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AB-1204 Local control funding formula: school districts and charter schools: pupils experiencing homelessness: supplemental and concentration grants: regional adjustment factors: grade-span adequacy adjustments. (2025-2026)

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AMENDED IN ASSEMBLY MAY 05, 2025

AMENDED IN ASSEMBLY MARCH 28, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 1204

Introduced by Assembly Member Alvarez

February 21, 2025

An act to amend Sections 42238.01 and 42238.02 of, ~~and~~ to add Sections ~~42238.028 and 42238.029 to~~, [42238.028, 42238.029, and 42238.0292 to, and to add and repeal Section 42238.0291 of](#), the Education Code, relating to education finance, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1204, as amended, Alvarez. Local control funding formula: school districts and charter schools: pupils experiencing homelessness: supplemental and concentration grants: regional adjustment factors: grade-span adequacy adjustments.

(1) Existing law establishes a public school financing system that requires state funding for school districts and charter schools to be calculated pursuant to a local control funding formula, as specified. Existing law requires funding pursuant to the local control funding formula to include a base grant that in each fiscal year is adjusted for inflation by the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as specified.

If the inflation adjustment for the base grant for a school district or charter school is calculated to be less than 4%, this bill would require the inflation adjustment for the base grant for a school district or charter school to instead be 4%. The bill would require the State Department of Education, on or before January 1, 2030, to establish and publish on its internet website regional cost adjustment factors in order address regional cost differences in housing and labor, and, commencing with the 2030–31 fiscal year, would require the adjustment to the base grant, whether calculated by the inflation adjustment or 4%, as applicable, to be further adjusted by multiplying that calculation by the applicable regional cost adjustment factor.

(2) Existing law requires the local control funding formula to include, in addition to the base grant, supplemental and concentration grant add-ons that are based on the percentage of pupils who are unduplicated pupils, as defined to include English learners,

pupils eligible for free or reduced-price meals, and foster youth, as specified. Existing law requires school districts and charter schools to annually report their enrollment of unduplicated pupils to the Superintendent of Public Instruction, as specified, and requires county superintendents of schools to review and validate that pupil data, as provided. Existing law requires pupils who are classified in more than one of these groups to be counted only once for these purposes.

The bill would add pupils experiencing homelessness, as defined, to the categories of pupils who are unduplicated pupils for purposes of determining eligibility for supplemental and concentration grants. ~~The bill would require foster youth and pupils experiencing homelessness who are both a foster youth and a pupil experiencing homelessness, or who are either a foster youth or pupil experiencing homelessness, or both, and also either eligible for free or reduced-price meals or an English learner, to instead be counted either only twice or 3 times, as specified.~~ The bill would place reporting requirements on school districts and charter schools to implement these provisions. By imposing additional duties on county superintendents of schools, school districts, and charter schools related to reporting unduplicated pupils, the bill would impose a state-mandated local program.

(3) Existing law requires the supplemental grant add-on to be equal to 20% of the base grants, as adjusted, for each school district's or charter school's percentage of unduplicated pupils, as specified, and requires the concentration grant add-on to be equal to 65% of the base grants, as adjusted, for each school district's or charter school's percentage of unduplicated pupils in excess of 55% of the school district's or charter school's total enrollment, as specified. *Existing law requires the State Board of Education to adopt regulations that govern the expenditure of funds apportioned on the basis of the number and concentration of unduplicated pupils, as provided.*

This bill, commencing with the 2030–31 fiscal year, would require the supplemental grant add-on to instead be equal to 35% of the base grants, as adjusted, for each school district's or charter school's percentage of unduplicated pupils, as specified, and would require the concentration grant add-on to instead be equal to 65% of the base grants, as adjusted, for each school district's or charter school's percentage of unduplicated pupils in excess of 45% of the school district's or charter school's total enrollment, as specified.

~~(4) This~~

The bill would establish transition adjustments for the 2025–26 fiscal year to the 2029–30 fiscal years, inclusive, to be calculated by the Superintendent of Public Instruction for each school district and charter school based on increased funding that would have been generated by the changes to supplemental and concentration grant eligibility and percentages described above, as provided. The bill would continuously appropriate the moneys necessary to implement those adjustments and would require the Superintendent to add those transition amounts to the school district's and charter school's local control funding formula amounts.

The bill, notwithstanding any other law, would require any increase in apportionment to a school district or charter school due to the bill's changes to the local control funding formula to be demonstrated to be used to support additional services for the targeted pupil group. To the extent the bill would impose additional duties on school districts and charter schools, the bill would impose a state-mandated local program. The bill, commencing with the 2025–26 fiscal year, would prohibit each school district and charter school from receiving less state aid under the local control funding formula for the then current fiscal year than they received in the 2024–25 fiscal year under the local control funding formula, as calculated on a per average daily attendance basis.

(4) Existing law requires the Legislative Analyst's Office, on or before January 1, 2026, to submit a report to the Legislature on the effects of changing the pupil count methodology of the local control funding formula from average daily attendance to pupil enrollment, as provided.

This bill would require the Legislative Analyst's Office, on or before January 1, 2027, to submit a report to the Legislature that studies the impact of the changes to the local control funding formula made by the bill within and between geographic regions of the state.

(5) This bill would require the department, on or before January 1, 2028, to develop recommendations for adequacy adjustments to the grade span adjusted base grants in order to address the unique costs for each grade span and to account for the revisions to supplemental and concentration grants described above, and to report those recommendations to the appropriate policy and fiscal committees of the Legislature, as provided. The bill would state the intent of the Legislature to fully transition the local control funding formula commencing with the 2030–31 fiscal year consistent with those recommendations.

(6) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

(7) Funds appropriated by this bill would be applied toward the minimum funding requirements for school districts and community college districts imposed by Section 8 of Article XVI of the California Constitution.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 42238.01 of the Education Code is amended to read:

42238.01. For purposes of Section 42238.02, the following definitions shall apply:

(a) (1) “Eligible for free or reduced-price meals” means determined to meet federal income eligibility criteria, either through completing an application for the federal National School Lunch Program or through an alternative household income data collection form, or deemed to be categorically eligible for free or reduced-price meals under the federal National School Lunch Program, as described in Part 245 of Title 7 of the Code of Federal Regulations.

(2) (A) A school participating in a special assistance alternative authorized by Section 11(a)(1) of the federal Richard B. Russell National School Lunch Act (Public Law 113-79), including Provision 2, Provision 3, or the Community Eligibility Provision, may establish a base year for purposes of the local control funding formula by doing either of the following:

(i) Determining the pupils at the school who are eligible for free or reduced-price meals and using each pupil's eligibility status in that base year to report eligibility for up to each of the following three school years.

(ii) Carrying forward eligibility for pupils eligible for free or reduced-price meals from the school year in which the school applied to use a federal universal school meal provision, and using each pupil's eligibility status from the application year to report eligibility for up to each of the following three school years.

(B) The school may include between base year eligibility determinations, any current or newly enrolled pupils who are determined to be eligible for free or reduced-price meals.

(3) A school that uses the special assistance alternative shall maintain information on each pupil's eligibility status and annually submit information on that status in the California Longitudinal Pupil Achievement Data System pursuant to paragraph (2) of subdivision (b) of Section 42238.02 or subparagraph (A) of paragraph (3) of subdivision (b) of Section 2574, as applicable.

(4) For a pupil who transfers to a school using a special assistance alternative and who is transferring between schools within the same school district, documentation supporting eligibility for that pupil for purposes of the local control funding formula may be transferred from the pupil's old school to the pupil's new school, as long as the documentation supporting eligibility for that pupil is less than four years old and is updated at least once every four years.

(5) To the extent permitted by federal law, a school may choose to establish a new base year for purposes of the federal National School Lunch Program at the same time the school establishes a new base year for purposes of the local control funding formula. A school may use federal National School Lunch Program application forms to collect household income data as permitted under the federal National School Lunch Program. If the use of federal National School Lunch Program application forms is not permitted, a school shall use alternative household income data collection forms.

(6) An alternative household income data collection form shall be confidential and shall not be shared by the school other than as necessary for purposes of determining funding allocations under the local control funding formula and for assessing the accountability of that funding. An alternative household income data collection form shall contain, at a minimum, all of the following information:

(A) Information sufficient to identify the pupil or pupils.

(B) Information sufficient to determine that the pupil or household meets federal income eligibility criteria sufficient to qualify for either a free or reduced-priced meal under the federal Richard B. Russell National School Lunch Act (Public Law 113-79).

(C) Certification that the information is true and correct by the pupil's adult household member.

(7) Paragraphs (2) and (4) are effective commencing with the 2014–15 fiscal year.

(b) "Foster youth" means any of the following:

(1) A child who is the subject of a petition filed pursuant to Section 300 of the Welfare and Institutions Code, whether or not the child has been removed from the child's home by the juvenile court pursuant to Section 319 or 361 of the Welfare and Institutions Code.

(2) A child who is the subject of a petition filed pursuant to Section 602 of the Welfare and Institutions Code, has been removed from the child's home by the juvenile court pursuant to Section 727 of the Welfare and Institutions Code, and is in foster care as defined by subdivision (d) of Section 727.4 of the Welfare and Institutions Code.

(3) A nonminor under the transition jurisdiction of the juvenile court, as described in Section 450 of the Welfare and Institutions Code, who satisfies all of the following criteria:

(A) The nonminor has attained 18 years of age while under an order of foster care placement by the juvenile court, and is not more than 19 years of age on or after January 1, 2012, not more than 20 years of age on or after January 1, 2013, and not more than 21 years of age, on or after January 1, 2014, and as described in Section 10103.5 of the Welfare and Institutions Code.

(B) The nonminor is in foster care under the placement and care responsibility of the county welfare department, county probation department, Indian tribe, consortium of tribes, or tribal organization that entered into an agreement pursuant to Section 10553.1 of the Welfare and Institutions Code.

(C) The nonminor is participating in a transitional independent living case plan pursuant to Section 475(8) of the federal Social Security Act (42 U.S.C. Sec. 675), as contained in the federal Fostering Connections to Success and Increasing Adoptions Act of 2008 (Public Law 110-351), as described in Section 11403 of the Welfare and Institutions Code.

(4) A dependent child of the court of an Indian tribe, consortium of tribes, or tribal organization who is the subject of a petition filed in the tribal court pursuant to the tribal court's jurisdiction in accordance with the tribe's law.

(5) A child who is the subject of a voluntary placement agreement, as defined in subdivision (p) of Section 11400 of the Welfare and Institutions Code.

(c) "Pupil experiencing homelessness" means a pupil who meets the definition of "homeless children and youths" in subsection (2) of Section 725 of the federal McKinney-Vento Homeless Assistance Act (42 U.S.C. Sec. 11434a(2)).

(d) "Pupils of limited English proficiency" means pupils who do not have the clearly developed English language skills of comprehension, speaking, reading, and writing necessary to receive instruction only in English at a level substantially equivalent to pupils of the same age or grade whose primary language is English. "English learner" shall have the same meaning as provided for in subdivision (a) of Section 306 and as "pupils of limited English proficiency."

SEC. 2. Section 42238.02 of the Education Code is amended to read:

42238.02. (a) The amount computed pursuant to this section shall be known as the school district and charter school local control funding formula.

(b) (1) For purposes of this section "unduplicated pupil" means a pupil enrolled in a school district or a charter school who is either classified as an English learner, eligible for a free or reduced-price meal, is a foster youth, or is a pupil experiencing homelessness, consistent with all of the following: *homelessness. A pupil shall be counted only once for purposes of this section if any of the following apply:*

(A) ~~A pupil shall be counted only once for purposes of this section if the~~ *The* pupil is classified as an English learner and is eligible for a free or reduced-price meal.

~~(B) A pupil shall be counted only twice for purposes of this section if any of the following apply:~~

(B) The pupil is classified as an English learner and is a pupil experiencing homelessness.

~~(ii)~~

(C) The pupil is classified as an English learner and is a foster youth.

~~(iii)~~

(D) The pupil is a foster youth and is a pupil experiencing homelessness.

~~(iv)~~

(E) The pupil is eligible for a free or reduced-price meal and is a foster youth.

~~(v)~~

(F) The pupil is eligible for a free or reduced-price meal and is a pupil experiencing homelessness.

~~(vi)~~

(G) The pupil is classified as an English learner, is eligible for a free or reduced-price meal, and is a pupil experiencing homelessness.

~~(vii)~~

(H) The pupil is classified as an English learner, is eligible for a free or reduced-price meal, and is a foster youth.

~~(C) A pupil shall be counted only three times for purposes of this section if any of the following apply:~~

~~(i)~~

(I) The pupil is eligible for a free or reduced-price meal, is a foster youth, and is a pupil experiencing homelessness.

~~(ii)~~

(J) The pupil is classified as an English learner, is a foster youth, and is a pupil experiencing homelessness.

~~(iii)~~

(K) The pupil is classified as an English learner, is eligible for a free or reduced-price meal, is a foster youth, and is a pupil experiencing homelessness.

(2) Under procedures and timeframes established by the Superintendent, commencing with the 2013–14 fiscal year, a school district or charter school shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, English learner, and pupils experiencing homelessness pupil-level records for enrolled pupils to the Superintendent using the California Longitudinal Pupil Achievement Data System.

(3) (A) Commencing with the 2013–14 fiscal year, a county office of education shall review and validate certified aggregate English learner, foster youth, free or reduced-price meal eligible, and pupils experiencing homelessness pupil data for school districts and charter schools under its jurisdiction to ensure the data is reported accurately. The Superintendent shall provide each county office of education with appropriate access to school district and charter school data reports in the California Longitudinal Pupil Achievement Data System for purposes of ensuring data reporting accuracy.

(B) The Controller shall include the instructions necessary to enforce paragraph (2) in the audit guide required by Section 14502.1. The instructions shall include, but are not necessarily limited to, procedures for determining if the English learner, foster youth, free or reduced-price meal eligible, and pupils experiencing homelessness pupil counts are consistent with the school district's or charter school's English learner, foster youth, free or reduced-price meal eligible, and pupils experiencing homelessness pupil records.

(4) The Superintendent shall make the calculations pursuant to this section using the data submitted by local educational agencies, including charter schools, through the California Longitudinal Pupil Achievement Data System. Under timeframes and procedures established by the Superintendent, school districts and charter schools may review and revise their submitted data

on English learner, foster youth, free or reduced-price meal eligible, and pupils experiencing homelessness pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System.

(5) The Superintendent shall annually compute the percentage of unduplicated pupils for each school district and charter school by dividing the enrollment of unduplicated pupils in a school district or charter school by the total enrollment in that school district or charter school pursuant to all of the following:

(A) For the 2013–14 fiscal year, divide the sum of unduplicated pupils for the 2013–14 fiscal year by the sum of the total pupil enrollment for the 2013–14 fiscal year.

(B) For the 2014–15 fiscal year, divide the sum of unduplicated pupils for the 2013–14 and 2014–15 fiscal years by the sum of the total pupil enrollment for the 2013–14 and 2014–15 fiscal years.

(C) For the 2015–16 fiscal year and each fiscal year thereafter, divide the sum of unduplicated pupils for the current fiscal year and the two prior fiscal years by the sum of the total pupil enrollment for the current fiscal year and the two prior fiscal years.

(D) (i) For purposes of the quotients determined pursuant to subparagraphs (B) and (C), the Superintendent shall use a school district's or charter school's enrollment of unduplicated pupils and total pupil enrollment in the 2014–15 fiscal year instead of the enrollment of unduplicated pupils and total pupil enrollment in the 2013–14 fiscal year if doing so would yield an overall greater percentage of unduplicated pupils.

(ii) It is the intent of the Legislature to review each school district and charter school's enrollment of unduplicated pupils for the 2013–14 and 2014–15 fiscal years and provide one-time funding, if necessary, for a school district or charter school with higher enrollment of unduplicated pupils in the 2014–15 fiscal year as compared to the 2013–14 fiscal year.

(E) (i) Notwithstanding any other law, for purposes of subparagraph (C), the unduplicated pupils and total pupil enrollment in prior fiscal years shall be the following:

(I) For a transferred charter school, the counts shall be equal to the counts reported for the original charter school.

(II) For an acquiring charter school, the counts shall be equal to the counts reported for the original charter school. This subclause shall become inoperative on July 1, 2026, unless its operation is extended by the Legislature.

(III) For the restructured portions of a divided charter school, the counts shall be zero.

(IV) For the remaining portion of a divided charter school, the counts shall be equal to the counts reported for the original charter school.

(ii) The definitions in Section 47654 apply for purposes of this subparagraph.

(6) Notwithstanding subdivision (a) of Section 14002, the data used to determine the percentage of unduplicated pupils shall be final once that data is no longer used in the current fiscal year calculation of the percentage of unduplicated pupils. This paragraph does not apply to a change that is the result of an audit exception, as described in paragraph (2) of subdivision (a) of Section 41341.

(c) Commencing with the 2013–14 fiscal year and each fiscal year thereafter, the Superintendent shall annually calculate a local control funding formula grant for each school district and charter school in the state pursuant to this section.

(d) The Superintendent shall compute a grade span adjusted base grant equal to the total of the following amounts:

(1) For the 2013–14 fiscal year, a base grant of:

(A) Six thousand eight hundred forty-five dollars (\$6,845) for average daily attendance in kindergarten and grades 1 to 3, inclusive.

(B) Six thousand nine hundred forty-seven dollars (\$6,947) for average daily attendance in grades 4 to 6, inclusive.

(C) Seven thousand one hundred fifty-four dollars (\$7,154) for average daily attendance in grades 7 and 8.

(D) Eight thousand two hundred eighty-nine dollars (\$8,289) for average daily attendance in grades 9 to 12, inclusive.

(2) (A) In each year the grade span adjusted base grants in paragraph (1) shall be adjusted by the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the third quarter of the prior fiscal year. This percentage change shall be determined using the latest data available as of May 10 of the

preceding fiscal year compared with the annual average value of the same deflator for the 12-month period ending in the third quarter of the second preceding fiscal year, using the latest data available as of May 10 of the preceding fiscal year, as reported by the Department of Finance.

(B) Notwithstanding subparagraph (A), if the adjustment calculated pursuant to subparagraph (A) is less than 4 percent, the grade span adjusted base grants in paragraph (1) shall instead be adjusted by 4 percent.

(C) Commencing with the 2030–31 fiscal year, the adjustment calculated pursuant to subparagraph (A) or (B), as applicable, shall be further adjusted by multiplying that calculation by the applicable regional cost adjustment factor established by the department pursuant to subdivision (a) of Section 42238.028.

(3) (A) The Superintendent shall compute an additional adjustment to the kindergarten and grades 1 to 3, inclusive, base grant as adjusted pursuant to paragraphs (2) and (5) equal to 10.4 percent. The additional grant shall be calculated by multiplying the kindergarten and grades 1 to 3, inclusive, base grant, as adjusted by paragraphs (2) and (5), by 10.4 percent.

(B) Until paragraph (4) of subdivision (b) of Section 42238.03 is effective, as a condition of the receipt of funds in this paragraph, a school district shall make progress toward maintaining an average class enrollment of not more than 24 pupils for each schoolsite in kindergarten and grades 1 to 3, inclusive, unless a collectively bargained alternative annual average class enrollment for each schoolsite in those grades is agreed to by the school district, pursuant to the following calculation:

(i) Determine a school district's average class enrollment for each schoolsite for kindergarten and grades 1 to 3, inclusive, in the prior year. For the 2013–14 fiscal year, this amount shall be the average class enrollment for each schoolsite for kindergarten and grades 1 to 3, inclusive, in the 2012–13 fiscal year.

(ii) Determine a school district's proportion of total need pursuant to paragraph (2) of subdivision (b) of Section 42238.03.

(iii) Determine the percentage of the need calculated in clause (ii) that is met by funding provided to the school district pursuant to paragraph (3) of subdivision (b) of Section 42238.03.

(iv) Determine the difference between the amount computed pursuant to clause (i) and an average class enrollment of not more than 24 pupils.

(v) Calculate a current year average class enrollment adjustment for each schoolsite for kindergarten and grades 1 to 3, inclusive, equal to the adjustment calculated in clause (iv) multiplied by the percentage determined pursuant to clause (iii).

(C) School districts that have an average class enrollment for each schoolsite for kindergarten and grades 1 to 3, inclusive, of 24 pupils or less for each schoolsite in the 2012–13 fiscal year, shall be exempt from the requirements of subparagraph (B) so long as the school district continues to maintain an average class enrollment for each schoolsite for kindergarten and grades 1 to 3, inclusive, of not more than 24 pupils, unless a collectively bargained alternative ratio is agreed to by the school district.

(D) (i) Upon full implementation of the local control funding formula, as a condition of the receipt of funds in this paragraph, all school districts shall maintain an average class enrollment for each schoolsite for kindergarten and grades 1 to 3, inclusive, of not more than 24 pupils for each schoolsite in kindergarten and grades 1 to 3, inclusive, unless a collectively bargained alternative ratio is agreed to by the school district.

(ii) Notwithstanding clause (i), for purposes of meeting the requirements of paragraph (1) of subdivision (g) of Section 48000, a school district shall maintain an average transitional kindergarten class enrollment of not more than 24 pupils for each schoolsite.

(E) The average class enrollment requirement for each schoolsite for kindergarten and grades 1 to 3, inclusive, established pursuant to this paragraph shall not be subject to waiver by the state board pursuant to Section 33050 or by the Superintendent.

(F) The Controller shall include the instructions necessary to enforce this paragraph in the audit guide required by Section 14502.1. The instructions shall include, but are not necessarily limited to, procedures for determining if the average class enrollment for each schoolsite for kindergarten and grades 1 to 3, inclusive, exceeds 24 pupils, or an alternative average class enrollment for each schoolsite pursuant to a collectively bargained alternative ratio. The procedures for determining average class enrollment for each schoolsite shall include criteria for employing sampling.

(4) The Superintendent shall compute an additional adjustment to the base grant for grades 9 to 12, inclusive, as adjusted pursuant to paragraphs (2) and (5), equal to 2.6 percent. The additional grant shall be calculated by multiplying the base grant

for grades 9 to 12, inclusive, as adjusted by paragraphs (2) and (5) by 2.6 percent.

(5) For the 2022–23 fiscal year, the Superintendent shall increase the base grants for kindergarten and grades 1 to 12, inclusive, by 6.7 percent. This adjustment shall be calculated by multiplying the grade span-adjusted base grants calculated pursuant to paragraph (2) for the 2021–22 fiscal year by 6.7 percent. The adjustment shall be included in grade span-adjusted base grants amounts for purposes of the adjustment pursuant to paragraph (2) commencing with the 2023–24 fiscal year.

(e) (1) For the 2013–14 to 2029–30 fiscal years, inclusive, the Superintendent shall compute a supplemental grant add-on equal to 20 percent of the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1) of subdivision (d), as adjusted by paragraphs (2) to (5), inclusive, of subdivision (d), for each school district's or charter school's percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b). The supplemental grant shall be calculated by multiplying the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1), as adjusted by paragraphs (2) to (5), inclusive, of subdivision (d), by 20 percent and by the percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in that school district or charter school. The supplemental grant shall be expended in accordance with the regulations adopted pursuant to Section 42238.07.

(2) ~~Commencing~~ **Commencing** with the 2030–31 fiscal year, the Superintendent shall compute a supplemental grant add-on equal to 35 percent of the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1) of subdivision (d), as adjusted by paragraphs (2) to (5), inclusive, of subdivision (d), for each school district's or charter school's percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b). The supplemental grant shall be calculated by multiplying the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1), as adjusted by paragraphs (2) to (5), inclusive, of subdivision (d), by 35 percent and by the percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in that school district or charter school. The supplemental grant shall be expended in accordance with the regulations adopted pursuant to Section 42238.07.

(f) (1) (A) The Superintendent shall compute a concentration grant add-on equal to 50 percent of the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1) of subdivision (d), as adjusted by paragraphs (2) to (5), inclusive, of subdivision (d), for each school district's or charter school's percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 55 percent of the school district's or charter school's total enrollment. The concentration grant shall be calculated by multiplying the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1) of subdivision (d), as adjusted by paragraphs (2) to (5), inclusive, of subdivision (d), by 50 percent and by the percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 55 percent of the total enrollment in that school district or charter school.

(B) For the 2021–22 to 2029–30 fiscal years, inclusive, the concentration grant add-on referenced in subparagraph (A) shall instead be equal to 65 percent of the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1) of subdivision (d), as adjusted by paragraphs (2) to (5), inclusive, of subdivision (d), for each school district's or charter school's percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 55 percent of the school district's or charter school's total enrollment. The concentration grant shall be calculated by multiplying the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1) of subdivision (d), as adjusted by paragraphs (2) to (5), inclusive, of subdivision (d), by 65 percent and by the percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 55 percent of the total enrollment in that school district or charter school.

(C) Commencing with the 2030–31 fiscal year, the concentration grant add-on referenced in subparagraph (A) shall instead be equal to 65 percent of the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1) of subdivision (d), as adjusted by paragraphs (2) to (5), inclusive, of subdivision (d), for each school district's or charter school's percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 45 percent of the school district's or charter school's total enrollment. The concentration grant shall be calculated by multiplying the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1) of subdivision (d), as adjusted by paragraphs (2) to (5), inclusive, of subdivision (d), by 65 percent and by the percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 45 percent of the total enrollment in that school district or charter school.

(2) (A) For the 2013–14 to 2029–30 fiscal years, inclusive, for a charter school physically located in only one school district, the percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 55 percent used to calculate concentration grants shall not exceed the percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 55 percent of the school district in which the charter school is physically located. For a charter school physically located in more than one school district, the charter school's percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 55 percent used to calculate concentration grants shall not exceed that of the school district with the highest percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 55 percent of the school districts in which the charter school has a school facility. The concentration grant shall be expended in accordance with the regulations adopted pursuant to Section 42238.07.

(B) Commencing with the 2030–31 fiscal year, for a charter school physically located in only one school district, the percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 45 percent used to calculate concentration grants shall not exceed the percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 45 percent of the school district in which the charter school is physically located. For a charter school physically located in more than one school district, the charter school's percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 45 percent used to calculate concentration grants shall not exceed that of the school district with the highest percentage of unduplicated pupils calculated pursuant to paragraph (5) of subdivision (b) in excess of 45 percent of the school districts in which the charter school has a school facility. The concentration grant shall be expended in accordance with the regulations adopted pursuant to Section 42238.07.

(C) For purposes of this paragraph and subparagraph (A) of paragraph (1) of subdivision (f) of Section 42238.03, a charter school shall report its physical location to the department under timeframes established by the department. For a charter school authorized by a school district, the department shall include the authorizing school district in the department's determination of physical location. For a charter school authorized on appeal pursuant to subdivision (k) of Section 47605, the department shall include the school district that initially denied the petition in the department's determination of physical location. Notwithstanding subdivision (a) of Section 14002, the reported physical location of the charter school shall be considered final as of the second principal apportionment for that fiscal year, and, for purposes of this paragraph, the percentage of unduplicated pupils of the school district associated with the charter school pursuant to subparagraph (A) shall be considered final as of the second principal apportionment for that fiscal year.

(g) (1) The Superintendent shall compute an add-on to the total sum of a school district's or charter school's base, supplemental, and concentration grants equal to the amount of funding a school district or charter school received from funds allocated pursuant to the Targeted Instructional Improvement Block Grant program, as set forth in Article 6 (commencing with Section 41540) of Chapter 3.2, for the 2012–13 fiscal year, as that article read on January 1, 2013. A school district or charter school shall not receive a total funding amount from this add-on greater than the total amount of funding received by the school district or charter school from that program in the 2012–13 fiscal year. The amount computed pursuant to this subdivision shall reflect the reduction specified in paragraph (2) of subdivision (a) of Section 42238.03.

(2) Notwithstanding Section 42238.05, commencing with the 2022–23 fiscal year, the Superintendent shall compute an add-on to the total sum of a school district's or charter school's base, supplemental, and concentration grants equal to two thousand eight hundred thirteen dollars (\$2,813) multiplied by the then current fiscal year's second principal apportionment period average daily attendance in transitional kindergarten. Commencing with the 2023–24 fiscal year, the add-on computed pursuant to this paragraph shall be adjusted by the percentage change applied pursuant to paragraph (2) of subdivision (d). It is the intent of the Legislature that the costs to meet the requirements of paragraph (2) of subdivision (g) of Section 48000 be supported by the add-on computed pursuant to this paragraph.

(h) (1) The Superintendent shall compute an add-on to the total sum of a school district's or charter school's base, supplemental, and concentration grants equal to the amount of funding a school district or charter school received from funds allocated pursuant to the Home-to-School Transportation program, as set forth in former Article 2 (commencing with Section 39820) of Chapter 1 of Part 23.5, former Article 10 (commencing with Section 41850) of Chapter 5, and the Small School District Transportation program, as set forth in former Article 4.5 (commencing with Section 42290), as those articles read on January 1, 2013, for the 2012–13 fiscal year. A school district or charter school shall not receive a total funding amount from this add-on greater than the total amount received by the school district or charter school for those programs in the 2012–13 fiscal year. The amount computed pursuant to this subdivision shall reflect the reduction specified in paragraph (2) of subdivision (a) of Section 42238.03.

(2) If a home-to-school transportation joint powers agency, established pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for purposes of providing pupil transportation, received an apportionment directly from the Superintendent from any of the funding sources specified in paragraph (1) for the 2012–13 fiscal year, the joint powers agency may identify the member local educational agencies and transfer entitlement to that funding to any of those member local educational agencies by reporting to the Superintendent, on or before September 30, 2015, the reassignment of a specified amount of the joint powers agency's 2012–13 fiscal year entitlement to the member local educational agency. Commencing with the 2015–16 fiscal year, the Superintendent shall compute an add-on to the total sum of a school district's or charter school's base, supplemental, and concentration grants equal to the amount of the entitlement to funding transferred by the joint powers agency to the member school district or charter school.

(3) Commencing in the 2023–24 fiscal year, the add-on amounts referenced in paragraphs (1) and (2) shall receive the annual cost-of-living adjustment specified in paragraph (2) of subdivision (d).

(i) (1) The sum of the local control funding formula rates computed pursuant to subdivisions (c) to (f), inclusive, shall be multiplied by:

(A) For school districts, the average daily attendance of the school district in the corresponding grade level ranges computed pursuant to Section 42238.05, excluding the average daily attendance computed pursuant to paragraph (2) of subdivision (a) of Section 42238.05 for purposes of the computation specified in subdivision (d).

(B) For charter schools, the total current year average daily attendance in the corresponding grade level ranges.

(2) The amount computed pursuant to Article 4 (commencing with Section 42280) shall be added to the amount computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (d), as multiplied by subparagraph (A) or (B) of paragraph (1), as appropriate.

(j) The Superintendent shall adjust the sum of each school district's or charter school's amount determined in subdivisions (g) to (i), inclusive, pursuant to the calculation specified in Section 42238.03, less the sum of the following:

(1) (A) For school districts, the property tax revenue received pursuant to Chapter 3.5 (commencing with Section 75) and Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code.

(B) For charter schools, the in-lieu property tax amount provided to a charter school pursuant to Section 47635.

(2) The amount, if any, received pursuant to Part 18.5 (commencing with Section 38101) of Division 2 of the Revenue and Taxation Code.

(3) The amount, if any, received pursuant to Chapter 3 (commencing with Section 16140) of Part 1 of Division 4 of Title 2 of the Government Code.

(4) Prior years' taxes and taxes on the unsecured roll.

(5) Fifty percent of the amount received pursuant to Section 41603.

(6) The amount, if any, received pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code), less any amount received pursuant to Section 33401 or 33676 of the Health and Safety Code that is used for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance and that is not an amount received pursuant to Section 33492.15, or paragraph (4) of subdivision (a) of Section 33607.5, or Section 33607.7 of the Health and Safety Code that is allocated exclusively for educational facilities.

(7) The amount, if any, received pursuant to Sections 34177, 34179.5, 34179.6, 34183, and 34188 of the Health and Safety Code.

(8) Revenue received pursuant to subparagraph (B) of paragraph (3) of subdivision (e) of Section 36 of Article XIII of the California Constitution.

(k) A school district shall annually transfer to each of its charter schools funding in lieu of property taxes pursuant to Section 47635.

(l) (1) This section does not authorize a school district that receives funding on behalf of a charter school pursuant to Section 47651 to redirect this funding for another purpose unless otherwise authorized in law pursuant to paragraph (2) or pursuant to an agreement between the charter school and its chartering authority.

(2) A school district that received funding on behalf of a locally funded charter school in the 2012–13 fiscal year pursuant to paragraph (2) of subdivision (b) of Section 42605, Section 42606, and subdivision (b) of Section 47634.1, as those sections read on January 1, 2013, or a school district that was required to pass through funding to a conversion charter school in the 2012–13 fiscal year pursuant to paragraph (2) of subdivision (b) of Section 42606, as that section read on January 1, 2013, may annually redirect for another purpose a percentage of the amount of the funding received on behalf of that charter school. The percentage of funding that may be redirected shall be determined pursuant to the following computation:

(A) (i) Determine the sum of the need fulfilled for that charter school pursuant to paragraph (3) of subdivision (b) of Section 42238.03 in the then current fiscal year for the charter school.

(ii) Determine the sum of the need fulfilled in every fiscal year before the then current fiscal year pursuant to paragraph (3) of subdivision (b) of Section 42238.03 adjusted for changes in average daily attendance pursuant to paragraph (3) of subdivision (a) of Section 42238.03 for the charter school.

(iii) Subtract the amount computed pursuant to paragraphs (1) to (3), inclusive, of subdivision (a) of Section 42238.03 from the amount computed for that charter school under the local control funding formula entitlement computed pursuant to subdivision (i) of this section.

(iv) Compute a percentage by dividing the sum of the amounts computed pursuant to clauses (i) and (ii) by the amount computed pursuant to clause (iii).

(B) Multiply the percentage computed pursuant to subparagraph (A) by the amount of funding the school district received on behalf of the charter school in the 2012–13 fiscal year pursuant to paragraph (2) of subdivision (b) of Section 42605, Section 42606, and subdivision (b) of Section 47634.1, as those sections read on January 1, 2013.

(C) The maximum amount that may be redirected shall be the lesser of the amount of funding the school district received on behalf of the charter school in the 2012–13 fiscal year pursuant to paragraph (2) of subdivision (b) of Section 42605, Section 42606, and subdivision (b) of Section 47634.1, as those sections read on January 1, 2013, or the amount computed pursuant to subparagraph (B).

(3) Commencing with the 2013–14 fiscal year, a school district operating one or more affiliated charter schools shall provide each affiliated charter school schoolsite with no less than the amount of funding the schoolsite received pursuant to the charter school block grant in the 2012–13 fiscal year.

(m) Any calculations in law that are used for purposes of determining if a local educational agency is an excess tax school entity or basic aid school district, including, but not limited to, this section and Sections 41544, 42238.03, 47632, 47660, 47663, 48310, and 48359.5, and Section 95 of the Revenue and Taxation Code, shall exclude the revenue received pursuant to subparagraph (B) of paragraph (3) of subdivision (e) of Section 36 of Article XIII of the California Constitution.

(n) The funds apportioned pursuant to this section and Section 42238.03 shall be available to implement the activities required pursuant to Article 4.5 (commencing with Section 52059.5) of Chapter 6.1 of Part 28 of Division 4.

(o) A school district that does not receive an apportionment of state funds pursuant to this section, as implemented pursuant to Section 42238.03, excluding funds apportioned pursuant to the requirements of subparagraph (A) of paragraph (2) of subdivision (e) of Section 42238.03, shall be considered a “basic aid school district” or an “excess tax entity.”

SEC. 3. Section 42238.028 is added to the Education Code, to read:

42238.028. (a) On or before January 1, 2030, the department shall do both of the following:

- (1) Establish regional cost-adjustment factors for purposes of subparagraph (C) of paragraph (2) of subdivision (d) of Section 42238.02 in order to address regional cost differences in housing and labor.
- (2) Publish the regional cost-adjustment factors on its internet website.

(b) On or before January 1, 2028, the department shall do both of the following:

- (1) Develop recommendations for adequacy adjustments to the grade span adjusted base grants specified in subparagraphs (A) to (D), inclusive, of paragraph (1) of subdivision (d) of Section 42238.02 in order to address the unique costs for each grade span and to account for the revisions to supplemental and concentration grants commencing with the 2030–31 fiscal year, as specified in paragraph (2) of subdivision (e) of, and subparagraph (C) of paragraph (1) of, and subparagraph (B) of paragraph (2) of, subdivision (f) of, Section 42238.02.
- (2) Notwithstanding Section 10231.5 of the Government Code, submit its recommendations to the appropriate policy and fiscal committees of the Legislature, in compliance with Section 9795 of the Government Code.

SEC. 4. Section 42238.029 is added to the Education Code, to read:

42238.029. (a) For the 2025–26 to 2029–30 fiscal years, inclusive, the Superintendent shall compute and provide an annual local control funding formula transition adjustment for each school district and charter school as follows:

- (1) Compute the amount for each school district or charter school under the local control funding formula entitlements computed pursuant to Section 42238.02.
- (2) Compute the amount for each school district or charter school under the local control funding formula entitlements computed pursuant to Section 42238.02 by instead using the criteria in paragraph (2) of subdivision (e), and subparagraph (C) of paragraph (1) of, and subparagraph (B) of paragraph (2) of, subdivision (f), of Section 42238.02.
- (3) Subtract the amount computed pursuant to paragraph (1) from the amount computed pursuant to paragraph (2). School districts and charter schools with a negative difference shall be deemed to have a zero difference.
- (4) Multiply the difference computed pursuant to paragraph (3) by each of the following for the applicable fiscal year:

(A) For the 2025–26 fiscal year, by one-fifth.

(B) For the 2026–27 fiscal year, by two-fifths.

(C) For the 2027–28 fiscal year, by three-fifths.

(D) For the 2029–30 fiscal year, by four-fifths.

(5) For each applicable fiscal year, a school district's and charter school's transition adjustment, as calculated pursuant to paragraphs (1) to (4), inclusive, shall be added to the school district's or charter school's local control funding formula amount, as calculated pursuant to Section 42238.02, and shall be continuously appropriated pursuant to Section 14002.

(b) It is the intent of the Legislature to fully fund the local control funding formula, as revised by the act adding this section, and taking into account the recommendations developed pursuant to subdivision (b) of Section 42238.028, commencing with the 2030–31 fiscal year.

SEC. 5. *Section 42238.0291 is added to the Education Code, immediately following Section 42238.029, to read:*

42238.0291. *(a) On or before January 1, 2027, the Legislative Analyst's Office shall submit a report to the Legislature, in compliance with Section 9795 of the Government Code, that studies the impact of the changes to the local control funding formula made by Assembly Bill 1204 of the 2025–26 Regular Session within and between geographic regions of the state.*

(b) This section shall remain in effect only until January 1, 2031, and as of that date is repealed.

SEC. 6. *Section 42238.0292 is added to the Education Code, immediately following Section 42238.0291, to read:*

42238.0292. *(a) Notwithstanding any other law, any increase in apportionment to a school district or charter school due to the changes to the local control funding formula made by Assembly Bill 1204 of the 2025–26 Regular Session shall be demonstrated to be used to support additional services for the targeted pupil group.*

(b) Commencing with the 2025–26 fiscal year, each school district and charter school shall not receive less state aid under the local control funding formula for the then current fiscal year than they received in the 2024–25 fiscal year under the local control funding formula, as calculated on a per average daily attendance basis.

~~**SEC. 5.**~~**SEC. 7.** If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.