

TK-12 EDUCATION

California provides instruction and support services to roughly 5.8 million students in grades transitional kindergarten (TK) through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, more than 1,000 local school districts, and more than 1,200 charter schools provide instruction in English, mathematics, history, science, and other core competencies to provide students with the skills they will need upon graduation to either enter the workforce or pursue higher education.

The May Revision includes total funding of \$137.8 billion (\$80.5 billion General Fund and \$57.3 billion other funds) for all TK-12 education programs. The May Revision reflects significant Proposition 98 funding that enables increased support for core programs such as the Local Control Funding Formula (LCFF), special education, TK, nutrition, and preschool.

PROPOSITION 98

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for TK-12 schools and community colleges (collectively referred to as TK-14 schools). The Proposition 98 minimum guarantee (Guarantee), which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The LCFF is the primary mechanism

for distributing these funds to support students attending TK-12 public schools in California.

At May Revision, the revised estimates of General Fund revenues result in notable adjustments to the Proposition 98 Guarantee. The revised Guarantee for TK-14 schools is calculated to be \$98.5 billion in 2023-24, \$118.9 billion in 2024-25, and \$114.6 billion in 2025-26. These revised Proposition 98 levels represent an increase of approximately \$2.9 billion over the three-year period relative to the 2024 Budget Act, and a decrease of approximately \$4.6 billion from Governor's Budget.

Due to the inherent risk in revenue projections, the May Revision proposes to appropriate the 2024-25 Guarantee at \$117.6 billion, instead of the currently calculated level of \$118.9 billion. The difference between the appropriated and the calculated levels is less than at Governor's Budget, at \$1.3 billion instead of \$1.6 billion. This 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. The 2024-25 Guarantee level will not be finalized until that fiscal year is certified—a process that will occur throughout 2026.

The Guarantee is in a Test 2 for 2023-24 (although suspended at \$98.5 billion) and continues to be in a Test 1 for 2024-25 and 2025-26. This means that the funding level of the Guarantee for 2024-25 and 2025-26 is equal to roughly 40 percent of General Fund revenues, plus local property tax revenues. Pursuant to the Proposition 98 formula, this percentage of General Fund revenues is not reduced to reflect enrollment adjustments, which further increases per pupil funding.

The Proposition 98 Guarantee is “rebenched” to reflect the continued implementation of universal TK and property tax backfills related to the January 2025 fires in the County of Los Angeles. The resulting Test 1 percentage is then “rebenched” to increase the percentage of General Fund revenues due to the Guarantee, from 39.2 percent to 39.6 percent.

PROPOSITION 98 RAINY DAY FUND

The May Revision maintains the withdrawal of the full \$8.4 billion balance in the Public School System Stabilization Account (Proposition 98 Rainy Day Fund) in 2023-24. The Governor's Budget included deposits into the Proposition 98 Rainy Day Fund of \$1.2 billion in 2024-25 (this was a mandatory deposit) and \$376 million in 2025-26 (this was a discretionary deposit).

Adjustments in capital gains revenues at the 2025-26 May Revision are projected to reduce the mandatory deposit in 2024-25 to \$540 million. Additionally, a decrease in the Proposition 98 Guarantee triggers a mandatory withdrawal of \$540 million in 2025-26, exhausting the remaining Fund balance.

PROPOSITION 98 FUNDING SPLIT

The May Revision includes a shift in how TK expansion funds are distributed between TK-12 schools and community colleges. In prior years, consistent with the statutory Proposition 98 split, 10.93 percent of the amount of General Fund rebench into the Proposition 98 Guarantee for the cost of TK expansion was added to the community colleges budget. Over the three-year budget window, this has resulted in \$492.4 million in increased resources for community colleges, and a like amount of funding that has not been available for TK-12 schools to implement the expansion of TK.

The May Revision shifts the full TK expansion funding to the TK-12 education side of the Proposition 98 budget. This reduces by a like amount the resources for community colleges. However, the purpose of rebenching Proposition 98 for the cost of TK expansion was to ensure that implementation of universal TK did not create a fiscal burden on existing TK-12 programs, therefore this shift will align resources generated by the rebench with this intent.

LOCAL CONTROL FUNDING FORMULA

The Budget includes a LCFF cost-of-living adjustment of 2.3 percent, down from 2.43 percent at Governor's Budget. When combined with population growth adjustments, this will result in an increase of approximately \$2.1 billion in discretionary funds for local educational agencies (LEAs) as compared to the 2024 Budget Act. To fully fund the LCFF, the May Revision uses \$481 million from the Proposition 98 Rainy Day Fund to support LCFF costs in 2025-26.

DEFERRALS

Budgetary deferrals of \$246.6 million for TK-12 education from 2023-24 and 2024-25 are fully repaid in the three-year budget window. However, to fully fund the LCFF and maintain the level of 2025-26 principal apportionments, the Budget proposes deferring \$1.8 billion in LCFF funding from June 2026 to July 2026.

UNIVERSAL TRANSITIONAL KINDERGARTEN

In the 2025-26 school year, the May Revision provides a total of \$2.1 billion ongoing Proposition 98 General Fund (inclusive of all prior years' investments) to support the full implementation of universal TK, so that all children who turn four years old by September 1 of the school year can enroll in the 2025-26 school year—providing access to roughly 51,000 additional children over the 2024-25 school year. This is down slightly from the Governor's Budget estimate of \$2.4 billion, driven largely by revised average daily attendance estimates and a lower LCFF cost-of-living adjustment.

The May Revision also provides an additional \$1.2 billion ongoing Proposition 98 General Fund to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom. This is also lower than the Governor's Budget estimate of \$1.5 billion, again driven by revised average daily attendance estimates.

BEFORE SCHOOL, AFTER SCHOOL, AND SUMMER SCHOOL

The Expanded Learning Opportunities Program is a multi-year investment plan to implement before, after, and summer school instruction and enrichment for students in grades TK-6, with a focus on LEAs with the highest concentrations of low-income students, English learners, and youth in foster care, otherwise known as unduplicated pupils.

The May Revision maintains the full implementation of the program by increasing the number of LEAs with TK-6th grade that offer universal access to students, from those with an unduplicated pupil percentage of 75 percent to those with 55 percent unduplicated students. However, increasing unduplicated pupil average daily attendance estimates have increased the estimated cost of this investment, from \$435 million ongoing Proposition 98 General Fund at the Governor's Budget to \$515.5 million at the May Revision.

Additionally, the Budget includes an additional \$10 million to increase the minimum grant amount from \$50,000 to \$100,000 per LEA. This increase will allow small LEAs to maintain expanded learning programming without redirecting funding from other local programs.

LITERACY INSTRUCTION

California's research-based English Language Arts/English Language Development (ELA/ELD) Framework is the state's foundational document to guide literacy instruction. It emphasizes core foundational skills (print concepts/alphabetics, phonological/phonemic awareness, phonics and word recognition, and reading fluency), listening, speaking, writing, and comprehension, along with the vocabulary development and background knowledge needed to develop literacy for multilingual learners.

The Governor's Budget included \$545.3 million in investments to provide LEAs with instructional materials that reflect current research; to support current and future educators to implement the ELA/ELD Framework, the state's Literacy Roadmap, and the state's English Learner Roadmap; and to support LEAs to provide evidence-based literacy instruction to diverse learners through early screening of students in kindergarten through second grade for risk of reading difficulties, including dyslexia, and an expanded Literacy Coaches program that will include a new opportunity to support mathematics coaches in addition to literacy coaches. The May Revision builds upon this comprehensive package by including all of the following:

- \$200 million one-time Proposition 98 General Fund to support evidenced-based professional learning for elementary school educators aligned with the ELA/ELD Framework.
- \$10 million one-time Proposition 98 General Fund for a county office of education to partner with the University of California, San Francisco (UCSF) Dyslexia Center to support the Multitudes screener, which is free to California public schools, and expand capacity for educator support for those schools using Multitudes. In late 2024, the UCSF-developed Multitudes literacy screener (which was supported with \$28.7 million in state funds) became widely available for use by schools across the state and was named one of four screeners approved by the state to meet the new reading difficulties screening mandate for all kindergarten through second grade students, beginning in 2025-26.
- Authority for the Department of Education to draw down funding awarded through the federal Comprehensive Literacy State Development grant to leverage and expand existing statewide infrastructure, resources, and expertise to bring coherence to the state's system of literacy supports and improve student outcomes over a period of five years.

TEACHER PREPARATION AND PROFESSIONAL DEVELOPMENT

Preparing, training, and recruiting a diverse, expert workforce of administrative, credentialed, and classified staff to work in public TK-12 schools continues to be critical to the success of the entire system. But staffing shortages persist and make it imperative that barriers to teaching are removed for qualified teacher candidates, and that existing teachers are provided with the training they need to be successful.

The Governor's Budget included multiple proposals intended to support teachers and improve access to the educator pipeline. The May Revision builds on these proposals by including the following:

- Repurposing \$150 million one-time Proposition 98 General Fund for the Teacher Recruitment Incentive Grant Program to, among other things, provide \$100 million one-time Proposition 98 General Fund to fund stipends for student teachers.
- Extending the deadlines by one year, 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.
- Allowing: (1) 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 (2) 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.

STUDENT SUPPORT AND PROFESSIONAL DEVELOPMENT DISCRETIONARY BLOCK GRANT

Given the reduction in Proposition 98 resources, the May Revision updates the amount of one-time Proposition 98 General Fund available for the Student Support and Professional Development Discretionary Block Grant to \$1.7 billion (from \$1.8 billion at Governor's Budget). These funds will provide LEAs with additional fiscal support to address rising costs, as well as fund statewide priorities including: (1) professional development for teachers on the ELA/ELD Framework and the 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 efforts consistent with the Master Plan for Career Education.

OTHER TK-12 EDUCATION ISSUES

Below are additional adjustments in the May Revision that add to, reduce, or amend proposals from the Governor's Budget.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Local Property Tax Adjustments**—\$309 million in additional Proposition 98 General Fund for school districts and county offices of education in 2024-25, and a decrease of \$1.1 billion ongoing Proposition 98 General Fund for school districts and county offices of education in 2025-26, resulting from increased offsetting property taxes.
- **Cost-of-Living Adjustments**—\$174 million ongoing Proposition 98 General Fund to reflect a 2.3 percent cost-of-living adjustment for specified categorical programs and the LCFF Equity Multiplier. The specified categorical programs include 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.
- **Nutrition**—\$90.7 million in additional ongoing Proposition 98 General Fund to fully fund the universal school meals program in 2025-26.
- **Special Olympics**—\$30 million one-time General Fund, available over three years, for the Special Olympics of Northern and Southern California. The Special Olympics serves thousands of athletes in community and school-based programs in California, providing children with intellectual disabilities with opportunities to improve their overall health and wellness, gain leadership skills, and participate in enriching programs.
- **Summer Electronic Benefits Transfer (SUN Bucks)**—\$21.9 million in additional ongoing Proposition 98 General Fund to support the SUN Bucks Program, which provides nutrition funding to eligible students during the summer months. These funds will provide the match to an equal amount of federal funds to support the program.

- **Secondary School Redesign Pilot Program**—\$15 million one-time Proposition 98 General Fund for a county office of education 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.
- **County Offices of Education**—\$12.9 million ongoing Proposition 98 General Fund, increased from \$12.2 million at Governor's Budget, to reflect ADA changes applicable to the county office of education LCFF, and a 2.3-percent cost-of-living adjustment.
- **TK Multilingual Learner Supplementary Funding**—\$7.5 million one-time Proposition 98 General Fund, available through the 2026-27 fiscal year, to mitigate reductions in supplemental and concentration grant funds to LEAs resulting from the recent exemption of TK students from the English language proficiency assessment.
- **Regional English Learner Lead Agencies**—\$2 million ongoing Proposition 98 General Fund to support Regional English Learner lead agencies that assist schools in providing focused support to English Learners.
- **Fire-Related Property Tax Backfill**—A one-time fire-related property tax backfill of \$1.2 million in 2024-25 and \$8.5 million in 2025-26 for impacted basic aid school districts.
- **California Association of Student Councils**—\$500,000 one-time Proposition 98 General Fund to support the California Association of Student Councils.

ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the May Revision includes General Fund solutions to achieve a balanced budget. These include:

- **Reversion of Unallocated School Facilities Funds**—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 will not be able to use the funds by this date. Proposition 2 facilities funds will be available for fire-impacted LEAs to access moving forward, as needed.
- **Suspension of the State Preschool Cost-of-Living Adjustment**—A reduction of \$19.3 million ongoing Proposition 98 General Fund and \$10.2 million ongoing

General Fund to reflect the suspension of the statutory cost-of-living adjustment for the California State Preschool Program in 2025-26.