

# Research Brief

February 12, 2025

## **Governor's budget proposal for 2025-26 reflects improved fiscal outlook and unprecedented uncertainty**

Governor Newsom released his initial budget proposal for the upcoming fiscal year just as the historic wildfires exploded across Los Angeles and before the presidential inauguration took place. The 2025-26 proposal showed California revenues were about \$16.5 billion higher than anticipated and included a small surplus of \$363 million. Newsom's plan largely follows the framework for this year that was imagined in last summer's budget that was intended as part one of a two-year balanced budget deal.

The \$322 billion budget proposal is about 8% above the 2024-25 enacted budget. It relies on some withdrawals from the state rainy day funds and also calls for reform that would enable California to save even more during economic upswings.

For public education, from EC/TK through higher education, the governor's proposals continue the programs and priorities adopted in the past few years. Proposition 98 estimates are higher than they were in June 2024, as a result of the higher than expected revenues. However, Gov. Newsom included a controversial proposal to under-appropriate by \$1.6 billion the Prop. 98 guarantee for the 2024-25 year – proposing \$117.6 billion in Prop. 98 expenditures rather than the \$119.2 billion, which is the amount that the formula estimates for the minimum guarantee for that year. Observers and advocates quickly questioned the legality of the proposal, so there will certainly be more discussions on this proposal.

In light of the urgency around the wildfires and other actions coming from the federal government, a special session was convened in January. On Jan. 23, Gov. Newsom signed a \$2.5 billion relief package for Los Angeles for the ongoing wildfire response efforts. This includes \$1 million dedicated for rebuilding fire-damaged school facilities. Another special session package includes \$50 million to protect California from threats coming from the Trump administration. The funding package (signed on Feb. 7) includes \$25 million for state agencies and the Dept. of Justice and \$25 million for frontline legal and community organizations that work to protect the civil rights of vulnerable groups.

The uncertainty for the state's budget related to the LA wildfires is significant. There will be a delay in tax receipts, with the tax filing deadline extended to October 15 for all affected. Property tax relief for affected homeowners will also affect the state's revenues. In addition, there is unpredictability about the federal government's contributions, including through FEMA.

Meanwhile, the ongoing turmoil affecting all federal agencies, programs, and initiatives has direct implications for Californians and for the California state budget. Against this backdrop, the legislative budget committees are convened and will continue to deliberate over the budget for 2025-26.

The statutory COLA is estimated at 2.43% and would be applied to the core funding formulas for the TK-12 and community colleges, along with most categorical programs. A funding deferral and a 7.95% cut in state funding was proposed for the University of California last spring and it is included in the January budget proposal.

Over the coming months, CFT will continue to closely monitor the fiscal outlook and to advocate for a budget that prioritizes public education. Despite the uncertainties, CFT will not look away from the critical issues facing our schools, and will continue to push for bold actions to address ongoing staffing shortages and ensure 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 2025-26 budget. The next full budget proposal will be released in May as the May Revision.

## PROPOSITION 98

	2025-26 BUDGET PROPOSAL	NOTES
Prop. 98 Funding	The Proposition 98 funding guarantee is revised up by about \$7.5 billion across three years. For 2023-24, the guarantee was suspended, and that amount is unchanged. For 2024-25, Prop. 98 funding is estimated higher than in June, at \$119.2 billion. Test 1 is in effect in 2024-25 and in 2025-26. The proposal allocates \$1.6 billion less than the formula calls for in 2024-25, with an intent to fully fund the guarantee at a later time, when final calculations are done.	2023-24 – \$98.5 billion (suspended) 2024-25 – \$119.2 billion (was \$115.3) 2025-26 – \$118.9 billion
Public School System Stabilization Account (PSSSA)	Proposal includes \$1.2 billion deposit to the Prop. 98 rainy day fund for 2024-25 and \$376 million for 2025-26. Projected balance of \$1.5 billion at the end of 2025-26.	For 2024-25, the deposit amount is updated and shown as a mandatory deposit.
Local Reserves	The 10% cap on local district reserves is not expected to be triggered.	Applies to K-12 districts, but not community colleges
Prop. 98 Re-benching	The estimates include a re-benching of the guarantee to account for the final expansion of Universal TK and funding to lower classroom ratios from 1:12 to 1:10.	

## EARLY CHILDHOOD EDUCATION

	2025-26 BUDGET PROPOSAL	NOTES
COLA	The 2.43% COLA would be applied to state preschool program and the Child Nutrition programs.	\$7.1 billion proposed for child care and development programs.
Universal Transitional Kindergarten	Universal TK proposed to be fully implemented for 2025-26 for all four-year-olds whose fourth birthday occurs by September 1. \$1.5 billion proposed to fund lowering of ratio from 12:1 to 10:1.	Average TK class size of 24 students per school site and classroom ratios of 10 students to 1 adult proposed starting 2025-26.
English Language Screening for TK	\$10 million proposed (one-time) for new EL screening for TK students	

## K-12 EDUCATION

2025-26 BUDGET PROPOSAL		NOTES
COLA	Statutory Cost-of-Living Adjustment (COLA) is estimated to be 2.43% for 2025-26, at a cost of \$2.1 billion.	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 2.43% COLA. The total LCFF funding proposed is about \$4.3 billion above 2024-25, after adjustments.  Transportation Add-On would be funded and increased by COLA. TK Add-On would also be funded and increased by COLA.	LCFF funding for 2025-26 would total about \$83.4 billion
Equity Multiplier	This add-on to the LCFF was first funded in 2023-24 with \$300 million. The multiplier would be increased by the COLA.	\$311 million proposed for 2025-26
Categorical funding	Proposal applies COLA of 2.43% 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.	\$206 million to support these programs
Learning Recovery Emergency Block Grant	The proposal restores \$378.6 million to the LREBG after cuts made in the 2023 budget act. Grant can be used through the 2027-28 year. Funds were already received by districts in 2022-23.	
Arts and Music in Schools (Prop. 28)	Prop. 28 codified an amount equal to 1% of the K-12 share of the prior-year minimum guarantee. Funds supplement funding for arts and music programs.	Funding estimated at \$1.04 billion for 2025-26, with amount finalized at May Revision.
School Facility Program	Total funding available from the bond passed in November 2024 estimated at \$8.5 billion for K-12 schools; proposal to sell \$1.5 billion of approved bonds in 2025-26.	
Nutrition – Universal Meals	\$106.3 million increase (ongoing) proposed to fund universal meals in 2025-26. \$150 million one-time proposed for specialized kitchen equipment, infrastructure, and training.	
Expanded Learning Opportunities Program (ELOP)	ELOP funding to support comprehensive before, after, and summer school opportunities for TK-6 students is proposed at \$4.4 billion ongoing.	Increase of \$400 million, with a change to the formula for allocation and expectations.
Student Support and Professional Development Discretionary Block Grant	\$1.8 billion proposed as one-time funding to support priorities like professional development, recruitment and retention, and dual enrollment but grant as proposed is fully discretionary.	Allocation approach intended to be similar to the Arts, Music, and Instructional Materials Block Grant.
Staffing Shortage / Educator Workforce	\$150 million proposed for a new Teacher Recruitment Incentive Grant Program. \$100 million proposed for the National Board Certification Incentive Program and \$50 million for the Golden State Teacher Grant Program.	Funding for teacher recruitment is proposed as a loan forgiveness program focused on priority schools.

Ethnic Studies	An ethnic studies requirement for high schools starting in 2025-26 is dependent on funding allocated for this new mandate. The governor's proposal does not include funding for this purpose.
Literacy Instruction	\$500 million proposed for dedicated TK-12 literacy and mathematics coaches. \$40 million proposed for costs associated with screening K-2 students for reading difficulties; \$5 million per year through 2029-30 proposed for a Literacy Network.

## COUNTY OFFICES OF EDUCATION

	2025-26 BUDGET PROPOSAL	NOTES
COLA	County Offices of Education operations grant (all three components) would receive the 2.43% COLA.	
LCFF Operations Grant	The base amount per county after COLA would be \$902,903 and amount per district in county would be \$359,408. Operations grant rates per ADA also will increase by COLA.	
LCFF Alternative Education Grant	Proposal applies 2.43% COLA.	Base grant: \$16,973 Supplemental grant: \$5,941 Concentration grant: \$5,941 / \$2,970
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 \$24,875 per district or \$106,433 per COE.  Differentiated Assistance Support for districts and charter schools is proposed.	Amount depends on size and numbers of LEAs

## SPECIAL EDUCATION

	2025-26 BUDGET PROPOSAL	NOTES
COLA	Special education funding would receive the 2.43% COLA.	Base Rate: \$918.68 PS/RS Rate: \$20.48 Low Incidence: \$3,777.73 Out-of-Home Care: Rates vary
	No other special education proposals included in the governor's proposal.	
Federal Education Budget	Federal continuing resolution maintains funding levels through March 14, 2025; Congressional action required to approve a FY 2025 federal budget.	President states he wants to eliminate Department of Education; impacts are unknown.

## CAREER TECHNICAL EDUCATION

	2025-26 BUDGET PROPOSAL	NOTES
Master Plan for Career Education	New cross-agency initiative has proposals affecting both TK-12 and Community Colleges. Dual enrollment and	

pathways programs are encouraged and could be funded through the discretionary block grant. A coordinating body would be funded with \$5 million and the Labor and Workforce Development Agency would receive \$4 million to evaluate regional coordination models.

Applications Proposal directs CDE to examine options for streamlining applications for TK-12 CTE programs into a single consolidated application, to reduce administrative burdens for LEAs.

## CHARTER SCHOOLS

	2025-26 BUDGET PROPOSAL	NOTES
COLA	The 2.43% COLA would apply to the LCFF base grant that charter schools receive.	
School Facility Program	Of the \$8.5 billion from Prop. 2, the bond measure passed in November, \$600 million would be dedicated to charter schools.	

## ADULT EDUCATION

	2025-26 BUDGET PROPOSAL	NOTES
COLA	Adult education would receive the 2.43% COLA, for an increase of \$16 million, and a total of \$675 million.	Funded through Community Colleges

## CLASSIFIED EMPLOYEES

	2025-26 BUDGET PROPOSAL	NOTES
Summer Assistance Programs	No changes proposed to the Summer Assistance Programs in TK-12 and Community Colleges or Classified School Employee Teacher Credentialing Program.	No cuts, no increases to funding.
TK Staffing Ratio	Funding and policy proposed to lower the student to adult staffing ratio to 10:1 for TK classrooms. The additional adult can be filled by a classified staff position. Full implementation for all children turning five by Sept. 1 of the school year is expected in 2025-26.	
Other funding	Other budget items that will support Classified employees include the ELOP, which would receive \$4.4 billion in 2025-26 and universal meals.	

## COMMUNITY COLLEGES

	2025-26 BUDGET PROPOSAL	NOTES
COLA	The 2.43% 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)	\$230 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 \$9.8 billion total funding. A new SCFF funding floor based on 2024-25 apportionments should go into effect starting in 2025-26.	SCFF technical adjustments based on estimates of FTES plus supplemental and success metrics
Enrollment growth	\$30.4 million ongoing funding is proposed to support 0.5% growth.	
Nursing	\$60 million one-time funds per year, for five years were anticipated in the 2024 budget act; \$60 million is included to fund the Rebuilding Nursing Infrastructure Grant Program.	
Part-Time Faculty	\$200 million ongoing funding for PT Faculty healthcare continues. PT Faculty compensation funding continues at \$26.5 million and PT Faculty office hours funding continues at \$23.6 million.	Total funding for PTHC is \$200.5 million
Full-time faculty hiring	No new funding proposed; program would remain at current funding level of \$150 million ongoing.	
Facilities / Capital Outlay	Bond measure from Prop. 2, which passed in November, will provide \$1.5 billion for community colleges. For 2025-26, 29 projects are proposed for funding. Two continuing projects from Prop. 51 are also proposed for funding.	\$80.9 million proposed for these projects; \$51.5 million from Prop. 2
Categorical Programs	Proposal leaves most program funding unchanged from 2023-24 but several programs would have funding increased by the 2.43% COLA. These include: EOPS; DSPS; CalWORKS Student Service; Cooperative Agencies Resources for Education (CARE); Childcare Tax Bailout; Mandates Block Grant (adjusted by COLA and enrollment).	\$28.7 million to fund the increases
Master Plan for Career Education	Within this initiative, governor proposes \$100 million to expand Credit for Prior Learning through the community college system and a Career Passport, with \$7 million being ongoing funds.	
Data and Technology	Proposals include \$162.5 million (with \$29 million ongoing) for a cloud data platform for the system and \$168 million for technology improvements.	

## UNIVERSITY OF CALIFORNIA

	2025-26 BUDGET PROPOSAL	NOTES
Base Funding and Enrollment	The Compact funding agreement between Gov. Newsom and the University of California called for a 5% base funding increase for 2025-26; this was slated to be deferred as part of the 2024 budget act. The January proposal includes deferrals of \$240 million (for the 5% base increase) and \$31 million of funding for enrollment growth. The 2024 budget act cut \$125 million on a one-time basis and that funding is proposed to be restored.	From State General Fund
General Fund Cut	State agency budgets were cut by 7.95% in the 2024 budget act. For UC, this is a \$396.6 million cut that would start in 2025-26.	

## CALIFORNIA STATE UNIVERSITY

	2025-26 BUDGET PROPOSAL	NOTES
Base Funding	The Compact funding agreement between Gov. Newsom and the California State University called for a 5% base funding increase for 2025-26; this was slated to be deferred as part of the 2024 budget act. The January proposal includes a deferral of \$252.3 million (for the 5% base increase).	From State General Fund
General Fund Cut	State agency budgets were cut by 7.95% in the 2024 budget act. For CSU, this is a \$375.2 million cut that would start in 2025-26.	
Ongoing funding	Proposals include \$1.3 million to support increased salary for Capital Fellows employed through the CSU Center for California Studies and \$345,000 for drug testing devices that campus health centers must provide at no cost to students.	

## Additional information

### CALSTRS/CALPERS EMPLOYER CONTRIBUTION RATES\*

	2024-25	2025-26	2026-27	2027-28	2028-29
CalSTRS	19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS	27.05%	27.40%	27.50%	28.50%	28.20%

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

### STATUTORY COLA: ACTUAL AND PROJECTED RATES^

	2024-25	2025-26	2026-27	2027-28	2028-29
COLA	1.07%	2.43%	3.52%	3.63%	3.49%

^Rates for 2025-26 and forward are estimates from the Department of Finance.

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