

SCOE BIZ

Business Services




Bulletin No. 25-14

March 27, 2025

To: District and Charter Business Services
From: Sarah Lampenfeld, Assistant Superintendent, Business Services
Subject: March 2025 Edition

State of the State

For the first eight months of the 2024-25 fiscal year, revenues were \$4.6 billion above the fiscal year-to-date forecast and \$2.3 billion above the Governor's Budget forecast in February. The fiscal year-to-date average was the result of higher receipts from personal income tax, other revenues, and corporation tax, partially offset by lower-than-expected sales tax receipts.

-  **Personal income tax (PIT)** receipts for the first eight months were \$1 billion, or 22.1%, above forecast in February and \$3.1 billion above the fiscal year-to-date forecast. Of note, refunds were \$224 million lower than projected in February and \$938 million below the fiscal year-to-date forecast. Some of the fiscal year-to-date forecast shortfall is attributable to estimated payments shifting from January to October as a result of the delayed deadlines for Los Angeles County.
-  **Corporation tax** receipts for the first eight months were \$296 million, or 393.5%, above the forecast in February and \$111 million above the fiscal year-to-date forecast. February is not a significant month for corporation tax, and the overage was due to lower refunds of \$330 million.
-  **Retail sales and use tax** receipts for the first eight months were \$167 million, or 3.9%, below the forecast. February receipts included a portion of the final payment for the calendar year 2024 fourth quarter taxable sales, which were due January 31 for taxpayers without a delayed deadline. Year-to-date was \$263 million or 1.1% below the forecast.

Principal Apportionment Deferral

The state has implemented a Transitional Kindergarten/Kindergarten through Grade 12 (TK/K-12) apportionment deferral by deferring a portion of the current year state aid payment in June 2025 to the subsequent fiscal year. The chart below provides information on the deferral that impacts the Principal Apportionment for the 2024-25 fiscal year. Note: The deferral amount and estimated impact are based on current legislation and information available as of February 2025.

2024–25 Fiscal Year Deferral

Month	Deferral Amount	Repayment Month	Estimated Principal Apportionment Deferral Impact*	Authority
June 2025	\$245,604,000	July 2025	5.14% of 2024–25 P-2	EC 14041.6

Deferral Exemption:

School districts and charter schools that will be unable to meet their financial obligations in the month of June 2025 may apply for an exemption from the deferral pursuant to EC Section 14041.8. Additional information on the [deferral exemption application process](#) for the 2024–25 fiscal year is available on the CDE’s website.

Education Protection Account (EPA) payments are **not** subject to deferral

Stimulus Funding Reporting

The current reporting cycle for Stimulus Funding opened in early March and **will close in April**. The reporting cycles are open for the following:

- ✚ ESSER III (Resources 3213 and 3214): Year 5 Annual Reporting 7/1/2023 – 6/30/2024
Closes 04/04/2025
- ✚ ESSER II (Resource 3212): Liquidation through 3/31/2025 (only applicable to LEAs that were approved for liquidation extensions for these funds) **Closes 4/15/2025**
- ✚ ESSER III (Resources 3213 and 3214): 2025 Spring Corrections up to 09/30/2024 Closes **04/15/2025**
- ✚ ARP-HCY II (Resource 5634): 2025 Spring Corrections up to 09/30/2024 Closes **04/15/2025**
- ✚ ELOG ESSER III (Resources 3218 and 3219): 2025 Spring Corrections up to 09/30/2024 Closes **04/15/2025**

The Federal Stimulus Quarterly Reporting Help Page, located at: <https://www.cde.ca.gov/fg/cr/reportinghelp.asp>, is an excellent resource to support you through reporting for your LEA.

Responses to 2025 Federal Actions & Communications

CDE established a web page that includes letters to the field and news releases to help educators and families understand any impact—or lack thereof — on California’s public schools and students resulting from federal actions and communications. The website can be found [here](#).

Instructional Continuity Plan Guidance

Senate Bill (SB) 153, Chapter 38, Statutes of 2024, **requires** local educational agencies (LEAs) to adopt plans to ensure all students can access instruction during an emergency or natural disaster.

The plans, known as Instructional Continuity Plans (ICPs), must be included in an LEA’s [Comprehensive School Safety Plan](#) (CSSP) **by July 1, 2025**. A school district, county office of education, and charter school must include an ICP in a locally adopted CSSP to obtain approval of a [Form J-13A](#) waiver request beginning in the fiscal year 2026–27.

In response to SB 153, the California Department of Education has posted new guidance for LEAs to consider as they develop an ICP. The guidance includes an overview of the statutory requirements, practical considerations and best practices for drafting an ICP, and access to a number of planning resources to ensure LEAs are prepared to comply with the requirements.

Access the guidance and review the resources by visiting <https://www.cde.ca.gov/re/di/or/icpguidance.asp>

Attendance Recovery

To mitigate the negative impact that chronic absenteeism and emergency events have had on academic continuity for students and LEA funding, Senate Bill (SB) 153 (Chapter 38, Statutes of 2024) as amended by SB 176 (Chapter 998, Statutes of 2024) established the Attendance Recovery (AR) program under Article 9, Chapter 2, Part 26 of *Education Code (EC)* sections 46210-46211.

AR programs are voluntary programs that enable students to recoup absences for the purpose of apportionment (up to the lesser of ten total or the total number of absences accrued in a given school year) by attending supplementary sessions outside of the regularly scheduled school day.

Beginning in fiscal year 2025–2026, school districts, county offices of education and classroom-based charter schools may choose to offer an AR program to eligible students enrolled in classroom-based programs before or after school, during weekends, or on intersession breaks. A resource webpage can be found [here](#). Also, last week, the CDE hosted a webinar, and the slides are [here](#).

Administrator-to-Teacher Ratio

The district's ratio of administrative employees to teachers, as governed by Education Code Section 41402, will be reviewed as part of the district's annual audit required by *Education Code* Section 41020. To prepare for the annual audit, school districts must compile the information identified on the worksheet as of a date selected by the school district. It is not mandatory that the worksheet be utilized as long as the district is capable of providing the auditor with the data required by *Education Code* sections 41403 and 41404 (i.e. the data requested on the worksheet) and Education Code 41402 gives the maximum ratios and the exemption for minimums. The data or completed worksheet should be maintained in district files. The worksheet need not be submitted to the California Department of Education. More information and the optional worksheet can be found at <https://www.cde.ca.gov/fg/aa/ca/atr.asp> and [Ed Code 41402](#)

Updated Universal Benefits Application Template

The California Department of Education (CDE) has created a new Universal Benefits Application (UBA) template for use by local educational agencies (LEAs) that participate in a federal school nutrition program and operate under a federal provision like the Community Eligibility Provision (CEP) and Provision 2 (P2).

The UBA qualifies students for SUN Bucks benefits. Any Free and Reduced-Price Meal (FRPM) records resulting from Universal Benefits Applications may also be used to identify which

students meet the income eligibility criteria to be included in the Unduplicated Pupil Count under the Local Control Funding Formula (LCFF).

Beginning in School Year 2025 – 2026, Schools participating in the National School Lunch Program (NSLP) or School Breakfast Program (SBP) that are approved to operate a federal provision, such as the CEP or P2, must collect UBAs for SUN Bucks eligibility on an annual basis. [The UBA template](#) has been shared with student information systems vendors and is now available on [the California Department of Education \(CDE\) SUN Bucks webpage](#).

The table below indicates which application LEAs should use based on whether they participate in NSLP/SBP and/or operate a federal provision.

School Meal Program Participation Model	SUN Bucks Application Requirement
Standard Counting and Claiming	Only NSLP Applications – Collect annually for FRPM/SUN Bucks eligibility; may also be used for LCFF purposes
Community Eligibility Provision (CEP)	Universal Benefits Applications – Collect annually for SUN Bucks eligibility; may also be used for LCFF purposes
Provision 2 (P2)	NSLP Applications – Collect during LEAs P2 base year for FRPM/SUN Bucks eligibility; may also be used for LCFF purposes Universal Benefits Applications – Collect during non-base years for SUN Bucks eligibility; may also be used for LCFF purposes

UPK P&I Grant Expenditure Reporting Changes

This month the Early Education Division announced reporting changes to the Universal PreKindergarten (UPK) Planning & Implementation (P&I) Grant Expenditure Reporting that will make things easier for all our grantees. Here is what is changing:

1. **Simplified Reporting:** You will no longer need to provide detailed breakdowns of how you have spent the grant funds for each reporting period. This should save you time and reduce paperwork.
2. **No More Interest Tracking:** We are discontinuing the collection of interest earnings on expenditure reports. One less thing to worry about!
3. **Streamlined Annual Reporting:** We are moving from twice-yearly to annual expenditure reports, aligning with the fiscal year. This change should make your financial planning and reporting much more straightforward.
4. **Zero Spending Quick Report:** We have added a new time-saving feature! At the beginning of the report, you'll have the option to indicate if you have \$0 in spending for the reporting period. If selected, you will be able to skip the remaining questions on the report, making the process even quicker for those who have not incurred expenses.

Please see the changes to upcoming reporting periods below.

Previous Reporting Periods Remaining	Updated Reporting Periods Remaining
Report #6: Expenditure reports for the reporting period of November 1, 2024, to April 30, 2025 , are due to the California Department of Education (CDE) on May 31, 2025.	Report #6: Expenditure reports for the reporting period of November 1, 2024, to June 30, 2025 , are due to the CDE on November 30, 2025.
Report #7: Expenditure reports for the reporting period of May 1, 2025, to October 31, 2025 , are due to the CDE on November 30, 2025.	Report #7: Expenditure reports for the reporting period of July 1, 2025, to June 30, 2026 , are due to the CDE on November 30, 2026.
Report #8: Expenditure reports for the reporting period of November 1, 2025, to April 30, 2026, are due to the CDE on May 31, 2026.	No longer required
Report #9: Expenditure reports for the reporting period of May 1, 2026, to June 30, 2026, are due to the CDE on November 30, 2026.	No longer required

The UPK P&I Grant team will send a link to submit the next expenditure report in late October 2025. For a list of allowable expenses, please visit CDE’s UPK P&I web page at <https://www.cde.ca.gov/ci/gs/em/upkpi.asp>. Reminder all UPK P&I funds must be spent by June 30, 2026.

2025-26 Unemployment Insurance Rate

The Employment Development Department (EDD) announced this month that the School Employees Fund (SEF) Unemployment Insurance rate for the fiscal year 2025-26 will be 0.05% (the same as the current year). The rate of 0.05% is locked in for one year. EDD’s announcement can be found [here](#).

P-2 Attendance Reporting

The 2024-25 Principal Apportionment Data Collection (PADC) web application is now available for reporting 2024-25 Second Principal Apportionment (P-2) data. LEA’s P-2 data **is due to SCOE on or before April 18th**. P-2 instructions from SCOE were sent out last week.

The following 2024-25 P-2 data is due:

- ✚ Attendance
- ✚ Necessary Small School
- ✚ Class Size Penalties
- ✚ Adults in Correctional Facilities
- ✚ Special Education Local Plan Area Average Daily Attendance Allocation
- ✚ Special Education Tax Allocation
- ✚ Infant Funding
- ✚ ****NEW** Expanded Learning Opportunities Program Intent to Operate in FY 2025-26**

Fiscal Reports by School Services of California

School Services does an excellent job of providing explanations to current topics. If you are a School Services of California member, you can also see these reports by logging in to view their web page or subscribe to their email services. Attached for your convenience are:

- ✚ LAO Recommends Reducing TK Funding Proposed in Governor's Budget
- ✚ 2025-26 CalSTRS Postretirement Earnings Limitation
- ✚ Proposed Developer Fee Collections Timing Exemptions
- ✚ Restored Funding for the LREBG Proposed
- ✚ UCLA Economists Issue a Recession Watch
- ✚ FED Maintains Rates
- ✚ President Trump Issues Executive Order on Department of Education

Reminders:

- ✚ Please submit [SCOE Biz 25-11: Auditor Selection by April 1st](#) to slampenfeld@scoe.org.
- ✚ Transportation Plans must be adopted on or before April 1, 2025.
- ✚ Classified School Employee Summer Assistance Program: School Districts and county offices of education that elected to participate by January 1, 2024, must notify the CDE by April 1, 2025.
- ✚ Please submit SCOE Biz 25-15: Public Hearing Notice as soon as possible (no later than 17 days prior to the public hearing).

Dates to Remember:

04/01/2025	2025-26 Audit Contracts due to SCOE (email to slampenfeld@scoe.org)
04/10/2024	CALPADS/SELPA Open Lab 10:00 a.m. - 11:30 a.m.
04/10/2024	CALPADS Connect 1:00 p.m. - 2:30 p.m.
04/18/2025	HR/Payroll Annual Review 9:00 a.m. Click here to register
04/18/2025	P-2 Attendance due to SCOE
04/24/2025	April DBUG

2024-25 District Business User Group (DBUG) meeting dates:

All meetings are on the 4th Thursday at 9:00 a.m. (New time this year)

Dates: 4/24/2025, 5/22/2025, and 6/26/2025

Workshops

Next Fiscal Year Workshop: May 14, 2025, 9:00 a.m. to 12:00 p.m.

Year-End Close Workshop: June 4, 2025, 9:00 a.m. to 12:00 p.m.

NOTE:

- Want to add something to a DBUG Agenda? Want a topic added to SCOE Biz? Contact DBUG Chair Christina Menicucci.
- Documents presented at [DBUG](#) can be found posted at <http://www.scoe.org/pub/htdocs/fiscal-dbug.html>.
- [Workshop manuals](#) and [Fiscal Services/IT forms](#) may be found at <http://www.scoe.org/escape> under the heading of Resources on the left side of the page.



FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

LAO Recommends Reducing TK Funding Proposed in Governor's Budget



BY MEGAN BAIER

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posted February 26, 2025

The Legislative Analyst's Office (LAO) released a [report](#) last week analyzing the Governor's transitional kindergarten (TK) proposals. Overall, the Governor is proposing an increase of \$1.8 billion to fund the final year of TK implementation. In the 2025-26 school year, all four-year-old children with birthdates on or before September 1 will be eligible for TK.

The Governor proposes the following:

- Providing \$1.1 billion to support newly eligible TK students through the Local Control Funding Formula
- Increasing the TK add-on by \$746 million to support the 1:10 staff-to-student ratio that will go into effect in 2025-26

The LAO finds the Governor's proposed increase to the TK add-on to likely exceed the actual cost to implement the lower staffing ratios that will go into effect in the coming school year and recommends the Legislature adopt an alternative. The LAO estimates costs to add a third adult to a TK classroom, if a local educational agency (LEA) maintains a 24-student class size, to be approximately \$196 million less than the Governor's proposal. Alternatively, the LAO estimates if an LEA reduces the class size to 20 students, with two staff in each classroom, the cost would be approximately \$410 million less than the Governor's proposal, though they do acknowledge there would be associated costs with increasing the total number of classrooms. This second recommendation also assumes the LEA has facility space available to open additional classrooms.

The Legislature has begun budget hearings to review the Governor's Budget proposals, as they begin to work towards a June 15 State Budget adoption deadline. The Senate Budget Subcommittee on Education will hold its next hearing on February 27 and the Assembly Budget Subcommittee on Education Finance will hold its next hearing on March 4.



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PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

2025-26 CalSTRS Postretirement Earnings Limitation

 [BY MICHELLE MCKAY UNDERWOOD](#)

 [BY TEDDI WENTWORTH](#)

Copyright 2025 School Services of California, Inc. posted March 7, 2025

The California State Teachers' Retirement System (CalSTRS) postretirement earnings limitation continues to be temporarily adjusted to equal 70% of the median final compensation amount for all members who retired for service during the fiscal year ending in the previous calendar year. Accordingly, the postretirement earnings limit for 2025-26 jumped to \$80,245 from \$74,733 in 2024-25. Normally, the postretirement earnings limitation is adjusted to equal 50% of the median final compensation amount for all members who retired for service during the fiscal year ending in the previous calendar year. Unless extended by statute, after June 30, 2026, the law will revert to the 50% maximum in effect prior to July 1, 2024.

Knowing this limit is key for CalSTRS retired annuitants because if a retiree earns compensation for performing retired member activities in excess of the annual postretirement earnings limit, Education Code Section 24214(g) requires CalSTRS to reduce the member's retirement benefit dollar for dollar, until the member has repaid the amount of compensation that was earned in excess of the annual earnings limit. These limits apply whether a retiree is employed directly with an education employer, is an employee of a third party (except under certain circumstances), or works as an independent contractor within the California public school system.

During this same short window described above temporarily increasing the postretirement earnings limit, the process for accessing the narrow exemption from the 180-calendar day separation-from-service requirement was changed. When applying for the separation-from-service requirement exemption, the superintendent, the county superintendent of schools, or the chief executive officer of a community college must complete the Request for Separation-From-Service Requirement Exemption (SR-1897) form, which is available in "Reference Items" on the CalSTRS Secure Employer Website.

To read more on postretirement earnings and the 180-day sit-out exemption, see [CalSTRS's Employer Directive 2025-01](#).



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Proposed Developer Fee Collection Timing Exemptions

 **BY BRIANNA GARCÍA**

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posted March 5, 2025

As noted in the November 2024 *Fiscal Report* article “[Developer Fee Report\(s\) and a Few Changes](#),” [Senate Bill \(SB\) 937 \(Wiener, Statutes of 2024\)](#) has made a significant change to when a local agency can collect developer fees. SB 937 amends the law for certain types of development and, effective January 1, 2025, prohibits local agencies from requiring payment of developer fees on designated residential development projects until the final date of inspection or issuance of a certificate of occupancy, whichever occurs first.

However, [Education Code Section \(EC §\) 17620\(b\)](#) expressly states that a building permit cannot be issued until the developer fees are paid to the applicable district. This leaves the question as to whether the changes made by SB 937 apply to school districts. That is a question we would recommend be answered by your legal counsel and local permitting agency, and we encourage school districts to reach out to both for a preemptive discussion prior to losing out on or delaying the collection of developer fees such that your ability to plan for, construct, and/or modernize facilities is hampered.

However, for the sake of this article, let’s assume that SB 937 does apply. In this case, the law does include a few exemptions, two of which districts may more readily avail themselves. The earlier payment of the fee can be required if it is determined that the fees are:

1. To reimburse the local agency for expenditures previously made; or
2. Being collected for public improvements or facilities for which an account has already been established and funds appropriated and for which a proposed construction schedule or plan has been adopted before final inspection or issuance of the certificate of occupancy.

As to the first exemption, reimbursement would assume that the district has funded a project that is eligible for the use of developer fees with other sources and the collection of the fees will reimburse the other fund or account.

As to the second exemption, school districts are required to establish a separate fund for the collection and expenditure of developer fees (Fund 25), therefore meeting the requirement of an account being established and funds appropriated. Regarding the requirement that a proposed construction schedule or plan be adopted, SB 937 states that a) to comply with this requirement, an agency can provide a capital improvement plan as described in [Government Code Section 66002](#) or submit a five-year school facilities master plan for construction pursuant to [EC § 17017.5\(c\)](#); and b) the public improvements or facilities includes “construction and rehabilitation of school facilities, if a school district has a five-year plan pursuant to” EC § 17017.5(c). This Education Code section pertains to the Leroy F. Greene State School Building Lease-Purchase Law of 1976, which is no longer operative. However, the education omnibus trailer bill released subsequent to the 2025-26 Governor’s Budget proposes amendments to both of these references.

The proposed language would replace these references in their entirety and instead allow for a) compliance to be met with either a capital improvement plan or a five-year school facilities master plan pursuant to [EC § 17070.54](#); and b) the construction and rehabilitation of school facilities, if the district governing board has approved a five-year school facilities master plan pursuant to EC § 17070.54. EC § 17070.54 references the requirement for a five-year school facilities master plan for any district seeking to participate in the currently operative Leroy F. Greene School Facilities Act of 1998 (more commonly known as the State Facility Program [SFP]). The proposed amendments go on to clarify that if a district is not planning to participate in the SFP, then its five-year school facilities master plan does not need to include the information specific to the SFP.

Once again, it would be prudent for a district relying on either exemption to consult its legal counsel and have a discussion and/or provide formal written notice to the local permitting agency to that effect.



FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Restored Funding for the LREBG Proposed

✓ BY LEILANI AGUINALDO

✓ BY MEGAN BAIER

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posted March 12, 2025

The Governor's Budget proposes to restore \$378.6 million to the Learning Recovery Emergency Block Grant (LREBG). Originally established in the 2022-23 Budget Act at \$7.9 billion, the LREBG was intended to support learning recovery initiatives through the 2027-28 school year. In the 2023-24 Budget Act, the following year, the state faced a revenue downturn and, in order to balance the budget, cut the LREBG to \$6.8 billion.

Consistent with the intent language, the Governor is proposing to restore the cuts to the LREBG in installments over the next three years, with the first restoration in 2025-26. School Services of California Inc. estimates that local educational agencies (LEAs) would receive \$114 per 2021-22 Second Principal Apportionment average daily attendance, multiplied by the LEA's 2021-22 unduplicated pupil percentage. Note that the proposed distribution of the additional LREBG funds relies on 2021-22 data, consistent with the original allocation of LREBG funds in the 2022-23 fiscal year.

While the original allowable expenditures remain largely the same, the 2024-25 Budget Act put new requirements on the grant that will go into effect in the 2025-26 school year. In order to spend LREBG funding in 2025-26, LEAs will need to first conduct a student needs assessment to identify students in the greatest need of learning recovery supports and expenditures will need to be included in Local Control and Accountability Plans (LCAPs). For a full list of requirements and allowable uses, see the [LREBG Program Information](#).

For LEAs that are planning on expending their current LREBG funds before June 30, 2025, there are various ways that the proposed additional LREBG funds can be incorporated into the LCAP, should the funds be included in the Enacted Budget, including:

- Incorporate the proposed LREBG funds in the 2025-26 LCAP, but clearly state that the funds and associated actions are contingent on the Enacted Budget
- Conduct the needs assessment, but wait until the midyear update or the annual update process for the LCAP to add the funds and associated actions in the 2025-26 LCAP and LEA budget

- Wait until the funds are included in the Enacted Budget and include the funds and actions in the 2026-27 LEA budget and LCAP

The LREBG restoration is still just a proposal at this time. We will follow its progress through the budget negotiations over the coming months.



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PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

UCLA Economists Issue a Recession Watch



BY JOHN GRAY



BY PATTI F. HERRERA, EDD

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posted March 19, 2025

UCLA Anderson Forecast economists issued “Recession Watch 2025,” warning that a broad economic recession will almost certainly follow the realization of Trump Administration policies that aim to “dramatically transform the U.S. economy.” The question the economists asked was, “[If] fully or nearly fully enacted, could these initiatives cause enough sectors of the economy to contract at the same time and trigger a recession?”

They conclude that the answer is yes, the economy could contract within the next two years, resulting from the concurrent impacts of tariffs, federal layoffs, and deportations. The effects of these policies could lead to simultaneous sectoral contractions that would likely have spillover effects leading to a broader economic downturn.

Tariffs

As the Trump Administration continues to contemplate and impose new and increased duties on major U.S. trading partners, economists predict that they will ignite a trade war that will reduce manufacturing productivity and make some sectors, including the automobile industry, “uneconomical.” The Anderson Forecast is careful to remind us that when President Donald Trump initiated a trade war with China during his first administration, the U.S. agriculture sector needed a bailout. They state, “The size of that trade war looks like pennies relative to what’s currently contemplated.”

Federal Layoffs

As Elon Musk continues the Department of Government Efficiency’s (DOGE) directive to reduce government waste, one of its stated goals is to reduce the federal workforce by 10-15%. UCLA Anderson Forecast economists estimate the size of the extended federal government, which includes private and nonprofit organizations that contract to perform government work, to be around 10 million people. If DOGE realizes its aim, it would result in what UCLA projects would be the largest single event in national history in a sector that is usually “a macroeconomic stabilizer” and buffer against economic headwinds elsewhere.

Deportations

Relative to changes to immigration policy, the UCLA Anderson economists note that construction and agriculture are particularly vulnerable to the impact of planned mass deportations. These sectors already face labor shortages. Moreover, and perhaps counterintuitively, UCLA highlights that historically deportations result in job losses for U.S. residents. This is due likely to the fact that immigrants contribute productively to the economy through spending and generating revenue through taxes, which will inevitably be curtailed as they are deported.

As noted in their Spring 2025 Economic Forecast (see “[UCLA Forecast Mostly Unchanged but Lots of Uncertainty Ahead](#)” in the *March 2025 Fiscal Report*), the high degree of uncertainty inspired by the early implementation of Trump Administration policies, alongside the fits and starts of tariffs and geopolitical dynamics, in itself can have harmful economic effects. Uncertainty curbs consumer and business spending and lessens overall confidence in the future of the economy. This is exacerbated by growing instability in the financial sector stemming from planned government spending and tax cuts and persistent inflation amidst threats to weaken the Federal Reserve’s independence to manage it with monetary policy.

UCLA’s *Recession Watch 2025* concludes with a warning to the Trump Administration: “[Be] careful what you wish for because, if all your wishes come true, you could very well be the author of a deep recession.” This wouldn’t be your garden variety recession, but a stagflation.

Editor’s Note: School Services of California Inc. knows intimately the impact that macroeconomy has on public education and Proposition 98, which is why we pay close attention to factors that influence the direction of the economy and why we always dedicate a portion of our workshops covering them. As local educational agencies try to grasp the magnitude of the impacts of federal policies, we will continue to provide what we believe is important and useful information. We will present the latest on the national and state economy at our upcoming May Revision Workshop. For more information about the workshop and how to register, click [here](#).



FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Fed Maintains Rates

 **BY MATT PHILLIPS, CPA**

 **BY WENDI MCCASKILL**

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posted March 20, 2025

On Wednesday, March 19, 2025, the Federal Reserve (Fed) maintained the target range for the federal funds rate at 4.25%–4.50%, as anticipated. The Federal Open Market Committee (FOMC) statement noted solidly paced economic activity, an easing labor market with solid labor market conditions, the stabilization of a low unemployment rate, and “somewhat elevated” inflation. Fed Chair Jerome Powell attributed some of the inflation to tariffs but said that at this point it is difficult to say with precision how much. The FOMC statement again reiterated its dual goals of maximum employment and returning inflation to 2.0% while recognizing an increase in economic uncertainty.

The annual Consumer Price Index (CPI)—a U.S. measure of inflation—measured at 2.8% in February, slightly below January’s marker of 3.0%. February core inflation, which excludes costs for food and energy, increased slightly to 3.1%, which reflects a 0.2% decline from January’s 3.3% year-over-year change. The CPI is an often-watched inflationary measure tracked by the Fed, although the gauge it prefers is the Personal Consumption Expenditures (PCE) Price Index. The January PCE reported by the U.S. Bureau of Economic Analysis is slightly lower than the CPI at 2.5%. February PCE data will be available on March 28, 2025.

In light of potential increases in tariffs in the coming months, Fed Chair Powell said the Fed will be watching to determine the impact of tariffs on inflation and whether projected weaker growth will lead to higher unemployment. Fed Chair Powell maintained the position that the Fed is “well-positioned” to respond to the “risks and uncertainties we face” and that longer-run economic measures that the Fed takes into consideration “haven’t moved much.”

Wall Street responded to Wednesday’s action. At close on March 19, 2025, the Dow Jones Industrial Average was up by 0.9%. The Nasdaq rose 1.4%, and the S&P 500 increased by 1.1%.



FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

President Trump Issues Executive Order on Department of Education

 **BY MICHELLE MCKAY UNDERWOOD**

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In a highly anticipated move, today, March 20, 2025, President Donald Trump signed an Executive Order to “begin eliminating” the U.S. Department of Education (ED). In his remarks, President Trump acknowledged his limitations, noting that the authority to abolish the U.S. Department of Education would need to go before Congress. Despite this, President Trump noted that his administration would take all legal actions possible to “shut down” the ED.

The Executive Order itself provides very few details:

- The Secretary of Education shall, to the maximum extent appropriate and permitted by law, take all necessary steps to facilitate the closure of the Department of Education and return authority over education to the States
- Consistent with the Department of Education’s authorities, the Secretary of Education shall ensure that the allocation of any Federal Department of Education funds is subject to rigorous compliance with Federal law and Administration policy

During his press conference, President Trump stated the “core necessities” of Pell Grants, Title I, and the Individuals with Disabilities Education Act (IDEA) will all be preserved and redistributed to other departments. The Executive Order makes no mention of these specific programs, nor which alternate departments they would be housed in. A key marker of previous legislative proposals is an acknowledgement that critical duties of the ED would require movement to other departments, as there are mandated components that must continue under current law.

Two of the “core necessities” noted by President Trump are the implementation of Title I and IDEA. These massive programs were created by acts of Congress—Title I in 1965 and IDEA in 1975—as well as funded by Congress and protected by statute. These two programs represent billions in education funding, with nearly \$16

billion for Title I programs supporting local educational agencies serving low-income communities and more than \$15 billion for IDEA, which supports students with disabilities.

California, due to its size, receives a substantial portion of these federal funds and any adjustment of these funding streams could have substantial impacts for education. For these reasons, we will continue to monitor the actions taken as a result of this Executive Order. Stay tuned.