

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2509 (Schultz) – As Amended April 20, 2026

Policy Committee: Education

Vote: 7 - 2

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill expands existing school district declining enrollment funding protections to include a school district's average daily attendance (ADA) averaged over the prior five most recent fiscal years.

**FISCAL EFFECT:**

- 1) Ongoing Proposition 98 General Fund costs under the Local Control Funding Formula (LCFF) of an unknown amount, likely in the hundreds of millions to low billions of dollars annually.

The LCFF funds school district ADA at an annual average of \$12,724 in fiscal year 2025-26, including supplemental and concentration grant funding for high needs students. Assuming the five prior year average ADA results in the state funding an additional 25,000 ADA compared to current law, the cost to the LCFF would be approximately \$318 million. To the extent the state remains in a declining enrollment environment, evidenced by declining birth rates and neutral or negative net-migration, then costs would increase significantly each year as more districts shift to five prior year ADA funding status.

By increasing school district funded ADA under the LCFF, the bill would increase Proposition 98 General Fund costs to the LCFF without creating a commensurate increase in the calculation of the Proposition 98 minimum guarantee, which would likely lead to a reduction in Proposition 98 General Fund resources available for other K-12 education programs by a like amount.

- 2) Ongoing General Fund costs of an unknown amount likely in the low hundreds of thousands of dollars to the California Department of Education (CDE) to hire additional staff to process the LCFF apportionment, including updating various internal- and external-facing data screens and reports, increased data validation, and updated programming to incorporate an additional ADA funding status beyond current law.

The Budget Act of 2025 provided the CDE with over \$1 million in funding to procure a software developer contract and hire additional permanent staff to update its apportionment system used to calculate apportionments for over \$60 billion in Proposition 98 General Fund. CDE implemented the existing system over 20 years ago and it requires significant staff hours to program changes and perform data validation checks for changes to K-12 public school funding formulas such as this bill provides.

The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

#### COMMENTS:

1) **Purpose.** According to the author:

Our schools are grappling with a fiscal crisis, affected by drops in attendance due to federal immigration enforcement, natural disasters, and mental health challenges since the pandemic. These challenges create significant uncertainty for school districts and undermine their ability to plan for the long term and support student success. AB 2509 addresses unpredictable school funding by allowing school districts to add a five-year average as an option for school districts to count as funded average daily attendance along with the current, prior, or average of the three most recent prior years of average daily attendance.

2) **Background. *LAO Enrollment-Based Funding Report.*** SB 98 (Portantino), Chapter 442, Statutes of 2024, required the LAO to submit a report to the Legislature on the effects of changing the pupil count methodology of the LCFF from ADA to pupil enrollment. While the report examined several aspects of changing to enrollment and contemplated how other states fund public schools, the LAO's overwhelming conclusion was the state should continue with ADA-based funding due to the likely negative effect it would have on student attendance. The LAO found that many districts already benefit from the state's declining enrollment funding provisions allowing a school district to be funded based on the greater of its current year, prior year, or three prior year average ADA, with only one third of districts funded on their current year ADA.

**LCFF.** The state enacted the LCFF in FY 2013-14. Previously, the state allocated school funding through a combination of general purpose grants and more than 40 state categorical programs. In FY 2013-14, the state eliminated most categorical programs, replacing previous program-specific funding formulas with the LCFF. LCFF is general purpose funding, which provides flexible funding to schools to address each local educational agency's (LEA) unique student and community needs. School districts and charter schools receive LCFF through a separate version of the formula than COEs.

The largest component of LCFF is a base grant generated by an LEA's average daily attendance within each grade span. Base grant rates vary across the grade spans, with funding most concentrated in kindergarten through grade three and grades nine through 12. In addition to the base grant, LEAs receive funding for serving an unduplicated student, defined as a student that is an English-learner, low-income, or a foster youth. While the unduplicated definition does not explicitly mention homeless students, typically a homeless student would qualify as an unduplicated student according to the low-income determination. For each unduplicated student, a school district or charter school receives a supplemental grant equal to 20% of its base grant. A school district or charter school serving a student population with more than 55% unduplicated students receives a concentration grant equal to 65% of the base grant for each unduplicated student above the 55% threshold.

In the initial year of implementation, the state set aspirational per-student base grant rate targets and increased LCFF funding to get closer to those targets. In FY 2018-19, the LCFF rates were fully funded for the first time. The state now provides nearly double the amount of funding through a combination of Proposition 98 General Fund, local property tax revenue, and proposition 30 and 55 revenue to LEAs in fiscal year 2025-26 than it provided in 2013-14 through the LCFF (\$42.6 billion compared to an estimated \$22.2 billion).

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