevelopment agencies (RDAs), and program changes, such as removing childcare from the Proposition 98 minimum guarantee and adding mental health services. For 2025-26, the Governor's Budget adjusts the Test 1 percentage for the expansion of transitional kindergarten from 39.2 percent to 39.6 percent.

Suspension of Minimum Guarantee. Proposition 98 includes a provision that allows the Legislature and Governor to suspend the minimum funding requirements and instead provide an alternative level of funding. Such a suspension requires a two-thirds vote of the Legislature and the concurrence of the Governor. To date, the Legislature and Governor have suspended the Proposition 98 minimum guarantee three times; in 2004-05, 2010-11, and 2023-24. While the suspension of Proposition 98 can create General Fund savings during the year in which it is invoked, it also creates obligations in the out-years, as explained below.

Maintenance Factor. When the state suspends the Proposition 98 minimum guarantee or when Test 3 is operative (that is, when the Proposition 98 minimum guarantee grows more slowly due to declining or low General Fund growth), the state creates an out-year obligation referred to as the “maintenance factor.” When growth in per capita General Fund revenues is higher than growth in per capita personal income (as determined by a specific formula also set forth in the state Constitution), the state is required to make maintenance factor payments, which accelerate growth in K-14 funding, until the determined maintenance factor obligation is fully restored. Outstanding maintenance factor balances are adjusted each year by growth in student ADA and per capita personal income.

The maintenance factor payment is added on to the minimum guarantee calculation using either Test 1 or Test 2.

- In a Test 2 year, the rule of thumb is that roughly 55 percent of additional revenues would be devoted to Proposition 98 to pay off the maintenance factor.

- In a Test 1 year, the amount of additional revenues going to Proposition 98 could approach 100 percent or more. This can occur because the required payment would be a combination of the 55 percent (or more) of new revenues, plus the established percentage of the General Fund— roughly 38 percent—that is used to determine the minimum guarantee.

Prior to 2012-13, the payment of maintenance factor was made only on top of Test 2; however, in 2012-13, the Proposition 98 guarantee was in an unusual situation as the state recovered from the recession. It was a Test 1 year and per capita General Fund revenues were growing significantly faster than per capita personal income. Based on a strict reading of the Constitution, the payment of maintenance factor is not linked to a specific test, but instead is required whenever growth in per capita General Fund revenues is higher than growth in per capita personal income. As a result, the state funded a maintenance factor payment on top of Test 1 and this interpretation can result in the potential for up to 100 percent or more of new revenues going to Proposition 98 in a Test 1 year with high per capita General Fund growth. This was the case in 2014-15, when the maintenance factor payment was more than $5.6 billion. However, since the last recession the state has significantly increased funding for K-14 education due in part to payments made towards reducing the maintenance factor balance. As a result, the maintenance factor obligation was paid off in 2017-18.

Due to the suspension of Proposition 98 in 2023-24, the General Fund revenue conditions has required a maintenance factor payment in 2024-25 is $5.6 billion, with no payment estimated in 2025-26.

Average Daily Attendance. One of the factors used to calculate the Proposition 98 minimum guarantee level is growth in ADA. In a Test 2 or Test 3 year, the guarantee is adjusted for changes in ADA. However, there is a hold harmless provision for reductions in ADA. Under that provision, negative growth is only reflected if the preceding two years also show declines. Under current projections, which reflect birth rates and migration, K-12 ADA is expected to increase slightly in coming years and the hold harmless will not need to apply for the guarantee calculation.

Proposition 98 Certification. The 2018 budget package included a new process for certifying the Proposition 98 guarantee and the 2019 budget package made additional changes to this process. Under current statute, certification of the guarantee is a process by which the Department of Finance (DOF), in consultation with the Department of Education and the Chancellor's Office of the Community Colleges, verifies the factors for the calculation of the Proposition 98 guarantee and the appropriations and expenditures that count towards the guarantee level. Certifying the guarantee results in a finalized guarantee level for the year, as well as finalizing any settle-up owed as a result of changes in the guarantee level. Adjustments will be made to increase the guarantee after the fiscal year is over if the calculation results in an increase in a prior year, but makes no changes in the event of a decrease in a prior year. Prior to this new process, the guarantee was last certified for 2008-09. In August 2018, DOF released the proposed certification for the 2009-10 through 2016-17 fiscal years. The most recently certified year is 2022-23.

Public School System Stabilization Account (PSSSA). The state's Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. Proposition 2 also requires a deposit in a Proposition 98 Rainy Day Fund under certain circumstances. These required conditions are that maintenance factor accumulated prior to 2014-15 is paid off, Test 1 is in effect, the Proposition 98 guarantee is not suspended, and no maintenance factor is created. The 2025-26 proposed budget withdrew the entire balance of $8.4 billion in 2023-24, and requires deposits for 2024-25 and 2025-26 with payments of $1.2 billion and $376 million, respectively, for a total balance of approximately $1.5 billion at the end of 2025-26.

This level of PSSSA reserves does not trigger a statutory requirement that LEAs may not have local reserves in excess of 10 percent of their total annual expenditures, in the year after the state reserve balance is equal to or greater than 3 percent of the total TK-12 share of the annual Proposition 98 guarantee level.

<u>Proposition 98 K-12 Proposals:</u>

The proposed budget includes a Proposition 98 funding level of $105 billion for TK-12 programs. This includes a year-to-year increase of $1.9 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2024-25. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from $18,731 provided in 2024-25 (revised) to $18,935 in 2025-26, an increase of 1.1 percent.

Proposition 98 Funding Level. Due to higher than anticipated General Fund revenues, the calculated Proposition 98 minimum guarantee for 2024-25 is $119.2 billion, which includes an increase in the anticipated required maintenance factor payment of $1.6 billion. The Governor's Budget appropriates $117.6 billion out of the revised minimum guarantee of $119.2 billion in 2024-25, citing the volatility of the revenues, with the final appropriation of Proposition 98 expected to be addressed during the Proposition 98 certification process.

TK-12 Local Control Funding Formula. The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the number of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and has annually adjusted the grant amounts by a cost-of-living adjustment (COLA). The budget proposes an LCFF COLA of 2.43 percent, and when combined with growth adjustments, results in $2.5 billion in increased discretionary funds for local educational agencies. To fully fund LCFF and to maintain the level of past year principal apportionments, the budget proposes to use reappropriated and reverted funds totaling $25.9 million to support ongoing LCFF in 2023-24 and deferring LCFF funds totaling $35.1 million from 2023-24 to 2024-25. This one-time deferral is fully repaid in 2024-25.

Student Support and Discretionary Block Grant. The budget proposes a one-time $1.8 billion Proposition 98 General Fund block grant to address rising costs and fund statewide priorities including literacy, mathematics, teacher recruitment and retention strategies, and career pathways and dual enrollment expansion efforts.

Literacy and Mathematics Coaches. The budget proposes $500 million one-time Proposition 98 General Fund to expand the existing Literacy Coaches and Reading Specialists Grant Program, and include mathematics coaches.

Expanded Learning Opportunities Program. The budget proposes $435 million ongoing Proposition 98 General Fund, for total program funding of $4.4 billion Proposition 98 General Fund.

Learning Recovery Emergency Block Grant. The budget proposes to augment the Learning Recovery Emergency Block Grant by a one-time $378.6 million Proposition 98 General Fund.

Teacher Recruitment. The budget proposes $150 million one-time Proposition 98 General Fund to provide financial assistance for teacher candidates through the proposed Teacher Recruitment Incentive Grant Program.

Golden State Teacher Grant Program. The budget proposes one-time $50 million General Fund to support the Golden State Teacher Grant Program that would be available beginning in the 2025-26 fiscal year.

National Board Certification Incentive Program. The budget proposes $100 million Proposition 98 General Fund to extend the timeline of the existing National Board Certification Incentive Program.

Child Nutrition. The budget continues to fund universal access to school meals with an increase of $106.3 million ongoing Proposition 98 General Fund, for total Proposition 98 General Fund funding of approximately $2 billion, to fully fund the universal school meals program in 2025-26 and for students who want a meal will have access to two free meals each day.

Kitchen Infrastructure and Training. The budget proposes a one-time $150 million Proposition 98 General Fund investment for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.

Arts and Music in Schools-Funding Guarantee and Accountability Act (Proposition 28). The budget includes $1.04 billion to fund arts and music in schools pursuant to Proposition 28.

Literacy Screener Implementation. The budget proposes $40 million one-time Proposition 98 General Fund in 2025-26 to support necessary costs to administer literacy screenings, including the procurement of screening materials and training for educators.

English Language Proficiency Screener for Transitional Kindergarten Students. The budget proposes one-time $10 million Proposition 98 General Fund for the statewide use of English language proficiency screeners for transitional kindergarten students.

Literacy Network. The budget proposes $5 million Proposition 98 General Fund annually through the 2029-30 fiscal year to launch a Literacy Network within the Statewide System of Support to serve as a clearinghouse for state-developed literacy resources, elevate high performing districts and best practices, and provide support to local educational agencies facing persistent challenges.

Cost-of-Living Adjustments. The proposed budget provides $204 million ongoing Proposition 98 General Fund to support a 2.43 percent COLA for categorical programs that are not included in LCFF and the LCFF equity multiplier. These programs include special education and child nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

County Offices of Education. The proposed budget includes an increase of $12.2 million ongoing Proposition 98 General Fund to reflect the average daily attendance (ADA) changes applicable to the county office of education LCFF and a 2.43 percent COLA.

Local Property Tax Adjustments. The proposed budget includes an increase of $125 million in ongoing Proposition 98 General Fund in 2024-25, and a decrease of $1.5 billion in Proposition 98 General Fund in 2025-26 for school districts and county offices of education, related to changes to the offsetting local property taxes.

California College Guidance Initiative. The budget proposes an increase of $3 million ongoing Proposition 98 General Fund to support the California College Guidance Initiative and the Cradle-to-Career Data System.

K-12 High Speed Network. The budget proposes an increase of $3.5 million ongoing Proposition 98 General Fund to support the K-12 High Speed Network program.

Individualized Education Program (IEP) Template and Translation Digitization. The budget proposes one-time $2 million Proposition 98 General Fund to support the digitization of the IEP template and translate the template into multiple languages.

Homeless Education Technical Assistance Centers. The budget proposes an increase of $1.5 million ongoing Proposition 98 General Fund to maintain support for Homeless Education Technical Assistance Centers that were first established through federal funding. This funding would continue to support the identification of homeless youth.

Curriculum Framework, Standards, and Instructional Materials Process. The budget proposes one-time $1 million Proposition 98 General Fund to evaluate the state's process for developing and adopting standards, curriculum frameworks, and instructional materials and make recommendations to streamline and improve the process.

Early Education

Transitional Kindergarten. The budget proposes to provide a total of $2.4 billion ongoing Proposition 98 General Fund to support the full implementation of universal transitional kindergarten. The budget also provides an additional $1.5 billion ongoing Proposition 98 General Fund to support the average student-to-adult ratio from 12:1 to 10:1 in every transitional kindergarten classroom. These funds will increase the Proposition 98 Guarantee through the process of rebenching.

<u>Legislative Analyst's Office.</u>

The LAO's recent publication, *The 2025-26 Budget: Proposition 98 Guarantee and K-12 Spending Plan*, included an analysis of the Governor's Proposition 98 Proposals. Below are comments provided by the LAO.

LAO Assessment

Overarching Comments

Plan Contains a Reasonable Mix of One-Time and Ongoing Spending. Ongoing spending increases can help districts address longer-term challenges and state priorities, sustain new programs, and cover their ongoing cost pressures. Conversely, one-time funds can help districts cover one-time expenses and pay for starting up programs. One-time spending also allows the state to avoid committing to ongoing increases it might be unable to sustain during tighter fiscal times. The Governor's plan addresses these trade-offs by proposing a balance of new ongoing and one-time spending. This approach seems like a reasonable starting point for building the budget.

Plan Builds a Budget Cushion That Would Help Protect Ongoing Programs. Of the one-time school spending, $1.4 billion is attributable to 2025-26. Other one-time allocations attributable to 2025-26 include the $376 million deposit into the Proposition 98 Reserve and $331 million in one-time community college spending. Accounting for all these allocations, the budget has $2.1 billion in ongoing Proposition 98 funds dedicated to one-time activities. This budgeting approach creates a cushion that helps protect ongoing programs. For example, if the guarantee were to drop by as much as $2.1 billion in 2026-27, the state could accommodate the drop without reducing programs or deferring payments. The state most recently took a similar approach when it adopted the 2022-23 budget. When the guarantee declined the following year, the cushion helped the state avoid reductions to ongoing programs.

Plan Contains a Reasonable Mix of Flexible Funding and Targeted Proposals. Flexible funding allows districts to implement programs based on their unique circumstances and local priorities. It also helps districts cover their cost increases and create cohesive local programs. Conversely, targeted proposals help ensure districts use their funding for activities the Legislature considers its highest priorities. The Governor's plan has significant proposals in both categories but places more emphasis on flexible funding. This budgeting approach could allow districts to address their cost pressures and a few core state priorities without being overwhelmed by new requirements.

Most of the Targeted Proposals Expand Upon Existing Programs. In contrast to some previous budgets, the Governor does not propose any significant new programs. Instead, the targeted proposals generally expand existing programs or support one-time activities the state funded in previous years. This budgeting approach would encourage districts to prioritize activities that are already underway. For the upcoming hearings, the Legislature could focus its review of the proposed expansions on a few core issues: (1) whether the underlying problem remains unaddressed, (2) whether the existing program is meeting its objectives, and (3) whether additional funding would allow districts to address the problem more effectively.

Settle Up Proposal Addresses a Reasonable Concern About Volatility… The state generally makes settle-up payments as soon as it recognizes a higher estimate of the guarantee. Although the Governor's proposal to delay $1.6 billion departs from this practice, it would mitigate some of the volatility in the 2024-25 guarantee. If the guarantee drops below current estimates, the state could reduce or eliminate this payment more easily than if it had already appropriated that amount to schools. This reduction would reduce the risk of the state committing to a spending level that would be unaffordable with lower revenues. This buffer seems especially important if the state intends to avoid downward adjustments to school appropriations after the year ends.

The Governor's proposal also recognizes that the guarantee is unusually volatile in 2024-25 due to (1) the state's reliance on unpredictable stock market growth for its higher revenue estimates and (2) the high sensitivity of the guarantee to changes in revenue estimates. This volatility means the guarantee could easily drop billions of dollars below current estimates.

…But a Compelling Alternative Is Available… The Legislature could consider several alternatives that would mitigate volatility in the guarantee without creating a settle-up obligation (Figure 7). One compelling alternative is to make a $1.6 billion discretionary deposit into the Proposition 98 Reserve. This deposit would count toward the guarantee in 2024-25 and supplement the $1.2 billion required deposit. The state could rescind the deposit if revenues fall short—lowering state costs without affecting previous school payments. (If revenues meet expectations, the deposit would remain to help protect school programs from future downturns.) This alternative would increase state costs by $1.6 billion this year relative to the Governor's budget. The higher cost would mean adopting a budget with lower general-purpose reserves or additional solutions like spending reductions. The main advantage is that the state would avoid the settle-up payment—making the budget easier to balance in 2026-27. As we explain in *The 2025-26 Budget: Overview of the Governor's Budget*, the state has a roughly balanced budget this year but will likely face a significant deficit in 2026-27.

Figure 7

Comparing the Governor's Settle-Up Proposal With Three Alternatives

Option	Helps Balance the Budget This Year?	Increases Future State Costs?	When Would State Decide How to Allocate the Funding?[a]
Governor's settle-up proposal	Yes	Yes	June 2026 budget
Discretionary reserve deposit	No	No	Future year(s) whenever funds are withdrawn
Appropriation with delayed disbursement	No	No	June 2025 budget
Suspending the guarantee	Yes	Yes	Future year(s) based on maintenance factor formulas

[a] Assuming revenue estimates for 2024-25 meet the projections in the Governor's budget.

…As Well as Two Other Alternatives. A second alternative is to appropriate a $1.6 billion payment this year but delay disbursing the funds to schools until June 2026. By then, the state will have its final revenue estimate for 2024-25. The state could release the payment if revenues meet projections or rescind the payment if revenues fall short. This alternative is conceptually similar to the discretionary reserve deposit because it increases state costs this year while lowering costs in the future. The main difference is that the state would commit to a specific use of the funding instead of saving it in reserve. A third alternative is to suspend the guarantee. Assuming the state sets funding at the level proposed by the Governor, it would create a $1.6 billion maintenance factor obligation—adding to the existing obligation of $2.7 billion—but eliminate the settle-up payment. The state would pay the maintenance factor in future years when revenue is growing relatively quickly. This alternative is conceptually similar to the Governor's proposal because it would reduce state costs this year while increasing costs in the future.

Specific Proposals

COLA Rate Likely to Be Slightly Below the Budget Estimate. On January 30, the federal government released updated data for the price index that determines the COLA rate. With this release, seven of the eight quarters of data that affect calculation are now available. Based on this update and our projections for the final quarter, we estimate the final rate to be about 2.2 percent—slightly below the estimate in the Governor's budget. This lower COLA rate would reduce the cost of the COLA for LCFF and categorical programs by about $180 million compared with the estimate in the Governor's budget. The state will be able to finalize the COLA rate after the federal government publishes the last quarter of data on April 30.

Proposed Funding Increase for TK Staffing Seems High. The Governor's proposal to increase the TK add-on rate would provide more funding than necessary for districts to implement the additional staffing requirements in 2025-26. In our forthcoming brief The 2025-26 Budget: Transitional Kindergarten, we analyze the proposal and provide the Legislature with alternatives that are better aligned with staffing costs.

Districts Could Use Discretionary Grant to Support Local Programs and Address Certain Costs… During the pandemic, the federal government provided more than $20 billion in flexible one-time grants for districts. Districts used these funds—which expired in September 2024—to hire staff, expand programs, cover one-time costs, and build reserves. The proposed discretionary grant could allow districts to sustain some of these local programs for another few years. For example, we spoke with several districts that indicated they would use the grants to continue the additional counseling and coaching they have provided since the pandemic. Other districts indicated they would fund programs focused on academic intervention and literacy for younger students. Districts also could use the grant to pay for certain costs. For example, several districts indicated they intend to replace or update the technology they purchased when the pandemic began. Some districts are planning facility updates, such as replacing ventilation systems and refurbishing classrooms for TK students. Many districts also could use funds to cover one-time and ongoing cost increases they have experienced for property and general liability insurance.

…But Language on the Allowable Uses Is Somewhat Unclear. The language regarding the allowable uses of the grant could be interpreted in multiple ways. Regarding the cost language, some districts might interpret it to mean the grant may cover any costs, whereas others might read it as limiting the grant to costs that grow over time. Regarding the state priority areas, the state historically has provided discretionary block grants with two components: (1) intent language encouraging districts to consider specific activities and (2) local control language allowing each district to make the final decision about its funding. The Governor's proposal does not have the local control language, which could leave districts uncertain about spending on activities outside the state priorities.

Additional Funding for LREBG Is Reasonable… The original impetus for the program—helping students recover from learning loss—remains a significant issue. Test scores and other measures of academic performance show that student achievement remains notably below pre-pandemic levels. Districts also report students coming to school with much higher levels of socio-emotional challenges than they experienced before the pandemic. Interim spending data suggest that districts have spent their LREBG funds on various initiatives that could address learning loss, including additional instructional time, additional staff, accelerated instruction (such as tutoring), and teacher training. Additional LREBG funding could help districts sustain the most promising activities for another few years. The proposal also is consistent with the intent to restore the grant to its original funding level.

…But Original Expenditure Deadline Now Seems Less Feasible. The state adopted the 2027-28 spending deadline for the LREBG as part of its original plan to fund the entire grant in 2022-23. Under the changes adopted in 2023-24, however, districts would not receive their final installment of funding until 2027-28. Moreover, districts must undertake a much longer planning and consultation process than the state required initially. If the deadline remains unchanged, districts would have three years to adopt plans and spend the LREBG funds they receive in 2025-26, two years for the funds they receive in 2026-27, and one year for the funds they receive in 2027-28. This deadline could be difficult to meet—especially over the final two years—and might encourage districts to spend their remaining funds quickly rather than purposefully.

Eliminating the Deferral Is Prudent. The Governor's proposal to eliminate the deferral would make the budget more resilient by aligning the ongoing cost of school programs with the ongoing funding necessary to support those programs. It also would improve local cash flow and simplify state and school accounting.

Recommendations

Maintain One-Time Budget Cushion. A one-time cushion helps mitigate future drops in the Proposition 98 guarantee and protect ongoing programs. Regardless of the specific proposals the Legislature decides to fund, we recommend maintaining a cushion at least as large as the one proposed by the Governor ($2.1 billion across all school and community college programs). This approach means the final budget would have a mix of one-time and ongoing spending, which the Legislature could use to address its short-term and long-term spending priorities.

Maintain Focus on Flexible Funding With Some Targeted Spending. The Governor's plan to dedicate most new spending to flexible funding while reserving a smaller portion for targeted proposals is a reasonable way to build the budget. This approach would allow districts to address their local priorities while making progress on a few core state priorities. Whether the Legislature decides to fund proposals in the programmatic areas proposed by the Governor or in different areas, we recommend adopting a similar mix of flexible and targeted spending proposals.

Address Volatility in 2024-25 Guarantee Proactively. The Proposition 98 guarantee in 2024-25 is unusually volatile and uncertain. We recommend adopting a plan that addresses the downside risk proactively. Although the Governor's settle-up proposal is a viable option, we think the most compelling approach is to make a discretionary reserve deposit that could be rescinded if revenues fall short. This approach increases state costs this year but reduces costs in the future when the state is likely to face a large deficit. In selecting among the Governor's proposal, the discretionary deposit, or the other alternatives, the Legislature will need to consider its plan for balancing the state budget now and in the future.

Adopt Discretionary Block Grant With Some Refinements. A discretionary block grant would help districts support local programs and address various costs. We recommend adopting a version of the Governor's proposal with some refinements. Regarding the amount, the $1.8 billion proposed by the Governor is reasonable, but the Legislature could consider higher or lower amounts to conform with its overall plan for school funding. For example, the Legislature could reduce the amount if the guarantee decreases by May or increase the amount if it rejects some of the Governor's other proposals. Regardless of the final amount, we recommend modifying the accompanying language in three ways:

- ***Clarify Grant Is Discretionary.*** We recommend modifying the language to clarify that the funding is entirely discretionary. This modification would align the language with the intent of the proposal and allow districts to focus on the local programs and costs that represent their highest priorities.
- ***Refine Intent Language on Costs.*** Districts indicate that intent language sometimes influences how they use a grant, even if the funding is discretionary. We recommend modifying the language related to "rising costs" so that the grant explicitly references fiscal liabilities and temporary costs. Examples could include technology updates, facility improvements, and one-time insurance increases. This change would encourage districts to consider the costs that one-time funds are best suited to address.
- ***Adopt Standard Mandate Offset Language.*** A few districts have claims for unreimbursed state mandates, generally pre-dating the creation of the mandates block grant in 2012-13. The state routinely adopts language specifying that any one-time discretionary funds these districts receive count toward their outstanding claims. We recommend adding this language to help pay down the mandates backlog.

Adopt Funding for LREBG but Delay Expenditure Deadline. The additional funding for the LREBG could help districts mitigate learning loss. We recommend adopting the proposal but delaying the expenditure deadline for at least a year (through 2028-29). Delaying the deadline would allow districts to complete the detailed planning process and spend their funding more evenly over the next several years. Accounting for the additional LREBG funding and the discretionary block grant, all districts would receive an allotment of flexible funding for each student and targeted funding to support learning recovery based on their EL/LI students. This funding structure parallels the LCFF.

Adopt Proposal to Eliminate the Deferral. The Governor's proposal to eliminate the deferral is prudent budgeting, and we recommend adopting it. Whereas the Governor proposes to eliminate the deferral beginning in 2025-26, the Legislature could consider early action to eliminate the deferral in 2024-25. This accelerated approach would eliminate the state and local workload associated with calculating each district's share of the June 2025 deferral and processing requests for exemptions. If the Legislature were interested in this approach, it would need to act by early April.

Suggested Questions.

- DOF: The Legislative Analyst's Office describes three alternatives to fully funding the calculated Proposition 98 Guarantee. Does the Administration have initial reactions to the three alternatives that they can share?

- DOF/LAO: Can you share what economic or fiscal indicators we are currently seeing that would cause a lower cost-of-living adjustment as the LAO predicts, or a lower Proposition 98 guarantee calculation at certification?

Staff Recommendation. Hold open.

Issue 3: Local Control Funding Formula (LCFF)

Panel.

- Katie Lagomarsino, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Aaron Heredia, Department of Education

Background.

K-12 School Finance Reform. Commencing in the 2013-14 fiscal year, the state significantly reformed the system for allocating funding to LEAs - school districts, charter schools, and county offices of education (COEs). The LCFF replaced the state's prior system of distributing funds to LEAs through revenue limit apportionments (based on per student average daily attendance) and approximately 50 state categorical education programs.

Under the previous system, revenue limits provided LEAs with discretionary (unrestricted) funding for general education purposes, and categorical program (restricted) funding was provided for specialized purposes, with each program having a unique allocation methodology, spending restrictions, and reporting requirements. Revenue limits made up about two-thirds of state funding for schools, while categorical program funding made up the remaining one-third portion. That system became increasingly cumbersome to LEAs as they tried to meet student needs through various fund sources that were layered with individual requirements.

Local Control Funding Formula. The LCFF combines the prior funding from revenue limits and more than 30 categorical programs that were eliminated, and uses new methods to allocate these resources, additional amounts of new Proposition 98 funding since 2013-14, and future allocations to LEAs. The LCFF allows LEAs much greater flexibility in how they spend the funds. There is a single funding formula for school districts and charter schools, and a separate funding formula for COEs that has some similarities to the district formula, but also some key differences.

School Districts and Charter Schools Formula. The LCFF is designed to provide districts and charter schools with the bulk of their resources in unrestricted funding to support the basic educational program for all students. It also includes additional funding based on the enrollment of low-income students, English learners, and foster youth for increasing or improving services to these high-needs students. Low-income students, English learners, and foster youth students are referred to as "unduplicated" students in reference to the LCFF because, for the purpose of providing supplemental and concentration grant funding, these students are counted once, regardless of if they fit into more than one of the three identified high-need categories. Major components of the formula are briefly described below.

- **Base Grants** are calculated on a per-student basis (measured by student ADA) according to grade span (K-3, 4-6, 7-8, and 9-12) with adjustments that increase the base rates for grades K3 (10.4 percent of base rate) and grades 9-12 (2.6 percent of base rate). The adjustment for grades K-3 is associated with a requirement to reduce class sizes in those grades to no more than 24 students by 2020-21, unless other agreements are collectively bargained at the local level. The adjustment for grades 9-12 recognizes the additional cost of providing career technical education in high schools. For school districts, funded ADA is equal to the greater of current, prior, or the average of the three most recent prior years' ADA.

- **Supplemental Grants** provide an additional 20 percent in base grant funding for the percentage of enrollment that is made up of unduplicated students.

- **Concentration Grants** provide an additional 65 percent above base grant funding for the percentage of unduplicated students that exceed 55 percent of total enrollment.

- **Categorical Program** add-ons for Targeted Instructional Improvement Block Grant and Home-to-School Transportation provide districts the same amount of funding they received for these two programs in 2012-13. The transportation funds must be used for transportation purposes. Charter schools are not eligible for these add-ons.

- **LCFF Economic Recovery Target** add-on ensured that districts receive, by 2020-21, at least the amount of funding they would have received under the old finance system to restore funding to their 2007-08 level adjusted for inflation. Districts are not eligible for this add-on if their LCFF funding exceeds the 90th percentile of per-pupil funding rates estimated under the old system.

- **Hold Harmless Provision** ensures that no school district or charter school will receive less funding under the LCFF than its 2012-13 funding level under the old system.

Budget Appropriations. The LCFF established new “target” LCFF funding amounts for each LEA, and these amounts are adjusted annually for COLA and pupil counts. When the formula was initially introduced, funding all school districts and charter schools at their target levels was expected to take eight years and cost an additional $18 billion, with completion by 2020-21. However, Proposition 98 growth exceeded expectations and LCFF was fully funded in the 2018-19 fiscal year for school districts and charter schools. COEs reached their target funding levels in 2014-15, which adjusts each year for COLAs and ADA growth. With full-funding of the formula, LEAs and stakeholders can see how much funding is received through base, supplemental, and concentration grants on the CDE website and reported through each LEA’s local control and accountability plan (LCAP). The 2022-23 budget included a 6.28 increase to the LCFF base grant, in addition to a 6.56 percent COLA, and smoothed out the year-to-year funded average daily attendance by allowing LEAs to be funded by either their current year, past year, or average of the three prior years’ average daily attendance. The 2022-23 budget also provided a “boost” for the funded 2021-22 average daily attendance for LEAs that provided independent study offerings to students. In the 2023-24 and 2024-25 budgets, the COLA was 8.22 percent and 1.07 percent, respectively.

Restrictions on Supplemental Funding. Statute requires LEAs to increase or improve services for unduplicated students in proportion to the supplemental funding LEAs receive for the enrollment of these students. The law also allows this funding to be used for school-wide and district-wide purposes. The State Board of Education (SBE) adopted regulations governing LEAs expenditures of this supplemental funding that require an LEA to increase or improve services for unduplicated students, compared to the services provided for all students, in proportion to the supplemental funding LEAs receive for the enrollment of these students. LEAs determine the proportion by which an LEA must increase or improve services by dividing the amount of the LCFF funding attributed to the supplemental and concentration grant by the remainder of the LEA's LCFF funding. Whereas, this percentage (known as the minimum proportionality percentage (MPP)), relied on an LEA's estimates during the transition period, under a fully funded system is based on the actual allocation to each LEA as determined by the CDE. The regulations allow an LEA to meet this requirement to increase or improve services in a qualitative or quantitative manner and detail these expenditures in their LCAP.

County Offices of Education Formula. The COE formula is very similar to the school district formula, in terms of providing base grants, plus supplemental and concentration grants for the students that COEs serve directly, typically in an alternative school setting. However, COEs also receive an operational grant that is calculated based on the number of districts within the COE and the number of students county-wide. This operational grant reflects the additional responsibilities COEs have for support and oversight of the districts and students in their county.

Similar to the LCFF formula for school districts and charter schools, COEs were also guaranteed that they would not get less funding than was received in 2012-13. In addition, COEs were held harmless for the amount of state aid (essentially the value of the categorical funding) received in 2012-13. Unlike school districts, for COEs this minimum state aid amount floats above their target, meaning that as local property tax revenue grows in a county over time and funds their LCFF allocation, the minimum state aid allotment for that COE becomes a new bonus in base funding on top of the their LCFF level.

Governor's Budget Proposal.

The proposed budget includes a COLA of 2.43 percent, and combined with growth adjustments, results in an increase of approximately $2.5 billion Proposition 98 General Fund for discretionary purposes. To fully fund LCFF and to maintain the level of past year principal apportionments, the budget proposes to use reappropriated and reverted funds totaling $25.9 million to support ongoing LCFF in 2023-24 and deferring LCFF funds totaling $35.1 million from 2023-24 to 2024-25. This one-time deferral is fully repaid in 2024-25.

Legislative Analyst's Office.

The LAO's comments on LCFF are included as part of its overall Proposition 98 comments, which is provided in Issue 2 of this agenda.

Suggested Questions.

- We are hearing, anecdotally, that families are fearful of sending their children to school in light of the deportation threats being made at the federal level, thus resulting in lower attendance at local educational agencies. How soon would we be able to confirm these anecdotes, and what could a proper response look like, both for the local educational agencies and for the families in the context of a TK-12 setting?

Staff Recommendation. Hold open.

Issue 4: Fiscal Health of School Districts

Description.

The Fiscal Crisis and Management Assistance Team (FCMAT) provides a statewide resource to help monitoring agencies in providing fiscal and management guidance and helps local education agencies (LEAs) - school districts, county offices of education (COEs), and charter schools, as well as community college districts - fulfill their financial and management responsibilities. Lead FCMAT staff will provide a general overview of the fiscal health of school districts.

Panel.

- Mike Fine, Chief Executive Officer, FCMAT

Background:

Assembly Bill 1200 (Eastin), Chapter 1213, Statutes of 1991, created an early warning system to help LEAs avoid fiscal crisis, such as bankruptcy or the need for an emergency loan from the state. The measure expanded the role of COEs in monitoring school districts and required that they intervene, under certain circumstances, to ensure districts can meet their financial obligations. The bill was largely in response to the bankruptcy of the Richmond School District, and the fiscal troubles of a few other districts that were seeking emergency loans from the state. The formal review and oversight process requires that the county superintendent approve the budget and monitor the financial status of each school district in its jurisdiction. COEs perform a similar function for charter schools, and the California Department of Education (CDE) oversees the finances of COEs. There are several defined "fiscal crises" that can prompt a COE to intervene in a district: a disapproved budget, a qualified or negative interim report, or recent actions by a district that could lead to not meeting its financial obligations.

Beginning in 2013-14, funding for COE fiscal oversight was consolidated into the Local Control Funding Formula (LCFF) for COEs. COEs are still required to review, examine, and audit district budgets, as well as annually notify districts of qualified or negative budget certifications, however, the state no longer provides a categorical funding source for this purpose.

AB 1200 also created FCMAT, recognizing the need for a statewide resource to help monitoring agencies in providing fiscal and management guidance. FCMAT also helps LEAs fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training, and other related services. FCMAT also includes the California School Information Services (CSIS). LEAs and community colleges can proactively ask for assistance from FCMAT, or the Superintendent of Public Instruction (SPI), the county superintendent of schools, the FCMAT Governing Board, the California Community Colleges Board of Governors or the state Legislature can assign FCMAT to intervene or provide assistance. Ninety percent of FCMAT's work is a result of an LEA inviting FCMAT to perform proactive, preventive services, or professional development. Ten percent of FCMAT's work is a result of assignments by the state Legislature and oversight agencies to conduct fiscal crisis intervention. The office of the Kern County Superintendent of Schools was selected to administer FCMAT in June 1992.

Interim Financial Status Reports. Current law requires LEAs to file two interim reports annually on their financial status with the CDE. First interim reports are due to the state by December 15 of each fiscal year; second interim reports are due by March 17 each year. Additional time is needed by the CDE to certify these reports.

As a part of these reports, LEAs must certify whether they are able to meet their financial obligations. The certifications are classified as positive, qualified, or negative.

- A positive certification is assigned when an LEA will meet its financial obligations for the current and two subsequent fiscal years.
- A qualified certification is assigned when an LEA may not meet its financial obligations for the current and two subsequent fiscal years.
- A negative certification is assigned when an LEA will be unable to meet their financial obligations in the current year or in the subsequent fiscal year.

AB 1200 states the intent that the legislative budget subcommittees annually conduct a review of each qualifying school district (those that are rated as unlikely to meet their fiscal operations for the current and two subsequent years), as follows: "It is the intent of the Legislature that the legislative budget subcommittees annually conduct a review of each qualifying school district that includes an evaluation of the financial condition of the district, the impact of the recovery plans upon the district's educational program, and the efforts made by the state-appointed administrator to obtain input from the community and the governing board of the district."

First Interim Report. The first interim report has been published by CDE, and seven LEAs have negative certifications for the first interim report, as of February 19, 2025. For comparison, six LEAs were identified with negative certifications at this same time last year. These LEAs that have negative certifications will not be able to meet their financial obligations for 2024-25 or 2025-26, based on data generated by LEAs in Fall 2024, prior to release of the Governor's January 2025-26 budget. The first interim report also identified 32 LEAs with qualified interim report certifications. These LEAs with qualified certifications may not be able to meet their financial obligations for 2024-25, 2025-26, or 2026-27. For comparison, the first interim report in fiscal year 2023-24 identified 31 LEAs with qualified certifications, and in fiscal year 2022-23 nine LEAs were identified with qualified certifications.

Second Interim Report. The second interim report, which covers the period ending January 31, 2025, is due March 17th.

State Emergency Loans. A school district governing board may request an emergency apportionment loan from the state if the board has determined the district has insufficient funds to meet its current fiscal obligations. Existing law states the intent that emergency apportionment loans be appropriated through legislation, not through the budget. The conditions for accepting loans are specified in statute, depending on the size of the loan. For loans that exceed 200 percent of the district's recommended reserve, the following conditions apply:

- The county superintendent shall assume all the legal rights, duties, and powers of the governing board of the district.
- The county superintendent, with concurrence from both the SPI and the president of the state board of their designee, shall appoint an administrator to act on behalf of the SPI.
- The school district governing board shall be advisory only and report to the state administrator.
- The authority of the county superintendent and state administrator shall continue until certain conditions are met. At that time, the county superintendent, with concurrence from both the SPI and the president of the state board of their designee, shall appoint a trustee to replace the administrator.

For loans equal to or less than 200 percent of the district's recommended reserve, the following conditions apply:

- The county superintendent, with concurrence from the SPI and the president of the state board or their designee, shall appoint a trustee to monitor and review the operation of the district.
- The school district governing board shall retain governing authority, but the trustee shall have the authority to stay and rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district.
- The authority of the county superintendent and the state-appointed trustee shall continue until the loan has been repaid, the district has adequate fiscal systems and controls in place,
- and the SPI has determined that the district's future compliance with the fiscal plan approved for the district is probable.

State Emergency Loan Recipients. Nine school districts have sought emergency loans from the state since 1991. The table below summarizes the amounts of these emergency loans, interest rates on loans, and the status of repayments. Five of these districts: Coachella Valley Unified, Compton Unified, Emery Unified, West Fresno Elementary, and Richmond/West Contra Costa Unified have paid off their loans. Four districts have continuing state emergency loans: Oakland Unified, South Monterey County Joint Union High (formerly King City Joint Union High), Vallejo City Unified, and Inglewood Unified School District. The most recently authorized loan was to Inglewood Unified School District in 2012 in the amount of $55 million from the General Fund and the California Infrastructure and Economic Development Bank (I-Bank). Of the four districts with continuing emergency loans from the state, Inglewood Unified School District is the only district operating under an administrator and has a positive certification list at first interim in 2024-25. Oakland Unified School District is on the negative certification list and Vallejo City Unified School District continues to be on the qualified certification list in the first interim report in 2024-25.

Currently Outstanding Emergency Loans to School Districts

District	Tenure of Administrators and Trustees	Amount of State Loan	Interest Rate	Outstanding Balance of I-Bank and General Fund Loans	Amount Paid By District Including Principal & Interest	Pay Off Date
Inglewood Unified	Administrator 10/03/12–Present	$7,000,000 $12,000,000 $10,000,000 **= $29,000,000** ($55 million authorized)	2.307%	$18,248,005 as of 07/01/24	$16,487,856	11/01/34 GF
South Monterey County Joint Union High (formerly King City Joint Union High)	Administrator 07/23/09–06/30/16 Trustee 07/01/16–Present	$2,000,000 $3,000,000 $8,000,000 **= $13,000,000**	2.307%	$4,607,159 as of 07/01/24	$14,610,534	October 2028 I-bank
Vallejo City Unified	Administrator 06/22/04–03/31/13; Trustee 07/13/07–Present	$50,000,000 $10,000,000 **= $60,000,000**	1.5%	$670,790 as of 07/01/24	$68,506,499	January 2024 I-bank 08/13/24 GF
Oakland Unified	Administrator 06/16/03–06/28/09; Trustee 07/01/08–Present	$65,000,000 $35,000,000 = **$100,000,000**	1.778%	$4,080,652 as of 07/01/24	$115,518,932	January 2023 I-bank 6/29/26 GF

Source: California Department of Education

Suggested Questions.

- After this current fiscal year, what will the fiscal health of the districts that were affected by the LA wildfires look like?

- Are we seeing yet the impacts of federal rhetoric and actions on schools in California?

Staff Recommendation. This item is informational.

Issue 5: Disaster Recovery for TK-12 Schools – Los Angeles Wildfires

Panel.

- Brooks Allen, State Board of Education
- Jessica Holmes, Department of Finance
- Rebecca Kirk, Office of Public School Construction
- Aaron Heredia, Department of Education
- Juan Mireles, Department of Education

Background.

During much of January 2025, wildfires ravaged parts of Southern California in Los Angeles County and Ventura County, with extensive damage born from the Eaton Fire in Altadena and the Palisades Fire in the Pacific Palisades. The Los Angeles and Ventura Counties' wildfires collectively burned over 47,900 acres, and destroyed or damaged 16,250 structures.

As of February 21, 2025, eight public school sites with a total enrollment of nearly 5,200 students have been identified and assessed by the Division of the State Architect as being damaged or destroyed, including charter schools, as well as a vacant school site (the vacant school site is not included in the eight damaged or destroyed schools mentioned earlier). Additionally, 12 private schools, both parochial and non-parochial, with a total enrollment of nearly 2,300 students, were also damaged or destroyed in these wildfires.

In response, the Governor issued at least three executive orders following the wildfires that offered broad relief to local educational agencies impacted by the emergency, including: flexibility on instructional days, class sizes, residency requirements, and reporting deadlines. It also facilitated the use of temporary facilities, streamlines processes for enrolling displaced students, and provides guidance for charter school relocations. Additionally, the executive orders suspended certain regulations and penalties to help local educational agencies focus on immediate needs, and directs state agencies to assist with temporary student housing and rebuilding efforts.

During the 1st Extraordinary Special Session, the Legislature appropriated $1 million one-time General Fund to the Department of General Services ($250,000 for the Division of the State Architect and $750,000 to the Office of Public School Construction). These funds are being used to provide assistance to the impacted school districts and charter schools located within those school districts to rebuild and recover school facilities damaged as a result of the wildfires. The Governor's Budget also proposes to appropriate $1.5 billion in bond funding from the recently passed Proposition 2.

Existing law allows local educational agencies to use the Request for Allowance of Attendance Due to Emergency Conditions, Form J-13A in the event of emergency-related school closures or material decreases in attendance to obtain approval of attendance and instructional time credit without incurring a fiscal penalty to its Local Control Funding Formula allocation for the current year. Currently, local educational agencies must submit a certified plan for which independent study will be offered to students within ten days of the first day of a school closure or material decrease with all J-13A requests. Approval of a Form J-13A request is not conditioned upon the implementation of the independent study plan. The Governor, as part of his emergency relief, issued an executive order that removes the requirement for local educational agencies to submit an affidavit during this process. Local educational agencies including charter schools that experienced a material decrease in attendance due to the 2025 wildfires can use this process to protect their Local Control Funding Formula allocation in the 2024-25 fiscal year.

The 2024 budget replaced this process beginning in the 2025-26 fiscal year, and requires local educational agencies to include "instructional continuity" plans as part of their school safety plans. In order for its Form J13A to be approved, a local educational agency that had school closures or a material decrease in attendance will be required to provide an affidavit that certifies that: (1) it has a local governing board or body-adopted school safety plan that includes instructional continuity plans; (2) either it has provided pupil engagement and instruction as specified in its school safety plan, or it has not provided pupil engagement and instruction due to extenuating circumstances, and describes the support it provided either during or immediately after the closure or material decrease; and (3) if applicable, a copy of the state or local public health or public safety order that required the school closure.

Suggested Questions.

- In addition to the relief provided in this current year, what could the next steps of recovery from the LA wildfires look like in the outyears?

Staff Recommendation. This item is informational.