CALIFORNIA COUNTY SUPERINTENDENTS

The Common Message

2025-26 Adopted Budget
45-Day Budget Revision

BASC

Business and Administration Services Committee

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Association of California School Administrators
Ball/Frost Group, LLC
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
Statewide Local Educational Consortium Co-Chairs
WestEd

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 the 2025-26 Adopted State Budget

Governor Gavin Newsom signed several budget and trailer bills before the end of June to adopt and implement the 2025-26 State Budget. The budget maintained the majority of the proposals that were included in the May Revision; however, some additional changes were incorporated. The final budget agreement solves an $11.8 billion General Fund deficit and provides a balanced fiscal plan with reductions in growth in state spending while maintaining key programs. In order to address the state's budget challenges a range of solutions including necessary actions to reduce ongoing expenditures, mandatory reserve drawdowns, new revenue proposals, internal borrowing, fund shifts, and deferrals.

The abbreviated 45-Day Budget Revision Common Message will include updates to the 2025-26 State Enacted Budget from May Revision. Key TK-12 funding provisions include the following:

- Revised estimates of general fund revenues result in updated Proposition 98 guarantee levels: $98.5 billion for 2023-24, $119.9 billion for 2024-25 and $114.6 billion for 2025-26. These revised levels represent a $3.9 billion increase over the three-year period relative to the 2024 Budget Act. Due to the risk in revenue projections, the 2025-26 Budget appropriates the 2024-25 level at $118 billion - $1.9 billion below the most recent calculation. This difference, referred to as settle-up, is intended to reduce ongoing deficits and protect core program funding if realized. Proposition 98 is calculated using Test 2 for 2023-24 and Test 1 for both 2024-25 and 2025-26.

- Revises the 2024-25 mandatory Proposition 98 Rainy Day fund deposit down to $455 million, triggering a mandatory withdrawal of $455 million in 2025-26. Of that amount, $405.3 million will be used to fund LCFF in 2025-26. This mandatory withdrawal will exhaust the fund balance of the reserve account in 2025-26.

- Maintains a 2.3% funded cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF). When combined with population growth adjustments, this results in a $2.1 billion increase compared to the 2024 Budget Act. Categorical programs receiving COLA include Special Education, Child Nutrition, Youth in Foster Care, Mandated Block Grant, Charter School Facilities Grant Program, American Indian Education Centers, the American Indian Early Childhood Education Program, and the LCFF Equity Multiplier.

- Includes a $1.9 billion deferral of LCFF apportionments from June 2026 to July 2026. In addition, prior deferrals from 2024-25 totaling $246.6 million for TK-12 education are fully repaid in 2025-26.

- Maintains investment of 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), ensuring all children who turn four years old by September 1 of the school year can enroll in TK. An additional $1.2 billion in on-going funding to support lowering the average student-to-adult ratio from 12-to-1 to 10-to-1.

- Provides an additional $515.1 million in ongoing Investment in Expanded Learning Opportunities Program for full program implementation. The budget lowers the eligibility threshold for universal access, expanding it to include LEAs with an unduplicated pupil percentage of at least 55%, reduced from the previous threshold of 75%. It also allocates $10.4 million to increase the minimum grant amount from $50,000 to $100,000 per LEA.

- Provides $480 million in one-time Proposition 98 funding to support literacy instruction aligned with the English Language Arts (ELA)/English Language Development (ELD) Framework for all students, comprised of the following investments: $215 million to expand the existing Literacy and Reading Specialists Grant Program; $200 million to support evidenced-based professional learning for elementary school educators aligned with ELA/ELD Framework; $40 million for the purchase of screening materials and training for educators to administer literacy screening; $15 million for Literacy and Mathematics Networks to support the implementation of evidence-based practices aligned to curriculum frameworks; and $10 million in funding for a county office of education to partner with the UCSF Dyslexia Center to support the Multitudes screener for risk of reading difficulties.

- Includes multiple investments intended to support teachers and improve access to the educator pipeline: $300 million in one-time Proposition 98 funding for the Student Teacher Stipend Program, which will provide $10,000 grants to teacher candidates completing the required student teaching hours beginning in 2026-27 through 2028-29. Of this amount, $5 million is allocated for a public outreach campaign and grant management system. $70 million one-time Proposition 98 funding in increased funding for the Teacher Residency Grant Program, and $30 million one-time Proposition 98 funding to extend the timeline of the existing National Board Certification Incentive Program to encourage teachers to serve in high-poverty schools.

- Allocates $1.7 billion one-time Proposition 98 for the Student Support and Professional Development Discretionary Block Grant. The block grant provides discretionary fiscal support to LEAs to address rising costs including, but not limited to, the following: (1) professional development for teachers on the ELA/ELD framework and Literacy Roadmap, with a focus on strategies to support literacy for English learners; (2) professional development for teachers on the Mathematics Framework; (3) teacher recruitment and retention strategies; and (4) career pathways and dual enrollment expansion programs aligned with the Master Plan for Career Education.

- Includes $19.3 million in Proposition 98 and $10.2 million in non-Proposition 98 funding to augment provider cost-of-care-plus rates for the State Preschool Program. The budget also authorizes the California Department of Education to: (1) expand State Preschool Program provider contracts to increase enrollment of three-year olds by 10%; (2) fund prospective pay to ensure timely payment of state contract funding; and (3) automate prospective pay for providers. The COLA for the State Preschool Program remains suspended for 2025-26.

- Maintains $378.6 million in one-time funding to support the Learning Recovery Emergency Block Grant (LREBG) through the 2027-28 school year.

- Provides $150 million one-time Proposition 98 funding for career technical education and career pathways programming, subject to pending legislation. If legislation is not enacted, the funding will support the Career Technical Education Incentive Grant (CTEIG) program.

- The Universal School Meals Support Grant provides one-time Proposition 98 funding of $145 million for specialized kitchen equipment, infrastructure improvements, staff training, and the procurement of sustainably grown food to increase freshly prepared meals. Additionally, the budget provides $10 million to support recruitment and retention of food service workers and $5 million to fund a study of the impact of ultra-processed foods in California school meals.

- The budget provides $30 million one-time Proposition 98 funding available over three years for the Special Olympics of Northern and Southern California.

- Provides $30 million in one-time Proposition 98 funding for Mathematics Professional Learning Partnership, administered by the Kern County Superintendent of Schools. This funding will support educator training and mathematics coaching in LEAs, including expanding collaboration with the Rural Math Collaborative and training mathematics coaches who can be deployed to schools with the greatest need.

- Provides $21.9 million in additional ongoing Proposition 98 funding for the Summer Electronic Benefits Transfer (SUN Bucks) program, which provides nutrition funding to eligible students during the summer months.

- Provides $20 million one-time Proposition 98 funding to support the implementation of the Children and Youth Behavioral Health Initiative (CYBHI) all-payer fee schedule.

- Provides $10 million one-time Proposition 98 funding for the Secondary School Redesign Pilot Program. The California Collaborative of Educational Excellence (CCEE) will administer the pilot program to redesign middle and high schools to better serve the needs of all students and increase student outcomes and manage a network of grantees to support peer learning and documentation of best practices.

- Provides $10 million in one-time Proposition 98 funding to support the statewide use of one or more English language proficiency screeners for multilingual learners in Transitional Kindergarten.

- Provides $7.5 million in one-time Proposition 98 funding available through 2026-27 to mitigate reductions in potential LCFF apportionment funding to LEAs resulting from the recent exemption of TK students from the English Language Proficiency Assessments (ELPAC).

Congress recently approved significant cuts to Medicaid and Supplemental Nutrition Assistance Program (SNAP), directly impacting LEA budgets and potentially causing even greater indirect impacts. These reductions may force the state to adjust school funding to mitigate the impact of federal funding cuts. At the same time, projected declines in state revenue and increasing Medi-Cal costs have contributed to a structural budget deficit that is projected to grow significantly. Federal funding reductions, especially to Medicaid, will significantly increase the state's budget deficit and require the legislature to make difficult reductions in other areas.

Given the risks associated with the state budget and changes in federal funding, LEAs should exercise caution before making any long-term commitments and consider increasing reserves to manage potential cash deferrals 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	$190.00	$190.00	$190.00
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	$5,545.00	$5,712.00	$5,907.00
Mandate Block Grant			
School Districts			
Grades K-8 per ADA	$39.09	$40.27	$41.65
Grades 9-12 per ADA	$76.48	$78.79	$81.48
Charter Schools			
Grades K-8 per ADA	$20.52	$21.14	$21.86
Grades 9-12 per ADA	$58.21	$59.97	$62.02

[1]Effective January 1, 2026, [2]Effective January 1, 2027, [3]Effective January 1, 2028.

Federal Funding Uncertainties

The federal funding for public education continues to evolve. Actions taken by the federal government as it relates to the education community, are occurring in unprecedented and unpredictable ways. CDE received notice that the U.S. Department of Education will not be releasing billions of dollars in education funding previously allocated by Congress for the 2025-26 school year – just days before funding was set to be awarded. The federal action is described by CDE as "illegally impounding school funds" and is further detailed in a CDE news release: July 1 News Release.

California has joined a coalition of 24 states and the District of Columbia, in a lawsuit over the administration's decision to freeze more than $6 billion in federal public education funds just weeks before the start of the school year.

The list of affected programs and resources are:

Title	Subject	SACS Resource	Resource Description
Title I, Part C	Migrant Education	3040	ESSA: Title I, Part C, Migrant Ed Mini Corps Project (Regular and Summer Program)
		3060	ESSA: Title I, Part C, Migrant Ed (Regular and Summer Program)
		3061	ESSA: Title I, Migrant Ed Summer Program
		3110	ESSA: Title I, Part C, Migrant Education (MESRP)
Title II, Part A	Supporting Effective Instruction	4035	ESSA: Title II, Part A, Supporting Effective Instruction Local Grants ESSA: Title II, Part A, Statewide Nonprofit Private School Professional Development
		4037	ESSA: Title II, Part A, 21st Century California School Leadership Academy 21st Century California School Leadership Academy, Cohort 2
Title III, Part A	English Language Acquisition	4201	ESSA: Title III, Immigrant Student Program
		4203	ESSA: Title III, English Learner Student Program
		4204	ESSA: Title III, Technical Assistance
Title IV, Part A	Academic Enrichment	4127	ESSA: Title IV, Part A, Student Support and Academic Enrichment Grants

Title	Subject	SACS Resource	Resource Description
		4128	ESSA: Title IV, Part A, Student Support and Academic Enrichment Grant Program (Competitive, available through 2023–24)
Title IV, Part B [1]	21st Century Community Learning Program	4123	ESSA: Title IV, 21st Century Community Learning Centers Technical Assistance
		4124	ESSA: Title IV, Part B, 21st Century Community Learning Centers Program ESSA: Title IV, Part B, 21st Century Community Learning Centers (CCLC) - High School ASSETs ESSA: Title IV, Part B, 21st Century Community Learning Centers (CCLC) - ASSETs Equitable Access ESSA: Title IV, Part B, 21st Century Community Learning Centers (CCLC) - Equitable Access
	Adult Education Basic Grants	3905	Adult Education: Adult Basic Education, English Language Acquisition, and English Literacy and Civics Education
		3913	Adult Education: Adult Secondary Education
		3940	Adult Education: Institutionalized Adults
	Adult Integrated English Literacy and Civic Education Grants	3926	Adult Education: Integrated English Literacy and Civics Education

[1] According to recent information, the federal administration confirmed release of $1.3 billion in funding for Title IV, Part B funds following federal programmatic review.

It is imperative districts identify the amount of funding affected by the recent action to freeze federal public education funds. Districts should also determine potential actions to mitigate the impact, including identifying alternative funding sources or reducing expenditures where feasible. The freeze of federal resources will also impact cash flow.

Districts concerned about fiscal distress due to this loss of federal funding in the 2025-26 fiscal year should contact their county office of education for guidance and support.

Summary

This edition of the Common Message provides LEAs with data and guidance for the 45-Day Budget Revision and related information for board presentations. The state budget continues to face increased risk due to changes in federal policy and funding, which may affect both revenues and expenditures. LEAs must navigate short-and long-term challenges, including volatility in the state revenue forecast, declining enrollment, and attendance, rising pension costs, inflationary pressures, and the expiration of one-time funds. Because each LEA's funding and program structure is unique, it remains essential to continually assess local conditions, collaborate closely with their respective COEs, and develop comprehensive plans to maintain fiscal solvency while preserving the integrity of their educational programs.