
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1204 (Alvarez) - Local control funding formula: school districts and charter schools: pupils experiencing homelessness: supplemental and concentration grants: regional adjustment factors: grade-span adequacy adjustments

Version: May 5, 2025

Urgency: No

Hearing Date: June 15, 2026

Policy Vote: ED. 5 - 0

Mandate: Yes

Consultant: Lenin Del Castillo

Bill Summary: This bill makes various changes to the Local Control Funding Formula (LCFF) for school districts and charter schools, including the increase of supplemental grant funding and expansion of concentration grant eligibility, establishing a minimum annual LCFF cost-of-living adjustment (COLA) and future regional cost adjustments; and creating a phased transition towards a revised LCFF funding structure beginning in the 2025-26 fiscal year.

Fiscal Impact:

- This bill could result in ongoing Proposition 98 General Fund costs in billions of dollars each year at full implementation for increased LCFF entitlements. While the bill states legislative intent to fully implement the revised formula by 2030-31, it would begin generating transition costs beginning in 2025-26 by requiring one-fifth annual transition adjustments. This estimate assumes that one percent COLA adjustment for the LCFF equates to approximately \$800 million in additional costs. Further, the establishment of a 4 percent COLA floor could create annual costs of about \$3.2 billion depending on inflation levels, while increasing the supplemental grant percentage from 20 percent to 35 percent could create approximately \$5 billion in additional costs each year.
- The California Department of Education (CDE) estimates General Fund costs of \$355,000 each year and 2.0 positions to develop recommendations for the adequacy of the LCFF base grant rates and implement the proposed changes to the LCFF. This includes developing regional cost adjustment factors and running dual funding calculations during the transition period.
- This bill could result in one-time General Fund costs, potentially in the high tens of thousands to low hundreds of thousands of dollars, for the Legislative Analyst Office (LAO) to conduct the study. The bill may also impact the ability of the LAO to fulfill other existing or future legislative mandates and requests, as the LAO's budget is subject to the Legislature's constitutional spending cap.

Background: Under existing law, the LCFF is the primary funding formula for school districts, charter schools, and county offices of education. It provides school districts and charter schools with grade span base grants for grades K-3, grades 4-6, grades 7-8, and grades 9-12, and requires those grants to receive an annual statutory COLA.

Existing law also provides grade span adjustments for class size reduction in grades K-3 and college and career readiness in grades 9-12.

Existing law provides a supplemental grant equal to 20 percent of the adjusted base grant for each “unduplicated pupil,” defined as a pupil who is eligible for free or reduced-price meals, an English learner, or a foster youth. Pupils who qualify in more than one category shall only be counted once for purposes of the LCFF. Existing law also provides a concentration grant equal to 65 percent of the adjusted base grant for each unduplicated pupil above 55 percent of a school district’s or charter school’s enrollment.

Proposed Law: This bill adds pupils experiencing homelessness, as defined under the federal McKinney-Vento Homeless Assistance Act, to the definition of “unduplicated pupils” for purposes of generating LCFF supplemental and concentration grant funding.

This bill provides that beginning in the 2030-31 fiscal year, the supplemental grant add-on shall be increased from 20 percent to 35 percent of the adjusted base grant for each unduplicated pupil. Beginning in the 2030-31 fiscal year, the bill lowers the concentration grant threshold from 55 percent to 45 percent unduplicated pupil enrollment while maintaining the 65 percent concentration grant add-on rate.

This bill removes the current limitation on charter school concentration grant calculations tied to the unduplicated pupil percentage of the surrounding school district. It also requires the annual LCFF base grant COLA to be no less than 4 percent in any fiscal year. Further, beginning in the 2030-31 fiscal year, this bill requires LCFF base grant adjustments to also be multiplied by applicable regional cost adjustment factors.

This bill requires the California Department of Education (CDE), on or before January 1, 2030, to establish regional cost adjustment factors to address regional housing and labor cost differences and publish those factors on its internet website. It also requires the CDE, on or before January 1, 2028, to develop recommendations for “adequacy adjustments” to the LCFF grade span base grants to account for differing educational costs across grade spans and revisions made by the bill to supplemental and concentration grants.

This bill establishes a phased LCFF transition adjustment from the 2025-26 fiscal year through the 2029-30 fiscal year by requiring the SPI to annually calculate the difference between current law LCFF funding and the amount that would be generated under the revised formula established by the bill. It requires a portion of that difference to be added to each school district’s and charter school’s LCFF entitlement during the transition period, increasing incrementally each year until full implementation. This bill also continuously appropriates the funding necessary to provide the transition adjustments.

This bill requires school districts and charter schools to demonstrate that any additional funding generated by the bill is used to support additional services for the targeted pupil groups. It also establishes a hold harmless provision prohibiting a school district or charter school from receiving less LCFF state aid per ADA than it received in the 2024-25 fiscal year.

This bill requires the LAO, on or before January 1, 2027, to study the impact of the bill's changes to the LCFF across and within geographic regions of the state.

The bill states the intent of the Legislature to fully transition to the revised LCFF structure beginning in the 2030-31 fiscal year.

Staff Comments: This bill would make several changes to the LCFF—the state's primary funding formula for K-12 schools. These changes include expanding the definition of unduplicated pupils, increasing supplemental grant funding, lowering the concentration grant threshold, establishing a minimum annual COLA floor, creating future regional cost adjustments, and phasing in a new LCFF target structure through transition funding beginning in the 2025-26 fiscal year. These changes could result in substantial Proposition 98 General Fund costs in the billions to tens of billions of dollars each year. The bill includes legislative intent to fully transition to the revised structure beginning in the 2030-31 fiscal year.

According to the author, "Education is the cornerstone of opportunity, yet California's current school funding system has neglected its most vulnerable students, particularly those experiencing homelessness. AB 1204 addresses these inequities by designating homeless students as "unduplicated pupils" under the Local Control Funding Formula (LCFF), unlocking essential resources for support services like transportation, counseling, and shelters.

AB 1204 empowers districts to better serve high-need populations. This legislation aligns funding with equity goals, ensuring that resources are directed to those who need them most, while supporting local educators in enhancing attendance and graduation rates. Ultimately, AB 1204 is a moral imperative that seeks to fulfill California's promise of equity and excellence for every student."

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