CALIFORNIA COUNTY SUPERINTENDENTS

The Common Message

2025-26 May Revision

BASC

Business and Administration Services Committee

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Association of California School Administrators
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California Association of School Business Officials
California Collaborative for Educational Excellence
California Department of Education
California Department of Finance
California Public Employees' Retirement System
California State Teachers' Retirement System
California State Board of Education
California School Boards Association
California School Information Services
Capitol Advisors
Fiscal Crisis and Management Assistance Team
K-12 High Speed Network
National Forest Counties and Schools Coalition
School Services of California
Small School Districts' Association
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Background

The Business Administration Services Committee (BASC) would like to thank the California Department of Finance (DOF), State Board of Education (SBE), California Department of Education (CDE), Fiscal Crisis and Management Assistance Team (FCMAT), and our colleagues listed in the "Sources" section of this message for providing BASC and our local educational agencies (LEAs) with the most up-to-date information at the time of writing.

The BASC Common Message is intended to provide guidance and recommendations to COEs, which then tailor this guidance to the unique circumstances of the local educational agencies (LEAs) in their respective counties. Even within a single county, the guidance may vary considerably based on each district's educational, fiscal, and operational characteristics. Consequently, districts and other entities seeking to understand the guidance applicable to a specific LEA should refer to the information released by the COE in the county where that LEA is located.

Key Guidance Based on Governor's May Revision

On May 14, 2025, Governor Gavin Newsom released the May Revision for the proposed 2025-26 State Budget. At May Revise, the budget includes an increase of approximately $2.9 billion in Proposition 98 guarantee funding over the three-year period relative to the 2024 Budget Act and a decrease of approximately $4.6 billion from the Governor's Budget in January. The revision proposes to appropriate only $117.6 billion for education programs in 2024-25, instead of the current calculated Proposition 98 level of $118.9 billion. The difference between the appropriated and the calculated levels is less than at Governor's Budget, $1.3 billion instead of $1.6 billion. This is intended to mitigate the risk of appropriating more resources than are ultimately available when the final calculation for 2024-25 is made during the 2025-26 fiscal year. The 2025-26 budget includes $114.6 billion in Proposition 98 funding for all TK-12 programs for continued fiscal stability to meet the obligations to TK-12 education.

The major TK-12 funding provisions in the 2025-26 May Revision are as follows:

- Adjusts the 2024-25 mandatory Proposition 98 Rainy Day fund deposit of $1.2 billion down to $540 million due to adjustment of capital gains revenues for the year. Additionally, a decrease in Proposition 98 guarantee triggers a mandatory withdrawal of $540 million in 2025-26 exhausting the remaining fund balance of the reserve account.

- Funded cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF), LCFF Equity Multiplier and several other categorical programs outside the LCFF are reduced to 2.30% from 2.43% at Governor's Budget. Specified categorical programs receiving COLA include Special Education, Child Nutrition, Youth in Foster Care, Mandated Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program. May Revise includes suspension of State Preschool Program COLA for 2025-26.

- May Revise proposes deferring $1.8 billion in LCFF funding from June 2026 to July 2026. Prior deferrals of $246.6 million for TK-12 education from 2023-24 and 2024-25 are fully repaid in the three-year budget window.

- Provides a total of $2.1 billion in ongoing funding (inclusive of all prior years' investments) to support the full implementation of universal transitional kindergarten (TK) so that all children who turn four years old by September 1 of the school year can enroll in TK. This is a slight decrease from the Governor's Budget estimate of $2.4 billion. The budget also provides an accumulated amount of $1.2 billion in on-going funding to support lowering the average student-to-adult ratio from 12-to-1 to 10-to-1 in every TK class. This is also lower than the $1.5 billion included in the Governor's Budget for this purpose.

- Increases the proposed adjustment for the Expanded Learning Opportunities Program from $4.435 billion to $4.515 billion in total ongoing funds for full implementation of the program increasing the number of LEAs that offer universal access to students from those with an unduplicated pupil percentage of at least 75% to those with an unduplicated pupil percentage of at least 55%. This funding also includes ongoing support to LEAs with less than 55% unduplicated pupils to provide access to all unduplicated pupils. Trailer bill also provides for a one-year grace period in transitioning from Tier II to Tier I. Additionally, the May Revise includes an additional $10 million to increase the minimum grant amount from $50,000 to $100,000 per LEA.

- The May Revise includes $200 million in one-time Proposition 98 funds to support evidence-based professional learning for elementary school educators aligned with the English Language Arts/English Language Development Framework, and $10 million in one-time Proposition 98 funding for the Sacramento County Office of Education to partner with the UCSF Dyslexia Center to support the Multitudes screener. These funds are in addition to the following investments included at the Governor's Budget to support literacy instruction: $500 million in one-time funds for TK-12 literacy and mathematics coaches, $40 million in one-time funds for purchase of screening materials and training for educators to administer literacy screening, $25 million to spend by 2029-30 to launch Literacy and Mathematics Networks within the Statewide System of Support, and $300,000 in one-time non-Proposition 98 in 2024-25 for the Instructional Quality Commission to develop a curriculum guide and resources for teaching personal finance per Assembly Bill (AB) 2927.

- May Revise builds on the funding for teacher preparation and professional development proposed in January to:
    - Repurpose $150 million in one-time funding for the Teacher Recruitment Incentive Grant to $100 million in one-time Proposition 98 funding for stipends of $10,000 for at least 500 hours of student teaching on a first-come, first-served basis. The remaining $50 million is part of the Proposition 98 budget solution.

    - Extending by one year the deadlines 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.

    - Allow 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 allow 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.

- Reduces the investment in the Student Support and Professional Development Discretionary Block Grant from $1.8 billion to $1.7 billion. The block grant maintains the flexibility to use the funding for discretionary purposes and to fund statewide priorities including professional development for teachers on the ELA/ELD framework, professional development for teachers on the mathematics framework, teacher recruitment and retention strategies, and career pathways and dual enrollment. Proposed funds will be disbursed based on average daily attendance (ADA) and will be available through June 30, 2029. Final expenditures must be reported to the CDE by September 30, 2029.

- The May Revise does not include any changes to Governor's Budget proposal to restore $378.6 million in one-time funding to support the Learning Recovery Emergency Block Grant (LREBG) through 2027-28.

- May Revise proposed $90.7 million in additional ongoing funding to fully fund the universal meals program in 2025-26 and provides $21.9 million in additional ongoing Proposition 98 funds for the Summer Electronic Benefits Transfer (SUN Bucks) program, which provides nutrition funding to eligible students during the summer months.

- May Revise includes $15 million in one-time Proposition 98 General Fund for Secondary School Redesign Pilot Program for a COE to administer a pilot program to redesign middle and high schools to better serve the needs of all students and increase student outcomes, and to manage a network of grantees to support peer learning and documentation of practices.

- Includes $2 million in ongoing Proposition 98 General Fund to support Regional English Learner lead agencies that help schools provide focused support to English learners.

- One-time property tax backfills of $1.2 million in 2024-25 and $8.5 million in 2025-26 for impacted basic aid school districts due to the recent wildfires in Southern California.

- A one-time $500,000 in Proposition 98 General Fund to support the California Association of Student Councils.

- To address the projected budget shortfall, the May Revision includes a reduction of $177.5 million in remaining, unused General Fund from a $2 billion one-time allocation provided to the Office of Public School Construction in the 2023 Budget Act for TK-12 school facilities. These funds were made available on an as-needed basis for fire-

impacted LEAs through August 2025; however, impacted schools have indicated that they do not plan to apply for the funds by this date. Proposition 2 facilities funds will be available as needed for fire-impacted LEAs moving forward.

Although the May Revision fully funds the COLA and avoids cuts to ongoing education programs, it only does so by deferring $1.8 billion in LCFF payments from June to July of 2026. The financial impact of devasting wildfires in Southern California and federal policy and funding changes being pursued by the new federal administration bring a risk of additional state budget shortfalls in future years.

The federal administration's tariff policies and potential federal funding reductions and layoffs could negatively affect the state's economy, reduce state revenues, and increase state costs. The May Revision assumes a "growth recession," a period of below-trend growth and rising unemployment, but it does not reflect a traditional economic recession. Given the inconsistent federal tariff policy, stock market volatility, heightened uncertainty among both businesses and consumers, and higher inflation expectations, the relative probability of a recession is higher than in a typical period of normal growth and stability. In a mild recession state revenues could be around $14 billion lower than the May Revision forecast.

Furthermore, the federal administration and Congress are considering significant cuts to education programs and to other programs, such as Medicaid, which would have a direct effect on LEA budgets but could potentially have a much larger indirect effect to the extent they force the state to redirect funding from schools to mitigate the impact of federal funding cuts. Projected declines in state revenue combined with growth in Medi-Cal costs have created a state budget deficit that is projected to grow significantly in the future. Federal funding reductions, especially to Medicaid, will significantly increase the state's budget deficit and may require the state to suspend Proposition 98 and reduce education funding.

Many LEAs continue to experience chronic student absences, long-term declining enrollment, and various cost pressures such as increased pension rates and energy costs. As a reminder, the Arts, Music and Instructional Materials Discretionary Block Grant and the Educator Effectiveness Block Grant expire on June 30, 2026, and the LREBG expires on June 30, 2028.

In addition, districts' fund balances have dwindled due to spending down of prior years' one-time revenues. The decision about how much of a general fund unrestricted fund balance is prudent to maintain will depend on each LEA's unique circumstances. For example, LEAs may be vulnerable to natural disasters or dependent on slow-growing local revenue sources and so may need to maintain a higher level in the unrestricted fund balance. The June to July funding deferral proposed in the May Revision along with cuts to federal grant funding and the state's uncertain revenue projections, add pressure locally to maintain reserves above minimum required amounts. For example, the Government Finance Officers Association (GFOA) recommends reserving an amount equal to not less than two months of general fund operating expenditures, or 17% of general fund expenditures and other financing uses.

Given the risks associated with the state budget, LEAs should exercise caution before making any long-term commitments and LEAs should consider increasing reserves so that they can manage the deferral and absorb potential state and federal funding reductions.

Planning Factors for 2025-26 and Multiyear Projections

Key planning factors for LEAs to include in their 2025-26 adopted budgets and multiyear projections (MYPs) based on the latest information available at the time of writing.

Planning Factor	2025-26	2026-27	2027-28
Cost-of-Living Adjustment (COLA)			
Local Control Funding Formula (LCFF) COLA	2.30%	3.02%	3.42%
Special Education COLA	2.30%	3.02%	3.42%
Employer Benefit Rates			
CalSTRS	19.10%	19.10%	19.10%
CalPERS-Schools	26.81%	26.90%	27.80%
State Unemployment Insurance	0.05%	0.05%	0.05%
Lottery			
Unrestricted per ADA	$191.00	$191.00	$191.00
Proposition 20 per ADA	$82.00	$82.00	$82.00
Minimum Wage	$16.90[1]	$17.40[2]	$17.80[3]
Universal TK/ADA LCFF add-on	$3,148.00[4]	$3,243.00[4]	$3,354.00[4]
Mandate Block Grant			
School Districts			
Grades K-8 per ADA	$39.09	$40.27	$41.65
Grades 9-12 per ADA	$75.31	$77.58	$80.23
Charter Schools			
Grades K-8 per ADA	$20.52	$21.14	$21.86
Grades 9-12 per ADA	$57.04	$58.76	$60.77

[1]Effective January 1, 2026, [2]Effective January 1, 2027, [3]Effective January 1, 2028.
[4]The rates do not reflect the May Revise proposal to increase the rate to $5,545 in 2025-26, $5,712 in 2026-27, and $5,907 in 2027-28.

Deficit Spending

Although districts experienced higher fund balances as a result of unprecedented pandemic one-time funding from federal and state sources, many are returning to ongoing support levels that are much more constrained. Taking proactive steps to reduce spending early helps safeguard reserve levels, preventing their depletion, and minimizes the need for deeper reductions in the future. Assumptions in multiyear projections should be well documented, with full-time equivalent positions aligned with criteria and standards.

For any significant reductions deferred to the 2026-27 or 2027-28 fiscal year(s), it is crucial to explicitly identify these adjustments and ensure that the governing board acknowledges the stabilization measures required based on current financial conditions. Below is a sample fiscal solvency statement that can serve as a stand-alone resolution or be included in the budget approval:

> **Sample Fiscal Solvency Statement**
> In preparing the 2025-26 Adopted Budget, the board acknowledges its fiduciary responsibility to maintain fiscal solvency for the current year and two subsequent fiscal years.
>
> The district's budget stabilization plan includes position reductions, non-personnel cost reductions, and established timelines for ongoing budget planning and actions. These plans are based on the current state budget, anticipated revenue losses due to declining student enrollment, and rising ongoing costs. Under these assumptions, the board projects the need for $XX million in budget reductions in 2026-27 and an additional $XX million in reductions in 2027-28 to maintain fiscal solvency.

As districts potentially face declining fund balances, exercising caution when allocating funds for negotiated salary compensation is imperative. Revenue gains from COLA may be offset by declining enrollment and rising costs, including retirement contributions and health benefits. Each district's capacity to sustain compensation increases will vary based on its unique financial circumstances. Thoughtful planning and conservative financial management are critical to ensuring long-term stability.

Federal Funding Uncertainties

Federal funding is an area about which there may be some of the greatest uncertainties regarding ongoing revenues. While federal sources make up approximately 10% of an average LEA's the budget, the complexities of layoff provisions and the timing of possible reductions makes the unknowns even harder to predict; therefore, it is imperative to plan for multiple scenarios.

It is anticipated that some of the federal programs identified for cuts would impact funding in 2026-27 for LEAs. However, nothing is certain, and these times are unprecedented. There is potential for some reductions in 2025-26.

Districts are reminded that potential reductions in federally-funded programs are on top of other pressures on their budgets – declining enrollment, increased costs, one-time funds expiring, and so on. We must also recognize that the May Revise points out that the state budget is now facing a larger deficit than previously projected. Solutions have been proposed to avoid cuts in funding for 2025-26; however, with the uncertain economic forecast, we cannot assume the 2026-27 fiscal year will maintain the same funding levels, including a funded COLA.

Districts should prepare now for multiple uncertain funding streams and ensure that elements of the known details are handled with fidelity, such as:

- Decreases in expenses commensurate with declines in enrollment.
- Reduced expenses equivalent to the amount of the one-time programs no longer funded.
- Sufficient reserves to sustain expenses when funding is unexpectedly reduced mid-year pursuant to the recent federal letters.

Cash Flow

The May Revise proposes to pay off the cash deferral that is in effect for 2024-25. The 2025-26 proposed state budget has a projected deficit and one of the solutions to avoid a reduction in revenue to LEAs is a new cash deferral of $1.8 billion from June 2026 to July 2026.

The accuracy of cash flow projections will be of utmost importance leading into 2025-26 given the amount of uncertainty in overall funding. If a district discovers projected low cash balances for any month, it is better to seek advice well in advance about whether a Tax and Revenue Anticipation Note (TRAN) or internal borrowing is necessary, so that the district can join a TRAN pool.

Reserves/Reserve Cap

Given the ongoing uncertainty regarding the federal budget, including potential reductions in education-related funding, it is essential to approach fiscal planning with increased caution. Current federal budget discussions indicate possible impacts on state and local educational agencies. Maintaining strong reserves is essential to mitigate potential impacts, safeguard districts' financial stability, and ensure the continuity of essential programs and services.

The Governor's May Revision for 2025–26 reflects a more constrained fiscal outlook, projecting a $12 billion general fund deficit and proposing a range of budget solutions, including spending reductions and funding shifts. As part of this plan, the state will draw down the Public School System Stabilization Account (PSSSA), reducing its balance to zero.

As a result of this withdrawal, the local reserve cap is not expected to be triggered in either the 2025–26 or 2026–27 fiscal years. Under current law, districts subject to the 10% cap on reserves would apply in fiscal years immediately following those in which the PSSSA balance equals or exceeds 3% of the total TK–12 share of the Proposition 98 guarantee.

With continued uncertainty at both the federal and state levels, careful reserve management is more important than ever. Maintaining reserves that are strategically organized and clearly documented will help ensure districts' long-term fiscal stability.

Attendance Recovery

Considering the state's current budget challenges and projections, districts should take advantage of all opportunities to provide students with additional learning opportunities while recovering student average daily attendance (ADA). Beginning July 1, 2025, school districts and classroom-based charter schools can provide classroom-based students with attendance recovery opportunities to make up lost instructional time, offset student absences, and mitigate learning loss, thus also mitigating the fiscal impacts of absences.

Students may only be credited up to the lesser of 10 days attendance or the number of their absences in that school year. Recovery time must be taught by certificated teachers of the LEA. Participation is not mandatory and shall be at the election of the student, parent, or guardian.

Expanded Learning Opportunity Program (ELOP) funds may be used to fund attendance recovery programs in conjunction with, and on the same site(s) as, the LEA's ELOP program activities.

Detailed instructions and answers to common questions can be found on the CDE's Attendance Recovery webpage. You can also review a presentation from the CDE's School Fiscal Services Division at https://www.cde.ca.gov/fg/it/documents/aaitwebinar24.pdf.

Instructional Continuity

Instructional Continuity provisions focus on facilitating continuity of learning during emergencies that disrupt regular classroom instruction.

As of July 1, 2025, LEAs must include an instructional continuity plan in their comprehensive school safety plan. Plans must include procedures for student engagement within five (5) days of an emergency and hybrid or remote learning opportunities within ten (10) instructional days.

Instructional Continuity also encourages LEAs to plan to meet the instructional standards that are equivalent to independent study programs.

Form J-13A submittals for events occurring in fiscal year 2026-27 and beyond will require, LEAs to certify that they have a comprehensive school safety plan that includes an instructional continuity plan that complies with the aforementioned engagement and instructional offering requirements. If the LEA did not offer engagement and instruction during an emergency, it must, as part of the J-13A submittal, describe the circumstances that prevented it from doing so and explain what engagement and instruction, if any, it did provide.

Detailed instructions and answers to common questions can be found on the CDE's Instructional Continuity webpage. You can also review a presentation from the CDE at https://www.cde.ca.gov/re/di/or/documents/icpwebinarpresentation.pdf.

Transitional Kindergarten

The 2025-26 K-12 Trailer Bill includes intent language that LEAs provide language development support to multilingual learners in TK, and that local educational agencies, teachers, and staff assigned to TK classrooms provide parents and guardians of pupils enrolled in TK with information regarding the benefits of multilingualism.

In addition, the Trailer Bill states that commencing with the 2027-28 school year, LEAs serving pupils in TK shall screen those pupils whose primary language is a language other than English. For the 2026-27 school year, LEAs may screen TK pupils. The screening tool will be determined by the state superintendent of public instruction in 2025-26.

Effective July 1, 2025, the adult-to-student ratio will be 1 adult to 10 students. Refer to the CDE's TK FAQ #15 under Transitional Kindergarten Class Size Ratio Information at https://www.cde.ca.gov/fg/it/tkfiscalfaq.asp#how-can-schools-meet-the-110-adult-to-student-ratio-requirement-upon-full-implementation-of-transitional-kindergarten-tk-in-fiscal-year-fy-2025-26-updated-09-sep-2024.

There are separate penalties for not meeting the required 1-to-10 adult-to-pupil ratio, for not maintaining an average TK class enrollment of not more than 24 pupils for each school site, and for teachers not meeting the TK credentialing requirements listed below. The 2025-26 K-12 Trailer Bill includes language to change the class size penalty to loss of ADA funding for each student over the 24-pupil limit, which will also provide relief for mid-year TK class size growth.

Credentialed teachers assigned to TK classes (including independent study), must meet one of the following criteria by August 1, 2025:

- Have completed at least 24 units in early childhood education, childhood development, or both.
- Have professional experience in a classroom setting with preschool-age children, as determined and documented by the employing LEA, that is comparable to 24 units of relevant education and meets the criteria established by the LEA's governing board or body.
- Hold a child development teacher permit or an early childhood education specialist credential issued by the California Commission on Teacher Credentialing.

LCAP and the Learning Recovery Emergency Block Grant

The State Board of Education (SBE) adopted revised LCAP instructions at their November 2024 meeting (see https://www.cde.ca.gov/re/lc/)) to require the inclusion of all LREBG expenditures in the LCAP going forward. The May Revision continues to provide $378.6 million additional LREBG funding to LEAs in 2025-26. Assuming this proposal is approved, all LEAs that were eligible for the original LREBG funding in 2022-23 will have LREBG expenditures that will need to be included in the LCAP.

For those LEAs that are already planning on carrying over LREBG funds to 2025-26, additional funds allocated through the 2025-26 budget could be incorporated into the 2025-26 budget and LCAP through a midyear update and the Annual Update in 2025-26. For LEAs that were not expecting LREBG funds in 2025-26, options might include:

- Incorporating the new allocation into their 2025-26 LCAP and budget adoption but clearly calling out in writing in the LCAP and budget assumptions that these dollars and actions are dependent on the new LREBG funds being included in the adopted state budget.
- Documenting the needs assessment in the LCAP summary sections but waiting to put the funds into the LCAP and budget. Then the dollars and actions could be added as part of the midyear update and Annual Update if the funds are approved in the state budget.
- Waiting until 2026-27 to incorporate the funds into the budget and LCAP, recognizing that even more LREBG funds may be allocated by the state in subsequent years.

LEAs should consult with their COE for specific guidance.

Summary

This edition of the Common Message gives LEAs data and guidance for fiscal planning and for developing their 2025-26 budget and multiyear projections. The information provided for 2025-26 and beyond includes the latest known proposals and projections to assist with multiyear planning. The state budget continues to face additional risks due to the results of massive wildfires and federal policy and funding changes, which may impact both revenues and expenditures. LEAs face short-and long-term challenges, including risks to the state revenue forecast, reduced ADA due to declining enrollment and student absence rates, inflationary pressures including pension rate increases, and expired one-time funds. Because each LEA has unique funding and program needs, it remains essential that LEAs continually assess their individual situations, work closely with their respective COEs, and develop comprehensive plans to maintain fiscal solvency while preserving the integrity of their educational programs.