



Council Representative Report

Council: Business Services Council

Council Representative: Dawnalyn Murakawa-Leopard

Meeting Date: 10/15/25

Meeting Summary:

- **CalSTRS: Implementation of Creditable Compensation Simplification Bill** – Meredith Bartles, Plan Design Specialist, Governmental Relations, CalSTRS, and John Maradik-Symkowick, Governmental Relations Manager, CalSTRS
 - [AB 1997 \(McKinnor\)](#)
 - [Drafting Regulations](#)
 - This legislation changes CalSTRS creditable service calculations and requirements. This will impact compensation and service. These changes are a portion of a larger effort the simplify and clarify the CalSTRS process. Creditable compensation will now fall into three categories: salary, special pay, and supplemental pay (the last of which does not count towards compensation but may create service credit or generate contributions to the Defined Benefit Supplement Program)
 - Creditable services is redefined to mean service in a position subject to membership, meaning positions that are part of a certificated bargaining unit or that are defined as certificated by a governing body resolution. Superintendents and positions held by people who elected participation are also included.
 - Special pay includes special payments or stipends such as compensation for a masters degree (this is currently usually called Remuneration in Addition to Salary; special pay can create service credit).
 - Base pay includes Salary and Special Pay; base pay is anything in these two categories that is paid for a position subject to membership, documented on a publicly available pay schedule or agreement, paid to everyone in the class, and not paid on a limited number of payments.
 - Supplemental pay is anything not included in Base Pay and not expressly excluded under the law (a hiring bonus, Yearbook advisor stipend, pay for an extra period, lottery pay, etc.). These will now be creditable. The “paid each pay period” requirement will be eliminated. The rules will be the same for both CalSTRS 2% at 60 and 2% at 62 members.
 - Draft regulations (linked above) will be going to the CalSTRS Board in November with training provided throughout 2026 (early training on documentation for contract negotiators and later training on reporting requirements for everyone). Changes will be effective on July 1, 2027.
 - For questions: governantalrelations@calstrs.com
- **State Budget Forecast** – Ken Kapphahn, Principal Fiscal & Policy Analyst, Legislative Analysts
 - There has been positive development in the state revenue picture. State withholdings are a strong indicator. There was a large “boom” in withholding in 2021 and 2022; this was followed by a decline. Recently, there has been a period of growth, with a 10% average growth rate, year over year. Withholding levels are not only growing but are also above the state’s projections.
 - The stock market has rallied and is at a historically high level. The S&P is up 60% over what it was two years ago. This has been led by gains in the tech sector, which seems to be based on companies’ investment in AI development.

- Stock prices are very high relative to what companies are earning; this is a precarious situation and may not be sustainable.
- The job market has been generally weak, with net job loss since June, representing a flattening or loss of jobs. Long-term unemployment (longer than 27 weeks) has been steadily increasing since 2023. Youth unemployment has risen from 8% to 13% since 2023 (as compared to an overall rate of 5%-5.5%). Youth employment can be a leading indicator for the overall job market. Consumer confidence has also been down lately, also indicating a potential lack of sustainability in the positive trajectories reflected in some indicators.
- The LAO conducts a full forecast in May and November with updates in between. The most recent update was conducted in August. Based on indicators, the LAO would now forecast revenues \$2.3B higher in 2024-25, \$9.8B higher in 2025-26, and \$9B higher in 2026-27 than it did when the budget was enacted (with a great deal of uncertainty over that period).
- For schools, the Proposition 98 Guarantee will be calculated on Test 1 for 2024-25 and will likely remain so over the coming years. The state owes schools a maintenance factor, so nearly all additional revenue will go to schools in 2024-25, with 40% going to schools in the following years. This could result in \$10B more in Proposition 98 in the coming years; however, some of this will need to be used for existing commitments and possibly for deferrals as well.
- Attendance to enrollment is still below pre-pandemic levels, which were about 95.5%. There was growth over the past few years, but ADA was relatively flat at 93.4% in 2024-25 (as compared with 93.3% in 2023-24). The impact of attendance recovery programs remains to be seen.
- UPP was at around 62.2% pre-pandemic but has been slowly and steadily increasing since the pandemic, with a rate of 66.3% in 2024-25.
- Special education enrollment has been growing as well, even as the overall school population is declining. The 2024-25 statewide special education identification rate is around 15%.
- The overall state budget picture continues to be challenging. At budget enactment, the state projected a \$17B deficit for 2026-27, with a larger deficit (near \$25B) in 2027-28 and a return to around \$17B in 2028-29. The state has used reserves to address shortfalls, but the reserves are being depleted. The state had around \$23B in the Budget Stabilization Account and \$10B in the Proposition 98 reserve in 2022; this has now declined to \$11B in the Budget Stabilization Account with nothing left in the Proposition 98 reserve. Continued reliance on reserves is not sustainable.
- Federal funds support 36% of all state expenditures. They provide 9% of K-12 education funding; 13% of Natural Resources and Environment funding; 24% of Higher Education funding, 28% of Transportation funding, and 51% of Health and Human Services funding. Statewide budget impacts from delays or reductions in federal funding remain to be seen.
- COLA is typically highly variable until the end of October, after which, in a typical year, projections begin to stabilize. However, given the federal shutdown, October data informing COLA calculations and projections will be delayed, so the LAO's November COLA projection will be more uncertain than it typically is. The LAO will use a number that they anticipate would be just as likely to be too high as too low. In May, the DOF projection for 26-27 was at 3.02%; based on what has happened since then the COLA is likely to be lower than 3%. The out-year COLA projections have been something of a coin flip. Generally, COLAs average around 3%, and this may be a better figure to use in projections for the out years.
- The LAO is reflecting on the impact of federal immigration actions and considering how this might impact the economy; it is likely that the LAO will comment on this in November.
- If revenues come in as projected, the state would be able to repay existing deferrals and would not need to initiate new ones. The Legislature has indicated an intent that new revenue would be used to support existing programs and end deferrals, though this will not be binding on the Governor.
- If there is a large bump in attendance, the state could move into Test 2 or 3 for Proposition 98, but even if that happens the general assumption of around 40% of revenues going to schools is likely to be fairly solid.
- It was noted that in the tech sector, "the bubbles are creating the bubbles," with, for instance, NVIDIA investing in Open AI. The LAO is encouraging the legislature to understand that the state will not have the resources to invest in new programs and that it is critical for the state to

get its budget back in balance. Most states are expecting flat revenue growth in the coming years; California is different only because of the tech sector. The decline in reserves is a significant concern.

- **2025 Legislative Wrap-Up & Looking Forward** – Kordell Hampton, ACSA Legislative Advocate
 - Kordell reviewed AB 1204, which would make a number of changes to the LCFF, including adding homeless students to the UPP, setting a minimum COLA of 4%, requiring a regional cost adjustment to districts’ LCFF calculations, and increasing the supplemental grant add on to 35% of the applicable grade span base grant and the concentration grant add-on threshold to 45% UPP enrollment.
 - The group expressed some confusion because unhoused students are included in the socioeconomically disadvantaged group; Kordell expressed that Assemblymember Alvarez’s intent is to designate this as a separate stand-alone group to provide more visibility. There were concerns about the transiency of this group and how a “true” count could be gathered. It was noted that if the qualification process were easier under the “homeless” category than it is under the socioeconomically disadvantaged category, it might be advantageous to schools and provide additional resources to support these students.
 - There were concerns that a set minimum COLA at 4% could create a situation that might encourage deficits and underfunding and that 4% could then be seen as a ceiling rather than a floor (similar to what has happened with Proposition 98) and that this might disincentivize future super-COLAs. It was noted that the statutory COLA as currently defined never keeps up with actual inflationary impacts. It was suggested that the author might look at a statutorily augmented COLA, or at a different COLA formula that truly reflects actual cost increases. It was pointed out that a flat percentage increase impacts negotiating parameters, whereas an increase to the base grant would be less of an automatic impact to bargaining parameters. The group discussed the idea of suggesting a COLA+1% model or a model that enhances the base grant apart from the COLA (as long as these increases are provided on an ongoing and not one-time basis), as well as the importance of defining – as widely as possible – the programs to which COLA will be applied each year.
 - There is a universal desire to increase the base and agreement that this should always be the top priority.
 - With regards to the concentration grant changes, there was interest in also looking at school-based qualification rather than district-based qualification.
 - There are concerns about the regional cost adjustment proposal, with specific concerns that this might create more complexity and bring the state back to a more revenue-limit-like model with all of its inequities and could disadvantage districts that are identified as having lower costs of living but that still have to pay the same costs as are incurred by districts in areas identified as having higher costs of living.
 - For questions: khampton@acsa.org

Actions & Next Steps:

- Watch for LAO’s November update
- Monitor federal activity to determine impact on funding and COLA projections
- Continue to advocate for increases to the LCFF base grant rather than special set-asides, new categorical programs, or enhancements to the supplemental/concentration grants

Upcoming Events:

- 1/14/26, 2pm - Budget Reaction Zoom (open to all)
- 2/25/26, 10am - BSC Meeting (Sacramento)
- 5/20/26, 10am - BSC Meeting (Sacramento)

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All Council Members:

1. Each time you have a council meeting, please fill out this form and send it to the following people:
 - a. ACSA Region 14 Communications (acsa.r14communications@gmail.com)
 - b. ACSA Region 14 Consultant (acsa.r14consultant@gmail.com)
 - c. ACSA Region 14 President (bwardrop@bhusd.org)
2. The information you provide will be uploaded to our website so that all members can review what is being discussed in your council meetings.

Attending an Executive Board Meeting:

1. Council members are to attend Executive Board Meetings when asked to present about their council.
2. Once the calendar is finalized, a copy of the annual calendar will be sent to you and you will be able to see which executive board meetings you should attend.
3. A week before the meeting you will receive an email from me reminding you of the meeting and your attendance. We will use the latest report you have sent to us and add it to the agenda.