



May 30, 2025

TO: Business Administrators
Los Angeles County School Districts
Regional Occupational Centers/Programs (ROC/Ps) and
Joint Powers Authorities (JPAs)
Charter Schools

FROM: Octavio Castelo, Director
Business Advisory Services

SUBJECT: 2025-26 Governor's May Revision Budget

Executive Summary

This Informational Bulletin includes the best information based on the 2025-26 May Revision and subsequent trailer bill language. Projections following the May Revision are subject to change based on the Budget Subcommittees' negotiations with the Governor. The LEA ("district") should anticipate updates and changes throughout this process. The Los Angeles County Office of Education ("LACOE") will provide updated information as it becomes available.

2025-26 Annual Budget and Local Control and Accountability Plan (LCAP) Submission Process

Public Hearing

A public hearing for the LCAP and Annual Budget must occur at a separate board meeting and be held at least one day before board adoption. The board adoption and public hearing **cannot** occur on the same day.

Board Adoption

The 2025-26 LCAP and Annual Budget must be adopted by the district governing board and submitted to LACOE **no later than July 1, 2025**. The LCAP and Annual Budget must be submitted using forms approved by the State Board of Education (SBE) and submitted using the Standardized Account Code Structure (SACS) web system (see Attachment 4 for submission details). Education Code (EC) 42127(a)(2) requires the district governing board to adopt the LCAP **before** adopting the annual budget.

Fiscal Stabilization Plan (FSP)

Submission of an FSP is required if the following circumstances occur:

- The allocation of B10 adjustments in the Multi-Year Projection (MYP)
- Projection of significant unrestricted deficit spending and/or depletion of the Unrestricted General Fund
- Not meeting reserves in any fiscal year

The FSP **must identify specific actionable expenditure reductions and/or revenue enhancements with associated cost savings and timelines** that will enable the district to meet the minimum required level of reserves for economic uncertainties and to fulfill its financial obligations. **The FSP must be board approved and be a separate action item on the LEA board agenda.** Our review of the FSP will focus on the district's capacity to implement the expenditure reductions and/or revenue enhancements in order to meet reserve requirement, cash and other financial commitments for the current and subsequent two fiscal years.

The following link provides access to LACOE's FSP template, which can serve as a valuable resource for the development of your LEA's FSP:

<https://www.lacoe.edu/services/business/bas/financial-management>

Cash Borrowing and Board Resolution

Districts should have board resolutions to authorize inter-fund and County Treasurer borrowing, with borrowing caps that are sufficient to meet immediate cash needs. For information regarding cash borrowing, please refer to [Informational Bulletin \(IB\) No. 6981](#), dated April 18, 2025, issued by the Division of School Financial Services, which is available on our website:

<https://www.lacoe.edu/Bulletins.aspx>

Tax and Revenue Anticipation Notes (TRANS)

Tax and Revenue Anticipation Notes (TRANS) are short-term borrowing instruments designed to address temporary cash flow gaps within a fiscal year. These notes are commonly utilized by districts to maintain financial stability during periods of uneven revenue cycles or immediate cash flow needs.

As TRANS constitute other non-voter approved debt, LACOE requires districts to provide advance notice of any planned issuance. For more information on TRANS see [LACOE Bulletin 6991](#): 2025-26 Tax and Revenue Anticipation Notes (TRANS) Pool. To initiate the review process, districts must complete and submit Form #504-075 along with all required supporting documentation.

The form is available on the LACOE website:

<https://www.lacoe.edu/services/business/forms>

Local Reserve Cap

The Governor's May Revision maintains the full withdrawal of the \$8.4 billion balance from 2023-24. With the projected changes in capital gains revenues, the May Revision reduces the mandatory deposit into the Public School System Stabilization Account (PSSSA) in 2024-25 from \$1.2 billion to \$540 million. In 2025-26, rather than deposit an additional \$376 million, the drop in the Proposition 98 guarantee triggers a mandatory withdrawal from the PSSSA, which will completely deplete the PSSSA.

With the PSSSA balance of \$540 million in 2024-25, the 10 percent school district reserve cap will not be operative in 2025-26.

Committed Fund Balance and Board Approval

If the district wishes to commit any portion of the fund balance, the commitment of funds will require formal board action and detailed reporting on the SACS forms. Formal action is clearly achieved through a board resolution. Alternatively, if there is no separate resolution, the district's formal board action must fulfill the requirements listed below:

- Clearly articulate committed funds within the board presentation and assumptions
- Provide specificity in the board's formal action to approve the budget *e.g.*, "*the board approves the fiscal year 2025-26 budget including \$15.00 million of commitments for the mitigation of declining enrollment, increasing pension costs, and unspent supplemental/concentration grant funds.*"

Reserve for Economic Uncertainties (REU) Disclosure

An REU disclosure, per Education Code Section 42127(a)(2)(B), is required, at Adopted Budget, if a school district includes a combined assigned and unassigned ending fund balance in excess of the minimum REU requirement. At the LCAP and Annual Budget public hearing, the district must provide the following disclosure for public inspection and comment:

- The minimum required reserve for economic uncertainties for each fiscal year.
- The combined assigned and unassigned ending fund balances that are in excess of the minimum required reserve for economic uncertainties for each fiscal year.
- A statement of reasons substantiating the need for an assigned and unassigned ending fund balance in excess of the minimum required reserved for economic uncertainties for each fiscal year (See Attachment 6 for a sample template).

Budget Overview

On May 14, 2025, Governor Newsom released the 2025-26 May Revise Budget. The May Revise reflects a 2025-26 General Fund budget of \$226 billion, a decline compared to the January budget proposal of \$233 billion. Compared to the January budget, the 2025-26 shortfall increased by an additional \$8 billion,

with a total shortfall of \$11.8 billion. Of the \$11.8 billion shortfall, the Governor has proposed \$5 billion in expenditure reductions.

Proposition (Prop 98)

The Prop 98 minimum guarantee for 2025-26 is \$114.6 billion, which is a decrease of approximately \$4.6 billion when, compared to the January budget proposal. Prop 98 remains operative under Test 1 for fiscal years 2024-25 and 2025-26. The May Revise Budget includes a Local Control Funding Formula (LCFF) cost of living adjustment (COLA) of 2.3 percent, down from 2.43 percent in January. This COLA adjustment will provide LEAs with \$2.1 billion in discretionary funds, down from \$2.4 billion in January. The May Revise Budget proposes a deferral of \$1.8 billion in LCFF funding from June 2026 to July 2026.

Additionally, the Governor continues his proposal from January to appropriate *less* than the \$118.9 billion currently calculated Prop 98 2024-25 minimum guarantee, appropriating instead a lesser \$117.6 billion to districts, referring to the \$1.3 billion shortfall as “settle up.” The intention is to mitigate the risk of potentially appropriating more resources to Prop 98 than are ultimately available in the final calculation for 2024-25.

Statutory Cost of Living Adjustment (COLA)

The May Revise proposes a statutory COLA of 2.30 percent, a slight decrease as compared to the January Proposed Budget. The statutory COLA applies to other state programs such as the LCFF Equity Multiplier, Special Education, Child Nutrition, Foster Youth, Mandated Block Grant, Charter School Facility Grant program, etc. (State Preschool is specifically called out as **not** receiving the COLA). Below is the projected COLA for the 2025-26 year and subsequent years:

COLA Rates

2025-26	2026-27	2027-28	2028-29	2029-30
2.30%	3.02%	3.42%	3.31%	3.24%

CalSTRS and CalPERS

The projected CalSTRS and CalPERS rates are included in the table below.

CalSTRS Rates

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Employer	16.92%	19.10	19.10%	19.10%	19.10%	19.10%	19.10%	19.10%

CalPERS Rates

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Employer	22.91%	25.37%	26.68%	27.05%	26.81%	26.90%	27.80%	27.40%

Grade Span Adjustment (GSA)

The GSA grant provides additional funding for grades TK-3 (classroom-size-reduction) and 9-12 Career Technical Education (CTE). Districts must maintain K-3 average class sizes of 24:1 ratio, or an alternative ratio as mutually agreed to with the impacted bargaining unit(s).

The GSA augmentation to the LCFF base grant supports lowering class sizes in grades K-3. Unless there is a collectively bargained alternative ratio in place, districts must ensure all school site average class enrollment ratios meet the target ratio of 24:1 (rounded to the nearest half or whole integer), or that they are making progress to close the K-3 class size gap in proportion to progress toward closing the LCFF gap, as a condition of apportionment. **Districts that fail to meet the above requirements at each school site will lose 100 percent of this additional funding in that fiscal year, estimated to be \$1,067 per ADA for all ADA generated in grades K-3.** The TK-3 GSA requirement will be included in the 2025-26 Audit Guide. 2025-26 recommended GSA rates are below. See the following paragraphs for details on the TK program.

LACOE Recommended Assumptions

<i>Grade Span</i>	<i>Effective 2025-26 Base Grant per ADA</i>	<i>GSA Augmentation</i>	<i>2025-26 Adjusted Base Grant per ADA</i>
<i>TK-3</i>	\$10,256	\$1,067	\$11,323
<i>4-6</i>	\$10,411	-0-	\$10,411
<i>7-8</i>	\$10,719	-0-	\$10,719
<i>9-12</i>	\$12,423	\$323	\$12,746

Transitional Kindergarten

Beginning on July 1, 2025, all TK classrooms must be staffed at a 10-to-1 student-to-adult ratio. While the legislature intends to provide funding to support this staffing ratio, compliance with the ratio is no longer contingent on receiving additional funding. Districts will need to incorporate this lower staffing ratio into their MYPs.

The Trailer Bill proposes revision to the class size penalty structure. Under the new language, districts would lose ADA funding for each student exceeding the 24-pupil cap. This change is intended to offer flexibility and mitigate fiscal penalties in cases of mid-year TK enrollment growth.

- Also starting in 2025-26, credentialed teachers assigned to TK classes (including independent study), must meet **one** of the following criteria by August 1, 2025:
 - Have completed at least 24 units in early childhood education, childhood development, or both.
 - Have professional experience in a classroom setting with preschool-age children, as determined and documented by the employing LEA, that is comparable to 24 units of relevant education and meets the criteria established by the LEA's governing board or body.

- Hold a child development teacher permit or an early childhood education specialist credential issued by the California Commission on Teacher Credentialing.

Transitional Kindergarten Add-On

The 2025–26 Governor's May Revision introduces a dedicated LCFF TK add-on rate of \$5,545 per ADA, which is distinct from the TK-3 Grade Span Adjustment (GSA). This add-on is structured to support the implementation of reduced student-to-adult ratios in TK classrooms and is composed of:

- \$3,148 per pupil to support the existing 12:1 student-to-adult ratio requirement.
- An additional \$2,397 per pupil to meet the new 10:1 ratio requirement effective in 2025-26.

This funding is intended as an increase for the 2025-26 fiscal year and is subject to legislative approval. **School Services of California (SSC) has flagged the proposed rate of \$5,545 as a high-risk budget assumption. Districts are advised to utilize only \$3,148 per pupil when including it in the budget assumptions.** The TK add-on is separate from the TK-3 GSA and will be monitored for compliance through future audit guidance.

Districts should remain attentive to updates from the Legislature regarding the final status of this funding and any associated implementation requirements.

LCAP and the Learning Recovery Emergency Block Grant (LREBG)

The LCAP revised template instructions require the inclusion of all LREBG expenditures in the LCAP going forward. These changes impose new requirements for the use of LREBG funds starting in 2025-26. LREBG funds expended between 2025-26 and 2027-28 must be supported by a needs assessment, with both planned and actual expenditures documented in the LEA's LCAP.

For those LEAs that are already planning on carrying over LREBG funds to 2025-26, additional funds allocated through the 2025-26 budget could be incorporated into the 2025-26 budget and LCAP through a midyear update and the Annual Update in 2025-26. For LEAs that were not expecting LREBG funds in 2025-26, options might include:

- Incorporating the new allocation into their 2025-26 LCAP and budget adoption but clearly calling out in writing in the LCAP and budget assumptions that these dollars and actions are dependent on the new LREBG funds being included in the adopted state budget.
- Documenting the needs assessment in the LCAP summary sections but waiting to put the funds into the LCAP and budget. Then the dollars and actions could be added as part of the midyear update and Annual Update if the funds are approved in the state budget.
- Waiting until 2026-27 to incorporate the funds into the budget and LCAP, recognizing that even more LREBG funds may be allocated by the state in subsequent years.

Supplemental and Concentration (S&C) Grants

EC 42238.07(d) (1-3) and (e) designates unspent S&C grant funds as “carryover” funds and are required to be allocated as contributing actions to increase or improve services for the upcoming year. The carryover calculation must be completed as part of the annual update process of the LCAP. **Districts should either assign or commit carryover funds (a board resolution is required for committed funds) and submit documentation with the Annual Budget documents.**

Refer to Attachment No. 1 for the 2025-26 adjusted LCFF base grant and the projected S&C grant funding per ADA.

Federal Funding Uncertainties

Federal funding remains one of the most unpredictable areas within LEA budgets, with uncertainty of ongoing revenues. Typically, federal sources account for approximately 10 percent of the average LEA budget. However, the complexities surrounding layoff provisions and the timing of potential reductions make these unknowns even more challenging to forecast, necessitating careful planning for various scenarios.

It is anticipated that some federal programs identified for cuts may affect LEA funding in the 2026-27 fiscal year. Nevertheless, given the unprecedented nature of these times, there is a possibility of reductions occurring as early as 2025-26. Districts should be aware that potential reductions in federally funded programs will compound other budgetary pressures, such as declining enrollment, rising costs, and the expiration of one-time funds.

Furthermore, the May Revise highlights that the state budget is now facing a larger deficit than previously projected. While solutions have been proposed to avoid funding cuts for 2025-26, the uncertain economic forecast means we cannot assume that the 2026-27 fiscal year will maintain the same funding levels, including a funded COLA.

Districts must prepare for multiple uncertain funding streams and ensure that known details are managed with fidelity. This includes:

- Decreasing expenses in line with declines in enrollment
- Reducing expenses equivalent to the amount of one-time programs that are no longer funded
- Maintaining sufficient reserves to cover expenses when funding is unexpectedly reduced mid-year, as indicated in recent federal communications

Attendance Recovery

As outlined in the 45-Day Budget Revision, beginning July 1, 2025, school districts, classroom-based charter schools, and county offices of education (COEs) may provide attendance recovery programs to classroom-based students to make up for lost instructional time, offset absences, and mitigate the associated learning loss and fiscal impacts. A few key elements of the program include:

- Beginning in fiscal year 2025-26, LEAs can add up to 10 days or a student's total absences for the current year, whichever is fewer, as attendance recovery time per pupil for ADA reporting.
- Attendance credit is limited to a maximum of five days per school week for school districts and COEs, and one day per calendar day on which instruction is provided for charter schools.
- Recovery time must be taught by certificated teachers.
- Participation is voluntary and at the election of the student, parent or guardian.
- Attendance recovery program pupil-to-certificated-teacher ratios are 10-to-1 for TK and K, and 20-to-1 for grades 1-12, inclusive.
- Expanded Learning Opportunity Program (ELOP) funds may be used to fund attendance recovery programs in conjunction with, and at the same site(s) as, the LEA's ELOP activities.

Instructional Continuity

Instructional Continuity provisions focus on facilitating continuity of learning during emergencies that disrupt regular classroom instruction.

As of July 1, 2025, LEAs must include an instructional continuity plan in their comprehensive school safety plan. Plans must include procedures for student engagement within five (5) days of an emergency and hybrid or remote learning opportunities within ten (10) instructional days.

Instructional Continuity also encourages LEAs to plan to meet the instructional standards that are equivalent to independent study programs.

Form J-13A submittals for events occurring in fiscal year 2026-27 and beyond will require, LEAs to certify that they have a comprehensive school safety plan that includes an instructional continuity plan that complies with the aforementioned engagement and instructional offering requirements. If the LEA did not offer engagement and instruction during an emergency, it must, as part of the J-13A submittal, describe the circumstances that prevented it from doing so and explain what engagement and instruction, if any, it did provide.

Detailed instructions and answers to common questions can be found on the CDE's website:

<https://www.cde.ca.gov/re/di/or/icpguidance.asp>

Categorical Programs

Below are funding rates for ongoing and one-time state program funding appropriated to eligible recipients. All ongoing and one-time categorical program funding results and profiles are available on the CDE website:

<https://www.cde.ca.gov/fg/aa/ca/>

Details for specific categorical programs see Attachment No. 1.

Proposition 28 – Arts and Music Education in Public Schools Initiative (AMS)

Proposition 28 funding is proposed to receive an appropriation of \$1.05 billion. Spending plans are required to be developed at the school site level. Below is a table showing critical reporting dates for AMS.

Report Name	Frequency	Due Date
School Site Expenditure Plan	Annual	Expenditure plan required per site, but not mandated to be posted on the LEA website or submitted to CDE
Annual Report	Annual	June 30, 2024
Annual Certification	Annual	2024-25 year – due June 30, 2025
Expenditure Report	October 1 after the three-year expenditure spending period or 60 days after ceasing operations (charter schools only). AMS portal for the 2023-24 allocation available from 5/1/26 through 9/30/26.	

FCMAT Calculator

We are requesting districts utilize the FCMAT LCFF Calculator (Version 26.1c) and submit an electronic excel version with their budget submission for their 2025-26 Annual Budget. The current version is available at:

<https://www.fcmat.org/lcff>

County Office Solvency Evaluation

The County Office will assess solvency in accordance with State Criteria and Standards, requiring districts to demonstrate their capacity to meet cash commitments over the current and two subsequent fiscal years. District budgets should be updated to reflect any changes, incorporating these modifications into current and multi-year financial projections. It is essential for districts to continue exercising prudent fiscal practices when addressing potential budget challenges, developing multiple best-case and worst-case scenarios, and adopting a sensible approach in planning for the current and two subsequent fiscal years.

Deficit Spending

Statewide declining enrollment, combined with the expiration of federal one-time funds, may lead to district deficit spending. It is crucial to distinguish between the portions of the deficit that are ongoing and those that are one-time. Any significant reductions reflected in the multi-year financial projections

should be addressed through concrete spending reduction plans or accompanied by a fiscal solvency statement outlining the governing board's commitment to address future reductions. Conducting monthly cash flow analyses is essential for identifying financial trends and avoiding cash shortages.

Below is sample language for a fiscal solvency statement, which may be used as a stand-alone resolution or included with the approval of the Annual Budget Report:

- In preparing the 2025-26 Annual Budget, the Board acknowledges its fiduciary responsibility to maintain fiscal solvency for the current year and the subsequent two fiscal years.
- Based on the 2025-26 Governor's May Revision and anticipated increases in ongoing costs, the Board anticipates the need for \$XX million in ongoing budget reductions in 2025-26 to maintain fiscal solvency.
- Furthermore, it is recognized that a Board-approved budget reduction list for 2025-26 First Interim and an implementation timeline will be included with the 2025-26 First Interim submission.

As districts potentially face declining fund balances, it is important to exercise caution when identifying funds for negotiated salary increases. Modest revenue gains from the COLA may be offset by declining enrollment and rising payroll costs, including retirement and health benefit rates. Each district's ability to manage and sustain salary increases will vary based on its unique financial circumstances.

Maintaining substantial reserves is essential to safeguard against potential economic downturns. The Government Finance Officers Association recommends reserves of at least 17 percent, which typically covers about two months of salary expenses for most organizations. Please note the reserve cap is not applicable for 2025-26 but could become effective in future years.

Contingent Revenues and Expenditure Reductions

Districts should not include revenue sources that are of a contingent or speculative nature. Examples of speculative revenue include the continuation of one-time funds in future years, pre-election bond or parcel tax proceeds and non-contractual donations/contributions from foundations or cities. ***Districts that include speculative non-Board approved expenditure reductions pending the finalization of negotiations should include an alternative expenditure reduction plan. Also, districts utilizing B10 unallocated reductions should provide detailed explanation of use.***

Supporting Narratives and Explanations

All districts must submit written narratives, quantitative information to support the financial planning, and program assumptions used in projecting the district's fiscal position for FY 2025-26 through FY 2027-28. Submission of the financial and planning assumptions is critical for the Annual Budget Report. A recommended list of topics that should be covered by the written narrative is attached to this bulletin (Attachment No. 3).

State Web-Based Standardized Account Code Structure (SACS) Financial Reporting System

The Standardized Account Code Structure (SACS) Web-based Financial Reporting System facilitates the preparation and contains the components to prepare the 2025-26 Annual Budget Report. For information about updates and other changes, please refer to the CDE website at:

www.cde.ca.gov/fg/sf/fr

You can also reference the online “SACS Web System - Interim Reporting” on the LACOE Business Advisory Services website at:

<https://www.lacoe.edu/services/business/bas>

Approval and Submission of Annual Budget Report

Districts must present the Annual Budget Report and certified documents in the SACS format prescribed by the State Superintendent of Public Instruction to their Governing Board for approval before submission to the County Office. Attachment No. 4 provides a list of documents required to be filed with the County Office and includes additional detailed information about those forms.

Financial Data Required of Charter Schools

Attachment No. 5 provides information regarding the responsibility of authorizing districts for their charter schools.

Accessing Data in BEST for Annual Budget Report

The timelines for the BEST Advantage System – Financial (FIN) are set for the third Friday of the following month, except for the year-end closing. For more details, please refer to Informational Bulletin No. [6995](#) found at:

<https://www.lacoe.edu/bulletins>

County Office Assistance

The staff member in Business Advisory Services assigned to your district (Attachment No. 7) are available to assist you in these areas:

- Revenue and Budget Projection
- LCFF revenue projections including impact of the TK-3 Grade Span Adjustment (GSA) Augmentation Grant
- Other Federal, State or Local Revenues/Expenses
- Cash Flow Projections / External Borrowing / Cash Deferrals / Commitment of Funds
- Educational Protection Account (EPA)
- Supplemental and Concentration Augmentation Grants

- State/Federal Apportionments
- State Aid
- Special Education

Please ensure you are using the latest version (v26.1c) of the FCMAT LCFF calculator to prepare your district's 2025-26, 2026-27 and 2027-28 LCFF calculations and email the Excel copy to laco_e_sacs@laco.e.edu and your Business Services Consultant.

Charter schools should contact their authorizer, not the County Office, with questions regarding apportionments, timelines, forms, Second Interim assumptions, or any other issues.

This bulletin and its attachments are posted on the LACOE website at:

<https://www.laco.e.edu/Bulletins>

Use the "Search" box in the Bulletins section to locate a specific bulletin by number or keyword.

If you have questions regarding this bulletin, please contact Octavio Castelo, Director Business Advisory Services at (562) 922-6131, Dave Wilson, Financial Advisory Services Officer at (562) 922-7469, Steven Choi, Financial Advisory Services Officer at (562) 940-1768, or your Business Services Consultant (Attachment No. 7).

Approved:

Karen Kimmel, Chief Financial Officer
Business Services

KK/OC/SC/DW:lm

Attachments

LOS ANGELES COUNTY OFFICE OF EDUCATION
Business Advisory Services
2025-26 Annual Budget Assumptions and Recommendations

Key Planning Factors for 2025-26 Annual Budget and MYPs

The following key planning factors should be incorporated into LEAs' 2025-26 Annual Budget and multiyear projections (MYPs). These factors are based on the most up-to-date information available:

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	\$191.00	\$191.00	\$191.00
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	\$3,148.00 ⁴	\$3,243.00 ⁴	\$3,354.00 ⁴

Mandate Block Grant			
School Districts			
Grades K-8 per ADA	\$39.09	\$40.27	\$41.65
Grades 9-12 per ADA	\$75.31	\$77.58	\$80.23
Charter Schools			
Grades K-8 per ADA	\$20.52	\$21.14	\$21.86
Grades 9-12 per ADA	\$57.04	\$58.76	\$60.77

¹Effective January 1, 2026, ²Effective January 1, 2027, ³Effective January 1, 2028. ⁴The rates do not reflect the May Revise proposal to increase the rate to \$5,545 in 2025-26, \$5,712 in 2026-27, and \$5,907 in 2027-28.

Local Control Funding Formula (LCFF)

The Base Grant rates per ADA for 2025-26, 2026-27 and 2027-28 based on the Governor's Enacted Budget are:

Grade Level	2024-25 Base Grant/ ADA	2025-26 COLA 2.30%	2025-26 Base Grant/ ADA	2026-27 COLA 3.02%	2026-27 Base Grant/ ADA	2027-28 COLA 3.42%	2027-28 Base Grant/ ADA
TK-3	\$10,025	\$231	\$10,256	\$310	\$10,566	\$361	\$10,927
4-6	\$10,177	\$234	\$10,411	\$314	\$10,725	\$367	\$11,092
7-8	\$10,478	\$241	\$10,719	\$324	\$11,043	\$378	\$11,420
9-12	\$12,144	\$279	\$12,423	\$375	\$12,798	\$438	\$13,236

Augmentation Grant

The Augmentation Grant provides additional funding for grades TK-3 and 9-12 Career Technical Education (CTE). The Class Size Reduction (CSR) augmentation is 10.40 percent of the TK-3 Base Grant, estimated at \$1,067 per average daily attendance (ADA) for 2025-26. Districts must maintain average class sizes of 24:1 as a condition of receipt unless a local alternative ratio is bargained. This class size requirement is not subject to a waiver by the State Board of Education. The CTE augmentation is 2.60 percent of the 9-12 Base Grant, estimated at \$323 per ADA for 2025-26. The T-K add-on of \$3,148 is in addition to the adjusted base grant amount and is adjusted by statutory COLA each year.

<i>Grade Span</i>	<i>Effective 2025-26 Base Grant per ADA</i>	<i>GSA Augmentation</i>	<i>2025-26 Adjusted Base Grant per ADA</i>
<i>TK-3</i>	\$10,256	\$1,067	\$11,323
<i>TK Add On</i>	-0-	-0-	\$3,148
<i>4-6</i>	\$10,411	-0-	\$10,411
<i>7-8</i>	\$10,719	-0-	\$10,719
<i>9-12</i>	\$12,423	\$323	\$12,746

Supplemental and Concentration Grants

School districts and charter schools are entitled to supplemental grant increases equal to 20 percent of the adjusted base grant (including CSR and CTE funding) for the percentage of enrolled students who are English learners, eligible for the free or reduced-price meals program, or in foster care. An additional 65 percent per-pupil increase is provided as a concentration grant for each percentage of eligible students enrolled beyond 55 percent of total enrollment, with 15 percent of the concentration grant to be used to increase the number of adults providing direct services (nurses, teachers, counselors, paraprofessionals, and others) to students.

The district should compare the amount of S&C grant funds projected for the current year with budgeted and actual expenditures for planned actions to increase or improve services to their unduplicated pupils. EC 42238.07(d) and (e) requires any unspent S&C grant funds to be carried forward and spent on actions that contribute toward meeting the increased or improved services requirement. The carryover calculation must be completed as part of the annual update process of the LCAP. Districts are encouraged to assign or commit fund balance for the expected carryover in their budget documents.

The LCFF establishes a base with supplemental and concentration add-ons for English Learners (EL), free and reduced-price meal eligible students and foster youth students and provides additional funding for kindergarten through grade three (K-3) CSR, Grades 9-12, Home-to-School Transportation, and the Targeted Instructional Improvement Grant (TIIG).

Supplemental and Concentration grants are calculated based on the percentage of an LEA's enrolled students who are EL, eligible for the free or reduced-price meal program, or foster youth – also commonly referred to as the unduplicated pupil percentage (UPP). Supplemental and Concentration Grants are calculated based on the number of “unduplicated pupils” as a percentage of an LEA's enrolled students.

Grade Span	2025-26 Adjusted Base Grant per ADA	20% Supplemental Grant per ADA	65% Concentration Grant per ADA
K-3	\$11,323	\$2,265	\$3,312
4-6	\$10,411	\$2,082	\$3,045
7-8	\$10,719	\$2,144	\$3,135
9-12	\$12,476	\$2,549	\$3,728

Charter Schools

Similar to districts, charters will receive a LCFF base rate for each of the four grade spans and augmentation funding for the TK-3 GSA for CSR and Grades 9-12 GSA for CTE. However, charter schools **are not** subject to the 24:1 class size requirement as a condition of apportionment.

In addition, supplemental and concentration grant percentages will be limited to the percentage associated with the school district where the charter school physically resides.

Home to School Transportation

School districts and county offices of education will be reimbursed for pupil transportation services an amount equal to 60 percent of the prior year reported home to school transportation expenditures within function 3600, excluding capital outlay or non-agency expenditures. For information on eligible expenditures, refer to the California School Accounting Manual (CSAM) Procedure 325-21. This reimbursed transportation allowance will be reduced by any applicable transportation add-on amount within the LCFF calculations for the school district or county office of education.

The annual COLA will apply to the add-on transportation funding within the LCFF apportionment exhibits.

As a condition of receiving the reimbursed transportation allowance, the school district or county office of education shall develop a plan describing the transportation services it will offer to its pupils and how it will prioritize planned transportation services for pupils in TK thru grade 6 and pupils who are low income. **The plan should have been adopted by the governing board on or before April 1, 2025 and must be updated annually by April 1.**

The plan shall include the following components:

- A description of the transportation services that would be accessible to pupils with disabilities and homeless pupils.
- A description of how unduplicated pupils would be able to access the home to school transportation with no fees.
- Development in consultation with classified staff, teachers, school administrators, local transit authorities, local air pollution control districts, air quality management districts, parents, pupils, and other stakeholders.
- Provision for the school district or county office of education to partner with a municipally owned transit system to provide transportation services for middle school and high school pupils.

Independent Study

As a reminder, the 2024-25 State Budget included statutory changes to independent study that are effective in the current fiscal year and beyond. These changes include:

- Eliminating the requirement for students to participate for a minimum of three consecutive school days before earning ADA.
- Increasing the allowable duration of short-term independent study to 15 days or fewer.
- Defining long-term independent study as 16 days or more.
- Authorizing LEAs to collect signed written agreements for short-term independent study at any time during the year, while maintaining the requirement that agreements be signed and collected before the start of long-term independent study.
- Expanding the definition of pupil work product to include the daily time value a student spends engaged in asynchronous instruction, regardless of whether work product is produced.

Independent study cannot be used to retroactively capture ADA for prior absences. For additional details on recovering ADA for previous absences, please refer to the “Attendance Recovery” section of this message.

In addition, the budget and subsequent cleanup legislation clarified that the time value of pupil work product and asynchronous instruction must first be documented in hours or fractions of an hour before being converted to days of attendance for all students participating in independent study, whether through COEs, school districts, or charter schools.

School Based Medi-Cal Administrative Activities (SMAA)

There is no current indication or notification that funding for the School Based Medi-Cal Administrative Activities (SMAA) program is at risk of being reduced or cut in the foreseeable future. It should be noted that since the SMAA program operates two years in arrears, an LEA would not be impacted by a change in reimbursement rates in the near term.

Cash Management

As previously noted, the 2025-26 May Revised Budget proposes a deferral of \$1.8 billion in LCFF funding from June 2026 to July 2026. Per School Services of California, it estimated that approximately 24 percent of the June 2026 apportionment will be deferred to July 2026. Districts should ensure they have Board resolutions to authorize inter-fund and County Treasurer borrowing, and that the borrowing caps are appropriately set (i.e., are high enough to meet identified cash needs). For additional information regarding cash borrowing, please refer to Informational Bulletin (IB) No. 6981, dated April 18, 2025, issued by the Division of School Financial Services, which is available on our website:

<https://www.lacoe.edu/Bulletins>

Contingent Assumptions

Districts should not include revenue sources in their Annual Budget projections of a contingent or speculative nature. Examples of speculative revenue would be pre-election bond or parcel tax proceeds and non-contractual donations from foundations or cities. Districts are also cautioned

against including cost savings pending negotiations in their financial projections, including furlough days, salary and/or benefit rollbacks, and freeze on step and column.

CalSTRS On-Behalf Payments

In the Standardized Account Code Structure (SACS), the appropriate journal entry to recognize the State's on-behalf pension contribution to CalSTRS is to debit pension contribution expenditures by fund, goal, and function in proportion to the LEA's own pension contributions to CalSTRS by fund, goal, and function with a corresponding credit to state revenue. This activity should occur in Resource Code 7690, and revenues will equal expenditures. Additional guidance can be found on the CDE's website at:

<https://www.cde.ca.gov/fg/ac/co/gasb68.asp>

The amount for 2025-26 must be calculated for each entity using guidance provided on the CalSTRS website, which can be found at:

<https://www.calstrs.com/employers>

Expanded Learning Opportunities Program

Beginning in 2025-26, "school districts and charter schools shall annually declare their operational intent to run the Expanded Learning Opportunities Program." This requirement means LEAs will need to affirmatively opt into the program each year to receive funding.

Special Education

The 2025-26 Adopted Budget included a 2.3 percent COLA for the Special Education base grant, increasing it to approximately \$917.52 per funded ADA. In preparing for the 2025-26 Annual Budget, consider the following additional nuances:

- Special Education Local Plan Areas (SELPA) are required to allocate base funding of at least the same amount provided to their member LEAs in the 2024-25 fiscal year for 2025-26. This minimum allocation should be increased by the 2.3 percent COLA and adjusted to account for any changes in the funded ADA.
- LEAs may allocate funds back to their SELPA for purposes of providing regionalized or other programmatic services.
- While the AB 602 funding formula for Special Education is based on each individual LEA's ADA, it is important to analyze and update the projected AB 602 revenue using the current three-year average of ADA. Given the severe decline in enrollment across the state, careful attention is required for each ADA-driven revenue source.
- The moratorium on the creation of new single-district SELPAs has been extended to June 30, 2026.
- The CDE must post each SELPA's annual local plan on its website.

**2025-26 ANNUAL BUDGET ASSUMPTION GUIDELINES
(PER MAY REVISE OF 2025)
PROJECTIONS FOR
FISCAL YEARS 2025-26 THROUGH 2027-28**

The guidelines below are provided to assist you with projections for Fiscal Years 2025-26, 2026-27, and 2027-28.

LCFF REVENUE		2025-26	2026-27	2027-28
Statutory COLA (Based on DOF Estimates)		2.30%	3.02%	3.42%
LOTTERY REVENUE		2025-26	2026-27	2027-28
Unrestricted per ADA		\$191	\$191	\$191
Restricted for Instructional Materials per ADA		\$82	\$82	\$82
Total Lottery Revenue per ADA		\$273	\$273	\$273
MANDATED BLOCK GRANT		2025-26	2026-27	2027-28
Districts per ADA	Grades K-8	\$39.09	\$40.27	\$41.65
	Grades 9-12	\$75.31	\$77.58	\$80.23
Charters per ADA	Grades K-8	\$20.52	\$21.14	\$21.86
	Grades 9-12	\$57.04	\$58.76	\$60.77
OTHER FACTORS		2025-26	2026-27	2027-28
Unemployment Insurance (UI)		0.05%	0.05%	0.05%
CalSTRS Employer Rates		19.10%	19.10%	19.10%
CalPERS Employer Rates		26.81%	26.90%	27.80%
Interest Rate for 10-year Treasuries		4.56%	4.58%	4.50%
CA Consumer Price Index (CPI)		3.42%	2.98%	2.77%
Minimum Wage		\$16.90	\$17.40	\$17.80

LOS ANGELES COUNTY OFFICE OF EDUCATION
Business Advisory Services

Recommended List of Topics that should be Covered by a Written Narrative
(List Not All Inclusive)

The assumptions used in each of the following areas should include explanations for the multiyear projections, and the changes between the projections and the adopted budget with clear indications as to which years they apply.

- Projected growth/decline in actual Enrollment and Average Daily Attendance (ADA)
- Revenues (at Interim Reports, include increases/decreases since the prior approved budget report)
- Expenditures (at Interim Reports, include increases/decreases since the prior approved budget report)
- General Fund obligations for debt repayment (e.g., Certificates of Participation [COPs])
- Anticipated cash shortages, including impact of deferrals and plan to address
- Any new or anticipated Tax and Revenue Anticipation Notes (TRANs) (including the amount and dates of repayment)
- Any deficit spending, including any plan to address
- Reserve for Economic Uncertainties (REU) including plans to address any shortfall
- Use of Education Protection Account (EPA) Funds (see [EPA FAQs](#))
- Status of K-3 Class Size of 24:1; Expanded TK; executed collective bargaining agreement or MOU which exempts district from requirement
- Status of negotiations (settled, not settled, me too provisions, impasse, fact-finding)
- Information regarding the status of all other funds (e.g., deferred maintenance and contribution to Routine Restricted Maintenance Account (RRMA); Funds received; Use of one-time Funds (Federal, State or Local) received

LOS ANGELES COUNTY OFFICE OF EDUCATION
Business Advisory Services

Annual Budget submissions should include the following:

1. Promotion of the dataset in the SACS web system
2. Email **ALL** documents to [**lacoe_sacs@lacoe.edu**](mailto:lacoe_sacs@lacoe.edu):
 - Signed Forms CB and CC
 - Board-approved resolutions for the following:
 - Committed Fund Balance
 - Cash Borrowing
 - Reserve for Economic Uncertainties (REU) Disclosure (Attachment 6)
 - District LCFF calculations for 2025-26, 2026-27, and 2027-28 in an electronic Excel format
 - Form CASH projections for 2025-26 **and** 2026-27 in the SACS web system
 - District narrative, assumptions, and board presentation
 - Board approved, budget adjustments for the 2024-25 Estimated Actuals

LOS ANGELES COUNTY OFFICE OF EDUCATION
Business Advisory Services

Responsibilities of Authorizing Agencies for their Charter Schools

Authorizing districts are required by Education Code (EC) Section 47604.32, to ensure each charter school under its authority complies with all reports required by law of charter schools, and to monitor the fiscal solvency of that charter school. Furthermore, EC Section 47604(d) specifies that failure to comply with all oversight responsibility could result in a district losing its protection against liability for any nonprofit public benefit corporation charter school that the district has authorized.

It is critical charter schools' budgets and interim reports contain sufficient fiscal information to enable their authorizing districts to perform adequate review and analysis of the report as part of their fiscal oversight responsibilities. Although the California Department of Education (CDE) does not prescribe any format for budgets or interim reports, the Standardized Account Code Structure (SACS) software contains reports that may be used by charter schools. If the SACS software budget forms are not used, the format should be similar in format and content to district budgets. Authorizing districts are urged to collect supporting data, in addition to the budget, from their charter school similar to what districts submit to the Los Angeles County Office of Education (County Office), including detailed assumptions and multiyear projections.

Authorizing districts must include a copy of each of their charter school's interim reports with the district interim report submitted to the County Office. School district budgets must continue to include the following charter school-related data:

- **Average Daily Attendance (ADA) (Form A)** – Use the section at the end of Form A to separately account for total district charter school ADA. Please do not include charter school ADA in the K-12 ADA portion of this form.
- **Impact on Declining Enrollment Districts** – Declining enrollment districts must consider the effect of the movement of district ADA to district authorized charter schools. ADA for students who attended a district non-charter the previous year and who now attend a district authorized charter is deducted from prior year ADA for purposes of calculating declining enrollment ADA.
- **In lieu of Property Tax Transfer** – Districts must reflect the In lieu of Property Tax Transfer transactions appropriately.

FINANCIAL DATA REQUIRED OF CHARTER SCHOOLS

Charter schools are required by EC Section 47604.33, to submit the following fiscal reports to their authorizing agency and to the county superintendent of schools:

Report	Due Date (to authorizing agency and county superintendent)
Budget/LCAP	On or before July 1
First Interim	On or before December 15 (reflecting changes through October 31)
Second Interim	On or before March 17 (reflecting changes through January 31)
Unaudited Actuals	On or before September 15

SAMPLE REU Disclosure Statement



SAMPLE TEMPLATE REU Disclosure Requirements

Name of District

Per Education Code Section 42127 (a), the following Reserve for Economic Uncertainties (REU) information will be presented at a public hearing on:

Date of Hearing

	BUDGET YEAR 	FIRST OUT-YEAR	SECOND OUT-YEAR
	Amount	Amount	Amount
1) Assigned Fund Balance <i>(Fund 01 & 17)</i>			
2) Unassigned Fund Balance <i>(Fund 01 & 17)</i>			
3) Total Assigned and Unassigned Fund Balance <i>(Line 1 + 2)</i>	\$ 0	\$ 0	\$ 0
4) Minimum Recommended REU			
5) Amount Exceeding Minimum REU <i>(Line 3 - 4)</i>	\$ 0	\$ 0	\$ 0
6) If the amount in Line 5 is greater than zero, provide the reason(s):			
Budget Year:			
First Out-Year:			
Second Out-Year:			

Form No. 504-074 Rev. 07/13/2017

Attachment No. 6 to:
Informational Bulletin No. 7001

LOS ANGELES COUNTY OFFICE OF EDUCATION
Business Advisory Services - Fiscal Monitoring District Assignments
2025-26 Annual Budget Review Cycle

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Castaic Union SD Downey USD Eastside Union SD Hacienda La Puente USD Hawthorne SD La Cañada USD Lawndale Elementary SD Mountain View SD San Gabriel Valley ROP South Pasadena USD Westside Union SD Wilsona SD	ABC USD Alhambra USD Bellflower USD East Whittier City SD Palmdale SD Pupil Transportation Co-op Redondo Beach USD Rowland USD South Whittier SD Tri-Cities ROP Whittier City SD Whittier Union HSD	Claremont USD Culver City USD El Monte City SD El Segundo USD Long Beach USD Los Angeles USD Los Nietos SD Monrovia USD San Marino USD Santa Clarita Valley Food Services Torrance USD
Dave Wilson wilson_david@laoe.edu (562) 922-7469	Andrew Surendranath surendranath_andrew@laoe.edu (562) 922-6743	Hoyt Yee yee_hoyt@laoe.edu (562) 940-1705
Rosemead SD Palos Verdes Peninsula USD	Azusa USD Baldwin Park USD Bonita USD CALAPS JPA Hermosa SD Hughes-Elizabeth Lakes SD Lancaster SD Newhall SD Norwalk-La Mirada USD Paramount USD Santa Monica-Malibu USD Valle Lindo SD Wiseburn USD	Acton-Agua Dulce USD Bassett USD Charter Oak USD Covina-Valley USD Duarte USD Garvey SD Gorman Joint SD Lennox SD Pomona USD San Antonio ROP SCROC West Covina USD