



California Association for Bilingual Education

2025-26 Newsom Budget Proposal

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The Newsom budget proposal focuses overall on addressing recent wildfires while maintaining a balanced budget and modest surplus. The overall budget totals \$322.2 billion, including \$228.9 billion in the General Fund. Reserves total \$16.9 billion, allocated as follows: \$10.9 billion in the Rainy Day Fund, \$1.5 billion in the Public School System Stabilization Account, and \$4.5 billion in the Special Fund for Economic Insecurities. Overall revenues have increased by \$16.5 billion due to higher capital gains, which are expected to reach 5.6 percent in 2025 while slightly declining to five percent by 2030. The volatility of capital gains remains an overall concern as they have fluctuated significantly over the past five years from a total of \$14.4 billion to the General Fund in 2019, increasing to \$36 billion in 2021, to a decrease of \$14 billion in 2023. While a recession is not expected, concerns are raised regarding geopolitical instability as well as stock market and asset price volatility and declines, particularly the impact this may have on high-income earners.

Future fiscal shortfalls are expected in the near future stemming from higher expenditures than anticipated revenues, which will need to be addressed to maintain a balanced budget which may additionally be reflected in the May Revision. An increased risk that may impact the California economy may take place due to actions taken by the incoming Trump administration, which may impact international trade and immigration, as well as health care. Anticipated harm could manifest in higher inflation, labor shortages, as well as higher prices for impacted trade goods. Potential fiscal uncertainty around programs such as Medi-Cal as well as the health insurance exchange will need to be monitored.

The budget includes a proposal to change the mandatory Proposition 2 cap of mandatory deposits on ten percent of General Fund revenues as well as the State Appropriations Limit, which was created in 1979 through Proposition 4. These proposals include the removal of the cap on deposits to the Rainy Day fund to address budget resiliency, as well as statutory changes that would allow the state to save higher amounts during economic upswings. The proposal would also increase the mandatory deposit level in the Budget Stabilization Account (BSA) from 10 to 20 percent of the General Fund revenues while exempting deposits into the BSA from the State Appropriations Limit. These changes would result in higher revenues being set aside for future economic uncertainties rather than being used to address current-year priorities.

Economic Outlook

The proposed budget assumes a higher forecast for U.S. real GDP growth at 1.5 to 2 percent for every quarter of the forecast window, beginning with the fourth quarter of 2024, due to higher projected growth, which is expected to carry over into the future. U.S. inflation is projected to stabilize at 2.2 to 2.3 percent beginning in 2025. California added 167,000 jobs through November 2024 while the U.S. added 2 million jobs by that same period.

The most significant risks in the forecast include possible disruptive trade and immigration policies from the Trump administration. Additional risks include monetary policy shifts which could potentially reverse inflation trajectories, as well as geopolitical risks which could include escalations in the Middle East or Ukraine.

Economic growth is anticipated to continue, driven by personal consumption. However, this personal consumption is slowing, along with investment spending as interest rates are projected to remain at pre-pandemic levels. California headline inflation is expected to moderate, while inflation is projected to slow to historic rates between 2 percent and 2.5 percent for the state and nation by early 2025. Job growth is projected to slow to a low of 0.6 percent year-over-year in the second half of 2026. Modest wage growth is projected with an average wage for all sectors projected at 6.4 percent in 2024. These are projected to moderate between 3.4 and 4 percent from 2025 to 2028. Personal income growth is projected to slow from 6.7 percent in 2024 to 4.2 percent in 2025 and is expected to finalize at 4.6 to 4.7 percent through 2028. This lower growth projection is primarily due to weaker projected growth in dividend and interest income.

Should the Trump administration impose broad tariffs at high rates, price increases in a number of sectors could impact consumer and producer goods. This could impact domestic producers that are reliant on imported goods used in the course of conducting business which could lead to higher prices that are passed onto consumers. Potential tariffs could be high inflationary which could lead the Federal Reserve to pause interest rate cuts or potentially raise rates. Due to its international trade which takes place through the ports of Los Angeles, Long Beach, and Oakland, the potential impacts of tariffs could make California more vulnerable to its negative impacts.

Further, federal changes in immigration that could lead to the deportment of millions of undocumented immigrants could significantly impact many sectors in the U.S. and California economy, resulting in labor shortages and price increases in goods and services.

While the Department of Finance has not modeled a recession scenario for the forecast, should inflation take longer than projections to reach two percent, tighter credit conditions could arise, diminishing economic activity. This could potentially lead to a mild recession.

Revenue Estimates

Due to stronger-than-anticipated economic performance, General Fund revenue is projected to be \$16.5 billion higher than projected in the 2024 Budget Act. This is due to an additional \$12.6 billion in personal income taxes, \$2.5 billion in additional corporation taxes, and \$2.0 billion in pooled money interest. High income earners were positively impacted by a stronger stock market and higher economic wage growth which were reflected in higher capital gains and withholding receipts. Revenue projections are expected to be flat through 2025 and 2026.

Education Funding

Total education funding includes \$137.1 billion from all sources, which includes \$83.3 billion in General Fund dollars and \$53.8 billion in all other funds. Per pupil funding from Proposition 98 totals \$18,918, and is increased to \$24,764 per pupil including all funding sources.

The Proposition 98 Guarantee for TK-12 schools and community colleges totals \$118.9 billion in 2025-26, and is revised to be \$119.2 billion in 2024-25, and \$98.5 billion in 2023-24. These totals reflect an approximate \$7.5 billion increase over this three-year period. However, due to revenue projection risks, the budget proposal reduces the \$119.2 billion appropriation in 2024-25 to \$117.6 billion to mitigate the possibility of over appropriating resources in 2024-25. This adjustment will be re-evaluated in the May Revision and will not be final until the 2024-25 certification of the Proposition 98 Guarantee level.

Proposition 98 is funded at a Test 2 level for 2023-24 (which reflects the suspension at \$98.5 billion). Proposition 98 will remain in a Test 1 level for 2024-25 and 2025-26, reflecting approximately 40 percent of overall General Fund revenues, as well as local property tax revenues. The overall Guarantee continues to reflect Proposition 98 rebenching reflecting the implementation of universal transitional kindergarten.

Local Control Funding Formula (LCFF): The LCFF includes a cost-of-living adjustment of 2.43 percent, which, when combined with population growth brings an increase of \$2.5 billion under this formula. A total of \$246.6 billion in deferrals are fully repaid in 2025-26. To maintain the same level of past year principal apportionments, the budget proposal would utilize existing reappropriation and reversion funding, which totals \$25.9 billion to support ongoing LCFF costs in 2023-24, while deferring LCFF funding of \$35.1 million from 2023-24 to 2024-25, which would be fully repaid in 2024-25.

Universal Transitional Kindergarten: The budget proposal includes \$2.4 billion in ongoing Proposition 98 General Fund to continue to provide support for the full implementation of universal transitional kindergarten, allowing for all children who turn four years old by September 1st of the school year to enroll in transitional kindergarten, reflecting access for approximately 60,000 additional children. An additional \$1.5 billion in ongoing Proposition 98 General Fund is provided to lower the average student-to-adult ratio from 12:1 to 10:1 in each transitional kindergarten classroom.

Expanded Learning Opportunities Program (ELOP): The budget proposal includes a \$435 million ongoing Proposition 98 General Fund to fully implement the ELOP by increasing the number of local education agencies (LEAs) with TK-6th grade that offer universal access to students with unduplicated pupil percentages of 75 percent to those with 55 percent of unduplicated students. This will raise total ongoing funding to \$4.4 billion Proposition 98 General Fund.

Master Plan for Career Education: TK-12 Education: The budget proposal includes allowing dual enrollment and pathways programs to be included as allowable expenditures in the \$1.8 billion Student Support and Discretionary Block Grant and provides a \$3 million ongoing Proposition 98 General Fund increase for the California College Guidance Initiative and the Cradle-to-Career Data System. The Department of Education is additionally directed to explore the feasibility of streamlining applications for TK-12 career technical education programs into one consolidated application, instead of the existing separate application processes.

Literacy Instruction: The budget proposal recognizes investments in evidence-based literacy and professional learning to support the implementation of the English Language Arts/English Language Development (ELA/ELD) Framework. To provide LEAs with instructional materials reflecting current research, to support current and future educators, and to implement the ELA/ELD Framework, the Literacy Roadmap, the English Learner Roadmap, and to assist LEAs in providing evidence-based literacy instruction to diverse learners, the following proposals are proposed:

- \$500 million one-time Proposition 98 General Fund for TK-12 Literacy and Mathematics Coaches, building and expanding existing Literacy Coaches and Reading Specialists Grant Program. The new funding reflects an augment to \$500 million provided for Literacy Coaches in 2022 and 2023.
- \$40 million one-time Proposition 98 General Fund in 2025-26 to support costs, such as screening materials and training for educators to administer literacy screenings. The 2023 budget required LEAs to begin reading screening for students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by 2025-26.
- \$5 million Proposition 98 General Fund annually through 2029-30 to launch a Literacy Network within the Statewide System of Support to utilize as a clearinghouse for state-developed literacy resources, as well as to highlight high performing districts and best practices, while providing support to LEAs undergoing performance challenges.
- The Instructional Quality Commission is directed to initiate a follow-up adoption for ELA/ELD instructional materials while providing \$300,000 on-time non-Proposition 98 General Fund in 2024-25 for the Commission to develop a curriculum guide and resources in personal finance to implement AB 2927 (2024).
- Funds from the \$1.8 billion Student Support and Discretionary Block Grant will be available to provide professional development for teachers regarding the ELA/ELD Framework and the Literacy Roadmap.

Teacher Preparation and Professional Development: \$150 million one-time Proposition 98 General Fund is provided for financial assistance for teacher candidates through the Teacher Recruitment Incentive Grant Program. Additionally, \$100 million one-time Proposition 98 General Fund is provided to extend the timeline of the National Board Certification Incentive Program.

Student Support and Professional Development Discretionary Block Grant: \$1.8 billion one-time Proposition 98 General Fund is provided for a discretionary block grant to provide LEAs with fiscal support to address rising costs, as well as statewide priorities, which include professional development for teachers on the ELA/ELD Framework and the Literacy Roadmap, with a focus on strategies to support literacy for English learners, professional development to teachers on the Mathematics Framework, teacher recruitment and retention strategies, and career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education.

School Facility Program: The Kindergarten through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024 (Proposition 2) authorized \$8.5 billion in state General Obligation bonds for schools that can be allocated through the School Facility Program. These include \$4 billion for modernization projects, \$3.3 billion for new construction, \$500 million for charter schools, and \$600 million for career technical education projects.

Significant budget adjustments include:

Learning Recovery Emergency Block Grant: \$378.6 million one-time Proposition 98 General Fund.

Cost-of-Living Adjustments: \$204 million ongoing Proposition 98 General Fund, reflecting a 2.43 percent adjustment for the LCFF Equity Multiplier, as well as Special Education, Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

Kitchen Infrastructure and Training: \$150 million one-time Proposition 98 General Fund for specialized kitchen equipment, infrastructure, and training to support schools to provide more freshly prepared meals made with locally grown ingredients.

Local Property Tax Adjustments: \$125 million in additional Proposition 98 General Fund for school districts and county offices of education in 2024-25, as well as a decrease of \$1.5 billion ongoing Proposition 98 General Fund in 2025-26 from increased offsetting property taxes.

Nutrition: \$106.4 million in additional ongoing Proposition 98 General Fund to provide universal school meals in 2025-26.

County Offices of Education: \$12.2 million ongoing Proposition 98 General Fund reflecting ADA changes applicable to the county office of education LCFF as well as a 2.43 COLA.

English Language Proficiency Screener for Transitional Kindergarten Students: \$10 million one-time Proposition 98 General Fund for the statewide use of English language proficiency screeners to support multilingual learners in transitional kindergarten.

TK-12 High Speed Network: \$3.5 million in additional Proposition 98 General Fund.

Individualized Education Program (IEP) Template and Translation Digitization: \$2 million one-time Proposition 98 General Fund to support the digitization of the IEP template and translate the template into multiple languages.

Homeless Education Technical Assistance Centers: \$1.5 million in additional ongoing Proposition 98 General Fund to maintain support for Homeless Education Technical Assistance Centers established through the American Rescue Plan Act's Homeless Children and Youth Program.

Curriculum Framework, Standards, and Instructional Materials Process: \$1 million one-time Proposition 98 General Fund to evaluate the existing process for developing and adopting standards, curriculum frameworks, and instructional materials, as well as to make recommendations to streamline and improve the process.

Higher Education

To implement the Master Plan for Career Education, the following investments are included in the budget proposal:

- \$100 million one-time Proposition 98 General Fund for community colleges to expand Credit for Prior Learning and to begin building the infrastructure for the state's first Career Passport.
- \$5 million ongoing General Fund for the Government Operations Agency to create a state planning and coordinating body for TK-12 education, higher education, and state economic and labor agencies to improve forecasting of needed skills and coordination of resources and initiatives across state government.
- \$4 million one-time General Fund to support regional coordination for career education and training.

- The application process for TK-12 career technical education categorical programs is proposed to be consolidated into a single application that will also include dual enrollment and pathways programs.

University of California: The budget proposal includes the planned deferral of the 2025-26 Compact investment of \$240.8 million, which represents a five-percent base increase in the fourth year of the Compact to 2027-28. It additionally includes the planned \$31 million deferral to offset revenue reductions associated with nonresident undergraduate students. The budget maintains reductions included in the 2024 Budget Act which includes a reduction of 7.95 percent in ongoing General Fund support, totaling \$396.6 million, beginning in the 2025-26 school year.

California State University: A five-percent base increase of \$252.3 million ongoing General Fund is provided for the fourth year of the Compact, through the 2025-26 amount is proposed to be deferred until 2027-38. The CSU is advised to continue planning for a 7.95 percent reduction, beginning in the 2025-26 school year, reflecting \$375.2 million. An increase of \$1.3 million ongoing General Fund is provided to support a salary increase for the Capital Fellows program. \$345,000 ongoing General Fund is proposed to support costs for drug test devices for students at every on-campus health center.

California Community Colleges: \$230.4 million ongoing Proposition 98 General Fund is provided for a 2.43 percent COLA for the Student Centered Funding Formula apportionments as well as \$30.4 million ongoing Proposition 98 General Fund to reflect 0.5 percent enrollment growth. \$168 million one-time Proposition 98 General Fund is provided for the completion of the Statewide Technology Transformation project. \$162.5 million Proposition 98 General Fund, \$29 million of which is ongoing is provided for the Systemwide Common Data Platform, which will provide a scaling of a common cloud data platform across the system. \$100 million one-time Proposition 98 General Fund, \$7 million of which is ongoing, is provided to expand credit for prior learning policies and to create a Career Passport. \$51.5 million one-time Proposition 2 bond funds are allocated for critical infrastructure, facility modernization, and enrollment growth projects for 28 community college facilities.

\$30 million ongoing Proposition 98 General Fund is provided to expand the Rising Scholars Network. \$16 million ongoing Proposition 98 General Fund is provided for a 2.43 percent COLA for specified categorical programs as well as the Adult Education Program.