SCHOOL FINANCE

CHANGES IN LAW
2024

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Debate over Enrollment-Based Funding Continues

For several years, the issue of switching from attendance-based funding to enrollment-based funding has been debated in the Legislature. Because a truly helpful switch that doesn't create winners and losers would cost the state north of $3 billion, the Legislature and Governor agreed to pass SB 98, by Senator Anthony Portantino (D-Pasadena) to require the Legislative Analyst's Office (LAO) to report to the Legislature by January 1, 2026 on the effects of changing the pupil count methodology of the local control funding formula (LCFF) from average daily attendance (ADA) to pupil enrollment. This report must include a review of research regarding evidence-based approaches to improving pupil attendance and the extent to which a state's method of funding affects pupil attendance rates, the fiscal, programmatic, and administrative impacts of changing the pupil count methodology of the LCFF from ADA to pupil enrollment, and the potential impacts on pupil attendance of changing the pupil count methodology to an enrollment-based model.

2024-25 Budget Act Protects Schools in Time of Slow Revenue Growth

The 2024-25 Budget Act was a big win for schools, largely thanks to a deal between Governor Newsom and the California Teachers Association (CTA) pertaining to the Proposition 98 Guarantee. That deal included a obligation to make Prop 98 whole in the future, and higher revenue estimates used in final budget that significantly increase the Prop 98 base for budget and future years.

While the budget included a rare suspension of the Prop 98 Guarantee and several unusual deferrals, state education spending fully funds ongoing K-14 programs with LCFF and categorical programs receiving a 1.07% cost-of-living-adjustment (COLA). The budget also attempted to address an operating deficit in 2025-26 as revenue estimates at the time saw trouble ahead if revenues failed to meet budget projections over the next couple of years.

Not surprisingly, the budget suspended the August 15, 2024 layoff window for school staff.

Our budget perspectives workshop PowerPoint highlighting the important components of the state budget can be found here.

Budget makes changes to Independent Study Requirements

We also want to call special attention to some changes to Independent Study (IS) embedded in the State Budget that affect all school agencies. While the changes are mostly helpful and minor, they

require schools to update IS board policies and written agreements. As a matter of practice, we recommend schools annually review their IS board policies and written agreements for compliance with the most recent changes in law. Since these changes were included as part of the budget, they took effect immediately upon being signed into law and, therefore, are in place starting with the 2024-25 school year.

Attendance Accounting: Deletes Three-Day Requirement

The budget removes the requirement that a student's attendance in an IS program in a school district or county office of education can only be counted after the student has participated in the program for three or more consecutive school days. As a result, IS attendance (short- and long-term) can now be accrued from the student's first day of IS participation.

New Pupil Work Product and Time Accounting Flexibility

The budget includes language to provide LEAs additional flexibility in how they document and track the time value of pupil work product. Specifically, pupil work product has been expanded to include "the daily time value spent by a pupil engaged in asynchronous instruction, including work completed on an online or computer-based instructional activity, regardless of whether pupil work products are produced, if the computer program documents pupil participation."

This expanded definition does not change how traditional pupil work product is valued, and the inclusion of asynchronous instruction as pupil work product is entirely voluntary for an LEA. However, the budget did include language that requires an LEA to maintain documentation of hours or fraction of an hour of both pupil work products and the time that the pupil engaged in asynchronous instruction. This language is being interpreted as applying even if an LEA does not include asynchronous instruction through a computer program as part of a pupil's work product.

This marks a change to how the time value of student work product has historically been documented and requires LEAs to put in place a new process for documenting the time value of traditional work product that will not be fully clarified until the audit guide is updated in the Spring of 2025. In addition to being incredibly high stakes for funding purposes, we also know the lack of clarity is disruptive for students, families, and teachers.

Short-Term Independent Study Expansion and Signature Requirement

There had been a push by Governor Newsom to eliminate the distinction between short-term and long-term independent study, as part of his proposal around Instructional Continuity Programs. However, the final budget retains short-term independent study but does make the following changes:

- Short-Term Independent Study is now defined as an independent study program that is scheduled for 15 schooldays or fewer (previous definition was an IS program that is scheduled for less than 15 schooldays.)

- Short-Term IS agreements may be signed at any time during the school year in which the IS program takes place (previous language required the agreement to be signed within 10 schooldays of the commencement of the student's first day of enrollment in IS.)

Synchronous Instruction Definition Clarification

For purposes of demonstrating a student's participation in synchronous instruction, the budget added "documentation that the pupil participated in an instructional period either visually or verbally," to the list of possible evidence. This clarifies that students engaged with a teacher over the phone, or a non-video Zoom setting (for example), still meet the requirements under the law.

CDE has published updated FAQs to help schools implement these changes, which are available here.

The Governor signed the following school finance bills:

Attendance Accounting

SB 1429 (Ochoa Bogh) - Education finance: emergencies: snowstorms.
This bill adds snowstorms to the list of emergencies for which LEAs may receive a waiver of instructional time requirements and have the ADA of the LEA used for state funding purposes held harmless.
Chapter 477, Statutes of 2024

Public Contracts

SB 1162 (Cortese) - Public contracts: employment compliance reports: apprenticeship programs.
This bill requires a contractor, bidder, or other entity to include the full name of, and identify the apprenticeship program name, location, and graduation date of, all workers in existing monthly compliance reports made to the public entity or other awarding body for projects with a skilled and trained workforce requirement. This bill also requires the Division of Apprenticeship Standards (DAS) to, on or before July 1, 2025, create and maintain a public online database to verify that a worker graduated from a California apprenticeship program.
Chapter 882, Statutes of 2024

School Finance

SB 98 (Portantino) - Education finance: local control funding formula: enrollment-based funding report.
This bill requires the LAO to submit a report to the Legislature, on or before January 1, 2026, on the effects of changing the pupil count methodology of the LCFF from ADA to pupil enrollment. The report must include a review of research regarding evidence-based approaches to improving pupil

attendance and the extent to which a state's method of funding affects pupil attendance rates, the fiscal, programmatic, and administrative impacts of changing the pupil count methodology of the LCFF from ADA to pupil enrollment, and the potential impacts on pupil attendance of changing the pupil count methodology to an enrollment based model.
Chapter 442, Statutes of 2024

SB 1303 (Caballero) - Public works.
This bill requires a private labor compliance entity to disclose potential conflicts of interest to a body awarding a public works contract, as specified, and if conflict exists, prohibits the entity from entering into a contract with an awarding body. Additionally, this bill requires a private labor compliance entity to take certain steps before and after withholding funds from a contractor or subcontractor who violates public works law. These violations include providing a venue for a contractor or subcontractor to respond to alleged violations.
Chapter 991, Statutes of 2024

State Budget

AB 176 (Committee on Budget) - Education finance: education omnibus trailer bill.
The Early Education Act, until July 1, 2027, authorizes a California state preschool contractor operating a part-day, full-day, or both part- and full-day California state preschool program to enroll interested eligible 2-year-old children, as defined. The act, on or after July 1, 2027, prohibits a contractor from serving any 2-year-old children, unless the contractor was serving those 2-year-old children before July 1, 2027, as provided. The act requires the Superintendent to develop guidance for contractors to follow when enrolling 2-year-old children. The act requires each applicant or contracting agency to give priority for services for part-day and full-day California state preschool programs according to a specified priority order. This bill would, until July 1, 2027, revise and recast the priority order for 2-year-old children, as specified. The bill would, until July 1, 2027, require the Superintendent's guidance to be developed in consultation with the State Department of Social Services and include guidance for safe, age-appropriate diapering and toilet training, as specified. The bill would authorize the State Department of Education, for purposes of expediting the implementation of state or federal legislation to expand preschool services, to use an alternative application process and waive certain regulations.
Chapter 998, Statutes of 2024

SB 153 (Committee on Budget and Fiscal Review) - Education finance: education omnibus budget trailer bill.
The Safe Place to Learn Act requires the State Department of Education, as part of its regular monitoring and review of a local educational agency, to assess whether the local educational agency has, among other things, adopted a policy that prohibits discrimination, harassment, intimidation, and bullying based on specified protected characteristics. This bill would require the department to assess whether the local educational agency has provided certificated schoolsite employees who serve pupils in any of grades 7 to 12, inclusive, information on existing schoolsite and community resources related to the support of pupils who may face bias or bullying on the basis of those characteristics. The bill would require the department to also assess whether the local educational agency has prominently

and conspicuously displayed the policy at each schoolsite and local educational agency office and on the local educational agency's internet website, as provided.
Chapter 38, Statutes of 2024

SB 163 (Committee on Budget and Fiscal Review) - Early learning and childcare.

The Early Education Act, among other things, requires the Superintendent to administer all California state preschool programs, including, but not limited to, part-day and full-day age and developmentally appropriate programs for 3- and 4-year-old children. The act establishes eligibility criteria for those children. This bill would require the State Department of Education to develop and implement a streamlined request for application process for existing California state preschool program contractors to be awarded new California state preschool program slots and would require the State Department of Education to collaborate with the State Department of Social Services to ensure the request for application process is, where applicable, similar to the streamlined request for application process in the general childcare and development program. The bill would make certain contractors ineligible for the streamlined request for application process if any of specified conditions are met.
Chapter 73, Statutes of 2024

Capitol Advisors Group has produced a set of comprehensive client briefs detailing new education laws that were passed by the Legislature and signed into law by Governor Newsom in 2024. Each brief is organized by subject area and includes an executive summary highlighting major changes we think you should know about. Bills signed by the Governor take effect on January 1, 2025, unless the bill specifically states otherwise.