

Governor's Proposals for the 2025-26 State Budget and K-12 Education

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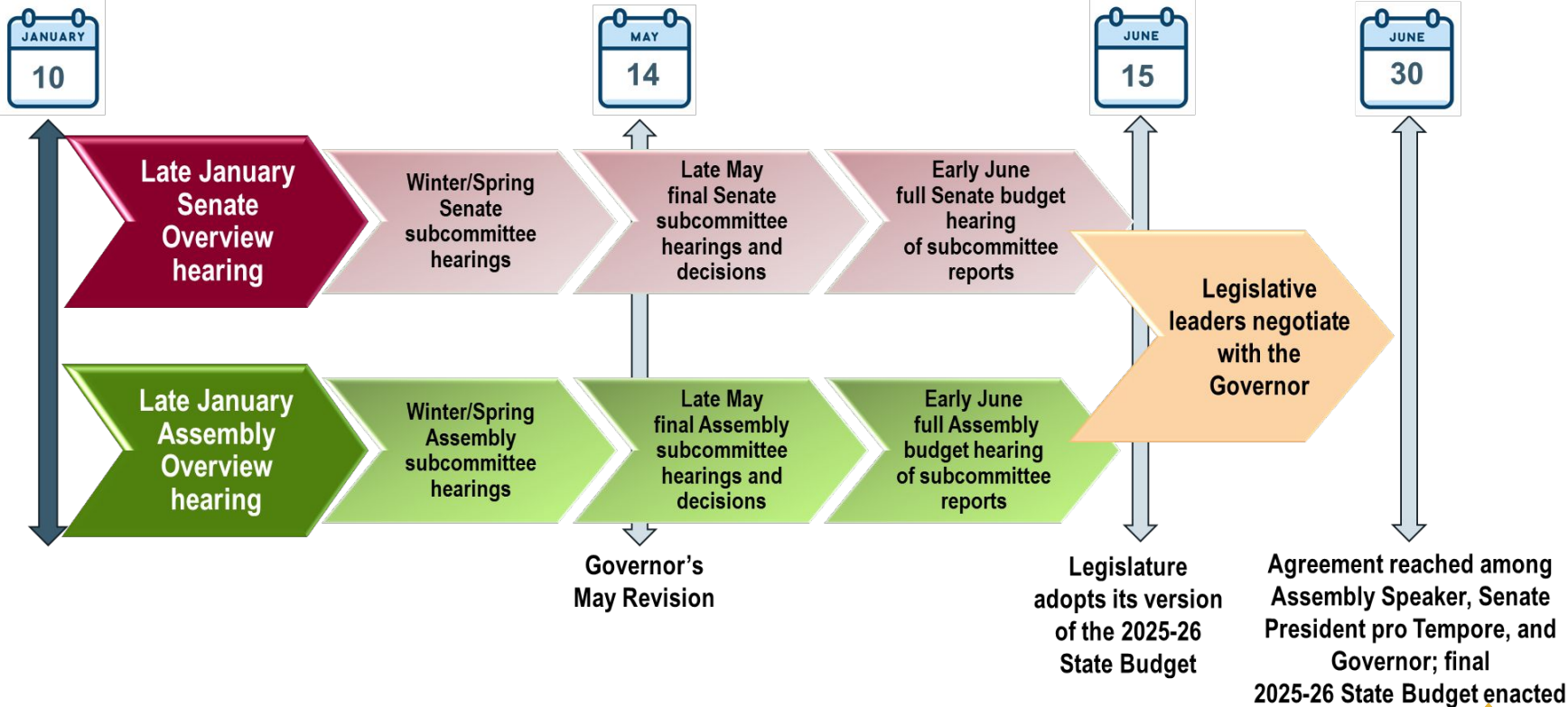
Presentation Items

- Overview
- Proposed State Budget and the State Economy
- Proposed Proposition 98 and Education Funding
- Proposed State Budget and Santa Rosa City Schools Impacts
- Next Steps
- Questions

Overview The Annual Budget Reporting Cycle



Overview Continued - State Budget Process—From January to June



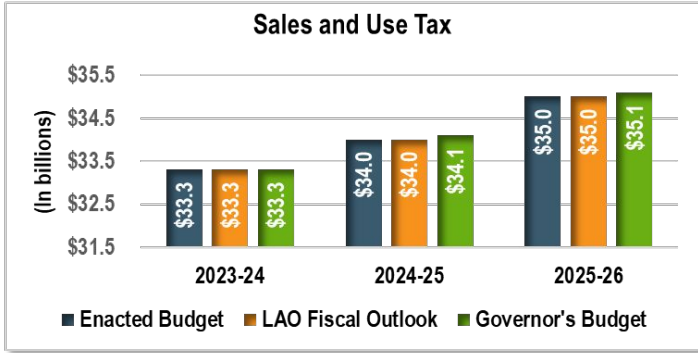
Proposed State Budget and the State Economy

- Governor Gavin Newsom released his 2025-26 proposal amidst one of California's most devastating natural disasters
- Following last year's proposed Proposition 98 "maneuver" to reduce education funding in the long term, his current proposal appears to under-appropriate the 2024-25 minimum guarantee by \$1.6 billion
- The protection of every Proposition 98 dollar is critical to ensure local leaders can provide high-quality education and services to their students
- The California economy is continuing to grow with mixed signals for the road ahead
- Inflation is persistent and the slowing of interest rate reductions by the Federal Reserve is impacting the state's housing market

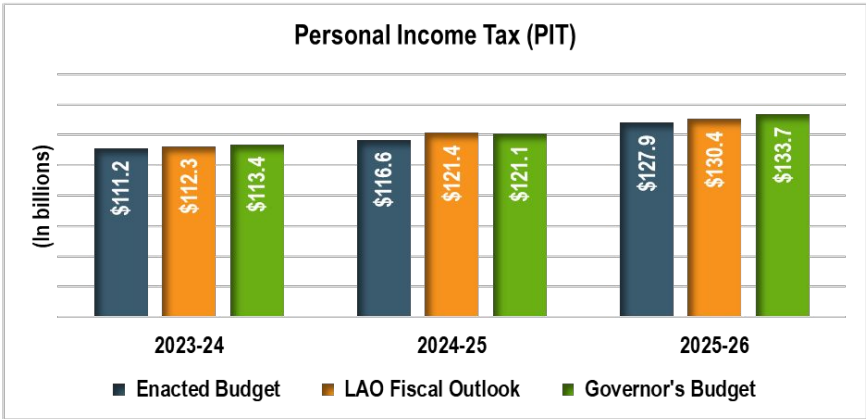
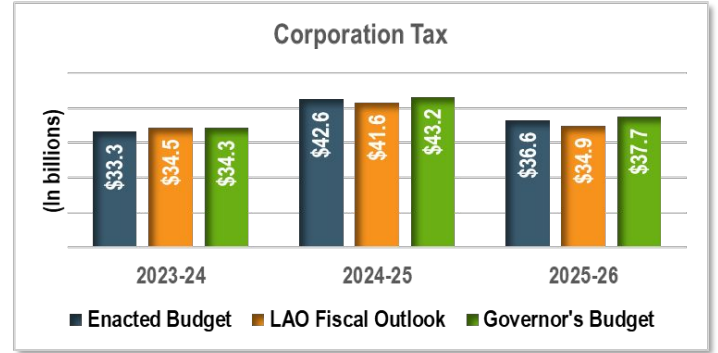
Proposed State Budget and the State Economy

- With increased economic uncertainty, there are notable risks to Governor Newsom's 2025-26 State Budget and economic forecast
- The Governor's Budget projects a \$17 billion surplus and healthy reserves
- The Governor presents a balanced budget that assumes steady, stable national growth
- One of the greatest risks to the California economy and the Governor's budget assumptions is the state's vulnerability to the impacts of tariffs and changes in immigration policy
- The largest source of state General Fund revenues is derived from taxes on personal income, including capital gains. Notably, according to the Governor's Budget Summary, "the tax liability of the top one percent is highly volatile and often unconnected to the growth of the broader economy." This can add difficulty to forecasting revenues. The state's heavy reliance on capital gains from high-income earners and vulnerability to a fluctuating stock market emphasizes the need for fiscal prudence.

Big Three Taxes—Governor’s Budget vs. LAO Fiscal Outlook



Governor’s Budget revenue projections for 2025-26 are higher than the Enacted Budget and the LAO¹ Fiscal Outlook for the “Big Three”



- Corporation taxes hit a peak in 2024-25 due to temporary tax credit and net operating loss deduction limits
- Over the 2023-24 through 2025-26 budget window:
 - PIT is projected to be 3.6% higher than forecast at Enacted Budget
 - Corporation taxes are forecast 2.2% higher than Enacted Budget

Source: 2024-25 Enacted Budget, 2025-26 Governor’s Budget Summary, and LAO Fiscal Outlook

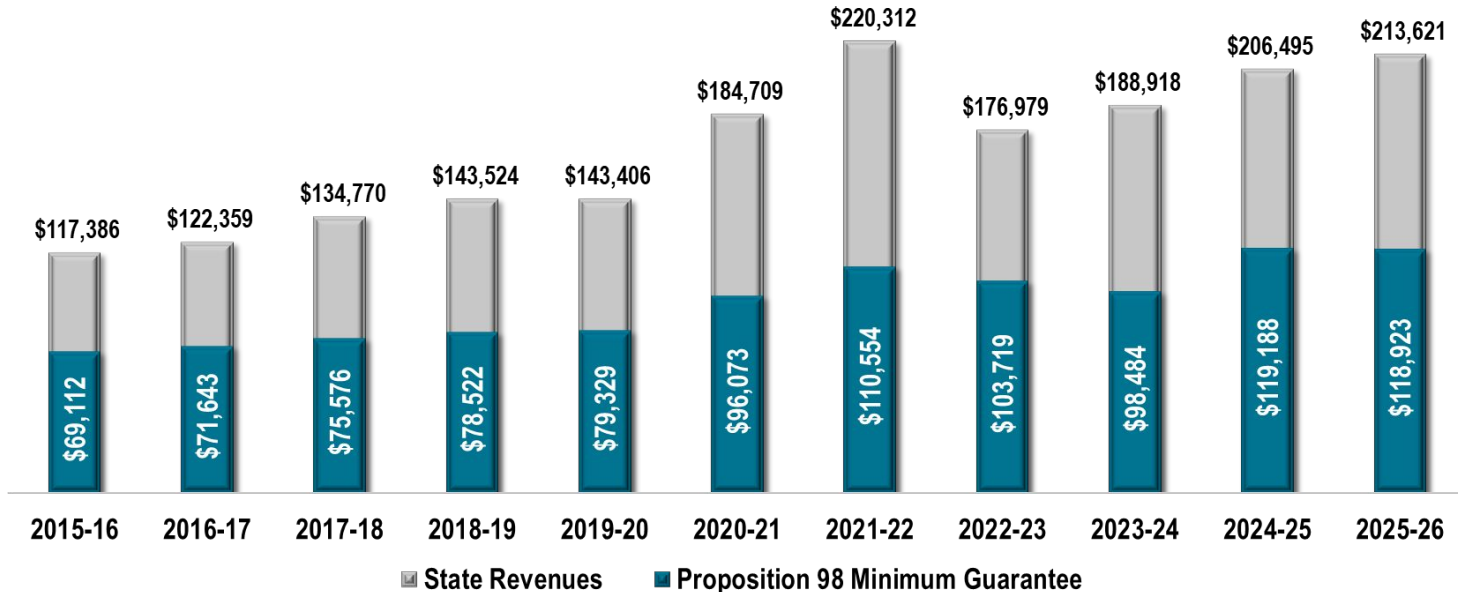
¹Legislative Analyst’s Office (LAO)

Proposed Proposition 98 and Education Funding

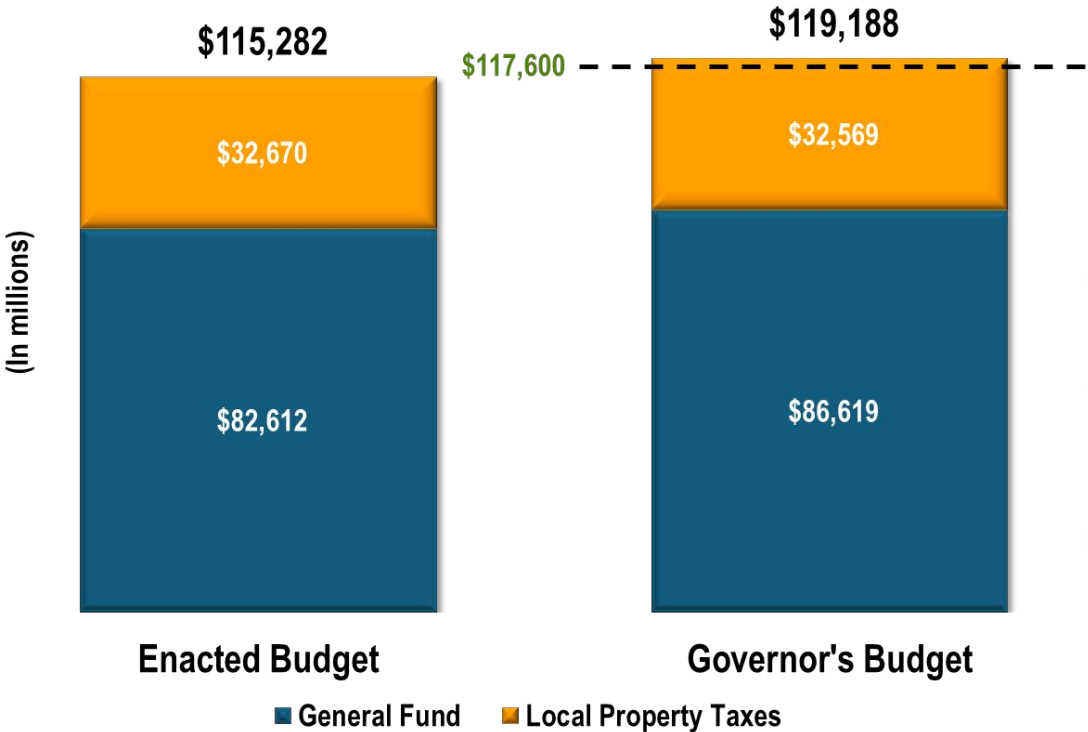
- Proposition 98 is a bright spot of the Governor's Budget
- Within the state's spending limit, Proposition 98 funding encumbers over half of available revenue
- Eliminates reliance on one-time funding to support the Local Control Funding Formula (LCFF) and other ongoing costs
- Provides one-time discretionary resources
- Fully funds the estimated cost-of-living adjustment (COLA)
- But we must be mindful that the state meets its minimum funding obligation to public education every year—including 2024-25

Proposed Proposition 98 and Education Funding

- K-14 education funding continues to encumber a significant share of California's annual Budget
- Within the state's spending limit, Proposition 98 funding, including local property taxes, has averaged 55% of state General Fund revenues since 2015—2025-26 is no different



Proposed Proposition 98 and Education Funding



Due to unanticipated General Fund revenues, the 2024-25 minimum guarantee is revised upward by \$3.9 billion

“[T]he Budget proposes to appropriate the Guarantee at \$117.6 billion, instead of at the currently calculated level of \$119.2 billion...”

Proposed Proposition 98 and Education Funding Risks to Proposition 98 and our Budget

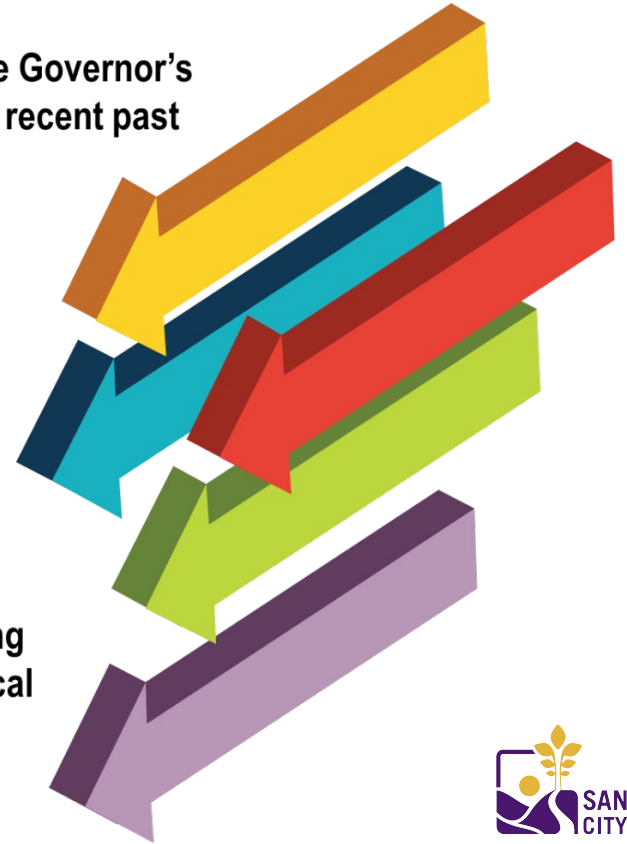
- The education community can breathe a collective sigh of relief as the Governor's Budget contains fewer risks to Proposition 98 and local budgets than recent past

Eliminates reliance on one-time funding to support the LCFF and other ongoing costs

Slowly replenishing the Proposition 98 reserve for times of uncertainty and fiscal turmoil

Fully funding COLA

- The greatest risk to local budgets are local—accounting and budgeting for enrollment changes and rising costs continue to be critical for fiscal health management



Proposed State Budget and Santa Rosa City Schools Impacts

2025-26 LCFF Funding Factors

Grade Span	TK ¹⁻³	4-6	7-8	9-12
2024-25 Base Grant per ADA	\$10,025	\$10,177	\$10,478	\$12,144
2.43% COLA	\$244	\$247	\$255	\$295
2025-26 Base Grant per ADA	\$10,269	\$10,424	\$10,733	\$12,439
Grade Span Adjustment	\$1,068	–	–	\$323
2025-26 Adjusted Base Grant per ADA	\$11,337	\$10,424	\$10,733	\$12,762
20% Supplemental Grant per ADA²	\$2,267	\$2,085	\$2,147	\$2,552
65% Concentration Grant per ADA³	\$3,316	\$3,049	\$3,139	\$3,733
TK Add-On per ADA (inclusive of COLA)	\$6,404⁴	–	–	–

¹Transitional kindergarten (TK)

²Maximum amount per ADA—to arrive at LEA’s grant amount, multiply adjusted base grant per ADA by 20% and unduplicated pupil percentage (UPP)

³Maximum amount per ADA—to arrive at LEA’s grant amount, multiply adjusted base grant per ADA by 65% and UPP above 55%

⁴Inclusive of an additional \$3,252 for the student-to-adult ratio reduction from 12:1 to 10:1

Proposed State Budget and Santa Rosa City Schools Impacts

2025-26 LCFF Funding Factors

		2025-26	2026-27	2027-28
2024-25 Enacted Budget	Projected COLA	2.93%	3.08%	3.30%
	Projected LCFF Revenue	\$165,518,047	\$168,920,783	\$176,390,445
2025-26 Governor's Budget	Projected COLA	2.43%	3.52%	3.63%
	Projected LCFF Revenue	\$165,518,047	\$168,101,108	\$176,285,607
Change in Projected LCFF Revenue		\$ -	-\$819,675	-\$104,838

Proposed State Budget and Santa Rosa City Schools Impacts Special Education

Special education will receive the 2.43% estimated statutory COLA increase applied to all components of Assembly Bill (AB) 602, and to special education adjacent, but non-restricted funding such as the State Mental Health Services, as shown below.

Program or Funding Source	2024-25 Rate	2025-26 Estimate
AB 602 Base Rate	\$896.89	\$918.68
Program Specialist Regionalized Services	\$20.00	\$20.48
Low Incidence ¹	\$3,688.11	\$3,777.73
Special Education Mental Health Services	\$80.95	\$82.92

Sonoma Special Education Local Plan Area (SELPA) Fiscal Allocation Model, on February 3, 2025, the Superintendent's Council approved a funding methodology that will allocate AB 602 funds based on ADA, along with additional funding for students requiring specialized health services. The new funding model will be phased in, with full implementation in fiscal year 2026-27.

Proposed State Budget and Santa Rosa City Schools Impacts

Other State Programs

- Expanded Learning Opportunities Program
- Universal Transitional Kindergarten
- Nutrition
- Facilities

Proposed State Budget and Santa Rosa City Schools Impacts

One-Time Funding

- Student Support and Professional Development Discretionary Block Grant
- Learning Recovery Emergency Block Grant
- Teacher Preparation and Professional Development

Next Steps - for 2025-26 Budget Development—SSC Advice

- We do not yet have allocation or program details for many proposals in the Governor’s Budget
 - Until more detail becomes available, do not include in 2025-26 budget development

Program	Include in 2025-26 Budget Development	Develop Tentative Internal Plan for Funding/Program Requirements
2.43% COLA (all applicable programs)	✓	
LREBG Additional Funding		✓
TK LCFF Add-On For Ratios		✓
Discretionary Block Grant		✓
TK-12 Literacy and Mathematics Coaches/Literacy Screenings		✓
ELO-P 55% Threshold		✓

Next Steps

March 2025

- 2024-25 Second Interim
- 2023-24 Audit
- Community Messaging

April 2025

- Community Messaging
- School Consolidation/Closure
- FSAC Work

May 2025

- Governor's May Revision to the 2025-26 Budget Proposal

Board Member Questions

