

# Research Brief

January 28, 2024

## Governor's initial proposal for 2024-25 budget addresses large deficit without significant cuts or increases to public education funding

On January 10, Governor Newsom presented his initial budget proposal for the upcoming fiscal year. With tax receipts down this year and the late tax deadline last year, the Department of Finance is estimating a \$37.9 billion budget deficit in the year ahead. Despite the shortfall, Governor Newsom did not propose significant cuts to education, instead essentially funding K-14 education at a similar level to the current year. The Governor's proposed budget defers an anticipated 5% base funding increase for the University of California.

While significant cuts are not proposed, the proposed COLA for schools and community college funding is estimated at just .76%. The final statutory COLA amount will be finalized in the coming months, and it is expected to remain well below the record increases in the past few years. The January budget proposal applies the COLA to TK-12 categorical programs that typically receive the COLA and to many community college programs, as usual. With the modest COLA, districts should have relatively flat year over year state funding under this proposal, though where enrollment is declining a lot, state revenues may be lower. Federal COVID-19 stimulus funds (e.g., ESSER and HEERF) are also being spent down and expiring.

Given the uncertainty of the state's fiscal condition last summer when the budget was finalized and the economic slowdown over the past year, a budget deficit this year was expected. California's budget reserves are at all-time highs as well and the state is in a fairly strong position for these conditions. The governor's January proposal has measures including cuts, borrowing, funding delays and deferrals, and relies on state and Prop. 98 rainy day funds. Nonetheless, the scale of the deficit is large and many details about the governor's solutions are still unclear.

Over the coming months, CFT will continue to advocate for a budget that prioritizes public education and push for bold actions that tackle critical issues facing our schools, including addressing ongoing staffing shortages and ensuring students get the services and support they deserve. The legislative budget committees will meet and deliberate this spring, and Gov. Newsom will release additional details about his proposals for the 2024-25 budget. The next full budget proposal will be released in May as the May Revision.

### PROPOSITION 98

	2024-25 BUDGET PROPOSAL	NOTES
Prop. 98 Funding	The Proposition 98 funding guarantee is revised lower by \$11.3 billion across three years, including an unprecedented reduction of \$9 billion for 2022-23. For 2024-25, Prop. 98 funding is estimated to be \$109.1 billion. Test 1 is in effect in all three years; after rebenching the guarantee for the Universal TK rollout and the implementation of the Arts and Music in Schools	2022-23 – \$98.3 billion (was \$107.4) 2023-24 – \$105.6 billion (was \$108.3) 2024-25 – \$109.1 billion

(Prop. 28) initiative, the minimum guarantee is 39.5% of the state's general fund revenues. K-12 per-pupil funding would be \$17,653 from Prop. 98 funds.

Public School System Stabilization Account (PSSSA)	Proposed reductions to payments into the Prop. 98 rainy day fund for 2022-23 and 2023-24 (combined reduction of deposits is roughly \$2 billion). A deposit of \$752 million in 2024-25 would also be required. Proposed withdrawals totaling \$5.7 billion in 2023-24 and 2024-25. There would be a balance of \$3.8 billion at the end of 2024-25.	For 2024-25, the deposit is estimated at \$752 million and the withdrawal would be \$2.6 billion.
Local Reserves	A 10% cap on local district reserves is triggered based on the reserve balance and applies to all districts except for basic aid districts and districts with ADA of 2,500 or less.	Applies to K-12 districts, but not community colleges
Prop. 98 Re-benching	The Prop. 98 minimum guarantee is being "re-benched" to account for the continued rollout of universal transitional kindergarten.	

## EARLY CHILDHOOD EDUCATION

	2024-25 BUDGET PROPOSAL	NOTES
COLA	The COLA for the state preschool provider rates was suspended for the 2023-24 and 2024-25 fiscal years.  Child Nutrition programs receive the 0.76% COLA.	Funding is instead allocated as noted below
Access	A prior commitment to fund 146,000 new slots by 2024-25 is maintained.	
State preschool provider rates	Higher child care and preschool rates for the CA State Preschool Program (CSPP) were included in the 2023-24 budget for 2023-24 and 2024-25. Proposal provides \$53.7 million of state general funds to cover costs previously supported by one-time federal funds.	Rates set through collective bargaining agreement
Preschool Inclusion Grant Program	Proposal delays \$10 million per year until 2026-27	From General Fund
Early Childhood Planning and infrastructure	Proposed delay of \$550 million planned for 2024-25 for the State Preschool, Transitional Kindergarten, Full Day Kindergarten facility funding.	Funding would come from an education facilities bond that Gov. Newsom proposes for the November 2024 ballot.
Universal Transitional Kindergarten	TK expansion for 2024-25 offers TK to four-year-olds whose fifth birthday is between Sept. 2 and June 2, inclusive.	Average TK class size of 24 students and classroom ratios of 12 students to 1 adult are required.

## K-12 EDUCATION

	2024-25 BUDGET PROPOSAL	NOTES
COLA	Statutory Cost-of-Living Adjustment (COLA) is estimated to be 0.76% for 2024-25.	Would be applied to the LCFF and most categorical programs outside of the LCFF
Local Control Funding Formula (LCFF)	The LCFF base grant would increase by the 0.76% COLA. The total LCFF funding proposed is about \$1.4 billion below	LCFF funding for 2024-25 would total about \$78.6 billion

	2023-24, after adjustments.	
	Transportation Add-On would be funded and increased by COLA. TK Add-On would also be funded and increased by COLA.	
Equity Multiplier	This add-on to the LCFF was first funded in 2023-24 with \$300 million. No changes are proposed and the Multiplier would be increased by the COLA.	\$302.3 million proposed for 2024-25
Categorical funding	Proposal applies COLA of 0.76% to most of the remaining categorical programs that are outside of the LCFF. This includes: Adult Education, Adults in Correctional Facilities, American Indian Early Childhood Education Program, American Indian Education Centers, Charter School Facility Grant Program, Child Nutrition Program, Mandate Block Grant, Special Education, Youth in Foster Care.	\$65 million to support these programs
Learning Recovery Emergency Block Grant	The 2023-24 budget cut this grant from \$7.9 to \$6.8 billion, with intent to restore funding in the 2025-26 through 2027-28 fiscal years. Funds were already received by districts in 2022-23.	No changes proposed.
Arts and Music in Schools (Prop. 28)	Prop. 98 will be permanently re-benched in 2024-25 as required by Prop. 28, to include an amount equal to 1% of the K-1 share of the minimum guarantee. Funds would support arts and music programs.	Funding estimated at \$931 million for 2024-25
School Facility Program	Funding cut of \$500 million (from \$875 to \$375 million) is proposed for 2024-25.	Bond proposed for Nov. 2024 ballot
Nutrition – Universal Meals	\$122.2 million increase proposed to fund universal meals in 2024-25.	Anticipates funding 845 million meals in 2024-25
Expanded Learning Opportunities Program (ELOP)	ELOP funding to support comprehensive before, after, and summer school opportunities for TK-6 students is unchanged at \$4 billion ongoing	No cuts and no COLA proposed.
Instructional Continuity Proposals	Gov. proposes policy changes to allow students to make up lost instructional time and allow LEAs to add recovery time to ADA. This would increase ADA and individual student attendance. Trailer bills with details are forthcoming.  \$6 million is proposed to research and develop hybrid and remote learning options to support attendance.	
Staffing Shortage / Educator Workforce	Proposals to recognize completion of a bachelor's degree as satisfying basic skills requirement for a teaching credential and improving process for certifying subject matter competency. Proposal to create a new Elementary Arts and Music Education pathway for CTE teachers, to offer a new pathway for experienced artists to teach.	Details forthcoming.  Connects to new Master Plan for Career Education that Gov. Newsom launched last year.
Zero-Emission School Buses	Maintains support of \$500 million one-time funds for greening of school bus fleets through programs operated by CA Air Resources Board and CA Energy Commission.	
Literacy	\$25 million proposed to support training for literacy screenings; funded through the Mandate Block Grant.	
Other initiatives with Ongoing funding	Proposals include: \$5 million increase to the Cradle-to-Career Data system for the CA College Guidance Initiative; \$3.2 million increase for the K-12 High Speed Network	

	program; \$2 million for a Technical Assistance Center that helps LEAs support students gain access to higher education; \$1.5 million increase for Homeless Education Technical Assistance Centers.
Other initiatives with One-time funding	Proposals include: \$5 million increase to extend the Broadband Infrastructure Grant through 2029; \$7 million for inquiry-based science instruction and a bank of curriculum-embedded performance tasks;

## COUNTY OFFICES OF EDUCATION

	2024-25 BUDGET PROPOSAL	NOTES
COLA	County Offices of Education operations grant (all three components) would receive the 0.76% COLA.	
LCFF Operations Grant	With the COLA, the base amount per county is \$878,779 and amount per district in county will be \$349,805. Operations grant rates per ADA also will increase.	
LCFF Alternative Education Grant	Proposal applies 0.76% COLA.	Base grant: \$16,520 Supplemental grant: \$5,782 Concentration grant: \$5,782/\$2,891
LCFF Add-Ons	COE's operating at least one Juvenile Court School would receive \$200,000 and COE's with at least one county community school would receive \$200,000.	No changes to amounts.
Support for LEAs	Proposal applies COLA to LCAP support, with the greater of \$24,211 per district or \$103,589 per COE.  Differentiated Assistance Support for districts and charter schools is proposed.	Amount depends on size and numbers of LEAs
Parks Access	\$1.2 million ongoing funding increase proposed to enable fourth grade students to access state parks.	
Math instruction training	\$20 million one-time funds to a county office to work with the UC Subject Matter Projects and other organizations to develop and provide training for mathematics coaches and teachers.	

## SPECIAL EDUCATION

	2024-25 BUDGET PROPOSAL	NOTES
COLA	Special education funding would receive the 0.76% COLA.	
	No other Special Education proposals were included in the January budget.	

## CAREER TECHNICAL EDUCATION

	2024-25 BUDGET PROPOSAL	NOTES
Master Plan	Gov. Newsom issued an Executive Order N-11-23 last year calling for a Master Plan for Career Education. The budget refers to this and proposes the CTC create a new	

authorization for Elementary Arts and Music Education, allowing CTE teachers to offer arts and music in all grades.

## CHARTER SCHOOLS

	2024-25 BUDGET PROPOSAL	NOTES
COLA	The 0.76% COLA would apply to the LCFF base grant that charter schools receive.	
ERAF Distributions	Proposal to make charter schools eligible to receive ERAF (Educational Revenue Augmentation Fund) revenues.	

## ADULT EDUCATION

	2024-25 BUDGET PROPOSAL	NOTES
COLA	Adult education would receive the 0.76% COLA, for an increase of \$4.9 million, and a total of \$657.1 million.	Funded through Community Colleges

## CLASSIFIED EMPLOYEES

	2024-25 BUDGET PROPOSAL	NOTES
Zero-Emissions School Buses	Maintains support of \$500 million one-time funds for greening of school bus fleets through programs operated by CA Air Resources Board and CA Energy Commission	
Other funding	No changes proposed to the Summer Assistance Programs in TK-12 and Community Colleges or Classified School Employee Teacher Credentialing Program.  Other budget items that will support Classified employees include the ELOP, universal meals, and the TK expansion.	No cuts, no increases to funding.

## COMMUNITY COLLEGES

	2024-25 BUDGET PROPOSAL	NOTES
COLA	The 0.76% COLA would be applied to the community college apportionments. This increases the SCFF component rates. Many categorical programs are also increased by the COLA.	
Student Centered Funding Formula (SCFF)	\$69.15 million supports the COLA as applied to the SCFF. After adjustments, total SCFF funding would be about the same as in 2023-24, with nearly \$9.5 billion total funding.	SCFF technical adjustments based on estimates of FTES plus supplemental and success metrics
Enrollment growth	\$29.6 million ongoing funding is proposed to support 0.5% growth.	
Nursing	\$60 million one-time funds per year, for five years are proposed to expand nursing program capacity and BS in Nursing partnerships.	One of few new funding proposals
Part-Time Faculty	\$200 million ongoing funding for PT Faculty healthcare	Total funding for PTHC is \$200.5

	continues. PT Faculty compensation funding continues at \$26.5 million and PT Faculty office hours funding continues at \$23.6 million.	million
Full-time faculty hiring	No new funding proposed; program would remain at current funding level of \$150 million ongoing.	
Student Housing	Rather than local revenue bonds issued by community college districts to support several approved student affordable housing projects, proposal calls for a statewide lease revenue bond program, with details expected by the May Revision.	
Financial Aid	Cal Grant reforms include in the 2022-23 budget require the Department of Finance making a determination of sufficient revenue to fund the expansion of provisions.	Decision expected in May
Categorical Programs	Proposal leaves most program funding unchanged from 2023-24 but several programs would have funding increased by the 0.76% COLA. These include: EOPS; DSPS; CalWORKS Student Service; Apprenticeship; Cooperative Agencies Resources for Education (CARE); Childcare Tax Bailout; Mandates Block Grant (adjusted by COLA and enrollment).	

## UNIVERSITY OF CALIFORNIA

	2024-25 BUDGET PROPOSAL	NOTES
Base Funding	Proposal to defer \$227.8 million for a 5% increase to ongoing base funding to 2025-26. Next year, this amount plus another 5% increase would be funded	From State General Fund
Enrollment	Proposal to defer \$31 million for resident undergraduate enrollment growth; these funds intend to offset revenue reductions from replacing 902 nonresident undergraduate students at 3 campuses with CA resident students.	
Graduate Medical Education	\$2.8 million to maintain \$40 million for graduate medical residency slots.	Ongoing funding
Financing of Campus Projects	\$14.5 million increase proposed the UC Merced medical school. \$300 million that was slated for UCLA Institute for Immunology and Immunotherapy is withdrawn since project plans changed.	

## CALIFORNIA STATE UNIVERSITY

	2024-25 BUDGET PROPOSAL	NOTES
Base Funding	Proposal to defer \$240.2 million for a 5% increase to ongoing base funding to 2025-26. Next year, this amount plus another 5% increase would be funded	From State General Fund

## Additional information

### CALSTRS/CALPERS EMPLOYER CONTRIBUTION RATES\*

	2023-24	2024-25	2025-26	2026-27	2027-28
CalSTRS	19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS	26.68%	27.80%	28.50%	28.90%	30.30%

\*The employer contribution rates are determined by the respective boards and subject to change by the board

### STATUTORY COLA: ACTUAL AND PROJECTED RATES^

	2023-24	2024-25	2025-26	2026-27	2027-28
COLA	8.22%	0.76%	2.73%	3.11%	3.17%

^Rates for 2024-25 and forward are estimates from the Department of Finance.

### UNEMPLOYMENT INSURANCE RATES

The School Employees Fund (SEF) is a joint, pooled-risk fund administered by the EDD, which collects contributions based on a percentage of total wages paid by public schools and community college districts. The SEF reimburses the Unemployment Insurance (UI) Fund for the cost of UI benefits paid to former school employees.

	2023-34	2024-25	2025-26	2026-27	2027-28
Unemployment Insurance Rate	0.05%	0.05%	0.05%	0.05%	0.05%

\*The Unemployment rate in 2023-24 is back to pre-pandemic rate and is final based on determination by the Employment Development Department; the subsequent years' rates are subject to actual experience of the pool and will be calculated in accordance with California Unemployment Insurance Code Section 823(b)(2).

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