

- 4) Requires that if the constitutional provisions governing the PSSSA are amended after January 1, 2026, ERA transfers instead be calculated based on what the PSSSA transfer would have been under the January 1, 2026, version of the Constitution.
- 5) Prohibits expenditure of principal deposited into the ERA.
- 6) Specifies that only interest earned on funds in the ERA may be appropriated and be used solely to increase per-pupil funding for non-basic aid school districts. The Legislature must allocate at least 80% of ERA interest earnings annually to increase per-pupil funding in non-basic aid school districts.
- 7) Defines “non-basic aid school district” as a district that received LCFF state aid in any of the preceding three fiscal years.
- 8) Defines “basic aid school district” as a district that did not receive LCFF state aid in any of the preceding three fiscal years.
- 9) Authorizes the Legislature to suspend required ERA transfers in years when average per-pupil funding in non-basic aid school districts equals or exceeds average per-pupil funding in basic aid school districts.
- 10) Excludes ERA transfers and allocations from Proposition 98 minimum funding calculations.
- 11) Excludes ERA transfers and allocations from state appropriations subject to the Gann Limit.

BACKGROUND

Proposition 98. In November 1988, California voters approved Proposition 98, a constitutional amendment establishing an annual minimum funding level for K-14 education. This funding derives from a combination of local property taxes and General Fund revenue. These funds are spent to fund K-12 schools, community colleges, county offices of education, the state preschool program, and state agencies that provide direct K-14 instructional programs.

Public School System Stabilization Account. In November 2004, California voters approved Proposition 58 and, among other provisions relating to state budget, created state’s Budget Stabilization Account (BSA). The BSA is a rainy-day fund to address future financial issues. In November 2014, California voters approved Proposition 2, a constitutional amendment that revised the parameters of the BSA and created the PSSSA.

The PSSSA is a budget reserve fund for K-12 schools and community colleges. If specified conditions are met, the state deposits a portion of General Fund revenues owed to K-12 schools and community colleges under California’s Proposition 98 into the PSSSA. These conditions include when capital gains revenues exceed a specified threshold, when specified Proposition 98 tests apply, and when maintenance factor obligations have been retired.

Local Control Funding Formula. According to a 2023 report from the Legislative Analyst's Office, the LCFF was intended to simplify school funding and distribute funding based on student demographics. School districts and charter schools receive most of their LCFF apportionment through a per-student formula, based on ADA, that provides a base amount of funding by different grade spans.

Non-Basic Aid Districts. Non-basic aid school districts are districts whose LCFF entitlement exceeds the amount of local property tax revenue generated within the district, requiring state funding to fill the gap. Non-basic aid districts do not retain property tax revenues in excess of their LCFF entitlement because their local revenues are insufficient to fully fund that entitlement.

Basic Aid Districts. School districts with local property tax revenue above their LCFF target are known as basic aid districts. The term is derived from a section of the California Constitution that guarantees all school districts at least \$120 per student from the state. Additionally, property tax revenue in excess of their LCFF allotments is known as excess property tax revenue and can be used for local education priorities. Changes in LCFF allotments for basic aid school districts usually have no effect on funding, but changes in funding are driven by changes in local property tax revenue.

COMMENTS

- 1) Author's Statement. This measure, the Education Equalization Act, is intended to help California move toward statewide equalization of per-pupil funding so that every student has a fair opportunity to succeed, thrive, and access the school resources they need. California has attempted to make progress toward school funding equity through the LCFF, but that progress remains incomplete while students in different districts continue to experience growing differences in per-pupil support. Over the last 40-plus years, California's school finance structure has allowed these per-pupil funding disparities to persist and grow, even as the state has adopted reforms intended to make school funding more equitable. A student's access to opportunity should not depend on where they live.

This measure establishes the ERA in the General Fund to provide supplemental funding to non-basic-aid school districts over time to narrow per-pupil funding gaps statewide. The measure does not reduce, redirect, or alter existing Proposition 98 funding. The goal is to build a constitutionally-guaranteed, stable, and protected structure that helps bring California closer to equalized per-pupil funding while preserving existing school funding guarantees.

- 2) Related Legislation. SB 743 (Cortese) of 2025 provided the foundation for the current contents of this constitutional amendment, but is not an explicit companion bill to this measure. The bill sought to equalize per-pupil funding for non-basic aid school districts by creating the Equalization Reserve Account and contained many similarities to this measure, but it relied on a future constitutional amendment. The bill passed the Senate but was held on the Assembly Committee on Appropriations' Suspense File.

This measure is slightly different than SB 743 and seeks to protect existing education funding sources, such as Proposition 98 funding and funding under other reserve accounts.

- 3) What's on the Ballot? The author intends for this measure to be placed for the November 3, 2026, statewide general election. If adopted by the Legislature, the measure would need to pass by June 25, 2026.

As of June 1, 2026, there are three legislature ballot measures and five initiatives eligible for the November 3, 2026, statewide general election.

- 4) Double Referral. Prior to being heard by this committee, this measure was adopted by the Committee on Education with a vote of 6-0.

RELATED/PRIOR LEGISLATION

SB 743 (Cortese) of 2025 would have established the Equalization Reserve Account in the General Fund to, upon appropriation, provide additional per-pupil funding for non-basic aid school districts, as defined. The bill also required funding for this Equalization Reserve Account to be transferred from the General Fund in years when Proposition 98 increases from the prior year, subject to voter approval of an unspecified constitutional amendment. The bill passed the Senate but was held on the held on the Assembly Committee on Appropriations' Suspense File.

POSITIONS

Sponsor: Silicon Valley Education Foundation

Support: Association of California School Administrators
 Bay Area Tutoring Association
 California School Employees Association, AFL-CIO
 DJM Capital Partners
 East Side Education Foundation
 East Side Union High School District
 Hispanic Foundation of Silicon Valley
 Latino Education Advancement Foundation
 Legislative Action Committee of the Santa Clara County School Boards Association
 Silicon Valley Leadership Group
 SOMOS Mayfair

Oppose: Charter Schools Development Center

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