
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 477 (Muratsuchi) - Fair Pay for Educators Act: local control funding formula: base grants: funding targets

Version: June 23, 2025

Urgency: No

Hearing Date: July 14, 2025

Policy Vote: ED. 4 - 1

Mandate: No

Consultant: Lenin Del Castillo

Bill Summary: This bill establishes new Local Control Funding Formula (LCFF) base grant targets for the 2036–37 fiscal year and declares the Legislature’s intent to fully fund these targets over time to increase schoolsite staff salaries.

Fiscal Impact: By codifying new LCFF target base grant levels and expressing legislative intent to fully fund them, this bill could result in substantial Proposition 98 General Fund cost pressures to reach these targets by the 2036-37 fiscal year. The extent of these costs could be in the tens of billions of dollars from now until the 2036-37 fiscal year. However, any increases provided for the LCFF targets would be subject to the annual budget process.

Background: Existing law establishes the LCFF as the primary funding mechanism for school districts and charter schools, consisting of a base grant per unit of average daily attendance (ADA), with adjustments for grade span, supplemental funding for unduplicated pupils (English learners, low-income students, and foster youth), and a concentration grant for districts with high proportions of unduplicated pupils. The law establishes a separate LCFF formula for county offices of education (COEs), including operations grants and alternative education base grants.

Existing law requires the base grant amounts and add-ons to be adjusted annually for inflation based on the Implicit Price Deflator for State and Local Government Purchases.

Existing law provides the following LCFF base grant targets for 2023–24:

1. \$10,951 for grades K–3 (includes 10.4% class size reduction adjustment)
2. \$10,069 for grades 4–6
3. \$10,367 for grades 7–8
4. \$12,327 for grades 9–12 (includes 2.6% career-technical education adjustment)

Proposed Law: This bill establishes new LCFF base grant targets, effective for the 2036–37 fiscal year, as follows:

1. \$14,879 per ADA for grades K–3
2. \$15,104 per ADA for grades 4–6

3. \$15,551 per ADA for grades 7–8
4. \$18,023 per ADA for grades 9–12

This bill declares the intent of the Legislature to fully fund these targets by 2036–37 through the annual budget process and increase LCFF allocations for necessary small schools (NSS), COEs, and transitional kindergarten, consistent with the new targets. The bill also provides legislative intent to use this funding to support salary increases for certificated and classified schoolsite staff at school districts, COEs, and charter schools, subject to local bargaining.

This bill expresses that the current LCFF targets, established in 2013 and reached in 2018–19, are inadequate to close the wage gap between school employees and similarly educated professionals in other fields.

Related Legislation: AB 938 (Muratsuchi, Chapter 345, Statutes of 2024) requires schools to report certificated and classified staff salaries annually; and requires the California Department of Education to report the changes in school staff wages over time to the Legislature.

AB 1614 (Muratsuchi, 2022) would have increased the LCFF base grant amounts, as specified, commencing with the 2022-23 fiscal year. This bill was held in the Assembly Education Committee.

Staff Comments: This bill seeks to increase LCFF base grant targets over the next decade by setting new aspirational funding levels for the 2036–37 fiscal year and explicitly tying them to salary increases for certificated staff and classified employees. In doing so, the bill attempts to address concerns about educator pay and teacher recruitment and retention issues. According to the author, “In countries such as Finland, Australia, Canada, and Singapore, teaching is a highly competitive profession. Teacher salaries are comparable to those in fields like engineering, law, and business. In Finland, teaching is the most sought-after profession, with intense competition for entry. Only 1 in 4 applicants is accepted into teacher training programs overall, and for primary school teacher preparation, the acceptance rate is just 1 in 10. AB 477 will increase school staff salaries to help close the growing wage gap between teachers and similarly educated professionals in other fields. Over the past decade, this gap has widened, and raising school employee salaries is a necessary step toward correcting this long standing inequity.”

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