



California Association for Bilingual Education

2024-25 Governor's June Budget Summary

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Today, both houses of the Legislature passed a Legislative Budget Plan (LBP, including primary budget bills [AB 107 \(Gabriel\)](#) and [SB 107 \(Wiener\)](#). They additionally passed [AB 154 \(Committee on Budget\)](#) and [SB 154 \(Committee on Budget and Fiscal Review\)](#), which include the suspension of Proposition 98 for the 2023-24 fiscal year. Additional budget trailer bills are expected to be introduced over the next few weeks which will include statutory changes related to the overall budget plan. The Legislative Budget Plan (LBP) reflects a two-year budget plan including both 2024-25 and 2025-26.

The LBP is being packaged with a brief history of why the June 15th deadline was created in 1970 by Proposition 3 following a historic impasse that had taken place between Assembly Democrats and Governor Ronald Reagan who both strongly disagreed on how much funding was needed for education. By highlighting this disagreement with a previous Governor, the Legislature may be signaling that their disagreement with the Governor is more significant.

Governor Newsom has until June 27th to take action. Should he wish to make adjustments, those would likely be included in a "Budget Bill Jr.," which could move as early as July 3rd, while other budget trailer bills may continue to move as the Legislative Session progresses.

General Fund/Revenues/Solutions

General Fund funding, including the 2023-24 suspension of Proposition 98, totals \$196 billion in 2022-23, \$222 billion in 2023-24, and \$211 billion in 2024-25, which totals \$11 billion less over a three-year period over January estimates. Special fund and bond fund spending is estimated to be \$78 billion in 2022-23, \$109 billion in 2023-24, and \$83 billion in 2024-25. The LBP notes that bond proposals regarding the November 2024 election are currently pending and are not reflected in the budget plan and that should voters approve new bonds, these changes would be reflected in future budgets.

The LBP assumes an additional \$5 billion in 2024-25 General Fund revenues over what the Governor included in the May Revision as a result of an earlier implementation of a three-year suspension of corporate net operating loss deductions and tax credits that begins in 2024. These additional revenues are used for higher overall 2023-24/2024-25 school spending, as well as to restore social services, health, and housing reductions that were included in the May Revisions. Additionally, the LBP includes \$17 billion in reductions out of the \$47 billion in balancing solutions for 2024-25, with revenues accounting for \$11 billion. Fund shifts account for \$7 billion, delays for \$6 billion, reserves for \$5 billion, and deferrals for \$2 billion.

Proposition 98 Suspension

The LBP includes a modified version of the Governor's plan to suspend Proposition 98 per his agreement with education stakeholders in late May. The LBP includes the accrual of \$6.2 billion of funds previously appropriated to school districts in 2022-23, beginning in 2026-27. The LBP suspends Proposition 98 in 2023-24 at a reduced level of \$98.5 billion, reflecting a \$3 billion lower level than the May Revision.

The Proposition 98 suspension includes a "maintenance factor" of \$8.3 billion, which includes a constitutional requirement to bring school funding back to previous levels that would have been reached without the suspension. As the "maintenance factor" is repaid, it will provide schools with a higher-than-normal percentage of revenue growth until it is built back into the Proposition 98 base. Included in overall funding is \$8 billion from the Proposition 98 reserve created through Proposition 2, which will keep overall funding at a higher level, despite the Proposition 98 suspension. Overall school funding for 2024-25 totals \$115 billion with \$4 billion of the "maintenance factor" being repaid into the Proposition 98 base in 2024-25.

Negotiating Budget Reforms

The LBP includes concepts regarding budget reform which are still under negotiation with the Administration, including the following:

- Modernizing the Budget Stabilization Account (BSA) - rainy day fund;
 - Increase the size from 10 percent to 20 percent of the state budget;
 - Exclude depositing funds into the BSA from the Gann Limit (state appropriations limit) which will allow funds to be deposited into reserves instead of being allocated;
 - Expand the Legislative Analyst's Office (LAO) to create increased independent analysis, oversight, and transparency.
- Creating a "Projected Surplus Temporary Holding Account (PSTHA);"
 - The goal is to avoid allocating projected surpluses that do not materialize as projected;
 - A portion of any projected surplus will be deposited into the PSTHA and held until the projected surplus has materialized.

Proposition 98 Funding:

The Proposition 98 General Fund total for 2022-23 is \$97.5 billion, the total for 2023-24 is \$98.5 billion, and the total for 2024-25 is \$115.3 billion, keeping Proposition 98 in a Test 1 level for 2024-25 and the guarantee is rebench to include Proposition 28 funding, as well as Universal Transitional Kindergarten. The Public School System Stabilization Account (PSSSA) is reduced to \$1.1 billion in 2024-25 with a proposed \$8.4 billion in one-time withdrawals used to support school funding needs in 2023-24. It includes a deferral of \$2.58 billion in 2022-23, which is paid in 2023-24 using PSSSA funds. Additionally, it creates a one-time deferral of \$4 billion in 2023-24 school and community college payments which is paid off in 2024-25.

PreK-12 Funding

The LBP decreases Property 98 funding for the local control funding formula (LCFF), to reflect declining enrollment, Universal Transitional Kindergarten growth, and a 1.07 percent cost-of-living adjustment

(COLA) in 2024-25. The LBP supports the third-year costs associated with the expansion of TK while maintaining a 12-1 student-to-adult ratio.

Additional actions include:

- Codified statutory changes to TK ADA computation for charter schools as well as to align TK curriculum to the CA Preschool/Transitional Kindergarten Learning Foundations;
- Includes a number of adjustments to local assistance and available federal funds, including Home-to-School Transportation;
- Provides \$938 million General Fund for Proposition 28 arts funding in 2023-24, and \$907 million in 2024-25, which are rebenched into the Proposition 98 guarantee;
- Eliminates \$875 million General Fund in 2024-25 for the School Facilities Program in anticipation of a November 2024 school bond;
- Restores the Golden State Teachers Program appropriations, and priorities, and creates a means test for eligibility;
- Includes \$89.2 million for a 1.07 percent COLA to statutorily required TK-12 programs, including school nutrition and preschool, the mandate block grant, as well as the LCFF equity multipliers;
- Keeps the California universal meals program and provides \$120.8 million in one-time and \$179.4 million in ongoing Proposition 98 funding to continue to provide two free daily meals to all students;
- Restricts usage of the Learning Recovery Emergency Block Grant and clarifies the usage of the new math frameworks implementation, math and literacy professional development;
- Provides \$2.1 million ongoing Proposition 98 funding to continue the State Park Pass program for fourth graders;
- Provides \$25 million one-time Proposition 98 General Fund for the 2025-26 dyslexia screener adoption with legislative intent to include the screener in the mandate block grant;
- Includes \$20 million one-time Proposition 98 General Fund for a new ethnic Studies Block Grant;
- Provides authority for a \$17 million Youth Vaping Alternative Prevention program funded by the JUUL Settlement.

Higher Education

The LBP provides a net base increase of five percent to the University of California and California State University in 2024-25 and, instead, defers the base increases for 2025-26 by one year. The LBP restores funding for the UC Labor Centers and the UCLA Latino Policy and Politics Institute. Funding for the Middle Class Scholarship program is restored, as well as a modified Cal Grant Reform package that will provide increased financial assistance to lower income students, particularly at community colleges. The LBP provides \$20 million one-time Proposition 98 General Funds for community college financial aid offices to assist with the increased workload due to the FAFSA delays.

The LBP provides a 1.07 percent COLA for community college apportionments and specified categorical programs. The LBP includes 0.5 percent enrollment growth for community colleges as well as a deferral of \$231.7 million Proposition 98 General Fund to the 2025-26 fiscal year.