

2025-2026 May Budget Revision

Budget Impacts on Schools

May 19, 2025



Housekeeping

- At the end of the presentation, we will have a Question-and-Answer segment where we will try our best to answer your questions
- Please, use the Q & A feature of Zoom to type your questions. This is located on ribbon below the speaker.



- Your questions will be answered either in the Q & A panel or live by our presenters
- All attendees will receive a link to the **video** of this webinar as well as **the slide deck**





Today's Presenters

- ▶ **Patrick O'Donnell**, Chief, Governmental Relations
- ▶ **Chris Reeve**, Legislative Director
- ▶ **Erika Hoffman**, Deputy Legislative Director for State and Federal Programs
- ▶ **Carlos Machado**, Legislative Advocate
- ▶ **Dan Merwin**, Legislative Advocate

Moderator:

- ▶ **Troy Flint**, Chief Communications Officer

May Revise Overview

What is the May Revise?

- The formal presentation of updated general fund revenues collected pursuant 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



State Budget Deficit

- January Budget projected a moderate surplus of \$363 million
- Due to economic factors and program costs, the budget now has a deficit estimated at \$12 billion
- Multiple factors are contributing to the increase in the deficit:
 1. Federal budget actions, including off again – on again tariffs impacting the economy
 2. Growth in health care costs, especially due to expanded MediCal eligibility
 3. Wildfires in Los Angeles and Ventura Counties have delayed tax filings until Oct. 15 for residents in those counties



Proposition 98 Overview

- Revised *minimum* guarantee for the current year is \$118.9 billion – \$300 million below the January Budget estimate
- For 2025–26, the minimum guarantee is estimated to be \$114.6 billion
- When accounting for adult education, Proposition 28 and other agencies, the Prop 98 total for the split is approximately \$110.45 billion
 - ❖ TK–12 share: \$98.38 billion – 89.07%
 - ❖ Community College share: \$12.07 billion – 10.93%
- The revised three-year estimate for Prop 98 is:
 - ❖ \$98.5 billion in 2023-24 (suspended by \$8 billion)
 - ❖ \$118.9 billion in 2024-25 (reflects a \$4.3 billion maintenance factor repayment)
 - ❖ \$114.6 billion in 2025-26



Proposition 98 Overview Continued

- According to the Department of Finance, revised estimates of Prop 98 over the three-year period spanning 2023–24, 2024–25 and 2025–26 represent an approximate increase of \$2.9 billion
- In January, Prop 98 was projected to see an increase of \$7.5 billion over the three-year period, this growth has been revised down by \$4.6 billion
- Prop 98 will still grow but by a lesser amount over the three-year budget period
- Prop 98 continues operating under Test 1 in the current year and budget year, i.e., current year funding adjusted for increases in property tax revenue
- Test 1 is estimated to be 39.6% of the overall state budget



Prop 98 Reserve



- The January budget estimated two mandatory deposits into the Prop 98 Reserve; one in the current year and another in 2025-26
- This has changed due to how the reserve is calculated – there will be one \$540 million deposit in the current year, but then the full amount will be withdrawn in 2025-26
- As a result, this will leave nothing in the reserve after next year but also means that the local reserve cap does not apply this year or in 2025-26

Cost-of-Living Adjustment (COLA)

2.3% COLA (\$2.1 billion) included for LCFF, county offices of education and programs historically provided the COLA:

- LCFF Equity Multiplier
- Special Education
- Child Nutrition
- Youth in Foster Care
- Mandates Block Grant
- Adults in Correctional Facilities Program
- Charter School Facility Grant Program
- American Indian Education Centers and the American Indian Early Childhood Education Program

The Proposition 98

“Maneuver #2”



Problem: Maneuver #2

- Consequently, the Governor continues to propose a maneuver to withhold \$1.3 billion in Prop 98 funding from the 2024–25 fiscal year
- Originally proposed to be \$1.6 billion in January, it has been decreased by \$300 million
- According to the Governor, due to “inherent risk in revenue projections” this effort “is intended to mitigate the risk of potentially appropriating more resources to the Guarantee than are ultimately available in the final calculation for 2024-25”

Budget Maneuver is a concerning precedent

- This represents the second effort in as many years to manipulate how the Prop 98 funding guarantee is calculated
- This is not how the guarantee is calculated – public education funding cannot be withheld arbitrarily
- CSBA is opposed to this and is currently in litigation with the state challenging the inclusion of the first Proposition 98 maneuver included in the 2024–25 budget



Governor's Budget Proposals



Student Support and Professional Development (SSPD) Discretionary Block Grant

- Lowers the SSPD Discretionary Block Grant from the proposed \$1.8 billion in January to \$1.7 billion, but maintains the intent that it may be used to address rising costs, as well as the following priorities:
 - 1) Professional development for teachers on the ELA/ELD and Mathematics Framework
 - 2) Teacher recruitment and retention strategies
 - 3) Career pathways and dual enrollment expansion efforts



Special Education

- As a categorical program that receives the statutory COLA, special education funding will receive the 2.3 percent COLA
- \$10 million one-time Prop 98 General Fund for a COE to partner with the University of California, San Francisco Dyslexia Center to support the Multitudes screener (free to LEAs), and expand capacity for educator support for those schools using Multitudes



Literacy Programs

- The January budget proposed \$535 million to support for various literacy programs to implement the English Language Arts/English Language Development Framework and the state's Literacy and English Learner Roadmap
- Adds an additional \$200 million in one-time Prop 98 funding to implement AB 454 (Rivas/Muratsuchi/Rubio) to fund evidence-based professional learning for elementary school educators aligned with the ELA/ELD Framework





Teacher Recruitment and Preparation

- Repurposes the \$150 million in one-time Prop 98 funding for loan forgiveness proposed in the January Budget and instead provides \$100 million in one-time Prop 98 funding to fund stipends for student teachers
- Adds an additional \$14.2 million to the proposed \$50 million for the Golden State Teacher Grant Program
- Provides additional extensions and considerations for teaching candidates who are in the process of obtaining their credential to pass the Reading Instruction Competence Assessment (RICA), including those who received a waiver during the pandemic

Universal Transitional Kindergarten and State Preschool

- Fourth and final year of Universal Transitional Kindergarten roll out. Prop 98 guarantee will be re-benched (grow) by \$2.1 billion to serve all four-year olds in UTK – down by \$300 million from the January budget
- Maintains the proposal to reduce the adult-to-student ratio from 12:1 to 10:1 in the 2025-26 school year and provides \$1.2 billion in ongoing Prop 98 General Fund to meet the ratio
- No funding was proposed to assist impacts on basic aid districts
- State Preschool programs will not receive the proposed 2.3 percent COLA
- Implementation challenges remain – facilities, workforce shortages, transportation, etc



Expanded Learning Opportunities Program (ELOP)

- Maintains the full implementation of ELOP as proposed in the January Budget
- This includes expanding the program to LEAs serving grades TK-6 with an unduplicated pupil percentage of 55 percent or more, which would replace the original threshold of 75 percent unduplicated students
- Increases the proposed funding increase by \$80.5 million from \$435 million as proposed in the January budget to \$515.5 million for over \$4.5 billion in ongoing Prop 98 funding
- May Revise also includes an additional \$10 million to increase the minimum LEA grant amount from \$50,000 to \$100,000



Universal School Meals

- Includes \$90.7 million, down from the \$106.3 million proposed in the January budget in ongoing Proposition 98 General Funds to fully fund the universal school meals program
- This is on top of the \$1.8 billion provided in 2024–25





Major Takeaways

- Federal actions and health care costs driving significant costs for the overall state budget
- Budget generally protects TK-12 public education funding
- Proposed maneuver #2 continues to set a worrisome precedent by undermining Prop 98

Be an Advocate

What can you do?

- Act on CSBA Action Alerts
- Respond to CSBA's May Revise Advocacy
- Work with your PACER
- Speak to the importance of Prop 98
- Meet with your local elected leaders, including their staff, regularly
- Host site visits – show what works and what is not working and why
- Stay in touch with CSBA – bill positions, emails, etc

Federal Advocacy



Federal Reconciliation

What is Federal Reconciliation?

- Allows the Congress to take expedited actions on certain tax, spending, and debt limit issues
- Importantly (or consequently), reconciliation can be passed on a majority vote in both houses

CSBA is Advocating for Congress to:

1. Reject proposed changes to Medicaid that impact children and lessen funding for school-based health and mental health services
2. Oppose new or expanded work requirement thresholds and other cuts to the Supplemental Nutrition Assistance Program (SNAP)
3. Extend the Secure Rural Schools program through FY 2029
4. Allow California and other states to continue developing safeguards for artificial intelligence

FY 2026 Budget

CSBA is Advocating the Congress to:

1. Reinstate the \$1 billion School Based Mental Health Services Grant program and restore other behavioral health grants suspended by the U.S. Department of Education
2. Preserve core K-12 formula programs in all the Title (I to V) programs under Every Student Succeeds Act (ESSA) at no less than the FY 2025 levels to avoid disrupting targeted services for the highest need students
3. Fulfill the Individuals with Disabilities Education Act (IDEA) promise by creating a defined path to the statutory 40 percent federal share by FY 2030
4. Reinstate and maintain ESSA Title II educator quality grants, expand teacher residency programs, and authorize housing tax credits for educators to strengthen the workforce pipeline



A close-up of a silver mesh microphone on a black stand, positioned in the lower-left foreground. The background is a large, out-of-focus crowd of people, suggesting a public event or rally. A dark blue rectangular box is overlaid on the right side of the image, containing white text.

Make your voice heard!

Respond to CSBA's federal Action Alert
opposing reconciliation and budget
proposals harmful to students and public
schools

2025-26 May Revision Budget Perspectives Workshops

In collaboration with:



Learn more:

<https://budgetperspectivesworksho.regfox.com/may-revision-workshop-2025-26>



Thank you & Questions

