

A 3D map of California is shown on the left side of the slide. The map is white with a red star in the upper left corner and a brown bear walking on a green patch of grass in the center. Below the bear, the words "CALIFORNIA REPUBLIC" are written in black. The southern portion of the map is colored red. The map has a slight shadow and is positioned diagonally.

# Buckeye Union School District Budget Advisory Committee

## *Governor's Proposed 2025- 2026 State Budget – Fiscal Outlook*

*Presented: BAC Meeting  
May 28, 2025*

# What Is The “MAY REVISION”

- The May Revise is the formal presentation of updated general fund revenues received due to the annual April 15 income tax filing deadline.
- Required by law to be presented on or before May 14, and is an opportunity for the Governor to provide an update on:
  - ❖ State general fund revenues for the current year and coming budget year.
  - ❖ Governor’s proposals to expand or reduce programs and expenditures.
- State law also requires the May Revise to include an update on Proposition 98 funding and the State’s efforts to meet the constitutional guarantee.

## Themes From the May Revision

- Governor Gavin Newsom released his 2025-2026 May Revision amid significant financial and economic uncertainty:
  - Significant emphasis on federal policy and its impact on California foreign trade, tourism and immigration.
  - First seen in January 2025 Budget Proposal – plan is to still under-appropriate the Prop 28 minimum guarantee by \$1.3 billion.
  - Projects lower revenue and increased costs of health care.
  - To address budget deficit, he uses a combination of reductions, borrowing, funding shifts, deferrals and expenditures that would only be activated if sufficient revenues materialize.

# May Revision & The Economy

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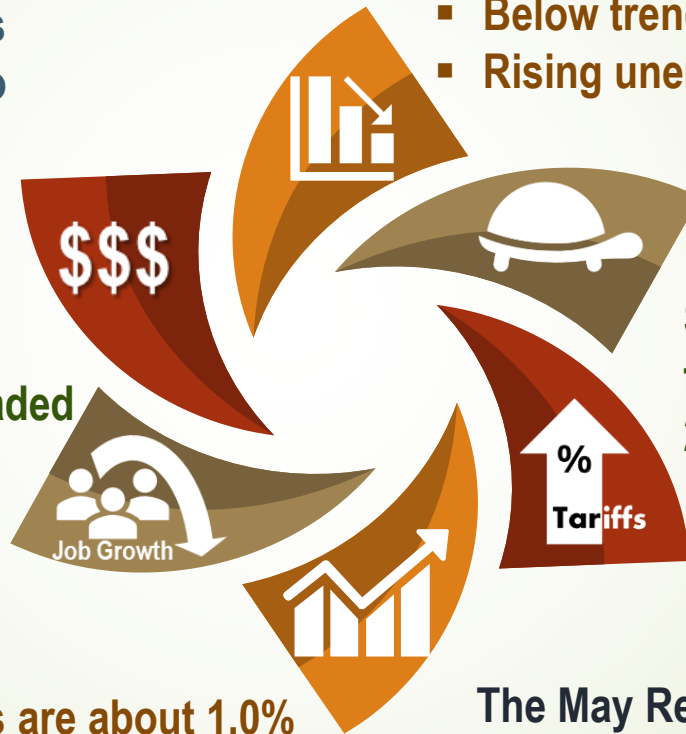
The “Big Three” sources of state revenue (i.e., personal income, corporation, and sales and use taxes) are projected to be lower by \$4.8 billion over the three-year budget window when compared to January

Job growth has been downgraded due to weaker labor market conditions and federal policy changes

Inflation assumptions are about 1.0% higher than Governor’s Budget estimates

The May Revision assumes a “Growth Recession”

- To last through the first three quarters of 2025
- Below trend growth
- Rising unemployment



Slow growth is expected to continue through 2028

The May Revision forecasts a 27.0% average California tariff rate, significantly higher than the 2.4% tariff rate in 2024

# Prop. 98 Funding Maneuver

## How Did We Get Here - Again?

- 2023: Delayed collection of 2022 federal and state income taxes due to states of emergencies relating to 2023 severe winter storms.
- Resulted in state flying “fiscally blind.”
- 2023 Budget Act was adopted using projected state revenues, rather than actual revenues.
- Unknown until later in 2023 – the states big three tax revenues (income, sales and corporate taxes) fell 25 percent.
  - When actual tax receipts were received later in 2023, they revealed a significant shortfall, particularly in income tax collections. This shortfall reduced the Proposition 98 minimum funding guarantee by \$14.3 billion across the 2022–23 to 2024–25 period compared to earlier projections. Resulting in \$8 Billion Overpayment to Schools



# Prop. 98 Funding Maneuver

## How Did We Get Here - Again?

- 2025: Delayed collection of 2024 federal and state income taxes due to states of emergencies relating to January 2025 wildfires – complicate budget projections.
- Resulted in state flying partially “fiscally blind.”
- The May Revision maintains the Governor’s January proposal to appropriate less than the 2024-2025 minimum guarantee to K-12 and communicated colleges by approximately \$1.3 billion dollars
- If appropriated equally, the \$1.3 billion dollars would equate to approximately \$214 per TK-12 ADA or **for Buckeye USD - \$860,000**



# Advocacy to Reject Maneuver

- CSBA, CTA, CSEA, etc, are opposed to the maneuver for several reasons:
  - Undermines the principles of the guarantee
  - Runs contrary to the spirit, statutory and constitutional requirements enshrined in Prop 98
  - Sets a troubling precedent, which could be used by future governors and Legislatures to avoid complying with the Prop 98 funding guarantee

# Risks to the California State Budget

- Stock market volatility in response to Federal policy changes will impact projected State revenue
- Federal Program Cuts: Anticipated cuts will increase pressure on State to backfill losses in federal funding with State funding
- Revenue: The “Big Three” revenues are projected to be lower by \$4.8 billion over the three-year budget window when compared to January Budget proposal.
- California’s unemployment rates is projected:
  - To reach 5.7% in 2025 and fall to an average of 4.8% in 2027
- Wildfire-related displacement and construction delays are projected to negatively impact employment growth
- Hiring for the first three months of 2025 has been relatively flat





# Risks to the California State Budget

## ➤ Growth

- GDP is projected to continue trending down
- L.A. County wildfires are estimated to reduce L.A. County GDP by 0.48% in 2025

## ➤ Inflation: CPI is projected to increase to 3.0% in 2026 and fall to 2.6% in 2027

## ➤ Domestic Migration: State population is expected to increase slightly in 2025, 2026 and future years

## ➤ Housing:

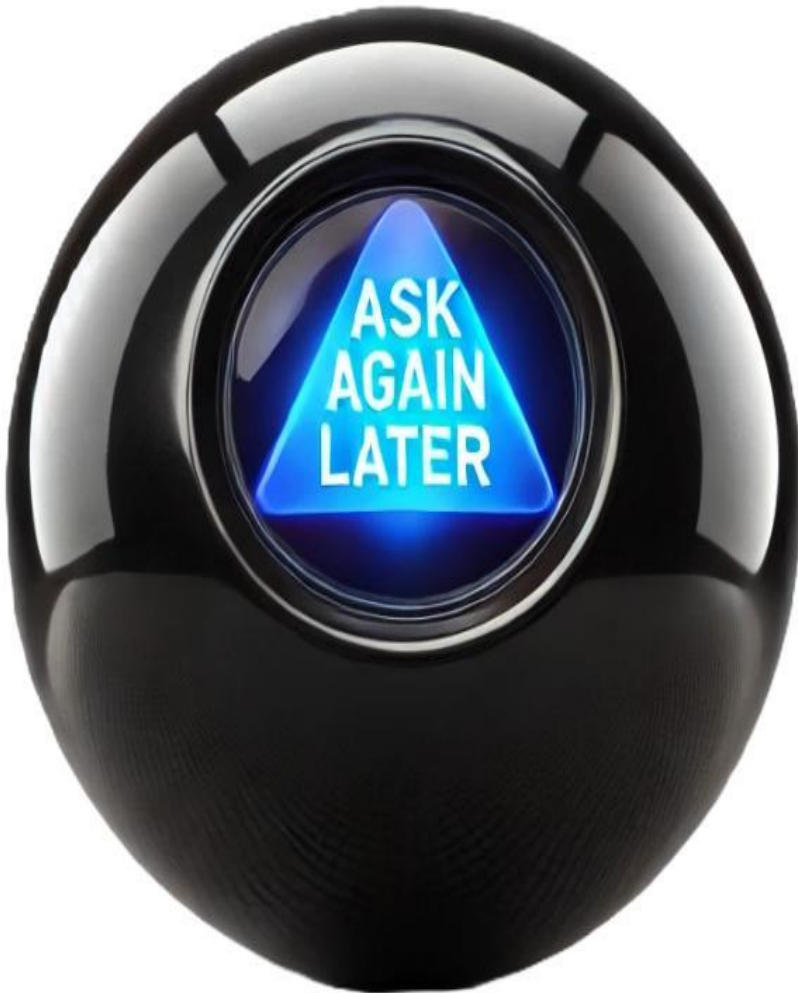
- New permits remain flat
- Deportations, high interest rates, tariffs on materials, rebuilding homes destroyed by wildfires are expected to constrain the housing market



# Risks to Prop. 98 & Education

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The present is uncertain . . . the future is even more so



- Proposition 98 and the education budget rely on a healthy California economy and the strength of the state General Fund
- Deteriorated conditions diminish education resources
- The May Revision reverts to using old budget tools and creates a new one—a *psychic* settle up
- Reliance on one-time resources to support core programs poses risks, especially if conditions worsen
- Problems on the “*other side*” of the State Budget could make suspending Proposition 98 an enticing budget solution

# President Trump's 2026 Proposed Budget

## Non-Defense Spending

Reduced by \$163 billion from 2025 levels, including education spending

- ..... Maintains Title I and Special Education Funding
- ..... K-12 Simplified Funding Program \$2 billion for 18 consolidated formula and competitive grants
- ..... Eliminates Adult Education
- ..... Eliminates Title III and Migrant Education

# 2025-26 LCFF Funding Factors

## Base Grants

Provided by grade span—grades:

- TK-3
- 4-6
- 7-8
- 9-12

## COLA— 2.30%

LCFF base grants are increased by statutory COLA—an *increase in funding per student, NOT total funding*

## Grade Span Adjustments (GSAs)

Two GSAs are applied as percentage increases to the base grants:

- TK-3—10.4%
- 9-12—2.6%

## Supplemental and Concentration (S/C) Grants

Calculated based on the unduplicated pupil percentage (UPP)

## Unduplicated Pupil Percentage

LEA's enrolled students who are English learners, free or reduced-price meals program eligible, or foster youth

# 2025-26 LCFF Funding Factors

Grade Span	TK-3	4-6	7-8	9-12
2024-25 Base Grant per ADA	\$10,025	\$10,177	\$10,478	\$12,144
2.30% COLA	\$231	\$234	\$241	\$279
2025-26 Base Grant per ADA	\$10,256	\$10,411	\$10,719	\$12,423
GSA	\$1,067	—	—	\$323
2025-26 Adjusted Base Grant per ADA	\$11,323	\$10,411	\$10,719	\$12,746
20% Supplemental Grant per ADA <sup>1</sup>	\$2,265	\$2,082	\$2,144	\$2,549
65% Concentration Grant per ADA <sup>2</sup>	\$3,312	\$3,045	\$3,135	\$3,728
TK Add-On per ADA (inclusive of COLA)	\$5,545 <sup>3</sup>	—	—	—

<sup>1</sup>Maximum amount per ADA—to arrive at LEA's grant amount, multiply adjusted base grant per ADA by 20% and UPP

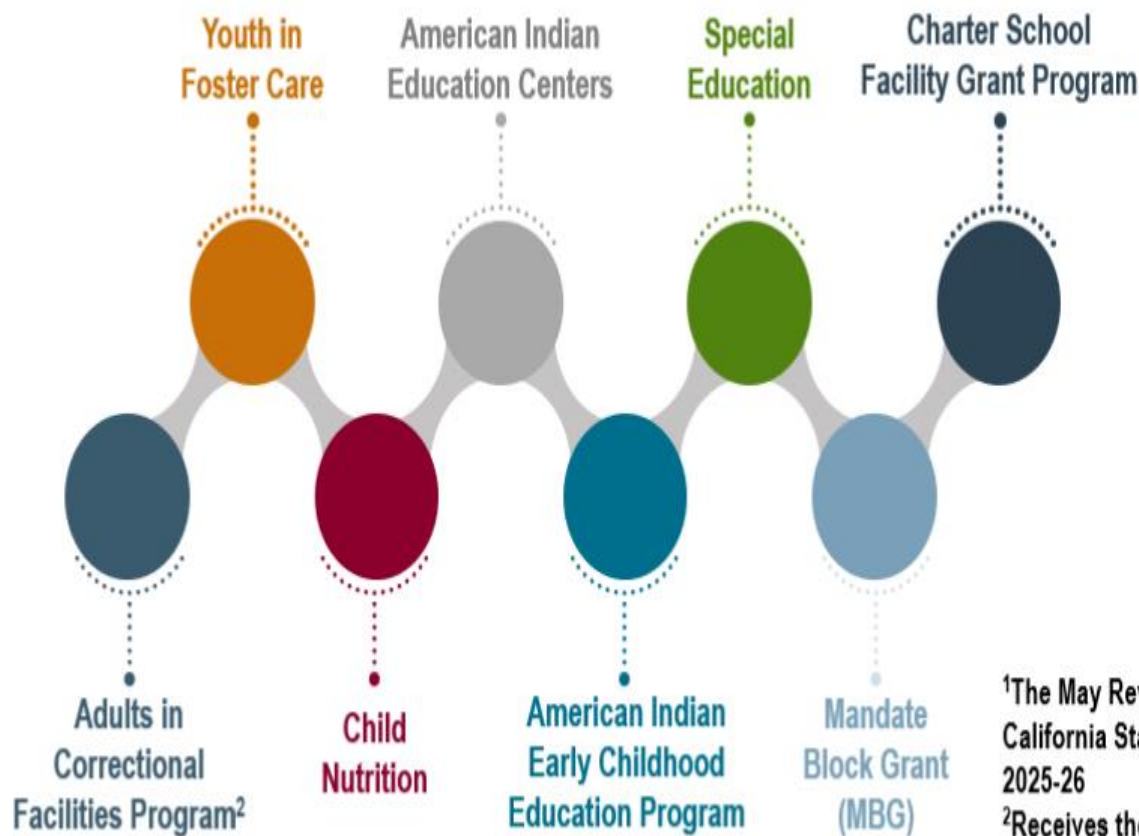
<sup>2</sup>Maximum amount per ADA—to arrive at LEA's grant amount, multiply adjusted base grant per ADA by 65% and UPP above 55%

<sup>3</sup>Inclusive of an additional \$2,397 for the student-to-adult ratio reduction from 12:1 to 10:1



# 2025-26 Categorical Programs Receiving 2.30% COLA

- The May Revision includes \$174 million to fund the 2.30% estimated statutory COLA for the Equity Multiplier and the following categorical programs:<sup>1</sup>



<sup>1</sup>The May Revision suspends the COLA for the California State Preschool Program (CSPP) in 2025-26

<sup>2</sup>Receives the 2024-25 statutory COLA of 1.07%



# Student Support & Professional Development Block Grant

- May Revision reduces the one-time block grant to \$1.7 billion (- reduction of \$100 million):
  - Funds are fully flexible to address rising costs, although state priorities are highlighted
  - Professional development for teachers on the English Language Arts (ELA) and English Language Development (ELD) Framework, Literacy Roadmap, and Mathematics Framework
  - Teacher recruitment and retention efforts
  - Career pathways and dual enrollment
- Allocation method is on an equal per-ADA basis
- Funds are available for expenditure through June 30, 2029
- The May Revision adds a final expenditure report to the California Department of Education (CDE) by September 30, 2029

# May Revise – Other Items of Interest

## ➤ Expanded Learning Opportunities Program

		Current Law	May Revision
<b>Total Funding</b>		<b>\$4.0 billion ongoing</b>	<b>\$4.5 billion ongoing</b>
<b>Requirement to offer the program and provide access for grades TK-6</b>	Rate 1	UPP ≥ 75% must offer and provide access to <u>all</u> students	UPP ≥ 55% must offer and provide access to <u>all</u> students
	Rate 2	UPP < 75% must offer and provide access to all <u>unduplicated</u> students	UPP < 55% must offer and provide access to all <u>unduplicated</u> students
<b>Per-Pupil Amount</b>	Rate 1	UPP ≥ 75%: \$2,750 in 2024-25	UPP ≥ 55%: \$2,750 in 2025-26
	Rate 2	UPP < 75%: \$2,000 <sup>1</sup> in 2024-25	UPP < 55%: TBD in 2025-26
<b>Minimum Amount per LEA</b>		<b>\$50,000</b>	<b>\$100,000</b>

Starting in 2025-26, when LEAs transition from Rate 2 to Rate 1, for one year only, they will be audited for compliance based on their prior-year requirements

<sup>1</sup>Subject to change at Second Principal Apportionment

# May Revise – Other Items of Interest

## ➤ Nutrition Investment

- The Governor remains committed to fully funding the Universal School Meals Program
- REMINDER: LEAs<sup>1</sup> must provide breakfast and lunch to students that request a meal, free of charge for each school day, and LEAs must participate in the federal National School Lunch Program (NSLP) and School Breakfast Program to receive state reimbursement
- The Governor is also providing additional funding for the SUN Bucks Program

Universal School Meals Program	\$90.7 million in additional ongoing dollars for a total of \$1.94 billion (state funding) in 2025-26 to fully fund the Universal School Meals Program
SUN Bucks Program	\$21.9 million in additional ongoing funding to support the SUN Bucks Program - \$120 in grocery per eligible child - summer
2022-23 KIT Encumbrance and Reporting Extension	Proposes to extend the 2022-23 Kitchen Infrastructure and Training (KIT) encumbrance and reporting deadlines from June 30, 2025, to June 30, 2026



# May Revise – Other Items of Interest

- **Transportation:** Maintains HTS Transportation entitlements at 60% and adds new requirements for transportation:

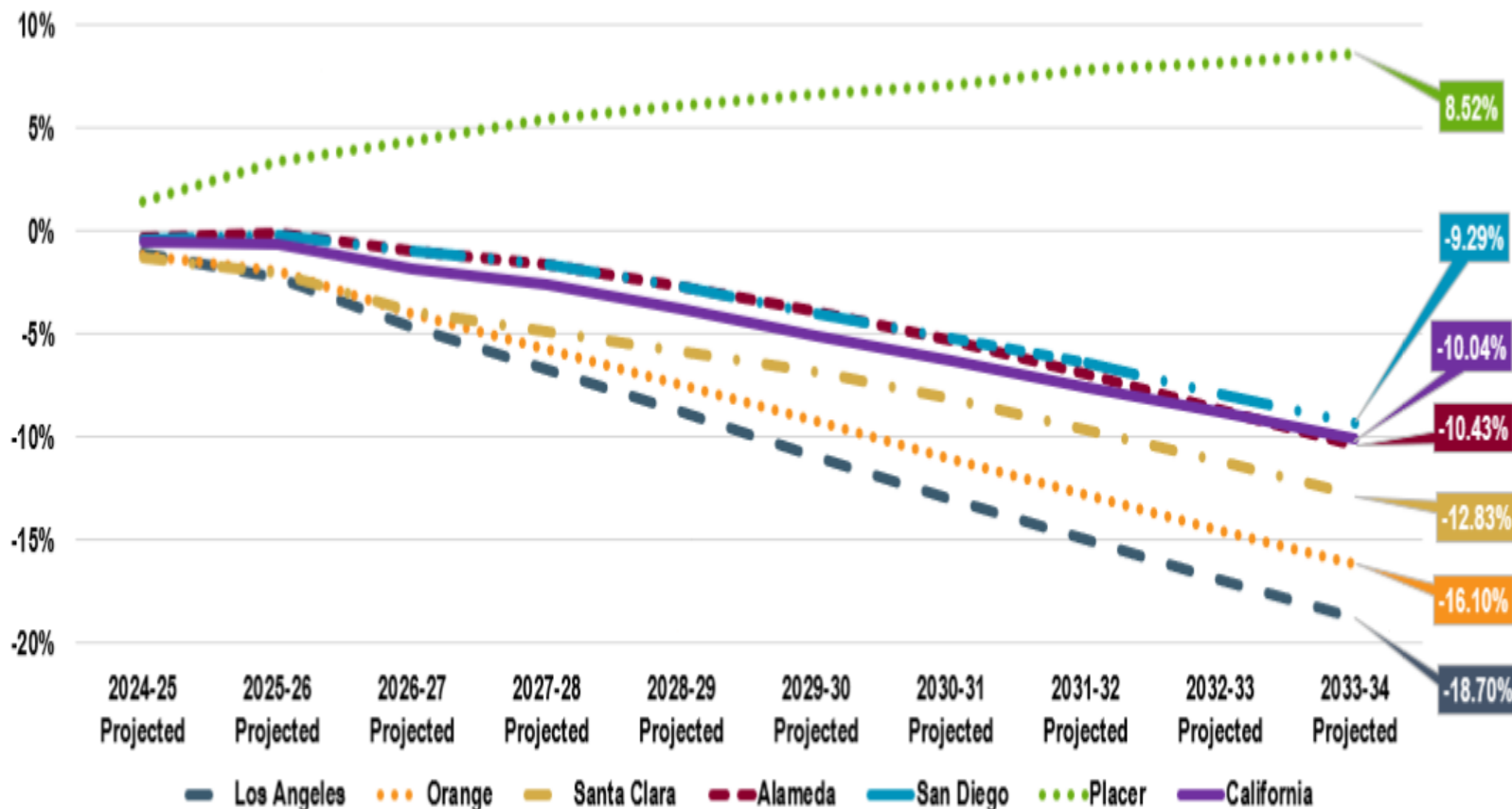
**Senate Bill (SB) 88 (Skinner, Statutes of 2023) created new requirements effective July 1, 2025, for LEA employees and LEA contractors transporting students in vehicles with 10 or less passengers**

What are the major requirements?	Who does this apply to?
<p><b>Drivers must:</b></p> <ul style="list-style-type: none"><li>• Complete a medical exam every two years, annually for those 65 and older</li><li>• Provide a current Department of Motor Vehicles (DMV) driver report</li><li>• Participate in the DMV's pull notice system</li><li>• Comply with drug and alcohol testing</li><li>• Hold a valid first aid certificate</li></ul> <p><b>Vehicles must be:</b></p> <ul style="list-style-type: none"><li>• Inspected at licensed facilities</li><li>• Equipped with first aid kits and fire extinguishers</li></ul>	<p>A driver who is compensated by an LEA to transport students including LEA teachers, staff, and private companies LEAs contract with for transportation services</p>
	Who is exempt?
	<ul style="list-style-type: none"><li>• Parents and guardians</li><li>• Municipal transit, state and county agencies, foster family agencies, and tribal authorities</li><li>• An LEA employee driving less than 40 hours per year to supervise athletics, extracurriculars, or field trips</li></ul>



# Declining Enrollment

- 44 (or 76%) of the 58 counties are projected to decline in enrollment through 2033-34
- The 44 declining enrollment counties are projected to be down by approximately 600,000
- The 14 (or 24%) growing enrollment counties are projected to increase by approximately 14,000



# Declining Enrollment

- EdSource: May 25, 2025: California TK-12 enrollment ticks down, while number of homeless and poor students rises

## Counties with the highest enrollment decreases rate from 2022-23 to 2024-25

County	2022-23	2024-25	Change
Alpine	68	61	-10.3%
Mono	1,712	1,644	-4%
Del Norte	4,156	4,003	-3.7%
Plumas	2,104	2,035	-3.3%
Ventura	126,818	122,810	-3.2%
Colusa	4,742	4,613	-2.7%
Los Angeles	1,309,947	1,275,769	-2.6%
Orange	440,529	429,869	-2.4%
Imperial	36,248	35,390	-2.4%
Humboldt	17,572	17,177	-2.3%

# Declining Enrollment

- EdSource: May 25, 2025: California TK-12 enrollment ticks down, while number of homeless and poor students rises

## Counties with the highest enrollment increases rate from 2022-23 to 2024-25

County	2022-23	2024-25	Change
Inyo	3,689	3,952	7.1%
Sacramento	246,718	258,235	4.7%
Nevada	10,919	11,419	4.6%
Yuba	15,461	16,077	4%
Sutter	24,453	25,420	4%
Placer	74,433	77,048	3.5%
Sierra	400	414	3.5%
El Dorado	31,205	32,270	3.4%
Glenn	6,389	6,589	3.1%
Lake	9,895	10,172	2.8%

# INSURANCE

## Property and Liability

- The Los Angeles wildfires are expected to be more than a \$50 billion insurable event—the global market can withstand \$100 billion+ in annual losses
- Most insurance platforms are requiring an increased deductible for wildfire-related losses, related to changing wildfire predictive modeling
- AB 218 (Gonzalez, Statutes of 2019) and AB 452 (Addis, Statutes of 2023) create short- and long-term sexual abuse and molestation insurance availability challenges
- FCMAT's<sup>1</sup> “Childhood Sexual Assault: Fiscal Implications for California Public Agencies” report outlines some of those challenges and potential solutions

**FORECAST: LEAs can expect at least 20% premium increases pending legislation and changes in coverage**

## Workers' Compensation

- Claim severity and continuous trauma claims are on the rise due to medical wage and medical inflation
- Workers' Compensation claims costs are increasing as they remain open longer and medical/Rx costs increase

**FORECAST: LEAs can expect 5-10% premium increases pending legislation and district-specific claim trends**

# PROP 30/55 – MAJOR CONCERN

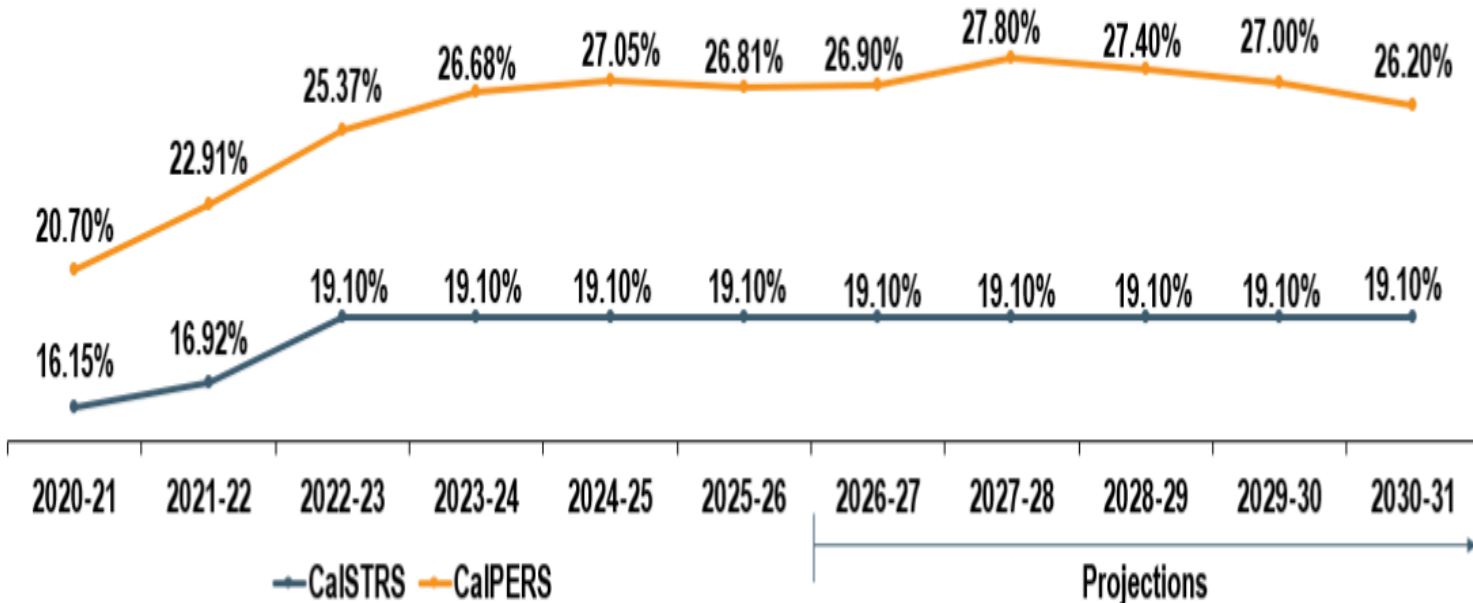
- Proposition 30 was initially passed at the strong urging of Governor Jerry Brown in 2012
  - The “urging” came in the form of a significant cut to K-14 funding if it did not pass
- Proposition 30 was set to expire in 2019, but the income tax portion was extended to 2030 with the passage of Proposition 55 in 2016
- From 2012-13 through 2023-24, Proposition 30/55 PIT made up about 6.2% of the “Big Three” revenues
- Proposition 30/55 revenues account for approximately 9% of the total PIT revenue
- There is currently a major focus by labor to either extend or make permanent the PIT provisions of Proposition 30/55





# CALSTRS & CALPERS

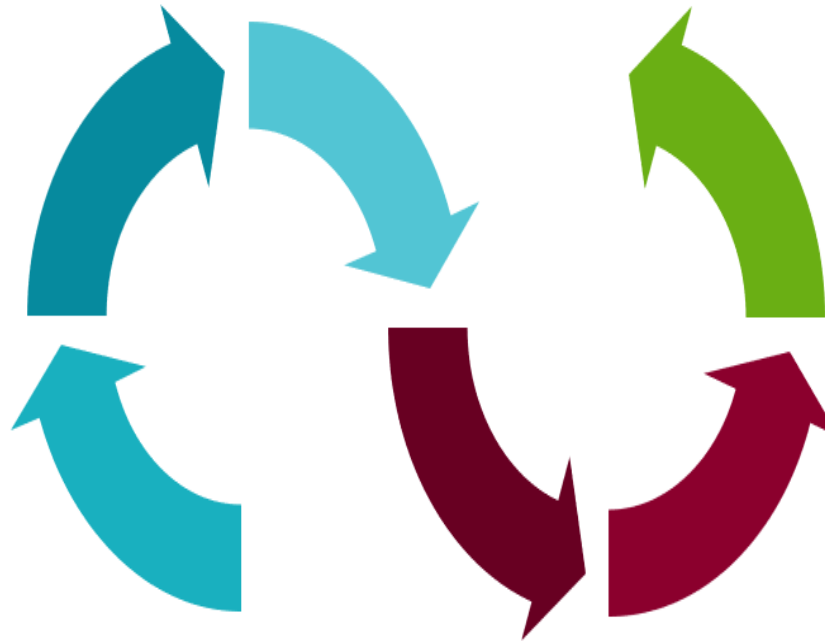
- In the spring, the CalSTRS and the California Public Employees' Retirement System (CalPERS) Boards set the employer contribution rates for the next fiscal year and updated their outyear projections
  - For the first time in recent memory, the annual CalPERS rate is *decreasing* instead of *increasing*
  - While the CalSTRS rate is projected to remain at the same level through 2043-44, CalPERS rates are projected to fluctuate in the 26%-28% range for the next several years



# May Revise – LCAP Adoption

## Before July 1:

- Hold at least one public hearing to solicit recommendations and comments from the public—same hearing as budget<sup>1</sup>
- Post the agenda at least 72 hours prior, and include the location where the LCAP and budget will be available for public inspection



- Report local indicator data as part of a non-consent item at the same meeting at which the LCAP is adopted<sup>2</sup>

- Adopt LCAP at a public meeting held after, but not the same day as, the public hearing—same meeting as adoption of the budget<sup>1</sup>
- The governing board shall adopt LCAP before it adopts the budget<sup>3</sup>


<sup>1</sup>EC §52062(b)

<sup>2</sup>EC §52064.5(e)(2)

<sup>3</sup>EC§42127(a)(2)



# Next Steps

- June 11, 2025 BUSD Board Meeting - First Review of BUSD 2025-2026 Budget and LCAP;
  - June 28, 2025 BUSD Board Meeting to Vote on LCAP and Budget Adoption
  - August 2025 – Material Revision made to Budget, if needed.
- 



# FINAL THOUGHTS?



- The Governor's proposals are largely to be expected in a softening economy, with a focus on maintaining programs instead of creating new ones
- What was less expected was the Administration's doubling down on repurposing resources that we already received through flexible one-time block grants AND the Prop. 98 Maneuver.
- THANK YOU FOR ATTENDING

QUESTIONS?