

MURDOCH WALRATH & HOLMES

MEMORANDUM

Date: May 31, 2024

To: CAFE Board Members
Dr. Edgar Lampkin, CEO

From: Jennifer Baker, Legislative Advocate

Subject: Sacramento Update

As the CAFE Board meets, the Legislature and Governor will be finalizing the state budget. While the constitutional deadline to pass a budget is June 15th, it is likely that the Legislature may pass it as early as June 13th, which would mean the budget would need to be in print by June 10th. In order to achieve this, negotiations between Governor Newsom, Senate Pro Tempore Mike McGuire, and Assembly Speaker Robert Rivas would need to conclude by June 7th to provide Legislative Counsel with enough time to finalize budget language. The Governor and the California Teachers Association have indicated their support for a compromise to the maneuver the Governor had included in his budget proposal. Key components include both a suspension of Proposition 98 as well as the creation of a \$5.5 billion Maintenance Factor. It is not yet clear whether the Legislature will support this agreement or may seek out changes. Ultimately, the final agreement will be realized in the next few weeks and will likely continue to be greatly influential at state and local levels over this next fiscal year.

Lower overall tax revenues have placed a fiscal squeeze on the state's ability to fund numerous health and social programs. While the Legislature has proposed lower cuts than what was included in the Governor's May Revision, the final outcome is not fully clear. These increased pressures for limited resources create competition for our budget asks included in AB 2071 (J. Carrillo) and AB 2074 (Muratsuchi). Continuing to voice support for these requests is imperative as budget negotiations are finalized. We will likely not know the final decision until the budget bill and budget trailer bills are in print.

While the budget has been complex, CAFE co-sponsored bills have been moving. All three CAFE co-sponsored bills have moved forward, along with most bills CAFE took support position on. Legislation promoting the science of reading have all been stopped for the year, which was a tremendous undertaking. It will be important to monitor any attempt to gut and amend bills as we move closer to the end of the Legislative Session as there could always be an attempt to add changes to education policy focused on the science of reading.

Sobering May Revision Released

The Governor released the May Revision of his budget proposal which includes actual tax receipts from the April 15th tax deadline. The January budget proposal included a \$37.9 billion shortfall projected in January, followed by \$17.3 billion being addressed in early budget action in April. The May Revision

reflects a proposed \$288.1 billion budget with a total of \$201.0 billion General fund, followed by an additional \$7 billion shortfall bringing the existing funding shortfall to \$27.6 billion. The 2025-26 fiscal year is estimated to have a shortfall of \$28.4 billion. The May Revision proposes to address this funding gap over two years with a proposal to address these shortfalls while ultimately creating operating reserve surpluses.

The May Revision includes lowering proposed funding for Proposition 98 by \$3.7 billion in the budget window of 2022-23 through 2024-25 and proposes to withdraw the remaining \$3.9 billion balance of the Proposition 98 reserve, leaving no reserves for future budgets.

Additionally, the May Revision increases the overall size of a maneuver the Governor proposed in January that would “accrue” funding in previous payments to schools by shifting funding to future years. The new total amount proposed would equal \$8 billion in prior-year payments being shifted to future years without changing the amount of funding that is given to schools and community colleges. The proposal would gradually be recognized over a five-year period beginning in 2025-26. The overall result of this maneuver would reduce the minimum funding level for 2022-23.

Overall, the reduced revenues and need for budget cuts will likely significantly impact funding at schools across the state as they struggle to keep up with increased overall costs.

Legislative Analyst’s Office Comments on the May Revision

Today, the Legislative Analyst’s Office (LAO) released: [The 2024-25 Budget: Initial Comments on the Governor’s May Revision](#), which indicates their belief that the Governor addressed a \$55 billion shortfall, higher than his reported \$27 billion, based on more accurate calculations reflecting current law.

The primary ways the budget gap is being addressed is through spending reductions, including \$22 billion related to school and community college funding changes by funding Proposition 98 at the minimum required, as well as a softening of the use of the reserves. The LAO recommends the Legislature consider how to address prior-year funding for both school and community colleges, as well as ongoing spending reductions, what proposed solutions may actually raise larger concerns, as well as utilizing the LAO’s revenue forecasting, as opposed to the Administration’s. The May Revision reduces the amount recommended from the Budget Stabilization Account (Proposition 2) to approximately \$3 billion, which is reduced from the \$12 billion that was proposed in January.

Overall, school funding is proposed to be reduced by \$3.7 billion between fiscal years 2022-23 through 2024-25. To mitigate this decline, the May Revision proposes to withdrawal the remaining balance from the Public School System Stabilization Account (\$5.7 billion) to utilize cost shifts, and to repurpose unspent or unused funds.

Macro Global Politics/Economy

While California grapples with a precarious fiscal environment which will influence voters’ willingness to support local and state priorities in November, we must remember that we do not live in a bubble. A number of existing conflicts could begin to have a greater political and economic impact globally, which could impact California’s overall economy. Additionally, should China attempt to move into

Tawain, this action could significantly impact California as our state relies heavily on trade with the Pacific Rim.

Global actions have a ripple effect on the rest of the world, which would ultimately impact California's future revenue growth or its potential revenue decline. It will be important to monitor the economy moving forward, particularly as it may impact the state's ability to repay any Proposition 98 Maintenance Factor that may be included in the final budget package. Additionally, should Proposition 98 continue to remain in Test 1, which provides close to 40 percent of the General Fund to Proposition 98, any increase or reduction of personal income taxes, corporation taxes, as well as sales taxes, will have a direct influence on overall education funding.

CABE Co-Sponsored Bill Update

Both AB 2071 (J. Carrillo) and AB 2074 (Muratsuchi) will be heard in the Senate Education Committee on June 12th.

AB 2071 (J. Carrillo): Would establish the English Learner Roadmap Implementation Grant Program to assist in the implementation of the California English Learner Roadmap Policy. The State Board of Education would also be tasked with creating a California English Learner Roadmap: Parent Toolkit by 2025. CABE and Californians Together are co-sponsoring this important measure, which is also a budget priority.

AB 2074 (Muratsuchi): Would task the California Department of Education (CDE) with creating an implementation plan for the California English Learner Roadmap Policy and also requires designated staff at CDE to serve as a point of reference to ensure the implementation plan that is created roles out and gets to all the school districts; these staffers would serve as a point of reference and assistance. Californians Together and CABE are co-sponsoring this bill, which is also a budget priority.

AB 2268 (Muratsuchi): Would exempt transitional kindergarten students from the administration of the English Language Proficient Assessments for California. Early Edge, Californians Together, and CABE are co-sponsoring this much-needed measure, which is being fast-tracked and may be expedited. Should this take place, we will coordinate with the Administration and the CDE to ensure adequate notification is provided to districts. This important bill passed the Senate Education Committee with full bipartisan support and may be taken up on the Senate Floor the week of June 3rd.

CABE Bill Update

The following are bills CABE has taken a position on and their Legislative location:

AB 1805 (Ta) – Would require that content standards incorporate the landmark desegregation case, *Mendez v. Westminster*, when they are revised. This bill is in the Senate Appropriations Committee.

AB 1821 (Ramos) – Would ensure California's history is accurately taught, including its treatment of Native Americans with respect to teaching about Spanish missions as well as the Gold Rush Era. The bill is in the Senate Appropriations Committee.

AB 2226 (Muratsuchi) – Would expand the minimum day for kindergarten programs to full-time beginning in 2026-27. The bill is in the Senate Education Committee.

SB 1056 (Rubio) – Would expand the minimum day for kindergarten programs to full-time beginning in 2026-27. The bill failed to pass the Senate Appropriations Committee.

SB 1078 (Min) – Creates legislative intent to establish an Office of Language Access, which would ensure that California's state agencies are able to provide information to our residents in the languages reflected within California to increase access to services by non-English speakers and equity in existing levels of effectiveness and equity towards all residents. The bill passed the Senate and has moved to the Assembly Rules Committee.

SB 1115 (Limón) – Would require the California Department of Education to identify and recommend professional learning programs for certified and classified staff that are aligned to the "science of reading." CBE opposed this measure unless it was amended to remove the sole use of science of reading and, instead recommended utilizing the ELA/ELF Framework as well as eliminating the reference to two specific commercial programs included in the bill. Amendments were being crafted with Senator Limón's office, however, the bill failed to pass out of the Senate Appropriations Committee and will not move forward this year.

Remaining Legislative Calendar

June 15 – Budget Bill must be passed.

June 27 – Last day for a legislative measure to qualify for the November General Election.

July 3 – Last day for policy committees to meet and report bills.

July 3 – Summer Recess

August 5 – Legislature reconvenes

August 16 – Last day for fiscal committees to meet and report bills.

August 19 – Floor session only.

August 23 – Last day to amend bills on the floor.

August 31 – Last day for each house to pass bills.

August 31 – Legislative recess

September 30 – Last day for Governor to sign or veto bills.

November 5 – General Election.

November 30 – Legislature adjourns.

December 2 – Legislative 2025-26 session convenes.

January 1, 2025 – Statutes take effect.