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MEMORANDUM

Date: November 3, 2025

To: CABE Board Members
Dr. Edgar Lampkin, CABE CEO

From: Jennifer Baker, Legislative Advocate

Subject: Sacramento Update

By the time of the CABE Board meeting, the results of the November special election will be revealed. No matter what the final result provides, California will continue to spiral into a hyper-political atmosphere with Congressional races, as well as a number of other local government races, continuing to increase in their political polarization.

During this time, often underappreciated, is the amount of work the Department of Finance is doing to create the Governor's January budget proposal, which will be released by January 10, 2026. Should the lack of a federal spending plan continue, the additional fiscal harm created will likely be considered, as well as ways to soften the blow, in the draft budget. The fluctuating economy has also created a number of concerns that may shape what the state may or may not be able to provide. It is likely that additional hardships may be created for students and programs of importance to CABE. I recommend we spend time evaluating the myriads of fiscal issues likely to be presented in January to help shape the fiscal landscape and budget priorities we will advocate for.

I am focusing on a number of fiscal issues for this month to help create a sense of the micro-climate we will need to traverse this next year.

Legislative Analyst Recommends Prudence

The Legislative Analyst's Office recently released *" The 2025-26 Budget: Overview of the Spending Plan"*, which noted the reduction in total budget solutions of $28 billion. The report notes the overall revenue growth rate from personal income tax, corporation tax, and sales tax is expected to flatten or decline in 2025-26, primarily due to slower corporate tax collections.

Further, the report highlights growing complexities weakening the General Fund, largely due to projected ending fund balance drops, as well as shrinking reserves. As a result, the LAO recommends that the future budget include fewer increases in discretionary spending and an emphasis on building reserves, managing expenses, as well as limiting new commitments. With economic uncertainty looming in the future, the LAO is urging continued monitoring of revenue and spending assumptions.

These recommendations may prove challenging should additional federal cuts jeopardize programs and services that have significant impacts on the state. The juxtaposition of funding existing programs, while fiscally boosting programs the state has relied on that may no longer be funded at the federal level, may create a complex budget package that school districts will have to navigate at the federal, state, and local level.

California Economic Growth Continues

While the federal government shutdown continues to cause economic uncertainty nationwide, California's economy has grown, largely from significant growth in the information sector, as reported by the Department of Finance in their October 2025 Finance Bulletin. With GDP growth of 4.3 percent in the second quarter of the year, this increase was largely due to the 34.1 percent increase in the information sector, cumulatively since the end of 2022.

Personal income increased by 4.9 percent in the second quarter of 2025, with the first half of the year showing year-over-year personal income growth of 5.6 percent. Initial September General Fund agency cash receipts were $2.1 billion (11.9 percent) higher than Budget Act forecasts. This increase was largely due to personal income tax receipts, totaling $2.3 billion higher than forecast. Since April, the cumulative preliminary General Fund agency cash receipts are $6.5 billion higher than projections.

These higher receipts will put the state in a stronger fiscal position to weather the uncertainty in fiscal support from the federal government, as well as an additional shortfall that may be included when the Governor releases the January budget.

Federal Staff Reductions Will Impact Student Support in California

The recent staff reductions at the U.S. Department of Education will likely significantly impact students in California by disrupting education funding, oversight of programs, as well as processing student aid. By reducing close to half of its workforce, from around 4,100 to 2,100 employees, the ability to process the release of close to $1 billion in federal education funds for the 2025-26 school year is already impacted. Additionally, student aid, civil rights enforcement, special education oversight, migrant aid programs, Pell Grants, and student loans may be impacted.

A U.S. District judge in San Francisco did recently issue a temporary restraining order to prevent these layoffs. This issue may ultimately be decided by the courts, unless Congress solidifies these actions in statute.

It is likely that school districts across the state may need to assume additional responsibilities to manage and report compliance with many of these programs, further shifting resources from the classroom. While some layoffs have been temporarily blocked by the courts, these staff reductions are already adding to both instability and uncertainty about the future of these pivotal programs and their support at the federal level. While the state may try to cushion the blow to these support programs, state leaders have already indicated they will not be able to fill in all the gaps that will be created by federal support.

LAO Releases Overview of 2025-26 Budget

The Legislative Analyst's Office recently released an overview of the 2025-26 budget, including its impact on TK-14 education. It notes the 2025-26 budget for TK–14 education provides $2.2 billion to fund a 2.3 percent cost-of-living adjustment for schools and community colleges, while additionally including an ongoing $607 million increase for the Expanded Learning Opportunities Program, which supports before- and after-school and summer activities, and raises the share of districts qualifying for the program's higher funding rate.

Community colleges receive $140 million to support 2.35 percent enrollment growth across 2024-25 and 2025-26. The budget allocates $1.7 billion in one-time discretionary grants for schools through the Student Support and Professional Development Block Grant, which can be used for local priorities such as teacher training, recruitment, and career pathways, distributed at about $312 per student. Community colleges receive $60 million for a Student Support Block Grant to fund services like counseling, job placement, and financial aid, with allocations based on student need and a minimum grant of $150,000 per college. Additional smaller grants support learning recovery, school meals, career technical education, and student services. To manage cash flow, the state will defer $2.3 billion in payments to 2026-27, including $1.9 billion for schools and $408 million for community colleges, shifting some June 2026 payments to July 2026 to stay within Proposition 98 funding limits.

Governor Signs Hundreds of Bills

With the October 13th deadline for the Governor to take action on bills, the final tally on bills signed into law was 794 out of 917 that were on his desk. Governor Newsom vetoed 123 bills, primarily due to fiscal concerns as they were not already included in the budget. Bills that were signed by the Governor will go into effect on January 1, 2026.

CABE-Supported Legislation

AB 49 (Muratsuchi): Immigration Enforcement: Would prohibit local educational agency (LEA) school officials and employees from allowing an agency conducting immigration enforcement from entering a school site for any purpose without providing valid identification and a signed and valid judicial warrant, a court order, or exigent circumstances necessitating immediate action. The measure further requires the LEA to limit access to school facilities, as prescribed by law. This measure was chaptered.

AB 243 (Ahrens): Student Financial Aid Dependency Status: Would require financial administrators of the California Community Colleges, California State University, or University of California, or the Student Aid Commission, to accept a sworn statement signed under penalty of perjury by a representative of a LEA, county welfare department, or probation department as sufficient document for student aid. This measure was chaptered.

AB 419 (Connolly): Education Equity: Immigration Enforcement: Would require schools to post guidelines on educational rights related to immigration-enforcement actions in English and Spanish. CABE is working with the author to amend the bill to ensure these materials would be translated into every language spoken at a school site, regardless of whether they have achieved 15 percent of the student population. This measure was chaptered.

AB 695 (Fong): California Community Colleges Access and Continuity for Deported Students: Would ensure community college students who have been involuntarily removed do not have to pay nonresident tuition. This important measure will assist students wishing to pursue higher education in continuing to pursue their goals. The measure was vetoed by the Governor with the following message: "I thank the author for his commitment to providing hope to students harmed by the Trump Administration's indiscriminate attack on our immigrant communities. I am proud of the actions and laws that we have adopted in this state to protect, educate, and recognize the value that our immigrant students and their families bring to California. Unfortunately, as drafted, this proposal only benefits immigrant students who voluntarily or involuntarily depart the U.S. and thus the state, and not also residents of other states, raising significant constitutional concerns."

AB 833 (Alvarez): Teacher Exchange Program: Would require the State Board of Education's rules and regulations regarding teacher exchanges with Mexico to be reported to the Legislature, including the number of teachers participating, disaggregated by home country. The measure was vetoed by the Governor with the following message: "This bill is unnecessary as there is no statutory barrier to expanding program sponsorship for teachers from other countries, including Mexico, to California. Federal law does not require a single exclusive sponsor. Further, the author's stated goal is to help fill persistent educator shortages, which is contrary to the program's purpose to promote cross-cultural understanding and short-term professional growth opportunities."

AB 1348 (Bains): Average Daily Attendance: Immigration Enforcement Activity: Would protect school funding from declining due to immigration enforcement activities. The measure was vetoed by the Governor with the following message: "Current law already provides opportunities for local educational agencies to utilize attendance recovery and independent study programs to recoup lost attendance-based funding, while also ensuring students receive instruction and support. AB 1348 does not include sufficient safeguards to ensure that students who miss school due to immigration enforcement activities will receive alternative instructional opportunities. Additionally, this bill creates substantial cost pressures when state law is already designed to buffer school districts' budgets from attendance when calculating school funding. In partnership with the Legislature this year, my Administration has enacted a balanced budget that recognizes the challenging fiscal landscape our state faces while maintaining our commitment to working families and our most vulnerable communities. With significant fiscal pressures and the federal government's hostile economic policies, it is vital that we remain disciplined when considering bills with significant fiscal implications that are not included in the budget, such as this measure.

AB 1454 (Rivas): Pupil Literacy: Administrative Services Credential Program Standards and Professional Development: Instructional Materials: Would support California's efforts to improve student literacy for all students through the strengthening of professional development, updating professional materials, and ensuring training that incorporates evidence-based instructional strategies that will also support English Learners in language development and literacy. This measure is now chaptered.

SB 98 (Pérez): Religious, race and equity, gender, and LGBTQ discrimination coordinator: This measure was gutted and amended on September 9th to include a legislative compromise to address student discrimination. Prior to the amendments, the bill would have required school districts, county offices of education, charter schools, and postsecondary educational entities to immediately notify all pupils, parents, faculty, staff, and other school community members of the presence of immigration officers on the school site. The previous CABE-support position was moved to a watch due to the content of the measure changing. The measure is now chaptered.

Legislative Calendar

November 4 – Special Election.
January 1 – Statutes take effect.
January 5 – Legislature resumes session.
January 10 – Governor releases January budget proposal.
January 31 – Last day for each house to pass two-year bills introduced in that house.
February 20 – Last day for bills to be introduced.
March 26 – Legislative Spring Recess.
April 6 – Legislature reconvenes from Spring Recess.
April 24 – Last day for policy committees to hear bills that are fiscal.
May 1 – Last day for policy committees to hear non-fiscal bills.
May 8 – Last day for policy committees to meet prior to June 1.
May 15 – Last day for fiscal committees to hear bills introduced in their house. Last day for fiscal committees to meet prior to June 1.
May 25-29 – Floor session only.
May 29 – Last day for each house to pass bills introduced in that house.
June 1 – Committee hearings may resume.
June 15 – Budget bill must be passed by midnight.
June 25 – Last day for a legislative measure to qualify for the November election.
July 2 – Last day for policy committees to meet. Legislative Summer Recess begins.
August 3 – Legislature reconvenes from Summer Recess.
August 14 – Last day for fiscal committees to meet.
August 17-31 – Floor Session only.
August 31 – Last day for each house to pass bills. Final recess begins upon adjournment.
September 31 – Last day for Governor to sign or veto bills.