



**CALIFORNIA COUNTY
SUPERINTENDENTS**

The Common Message

2024-25 Second Interim Report

BASC

Business and Administration
Services Committee

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Sources

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

Since May 2008, COE chief business officials (CBOs) have collaborated to develop common messages to guide districts in crafting assumptions for their budget and interim reports. The Business and Administration Services Committee (BASC) supports this endeavor by providing COE CBOs with a uniform common message based on assumptions used by the California Department of Finance (DOF).

BASC would like to thank the 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.

- [ACOE Support Contacts for Districts](#)
- [District Business & Advisory Services Webpage](#)

Upcoming Workshops and Resources:

As you go through the guidance, keep in mind some upcoming workshops that will help you explore specific topics in more detail or assist with future planning:

School Services of CA:

- Federal Compliance – How to Stay Out of Trouble – 02/25/25
- School Calendars and Bell Schedules Roundtable – 02/27/25
- Dual Enrollment – 03/04/25
- Employee Discipline – 03/11/25
- Making Financial Decisions for Maximum Impact – Winter 2025
- Independent Study – Compliance and Best Practices – 04/01/25
- SACS 101 – Budget Development– 04/08/25
- Maintenance of Effort – 04/22/25
- May Revision Workshop – 05/21/25
- Attendance Recovery Roundtable – 05/29/25

FCMAT:

- Projection-Pro: Cashflow – 02/25/25
- Projection-Pro: Multiyear Projection – 03/27/25
- [Leadership and Fiduciary Responsibilities for School Business Officials](#)
- [Position Control and Financial Management](#)
- [Fraud and Insolvency Risk Indicators for School Districts and Charter Schools](#)
- [Leading Through Challenges](#)
- [To Gift or Not to Gift \(Public Funds\)](#)
- [Projection Pro for Multiyear and Cashflow Projection](#)

Key Guidance Based on the Governor's Budget Proposal

On January 10, 2025, Governor Gavin Newsom released the proposed state budget for 2025-26. The Governor's Budget represents an increase of approximately \$7.5 billion in Proposition 98 guarantee funding over the three-year period relative to the 2024 Budget Act. However, the budget proposes to provide only \$117.6 billion for education programs in 2024-25, instead of the current calculated Proposition 98 level of \$119.2 billion for that year. This is intended to mitigate the risk of appropriating more resources than are ultimately available when the final calculation for 2024-25 are made after the end of the fiscal year. The 2025-26 budget includes \$118.9 billion in Proposition 98 funding for all TK-12 programs for continued fiscal stability to meet the obligations to TK-12 education.

The major TK-12 funding provisions in the 2025-26 Governor's Budget are as follows:

- Proposition 98 Rainy Day fund includes a \$1.2 billion deposit in 2024-25 and \$376 million in 2025-26 for a revised balance of \$1.5 billion at the end of 2025-26. This balance does not trigger school district reserve caps in 2025-26.
- The funded cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF), special education and several other categorical programs outside the LCFF is 2.43%.
- The budget provides a total of \$2.4 billion ongoing funding (inclusive of all prior years' investments) to support the full implementation of universal transitional kindergarten (TK) so that all children who turn four years old by September 1 of the school year can enroll in TK. The budget also provides an accumulated amount of \$1.5 billion in on-going funding to support lowering the average student-to-adult ratio from 12-to-1 to 10-to-1 in every TK class.
- The budget includes \$378.6 million in one-time funding to support the Learning Recovery Emergency Block Grant (LREBG) through 2027-28.
- The budget includes nearly \$1.8 billion in one-time funding for the Student Support and Professional Development Discretionary Block Grant to address rising costs and to fund statewide priorities including: (1) professional development for teachers on the ELA/ELD framework; (2) professional development for teachers on the mathematics framework; (3) teacher recruitment and retention strategies; and (4) career pathways and dual enrollment. Proposed funds will be disbursed on an average daily attendance (ADA) basis and will be available through June 30, 2029.

- Expanded Learning Opportunities Program includes \$435 million in ongoing funds for full implementation of the program increasing the number of LEAs that offer universal access to students from those with an unduplicated pupil percentage of at least 75% to those with an unduplicated pupil percentage of at least 55%. This funding also includes ongoing support to LEAs with less than 55% unduplicated pupils to provide access to all unduplicated pupils.
- A Master Plan for Career Education is proposed for cross-agency collaborative planning and coordination with state and regional education and workforce initiatives.
- The budget proposal includes continued investments in evidence-based literacy and professional learning including: \$500 million in one-time funds for TK-12 literacy & mathematics coaches, \$40 million in one-time funds for purchase of screening materials and training for educators to administer literacy screening, \$25 million (\$5 million annually through 2029-30) to launch a Literacy Network within the Statewide System of Support, and \$300,000 in one-time non-Prop 98 in 2024-25 for the Instructional Quality Commission to develop a curriculum guide and resources for teaching personal finance per Assembly Bill (AB) 2927.
- The budget includes \$150 million in one-time funding to support recruitment and retention of teachers to serve in priority schools through the new Loan Repayment for Teachers in Priority Schools Program and an additional \$100 million in one-time funding to extend the timeline of the existing National Board Certification Incentive Program.
- Kitchen Infrastructure and Training grants of \$150 million one-time funds for specialized kitchen equipment, infrastructure and training to provide freshly prepared meals with locally-grown ingredients.
- Universal Meals receives additional ongoing funding of \$106.3 million.
- English Language Proficiency Screening instrument for TK students receives \$10 million in one-time funding to support multilingual learners.
- TK-12 High Speed Network budget includes a proposed \$3.5 million in additional ongoing funding.
- The budget includes \$2 million in one-time funding for IEP digitization and translation into multiple languages.
- Homeless Education Technical Assistance Centers, which were first established through the American Rescue Plan Act's Homeless Children and Youth programs, will receive \$1.5 million ongoing funding.

- The budget includes \$1 million in one-time funds to evaluate and make recommendations to streamline and improve the state's process for developing and adopting standards, curriculum frameworks and instructional materials.
- The requirement to offer a course in ethnic studies as a high school graduation requirement for the incoming freshman class in 2025-26 is not triggered. Given current revenue projections, where legislation was not funded in prior budgets and remains contingent on a future appropriation (as is the case with AB 101 and other bills), the administration is not proposing funding.

Although the Governor's Budget fully funds the estimated COLA and avoids cuts to ongoing education programs, the financial impact of devastating wildfires in Southern California, absenteeism due to immigration concerns for families and potential federal policy and funding changes with a new administration bring a risk of state budget shortfalls in future years.

Moreover, many LEAs continue to experience chronic student absences, long-term declining enrollment, and various cost pressures such as increased pension rates and energy costs. As a reminder, the Arts, Music and Instructional Materials Discretionary Block Grant and the Educator Effectiveness Block Grant expire on June 30, 2026, and the LREBG expires on June 30, 2028.

Given the risks associated with the state budget, LEAs should exercise caution before budgeting for any of the increases included in the Governor's Budget other than statutory COLA. These increases, especially the \$1.8 billion for Student Support and Professional Development discretionary Block Grant, will likely change before the final state budget is enacted.

Planning Factors for 2024-25 and Multiyear Projections

Key planning factors for LEAs to include in their 2024-25 second interim reporting and multiyear projections are listed below and are based on the latest information available at the time of writing.

Key Planning Factors for 2024-25 Second Interim Reports and MYPs

<u>Planning Factor</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
Cost-of-Living Adjustment (COLA) Local Control Funding Formula (LCFF) COLA Special Education COLA	1.07% 1.07%	2.43% 2.43%	3.52% 3.52%
Employer Benefit Rates CalSTRS CalPERS-Schools State Unemployment Insurance	19.10% 27.05% 0.05%	19.10% 27.40% 0.05%	19.10% 27.50% 0.05%
Lottery Unrestricted per ADA Proposition 20 per ADA	\$191.00 \$82.00	\$191.00 \$82.00	\$191.00 \$82.00
Minimum Wage	\$16.50 ¹	\$16.90 ²	\$17.40 ³
Universal TK/ADA LCFF add-on for the 12-to-1 student-to-adult ratio, 10-to-1 begins in 2025-26	\$3,077.00 ⁴	\$3,152.00 ⁴	\$3,263.00 ⁴
Mandate Block Grant School Districts Grades K-8 per ADA Grades 9-12 per ADA Charter Schools Grades K-8 per ADA Grades 9-12 per ADA	\$38.21 \$73.62 \$20.06 \$55.76	\$39.14 \$75.41 \$20.55 \$57.12	\$40.52 \$78.06 \$21.27 \$59.13

¹Effective January 1, 2025, ²Effective January 1, 2026, ³Effective January 1, 2027.

⁴Funding is based on TK ADA only and is in addition to the adjusted base grant amount. It is further adjusted by the statutory COLA each year. The rates do not reflect the budget proposal to increase the rate to \$6,404 in 2025-26 and to \$6,629 in 2026-27.

Federal Funding Uncertainty

There is a high level of uncertainty related to federal funding and operations within the federal government at large. On December 20, 2024, Congress passed a Continuing Resolution to fund the government through March 14, 2025. There is a risk of a federal government shutdown should Congress find themselves unable to pass a budget or a Continuing Resolution to maintain funding beyond March 14, 2025. Past shutdowns have had minimal fiscal impact on K-12 education, since most LEA funding comes from state and local sources, and the majority of federal aid is disbursed by July 1. As a result, the current year's Title I and Individuals with Disabilities Education Act (IDEA) funds have been disbursed to LEAs. However, we have seen significant and unprecedented actions by the federal government that could disrupt long-standing federal programs in the future, including federal school meal reimbursements and federally funded childcare services, such as Head Start.

Note: *Ensure to draw down federal grant disbursements to avoid potential delays in receiving your funding.* Please refer to the link below for more information on Federal Cash Management: <https://www.cde.ca.gov/fq/aa/cm/>

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. As districts work to balance their budgets, any significant reductions reflected in their multiyear financial projections should be addressed through board-approved detailed plans or accompanied by a fiscal solvency statement outlining the governing board's commitment to address and implement future budget adjustments.

The second interim submission must include a clear plan to address and reduce deficit spending. This plan should align with other required actions to achieve financial stability. Taking proactive steps to reduce spending early helps safeguard reserve levels, preventing their depletion, and minimizes the need for deeper reductions in the future.

Assumptions in multiyear projections should be well-documented, with full-time equivalent positions aligned with criteria and standards for subsequent years. These steps are essential to communicating a coherent message and maintaining fiscal solvency for the current and two subsequent fiscal years.

As many districts across the state are facing declining fund balances, it may be crucial to review ongoing obligations, while exercising caution when allocating funds for negotiated salary compensation. Revenue gains from COLA may be offset by declining enrollment and rising costs, including retirement contributions and health benefits. Each district's capacity to sustain compensation increases without tradeoffs will vary based on its unique financial circumstances. Thoughtful planning, scenario building, and conservative financial management are critical to ensuring long-term stability.

Note: *Plan to communicate with ACOE and submit any applicable public disclosures at least 10 days prior to the board's approval of any collective bargaining or tentative agreement per Government Code 3547.5. Updated forms can be found on ACOE's [DBAS webpage](#).*

- **Board Assurance**

For any significant reductions deferred to the 2026-27 fiscal year, it is crucial to explicitly identify these adjustments and ensure that the governing board acknowledges the stabilization measures required based on current financial conditions. Below is a sample fiscal solvency statement that can serve as a stand-alone resolution or can be included in the interim budget approval:

Sample Fiscal Solvency Statement

In preparing the 2024-25 Second Interim Budget, the Board acknowledges its fiduciary responsibility to maintain fiscal solvency for the current year and two subsequent fiscal years.

The district's budget stabilization plan includes position reductions, non-personnel cost reductions, and established timelines for ongoing budget planning and actions. These plans are based on the current state budget, anticipated revenue losses due to declining student enrollment, and rising ongoing costs. Under these assumptions, the board projects the need for \$XX million in budget reductions in 2025-26 and an additional \$XX million in reductions in 2026-27 to maintain fiscal solvency.

Note: Connect with your ACOE Fiscal Advisor when preparing the Second Interim Budget as a Commitment to Budget Adjustments board resolution may be warranted for budget adjustments needed in 2026-27. The Fiscal Advisor can share other samples of resolutions previously utilized.

Fund Balances, Reserves, and Cash

- **Fund Balances**

Districts' fund balances have dwindled due to the spending down of prior years' one-time revenues. A direct correlation can be made between fund balances and cash balances. Although the governor's proposed budget includes paying off the cash deferral in the 2025-26 fiscal year, it is important to continue to focus on the accuracy of cash flow projections to pay monthly obligations. The decision about how much of an unrestricted fund balance in the general fund is prudent to maintain will depend on each LEA's own unique circumstances. For example, LEAs may be vulnerable to natural disasters or dependent on slow-growing local revenue sources, and so may need to maintain a higher level in the unrestricted fund balance. Uncertainties about federal grant funding delays or future cuts, as well as the state's uncertain revenue projections due to recent fires in Southern California, and loss of student attendance due to a high flu season, among other local events, add pressure locally to maintain reserves above minimum required amounts.

● Reserves

The Governor's January Budget proposes to make deposits into the Public School System Stabilization Account (PSSSA), or Rainy Day Fund that would provide for an account balance of \$1.5 billion at the end of 2025-26. The reserve cap is not triggered in the 2025-26 or 2026-27 fiscal years based on the current projections. Current law places a 10% cap on school district reserves in fiscal years immediately after those in which the balance in the PSSSA is equal to or greater than 3% percent of the total TK-12 share of the Proposition 98 guarantee.

When the reserve cap is triggered, the portions of the fund balance that are subject to the cap are the assigned and unassigned reserves in the General Fund 01 and the Special Reserve for Other than Capital Outlay Fund 17. Any funds that are in the committed portion of the fund balance, meaning that the governing board took formal action to set aside the funds, are not included in the reserve cap calculation. Small districts and community-funded districts are excluded from the local reserve cap consideration.

The Government Finance Officers Association (GFOA) recommends reserving an amount equal to not less than two months of general fund operating expenditures, or 17% of general fund expenditures and other financing uses. A district could find that it needs to spend cash at times that differ from when cash is received.

● Cash

Since deficit spending reduces fund balance reserves, maintaining substantial reserves is essential to safeguard against potential future economic downturns. Although school districts may face reserve cap limitations on assigned and unassigned fund balances during periods of increased state revenue, it remains prudent to regularly review overall reserves to ensure long-term financial stability. Please note the reserve cap is not applicable for 2024-25, but could become effective in future years. For more information, refer to [FCMAT's March 2022 fiscal alert about managing local reserves under the cap](#).

Note: Ensure cash flow projections are fully updated. 18 of the 18 districts in Alameda County are tapping into their reserves this year. When districts have low reserve balances, cash balances are also impacted. When developing your 2nd Interim financial report, be sure to verify assumptions to help inform what, if any, loans or temporary borrowing measures should be investigated. *Please reach out to your ACOE Fiscal Advisor as a resource to review your cash flow projections.*

The principal apportionment (includes the LCFF state aid, special education AB 602, Arts and Music for Schools Prop 28, Expanded Learning Opportunities Program, and a few other programs) is steady, and the timing of the revenues can be predicted. However, the increasing number of categorical and block grant programs (especially the newly proposed block grant) do not have as reliable a cash flow schedule to meet local cash flow needs associated with the categorical funds. In some cases, LEAs could spend funds associated with the categorical and block grant programs long before the revenues are received.

The CDE updates their webpage on cash flow of various programs at <https://www.cde.ca.gov/fg/aa/ca/estcashflow.asp> as soon as they have the estimated timing of the various apportionments.

Running out of cash is the one and only reason districts experience fiscal insolvency, so it is imperative that districts complete their cash flow projections as accurately as possible and monitor cash balances daily or weekly. Early exploration of temporary borrowing solutions, board-adopted cash borrowing resolutions and attention to all receivables should be monitored for potential cash assistance.

Transitional Kindergarten

The 2025-26 K-12 Trailer Bill includes intent language requiring LEAs to provide language development support to multilingual learners in TK, and requires local educational agencies and teachers and staff assigned to TK classrooms to provide parents and guardians of pupils enrolled in TK with information regarding the benefits of multilingualism.

In addition, the Trailer Bill states that commencing with the 2027-28 school year, LEAs serving pupils in TK shall screen those pupils whose primary language is a language other than English. For the 2026-27 school year, LEAs may screen TK pupils. The screening tool will be determined by the State Superintendent of Schools in 2025-26.

Note: Confer with your applicable division lead(s) to ensure compliance. Also starting in 2025-26: Adult-to-student ratio will be 1 adult to 10 students. Refer to CDE TK FAQ #15 under Transitional Kindergarten Class Size Ratio Information at (<https://www.cde.ca.gov/fg/it/tkfiscalfaq.asp#how-can-schools-meet-the-110-adult-to-student-ratio-requirement-upon-full-implementation-of-transitional-kindergarten-tk-in-fiscal-year-fy-2025-26-updated-09-sep-2024>).

- 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.

Attendance Recovery

Beginning July 1, 2025, school districts and classroom-based charter schools can provide classroom-based students with attendance recovery opportunities to make up lost instructional time, offset student absences, mitigate learning loss, and thus mitigate the fiscal impacts of absences to LEAs.

- ☐ Students may only be credited up to the lesser of: 1) 10 days attendance, or, 2) the number of their absences in that school year. Recovery time must be taught by certificated teachers of the LEA. Participation is not mandatory and shall be at the election of the student, parent, or guardian.
- ☐ Recovery time must be taught by certificated teachers.
- ☐ Participation is voluntary and at the election of the student, parent or guardian. Expanded Learning Opportunity Program (ELOP) funds may be used to fund attendance recovery programs in conjunction with, and on the same site(s) as, the LEA's ELOP program activities.

Note: Confer with your applicable division lead(s) to ensure compliance. Detailed instructions can be found in a presentation from the CDE's School Fiscal Services Division at <https://www.cde.ca.gov/fq/it/documents/aaitwebinar24.pdf>.

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.

Beginning in fiscal year 2026-27, as a condition for a Form J-13A submittal, LEAs must 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 describe the circumstances that prevented it from doing so and explain what engagement and instruction, if any, it did provide as part of the J-13A submittal.

Note: Confer with your applicable division lead(s) to ensure compliance. Detailed instructions can be found in a presentation from the CDE's School Fiscal Services Division at <https://www.cde.ca.gov/fq/it/documents/aaitwebinar24.pdf>.

LCAP and the Learning Recovery Emergency Block Grant

The 2024-25 State Budget mandated revisions to the LCAP template instructions to implement the settlement agreement from the Cayla J. lawsuit. These changes imposed 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 per Education Code [32526\(d\)](#), with both planned and actual expenditures documented in the LEA's LCAP.

The State Board of Education (SBE) adopted the revised LCAP instructions at their November 2024 meeting (see <https://www.cde.ca.gov/re/lc/>).

In addition, the governor's 2025-26 budget proposal includes a new \$378.6 million one-time Proposition 98 appropriation to the LREBG to be allocated to LEAs under the same method as the original LREBG. If adopted, this means LEAs will have additional funds that are subject to the LCAP incorporation requirements.

Some LEAs that fully expended their previous LREBG allocations, or that planned to fully expend those funds by the end of 2024-25, may have previously assumed they would not have to conduct the required needs assessment because there would be no LREBG funds to incorporate into the LCAP. Those LEAs will need to reconsider that assumption in light of the governor's budget proposal. It is recommended that all LEAs conduct the required needs assessment to be prepared for possible LREBG expenditures in 2025-26. LEAs should consult with their county office of education for specific guidance.

For LEAs that are already planning on carrying over LREBG funds to 2025-26 or beyond, any additional funds allocated through the 2025-26 adopted state 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 previously expecting LREBG funds in 2025-26, options might include the following:

- ☐ Incorporating the new allocation into their 2025-26 LCAP and budget adoption but clearly stating 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 possibly 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 the state may allocate even more LREBG funds in subsequent years.

- **LCAP and the LCFF Equity Multiplier**

As a reminder, because of the year-to-year volatility surrounding the receipt of Equity Multiplier funds for any particular school, LEAs may consider incorporating certified prior year funding allocations into their 2025-26 budget and LCAP (i.e., plan to use certified 2024-25 allocations in the 2025-26 budget and LCAP). The CDE will certify 2024-25 allocations at P1.

- **LCAP Midyear Update**

As a reminder, LEAs must present a midyear LCAP update annually by February 28.

Summary

This edition of the Common Message gives LEAs data and guidance for fiscal planning and for developing their 2024-25 second interim report and multiyear projection. The state budget faces additional risks due to the result of massive wildfires and federal policy changes, which may impact both revenues and expenditures. LEAs face short and long-term challenges, including risks to the state revenue forecast, reduced ADA due to higher student absence rates, inflationary pressures including pension rate increases, expired one-time funds, and declining enrollment. Because each LEA has unique funding and program needs, it remains essential that LEAs continually assess their individual situations, work closely with their respective COEs, and develop comprehensive plans to maintain fiscal solvency while preserving the integrity of their educational programs.