

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, May 22, 2025
9:00 a.m.
1021 O Street, Room 2100

Consultant: Yong Salas

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Public Comment

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6100 DEPARTMENT OF EDUCATION**Issue 1: Proposition 98 Overview****Panel.**

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

May Revision

Proposition 98 - Changes to the Minimum Guarantee. The May Revision reflects an overall decrease of approximately \$4.6 billion in Proposition 98 funding from the Governor's January Budget for the three-year period of 2023-24 to 2025-26. More specifically, the May Revision estimates the Proposition 98 guarantee for the 2023-24 through 2025-26 fiscal years at \$98.5 billion, \$118.9 billion, and \$114.6 billion, respectively. In the Governor's January Budget, the Proposition 98 guarantee for the 2023-24 to 2025-26 fiscal years were estimated to be \$98.5 billion, \$119.2 billion, and \$118.9 billion, respectively.

The May Revision continues to appropriate the 2024-25 Proposition 98 Guarantee at \$117.6 billion, instead of the currently calculated level of \$118.9 billion. However, the difference between the appropriated level and the calculated level is reduced from Governor's January Budget from \$1.6 billion to \$1.3 billion.

The revised levels reflect the estimated decrease in General Fund revenues over the three-year period in comparison with the Governor's January Budget proposal. The Proposition 98 Guarantee is in Test 2 in 2023-24 (suspended to \$98.5 billion), and 2024-25 and 2025-26 continues to be calculated under Test 1 (equal to approximately 39.6 percent of General Fund revenues, accommodating the rebench of the Proposition 98 Guarantee related to the expansion of transitional kindergarten and local property taxes).

Proposition 98 Split. The May Revision proposes to shift costs related to transitional kindergarten outside of split of Proposition 98 funds that are distributed to the TK-12 system and the California Community Colleges, effectively shifting more funds to TK-12 schools and less to California Community Colleges within the Guarantee. This change would be retroactive to 2023-24, and would shift approximately \$492 million over the three-year budget window (\$107 million in 2023-24, \$152 million in 2024-25, and \$233 million ongoing starting in 2025-26).

Public School System Stabilization Account. The May Revision maintains the withdrawal of \$8.4 billion in 2023-24. The 2024 Budget Act made a discretionary deposit of \$1.1 billion into the Public School System Stabilization Account. The Governor's January Budget estimated mandatory deposits of \$1.2 billion and \$376 million in 2024-25 and 2025-26, respectively. The May Revision estimates that the mandatory deposit in 2024-25 is reduced to \$540 million, with a mandatory withdrawal of \$540 million 2025-26, exhausting the remaining reserve balance.

Deferrals. Budgetary deferrals that were included in the 2024 Budget Act for 2023-24 and 2024-25 will be fully repaid. The May Revision, however, proposes to defer \$1.8 billion in Local Control Funding Formula funding from June 2026 to July 2026, shifting costs from the 2025-26 fiscal year to the 2026-27 fiscal year. The May Revision proposes to pay off the newly proposed deferrals in 2026-27.

Staff Recommendation. Hold open.

Issue 2: Federal Fund Update

Panel.

- Patrick Rochelle, Department of Finance
- Natasha Middleton, Department of Education
- Edgar Cabral, Legislative Analyst's Office

May Revision.

The May Revision proposes several updated adjustments to programs supported by federal funds, including: (1) special education, (2) public charter schools, (3) migrant education and English language acquisition programs, and others as specified. These adjustments largely reflect carryover funds identified since the Governor's January budget.

Staff Recommendation. Hold open.

6100 DEPARTMENT OF EDUCATION
6350 SCHOOL FACILITIES AID PROGRAM
6360 COMMISSION ON TEACHER CREDENTIALING

Issue 3: May Revision Proposals

Panel.

- Patrick Rochelle, Department of Finance
- Jodi Lieberman, Department of Finance,
- Edgar Cabral, Legislative Analyst's Office
- Kimberly Rosenberger, Department of Education

May Revision.

Local Control Funding Formula. The May Revision includes a Local Control Funding Formula cost-of-living adjustment of 2.3 percent, which is reduced from 2.43 in the Governor's January Budget.

Student Support and Professional Development Discretionary Block Grant. The May Revision reduces the one-time Proposition 98 General Fund available for this block grant from \$1.8 billion to \$1.7 billion.

Expanded Learning Opportunities Program. The May Revision maintains the full implementation of the Expanded Learning Opportunities Program, which increased the number of local educational agencies serving TK-6 grade by requiring those with an unduplicated pupil percentage of 55 percent (changed from 75 percent) to offer universal access to students. Adjusted average daily attendance estimates increased the estimated cost of this change from \$435 million to \$515.5 million. The May Revision also includes an additional \$10 million to increase the minimum grant amount from \$50,000 to \$100,000.

Literacy. The Governor's January Budget included \$545.3 million in literacy-related initiatives. The May Revision adds the additional investments:

- \$200 million one-time Proposition 98 General Fund to support professional learning for elementary school educators aligned with the English Language Arts/English Language Development Framework.
- \$30 million Proposition 98 General Fund, set aside from the \$500 million proposal to support literacy and math coaches from the Governor's January budget, for the Mathematics Professional Learning Network.

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- \$10 million one-time Proposition 98 General Fund for a county office of education to partner with the University of California, San Francisco (UCSF) Dyslexia Center to support the Multitudes screener.
 - Authority for the Department of Education to draw down funding awarded through the federal Comprehensive Literacy State Development Grant.

Teacher Incentives and Support. The May Revision repurposes \$150 million one-time Proposition 98 General Fund for the Teacher Recruitment Incentive Grant Program, and instead provides \$100 million one-time Proposition 98 General Fund to fund stipends for student teachers.

Teacher Credentialing Proposals. The May Revision proposes to extend the deadlines by one year, for clear credential candidates who received a related waiver during the COVID-19 Pandemic to complete an induction program or two years of service, and for teacher candidates who received a related waiver during the COVID-19 Pandemic to pass the Reading Instruction Competence Assessment.

The May Revision also allows credential candidates who completed preparation programs that were aligned to the Reading Instruction Competence Assessment to take that assessment on or before October 31, 2025, and allows the Commission on Teacher Credentialing to adopt and administer an off-the-shelf reading instruction competence assessment that meets the requirements outlined in statute for candidates who have yet to pass a reading assessment and cannot take the state's literacy performance assessment.

Pupil Nutrition and Food Assistance. The May Revision proposes the following adjustments for pupil nutrition and food assistance programs:

- \$90.7 million in additional ongoing Proposition 98 General Fund to fully fund the universal school meals program in 2025-26.
- \$21.9 million in additional Proposition 98 General Fund to support the SUN Bucks program to support the match required for federal funds to support the program.

Special Olympics. The May Revision proposes one-time \$30 million General Fund to support the Special Olympics of Northern and Southern California.

Secondary School Redesign Pilot Program. The May Revision proposes one-time \$15 million Proposition 98 General Fund for a county office of education to administer a pilot program to redesign middle and high schools to better serve the needs of students.

TK Multilingual Learner Supplemental Funding. The May Revision proposes \$7.5 million one-time Proposition 98 General Fund, available through the 2026-27 fiscal year, to mitigate reductions in supplemental and concentration grant funds to LEAs resulting from the recent exemption of TK students from the English Language proficiency assessment.

Regional English Learner Lead Agencies. The May Revision proposes \$2 million ongoing Proposition 98 General Fund to support Regional English Learner lead agencies that assist schools in providing focused support to English Learners.

Wildfire-Related Property Tax Backfill. The May Revision proposes a one-time fire-related property tax backfill of \$1.2 million in 2024-25 and \$8.5 million in 2025-26 for impacted basic aid school districts.

California Association of Student Councils. The May Revision proposes \$500,000 one-time Proposition 98 General Fund to support the California Association of Student Councils.

School Facilities Aid Program. The May Revision proposes to revert unallocated General Fund dollars of \$177.5 million that was appropriated from a \$2 billion one-time General Fund allocation to the School Facility Program. Proposition 2 facilities funds will be available for fire-impacted LEAs to access, as needed.

Preschool Cost-of-Living-Adjustment. The May Revision reduces funding for California State Preschool by \$19.3 million ongoing Proposition 98 General Fund and \$10.2 million ongoing General Fund to reflect the suspension of the statutory cost-of-living adjustment for the California State Preschool Program in 2025-26.

Staff Recommendation. Hold open.