



The Governor of California's Proposed Budget for May 2025 and the Impact on K-12 Education Finances

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Some interim observations:

/1/ A statistical technique known as cluster analysis suggests that for our purposes smaller rural counties in California can be described as counties with less than 40,000 students and less than 2,000 teachers. In total there are 35 such counties which include 470 school districts, 1460 schools, 23,000 teachers and 477,000 students. For some more additional information about the clustering please see Appendix A. The good news is that Calaveras County, while less populous than some, is not alone, and its problems are not unique. One reasonable inference is that solutions found by other smaller rural counties are likely to be at least worth consideration by Calaveras County. The bad news is so far none of the other 34 counties have publicized any applicable answers to the various challenges facing kindergarten through high school education in California. We would certainly suggest contacting one or more school districts in Glenn County because Glenn County reports almost exactly the same number of students as Calaveras County but also reports \$6 million dollars more in Federal revenue and \$36 million dollars more in state revenue. As a *quid pro quo* the caller could share how Calaveras County manages to collect \$28 million more in local revenues. While of some interest to Amador County it might prove more useful to contact Del Norte County, which also collects almost \$5 million more in Federal funds and nearly \$23 million more in state funds while collecting \$16 million less in local revenues.

/2/ Some or many readers are doubtless more familiar than we are with the recent uncertainties of Federal funding for education in California. A simplified version of our software model can be expressed as spreadsheets where a school board or school district board or a teachers' union can explore the consequences of [a] no (zero) Federal funding, [b] some Federal funding, [c] the intended Federal funding but significantly delayed [d] full Federal funding at the expected time. One process of particular interest in

this regard is litigation by the State of California and others (see next page) concerning the ability of the Federal Executive branch to impound money allocated by the Federal Legislative branch especially when the impoundment is alleged to be in violation of Title VI (formally Title VI, **42 U.S.C. § 2000d** *et seq.*, which is part of the landmark Civil Rights Act of 1964. Title VI prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance). It appears likely that the case will eventually be heard by the United States Supreme Court.

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**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

STATE OF NEW YORK, STATE OF ARIZONA,
STATE OF CALIFORNIA, STATE OF
DELAWARE, DISTRICT OF COLUMBIA, STATE
OF HAWAI'I, STATE OF ILLINOIS, STATE OF
MAINE, STATE OF MARYLAND,
COMMONWEALTH OF MASSACHUSETTS,
PEOPLE OF THE STATE OF MICHIGAN, STATE
OF MINNESOTA, STATE OF NEVADA, STATE
OF NEW JERSEY, STATE OF NEW MEXICO,
STATE OF OREGON, and JOSH SHAPIRO, in his
official capacity as Governor of the Commonwealth
of Pennsylvania,

Plaintiffs,

v.

UNITED STATES DEPARTMENT OF
EDUCATION; and LINDA McMAHON, in her
official capacity as Secretary of Education,

Defendants.

Case No. 25-cv-2990

/3/ As many readers are well aware, it is possible to report student attendance in several ways. What we see is that many school districts in the smaller rural counties have been experiencing enrollment declines due to population shifts, wild fires, security concerns, better academic advantages elsewhere, superior sports programs elsewhere, competition from charters and private schools and so on. Were the state of California or the Federal government to mandate the use of actual attendance a typical small rural county like Calaveras would be dealing with a very abrupt decrease in students of 12%. This would be devastating. Notwithstanding, it is an attractive possibility to both the Federal and state governments because costs to both of them would be decreased and because from certain perspectives there is no good reason not to do it. There is collateral damage: the bulk of state and Federal funds are awarded per pupil. Ominously, the California Legislative Analyst's office and corresponding functions from more than a dozen other states are studying the difference between funding school districts based on their enrollment and their actual attendance. It is likely reports and policy suggestions on this topic will be considered in early 2026.

What most economic decision-makers such as yourself appreciate is being able to use accurately and completely collected data from the recent past to verify against present measurements in order to predict future trends with some confidence. In the matter of student attendance the COVID pandemic was very unwelcome. Before 2019-20, the average California student only missed about 8 days (an average absence rate of about 4.5 percent). Note that individual school districts and individual schools are sometimes much lower or higher than the statewide average. During the 2023-24 school year, the average student missed about 12 school days (corresponding to an average absence rate of about 6.7 percent over 180 days). We are informed that for 2024-25, the latest data show students were on track to miss about 10.5 days of school (an average absence rate of

about 5.8 percent), though that figure will likely be revised in coming months as districts submit updated reports.

/4/ It would be remiss not to include stepped reductions in state funding based on the various Proposition 98 scenarios. However, we were somewhat dismayed to discover that the attendance-based subsidies are financially critical to hundreds of districts. A reasonable assumption at one time was a subsidy of \$55 per pupil per day with an average loss of 9 days (5% of 180 days) per year. Both the Legislative Analyst's Office and the California State Department of Finance as well as some members of the Governor's staff have considered the financial impact of the Governor and the Legislature agreeing to reducing the subsidy by steps of \$1 per day (so \$54, \$54, \$52 ...). From a certain point of view, the notion that the state "saves" about one billion dollars for each dollar the subsidy decreases is very attractive. We are reliably informed the actual subsidy is currently close to \$62 for 168 days. This means that some school districts are receiving \$10,540 or more ($\62×170) instead of \$9900 ($\55×180). Of course, lowering the daily per pupil subsidy and coupling that with lower enrollments would dramatically worsen the financial situation for most schools. It would be at the very least prudent to simulate the financial consequences of varying subsidy rates and varying attendances.

/5/ We note in passing that the ERIC database hosted by the National Center for Education Statistics (NCES) at www.nces.gov is missing a fair number of California school districts. One extreme example was Chico Unified School District, which has about 40% of the total students in Butte County. This skewed many of Butte County's numbers - at least as they were reported. A correction here would have the indirect effect of slightly lowering Federal and state money available to Calaveras County.

/6/ If the student attendance figures as published are actually being used to

allocate money by state, county and school district it certainly appears that Calaveras County is not receiving its fair share of funds from either the State of California or the Federal government. On a per student basis (irritating example of Los Angeles County chosen on purpose)

County	Students	Federal funds	Per student
Los Angeles	1,307,845	\$4,631,645,000	\$3,541
Glenn	5,341	\$11,922,000	\$2,232
Calaveras	5,340	\$5,250,000	\$983
Colusa	4,881	\$7,220,000	\$1,479
Del Norte	4,157	\$8,431,000	\$2,028
Amador	4,131	\$3,818,000	\$924
Lassen	3,770	\$5,678,000	\$1,506

The two lowest per student amounts in the State – only San Benito County (\$985) is close

County	Students	State funds	Per student
Los Angeles	1,307,845	\$15,835,623,000	\$12,108
Glenn	5,341	\$64,103,000	\$12,002
Calaveras	5,340	\$27,739,000	\$5,195
Colusa	4,881	\$39,023,000	\$7,995
Del Norte	4,157	\$43,608,000	\$10,490
Amador	4,131	\$19,648,000	\$4,756
Lassen	3,770	\$40,226,000	\$10,670

55th and 57th (out of 58)

County	Students	Local funds	Per student
Los Angeles	1,307,845	\$8,379,189,000	\$6,407
Glenn	5,341	\$29,184,000	\$5,464
Calaveras	5,340	\$57,801,000	\$10,824
Colusa	4,881	\$26,392,000	\$5,407
Del Norte	4,157	\$15,682,000	\$3,402
Amador	4,131	\$32,692,000	\$7,914
Lassen	3,770	\$16,899,000	\$4,482

Calaveras is ranked 13th while Amador is 24th, albeit below average.

County	Students	Total funds	Per student
Los Angeles	1,307,845	\$28,846,457,000	\$22,056
Glenn	5,341	\$105,209,000	\$19,698
Calaveras	5,340	\$90,790,000	\$17,002
Colusa	4,881	\$72,635,000	\$14,881
Del Norte	4,157	\$67,721,000	\$16,291
Amador	4,131	\$56,158,000	\$13,594
Lassen	3,770	\$62,803,000	\$16,659

Calaveras County is ranked 49th while Amador is dead last

It is unclear why some revenues for Amador and Calaveras (among other counties) are well below the state average. Holding the number of students and local revenues constant for now

County	Students	Federal	State	Local	Total funds
Calaveras	5,340	\$5,250,000	\$27,739,000	\$57,801,000	\$90,790,000
Amador	4,131	\$3,818,000	\$19,648,000	\$32,692,000	\$56,158,000

If Calaveras and Amador counties received just the California average Federal and State revenues

County	Students	Federal	State	Local	Total funds
Calaveras	5,340	\$14,102,940	\$54,804,420	\$57,801,000	\$126,708,360
Amador	4,131	\$10,909,971	\$42,396,453	\$32,692,000	\$85,998,424

That results in \$35,918,360 (40%) more for Calaveras County and \$29,840,424 (53%) more for Amador County.

/7/ The State of California makes a presumptive budget based on three indicators and then makes corrections up or down depending on what actually happens months later. Previously, tariffs, especially at a time of economic fragility for the nation in general and for the State of California in particular, had not been considered a factor.

/8/ Aides

For aides, we did obtain pay ranges, average salaries and average benefits rates. We have NOT obtained on a county, school district or school level the number of aides and their salaries and benefits. While these costs are not as powerful an influence as teacher salaries and benefits there are still real people – both aides and students – directly attached to the numbers.

/9/ Staff

For staff, there is considerable disagreement about how specialty staff such as adaptive physical education teachers, speech therapists, behaviorists, occupational therapists and so on are reported. So far, we have NOT obtained pay ranges, average salaries and average benefits rates. Neither have we obtained on a county, school district or school level the number of any kinds of staff and their salaries and benefits. While these costs are not as powerful an influence as teacher salaries and benefits, as with aides, there are still real people – both staff and students – directly attached to the numbers.

/10/ Other costs

/11/ Any significant economic downturn would certainly leave hundreds of California school districts vulnerable to loss of local control. However, takeovers by the State of California of school districts have a fairly poor track record if one looks at South Monterey, Vallejo, Inglewood and Oakland. For Oakland in particular, after 20 years they may be paying the loans shortly; there still is no modern accounting system in place; enrollment in public schools is down; real estate values have sagged; and the district is facing a deficit of 30 to 60 million dollars this year. It is very unclear how the State of California could locate and guarantee funds for loans, new administrators or enough lawyers if takeovers are contested.

/12/ On May 13 [Tuesday], Governor Newsom and Attorney General Bonta announced the state of California would file a new motion for a preliminary injunction to stop pending and applied tariffs as part of California's lawsuit challenging President Trump's use of emergency powers. The governor's office said the tariffs are projected to cost California consumers \$25 billion and result in the loss of over 64,000 jobs, at a minimum. These figures will be disputed. The governor's office added

that the total cost of the tariffs is projected to be upwards of \$40 billion. For direct costs it would be necessary to determine what future purchases by the schools and the district would be subject to tariffs. The indirect costs for purchases by personal purchases by staff, students, aides, teachers and families would also have to be considered.

/13/ The State of California has approved an emergency rate hike State Farm Insurance requested for homeowners' insurance policies in response to the recent Los Angeles wildfires. The company will be temporarily allowed to increase rates in the state by 17% - 22% was requested. Note that State Farm was granted a 20% rate increase last year. The interim rates will take effect June 1 and will last until a full evidentiary hearing, which will be held no earlier than October. It would be reasonable to expect that other insurance companies will follow suit so school districts should plan for direct cost increases. Again, the indirect costs for auto and home insurance by staff, students, aides, teachers and families would also have to be considered. So far, there have been no notices that the premiums for various commercial coverages for businesses will increase dramatically.

/14/ Note that if there are significant declines in fire insurance coverage either because companies no longer choose to write policies in certain areas or because consumers cannot afford the premiums AND there actually is a major fire school district revenue from local taxes could be seriously impacted. One recommendation would be to contact Paradise Unified School District(3 elementary schools, one junior high, one high school; 2 other schools) in Butte county. The web page <https://www.pusdk12.org/Staff-Directory/> includes some contact information for board members and the interim superintendent. Of interest would be how the district survived both COVID and the deadly and destructive Camp Fire of 2018.

/15/ On or about May 14 the Governor's Office e-publishes an intermediate budget. This is a revision of the preliminary budget published in January. The intermediate budget is subject to negotiation between the Governor's office and both houses of the state legislature. Some selected figures

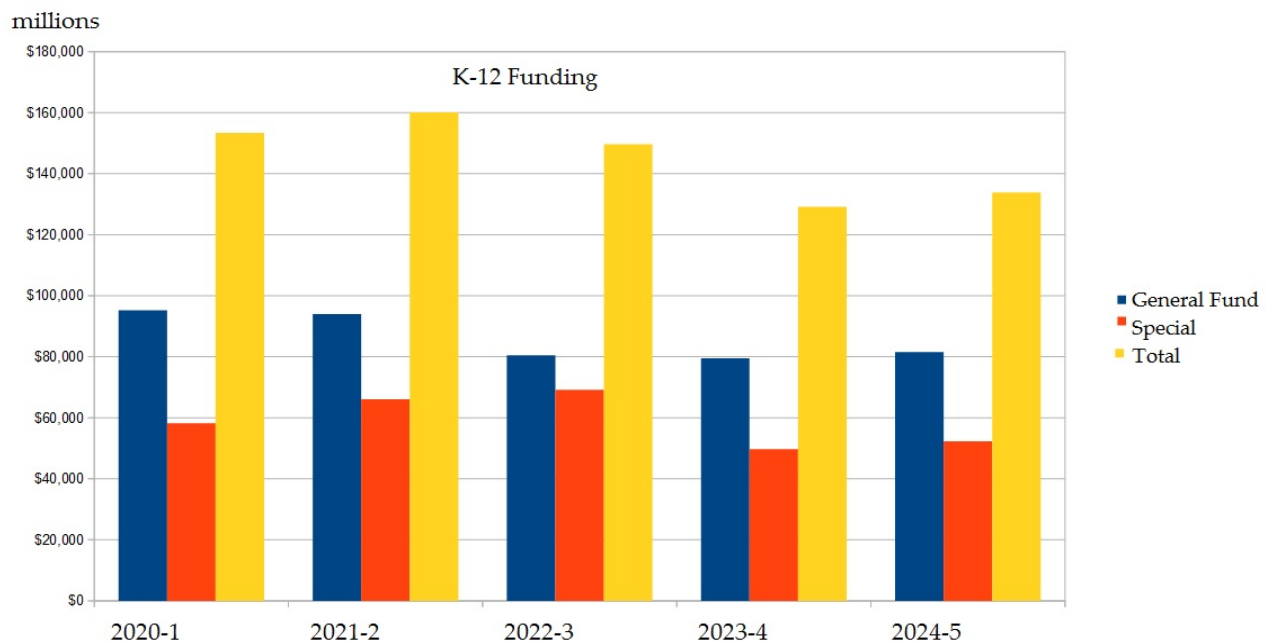
	2024	January 2025	May 2025
Revenues	Enacted	Preliminary	Proposed
Personal Income taxes	116,556	133,685	125,977
Sales and use taxes	34,045	35,121	34,862
Corporation taxes	42,557	37,697	35,613
Insurance taxes	4,016	4,341	4,359
Other	12,438	17,151	16,647
Special funds	84,000	86,800	89,000
Rainy day transfer	4,926	7,100	7,100
TOTAL REVENUES	298,538	322,270	313,558
Costs			
K-12 Education	81,647	84,893	82,155
Higher Education	24,185	23,995	23,785
Health and Human Services	114,720	127,373	130,968
TOTAL COSTS	297,862	322,269	321,895

all figures in millions. A 0.6% increase from 2024's enacted funding to the 2025 proposed funding. The 2024 California inflation rate was 3.181% per the California Department of Industrial Relations, so school districts on average lost 2.5% of the value of the funds.

Budget source: <https://ebudget.ca.gov/budget/2025-26/#/Home>

/16/ The May Budget proposes statutory changes to allow local educational agencies (LEAs) to provide attendance recovery opportunities to students to make up lost instructional time, thereby offsetting student absences, and mitigating learning loss, as well as related fiscal impacts to LEAs. It is proposed that LEAs be able to add up to 10 days of attendance recovery time per pupil to the attendance data submitted to the California Department of Education (CDE) for funding purposes (Average Daily Attendance reporting). Attendance recovery programs that are offered during summer school, intersessional school, on weekends, or before/after school, must be taught by certificated teachers, be exempt from minimum day requirements, and be non-compulsory. For Calaveras County that could represent 10 days times 55 dollars per day times 5,340 students or \$2,937,000 - \$3,310,800 if a rate of 62 dollars per day is used. For Amador County with 4,131 students that could represent \$2,272,050 - \$2,561,220 if a rate of 62 dollars per day is used.

/17/ Guessing how much the General Fund and the special funds will contribute to K-12 revenues is made complicated by past history



Estimates as of May 15, 2025

	Amador County	Calaveras County
Federal funds – old (1)	\$3,818,000	\$5,250,000
State funds – old (2)	\$32,692,000	\$29,717,000
State funds additional (3)	\$203,410	\$185,000
Local funds – old (4)	\$19,648,000	\$55,283,000
Students (5)	4,088	5,294
Attendance 180 days @ \$55	[\$2,616,320 less]	[\$3,388,160 less]
Attendance 170 days @ \$62	\$43,087,520	\$55,798,760
TOTAL REVENUES	\$99,448,930	\$146,773,760
Teachers (6)	216	266
Salaries (7)	\$16,219,480	\$19,145,585
Benefits (8)	\$7,460,961	\$9,906,969
Aides (9)	38	98
Salaries (10)	\$1,748,000	\$4,508,000
Benefits (11)	\$699,200	\$1,803,200
Other staff (12)		
Salaries		
Benefits		
Other (13)		
TOTAL COSTS	\$26,127,641	\$34,263,754
BALANCE		

NOTES

/1/ As mentioned previously, Congressionally appropriated Federal funds have been impounded and the matter is being litigated. It remains unclear when or what percentage of the funds will be released.

/2/ The state funding for K-12 education will be among the many amounts negotiated in the next 30 days or so. The principle components are how much from the General Fund and how much from special funds.

/3/ If the K-12 education amounts in the proposed May budget hold, it will likely mean an additional \$ 204,000 for Amador County and an additional \$185,000 for Calaveras County.

As mentioned previously, on a per pupil basis relative to other counties, it is obvious that both Amador County and Calaveras County are significantly under-allocated. Per page 9, we estimate \$36 million more for Calaveras County and \$30 million more for Amador County.

/4/ We assumed no change in local revenues

/5/ It would likely be best to use whatever number of students will be reported. We provided two calculation methods. They make a net difference of less than \$4 dollars per student per day [$\$55 \times 180 = \9900 while $\$62 \times 170 = \$10,540$]. We would recommend at least exploring the possibility of offering ten make-up attendance days.

/6/ The teacher count is from the individual school SARCs and is out of date

/7/ The average teacher salary by school is from the SARCs and is also out of date

/8/ It is asserted that state-wide teacher benefits amount to about 46% of the salary.

/9/ We have no current figures on how many aides there are

/10/ It is asserted that state-wide aide salaries average \$46,000 per year.

/11/ It is also asserted that state-wide aide benefits amount to about 40% of the salary.

/12/ We currently have no information at the school school district or county level for the number of other staff, their salaries or benefits

/13/ Other is a catch-all category for repairs, transportation, emergencies and so on. It is probably just the difference between the sum of all the salaries plus all the benefits) and the total operating cost.

APPENDIX A

/1/ The numbers of teachers and students change constantly.

/2/ As one might expect, Los Angeles County, by virtue of its sheer mass of population, does not cluster well with any of the other large counties so one could label Los Angeles County with more than 1,300,000 students as ultra-large or very large. A consequence is that Los Angeles County and its schools exert a powerful influence, some might say too powerful an influence, on state policy. Nationally, Los Angeles County currently has 17 Congressional representatives. Due to a very narrow majority in the House of Representatives, the Los Angeles caucus somewhat ironically would have more influence if it had more than one Republican. In any case, Los Angeles County has plenty of smart people so we may be confident that any educational challenges there will be managed.

/3/ There are nine large counties

County	Districts	Schools	Teachers	Students
San Diego	162	755	20,900	464,999
Orange	68	628	19,330	440,344
Riverside	50	526	18,481	440,344
San Bernardino	82	572	17,883	397,136
Sacramento	48	374	10,680	245,471
Santa Clara	80	409	11,028	235,978
Alameda	73	382	9,911	211,926
Fresno	60	355	9,702	205,050
Kern	56	270	8,759	196,059

/4/ There are thirteen medium counties

County	Districts	Schools	Teachers	Students
Contra Costa	40	278	7,557	168,289
San Joaquin	52	248	6,711	151,637
Ventura	31	217	5,788	126,632
Tulare	51	205	5,014	107,665
Stanislaus	39	188	4,868	106,971
San Mateo	38	176	4,251	83,958
Monterey	33	145	3,472	73,636
Placer	30	119	3,380	70,460
Santa Barbara	35	126	3,281	66,758
Sonoma	62	178	3,161	63,558
Solano	16	116	2,730	62,018
Merced	22	113	2,734	59,673
San Francisco	15	130	2,595	56,364
35 small counties	470	1,463	23,281	477,105
California	2,013	10,199	266,299	5,803,280