



Governor's Proposals for the 2024-25 State Budget and K-12 Education



Governing Board
Meeting
February 1, 2024



Governor's Budget Themes

- **Governor Gavin Newsom measures a \$37.9 billion budget shortfall, due largely to 2022 tax collections well below the budget's assumptions**
- **The Governor's Budget proposal protects the education budget against the local impact of a nearly \$12 billion reduction in Proposition 98 resources that, if unmitigated, would undoubtedly harm our students and the cadre of professionals who dedicate their lives to teaching and supporting them**
- **Proposal attempts to ensure that the education profession remains an attractive career choice by removing obstacles to entry and enabling agencies to provide competitive wages**
- **Governor's focus is on students whose learning was and continues to be deeply impacted by the COVID-19 pandemic**
- **The Governor's Budget uses less pessimistic revenue assumptions than the Legislative Analyst's Office (LAO)**





Proposition 98

- **The Proposition 98 budget is a story of correction and normalization**

Good News

- **The historic increases in Proposition 98 from 2019-20 through 2021-22 resulted in significant financial investments to combat the impacts of the pandemic**
- **The state is better prepared to weather a financial downturn due to record levels of reserves**

Bad News

- **The \$26 billion shortfall of tax revenues for 2022-23 turned a normal year into one where it appears that the state provided money above the minimum guarantee**
- **The Governor's solution to mitigate this shortfall is unprecedented and not widely or clearly understood, which creates risk for local educational agencies (LEAs)**



The Education Budget and Local Impact

- The Governor continues with the theme of “correction and normalization”

Good News

- Despite the significant underperformance of General Fund revenues in 2022-23, the Governor is not proposing any cuts or deferrals to K-12 education core programs
- General Fund revenue spikes in 2021-22 were used for one-time purposes and that is now paying dividends

Bad News

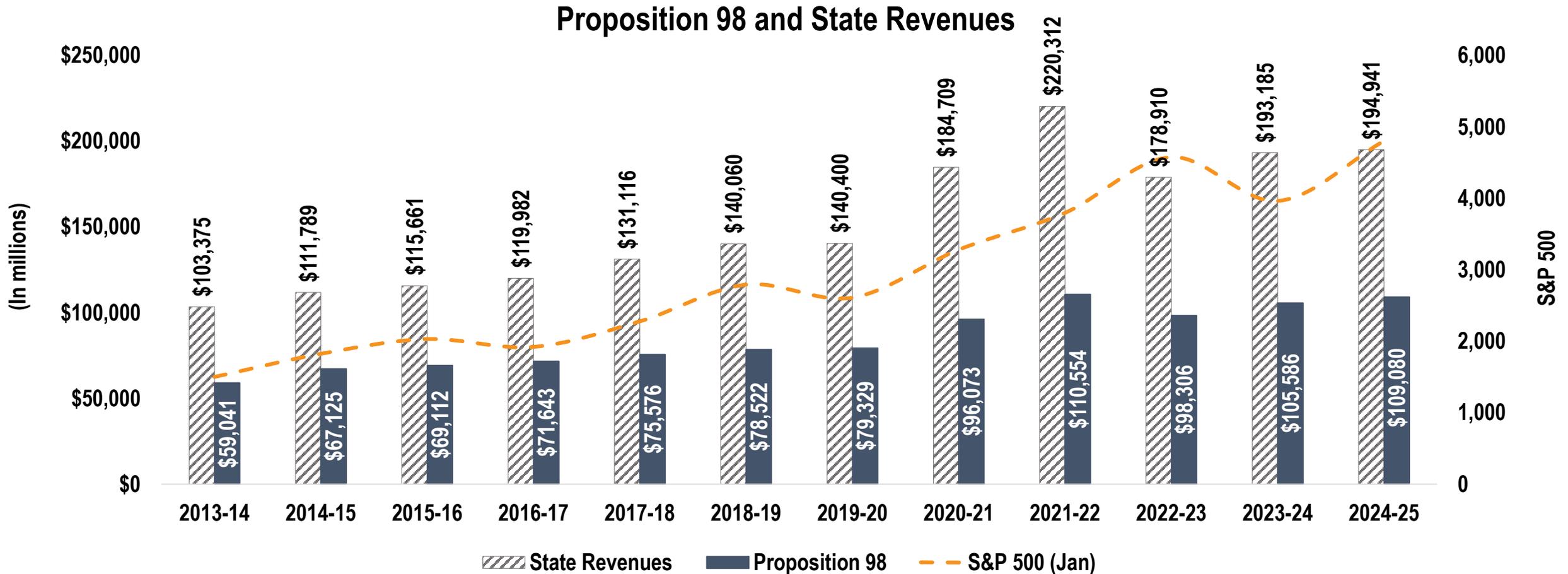
- Education is facing a “COLA¹-only” year where the projected statutory COLA is significantly less than 2023-24 and anticipated for 2024-25 trending

¹Cost-of-living adjustment



Proposition 98 Over Time

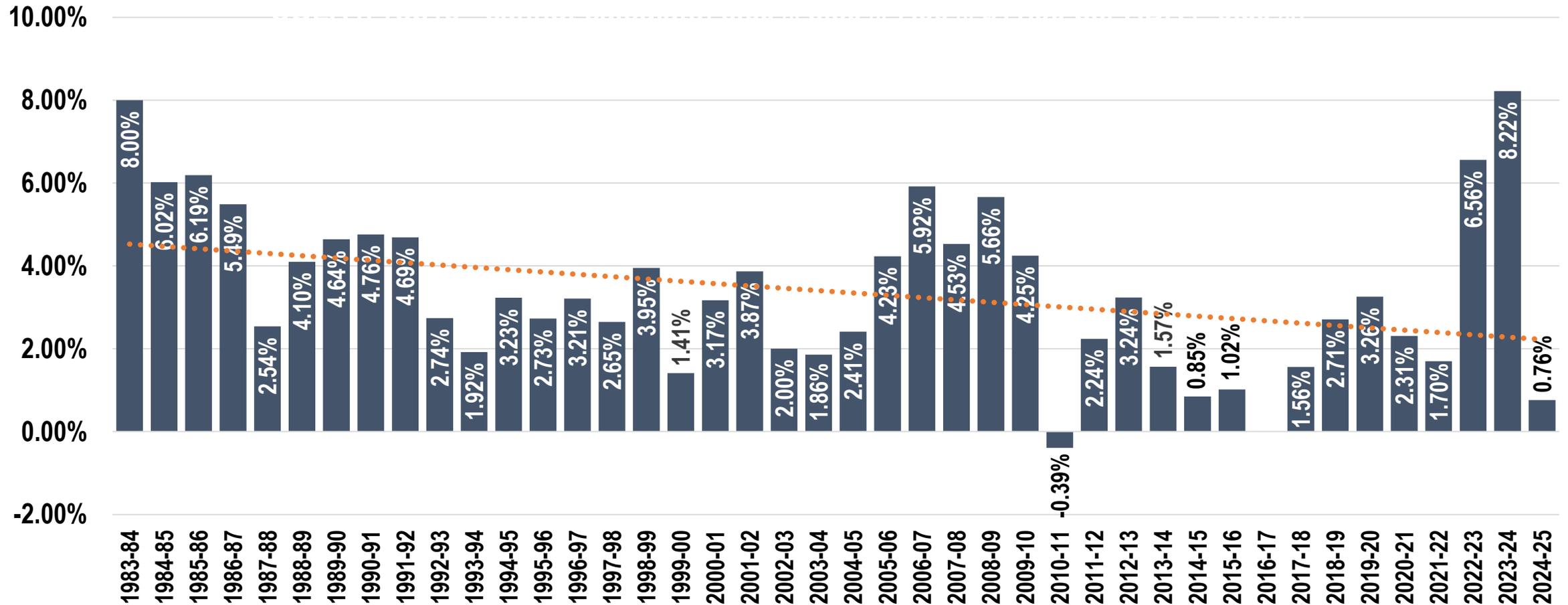
- As we have noted before, General Fund revenues rely heavily on California's top earners
- Even with the downward adjustments, Proposition 98 continues an upward overall trend





Historical Statutory COLAs

- The statutory COLA for 2024-25 feels anomalous relative to the last two years, but when looking back, COLA is beginning to normalize to historical trends—COLAs above 6% are the anomalies





What's Not in the Education Budget?



Proposition 98 Cuts

Despite the significant drop in the minimum guarantee from 2021-22 to 2022-23, the Governor's Budget proposes no cuts in overall Proposition 98 funding

Deferrals

Due to the Governor's Budget revenue assumptions and the Administration's treatment of the Proposition 98 minimum guarantee, there is no need for the state to defer payments to LEAs

Sweeps

Unlike last year, the Governor's Budget does not include any proposals to sweep unallocated funds from programs, such as the Community Schools Partnership Program, so LEAs planning for those funds can breathe a sigh of relief . . . *for now*



2024-25 LCFF¹ Funding Factors



Grade Span	TK-3	4-6	7-8	9-12
2023-24 Base Grant per ADA ²	\$9,919	\$10,069	\$10,367	\$12,015
0.76% COLA	\$75	\$77	\$79	\$91
2024-25 Base Grant per ADA	\$9,994	\$10,146	\$10,446	\$12,106
Grade Span Adjustment	\$1,039	–	–	\$315
2024-25 Adjusted Base Grant per ADA	\$11,033	\$10,146	\$10,446	\$12,421
20% Supplemental Grant per ADA ³	\$2,207	\$2,029	\$2,089	\$2,484
65% Concentration Grant per ADA ⁴	\$3,227	\$2,968	\$3,055	\$3,633
TK⁵ Add-On (inclusive of COLA)	\$3,067	–	–	–

¹Local Control Funding Formula

²Average daily attendance

³Maximum amount per ADA—to arrive at LEA’s grant amount, multiply adjusted base grant per ADA by 20% and unduplicated pupil percentage (UPP)

⁴Maximum amount per ADA—to arrive at LEA’s grant amount, multiply adjusted base grant per ADA by 65% and UPP above 55%

⁵Transitional kindergarten



Fluctuating Statutory COLAs From the Department of Finance

- The changing statutory COLA is NOT related to the state's financial health
 - Rather, the statutory COLA is computed using federally aggregated metrics
- The statutory COLA is a calculated percentage, but the Governor and Legislature must still determine whether there is sufficient money to fund the statutory COLA
- The significant projected decline in 2024-25 is the result two primary factors:
 - Reversal in price increases that occurred in 2022
 - Revisions to historical data points

	2024-25	2025-26	2026-27
January 2024	0.76%	2.73%	3.11%
June 2023	3.94%	3.29%	3.19%
<i>Percentage Point Decrease</i>	<i>-3.18</i>	<i>-0.56</i>	<i>-0.08</i>

State Categorical Programs Receiving COLA



- The Governor's Budget includes \$65 million to fund the 0.76% COLA for the following programs:

Adults in Correctional Facilities

American Indian Early Childhood Education Program

American Indian Education Centers

Charter School Facility Grant Program

Child Nutrition

Mandate Block Grant

Special Education

Youth in Foster Care

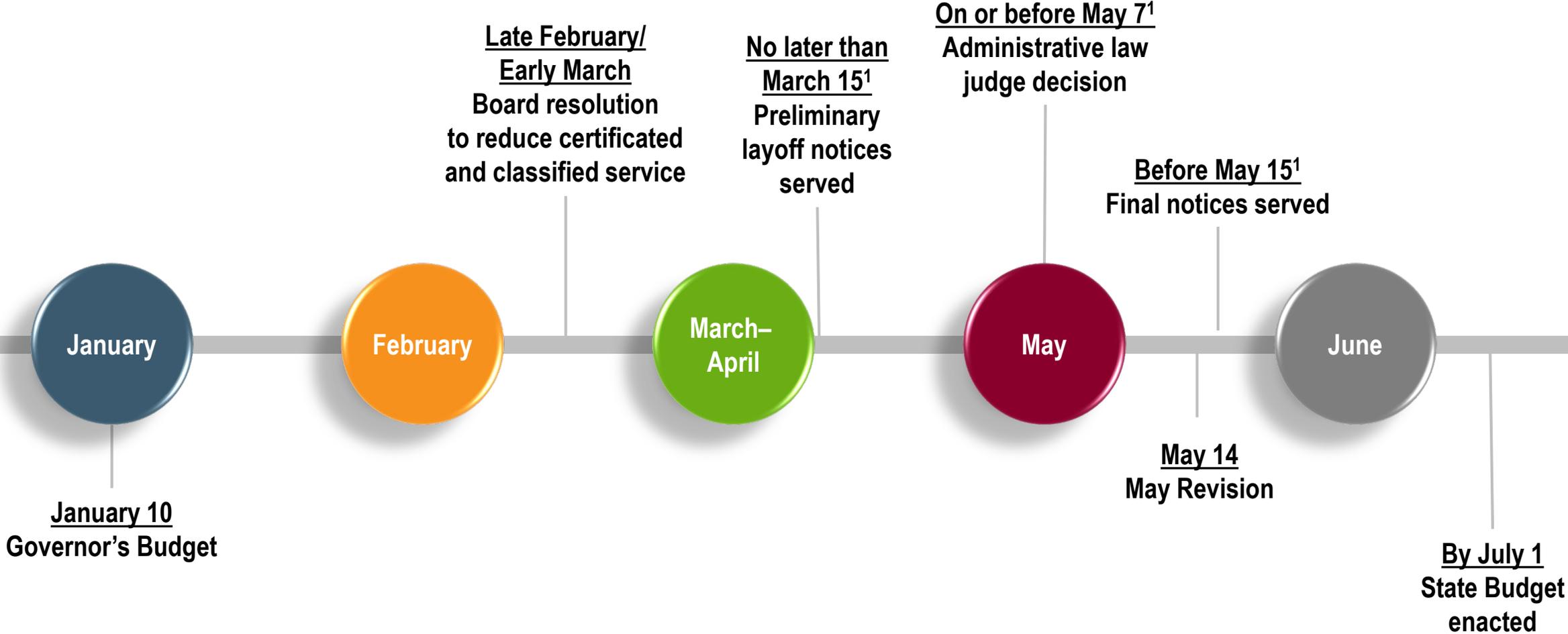
SSC Financial Projection Dashboard



Planning Factors						
		2023-24	2024-25	2025-26	2026-27	2027-28
DOF ¹ Planning COLA		8.22%	0.76%	2.73%	3.11%	3.17%
California CPI ²		3.36%	2.83%	2.70%	2.72%	2.72%
CalSTRS ³ Employer Rate		19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS ⁴ Employer Rate		26.68%	27.80%	28.50%	28.90%	30.30%
Unemployment Insurance		0.05%	0.05%	0.05%	0.05%	0.05%
California Lottery	Unrestricted per ADA	\$177.00	\$177.00	\$177.00	\$177.00	\$177.00
	Restricted per ADA	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00
Mandate Block Grant (District) ⁵	Grades K-8 per ADA	\$37.81	\$38.10	\$39.14	\$40.36	\$41.64
	Grades 9-12 per ADA	\$72.84	\$73.39	\$75.39	\$77.73	\$80.19
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$19.85	\$20.00	\$20.55	\$21.19	\$21.86
	Grades 9-12 per ADA	\$55.17	\$55.59	\$57.11	\$58.89	\$60.76

¹Department of Finance, ²Consumer Price Index, ³California State Teachers' Retirement System, ⁴California Public Employees' Retirement System, ⁵COE Mandate Block Grant: \$38.10 per ADA grades K-8; \$73.39 per ADA grades 9-12; \$1.28 per unit of countywide ADA

Certificated and Classified Layoffs and State Budget Timelines



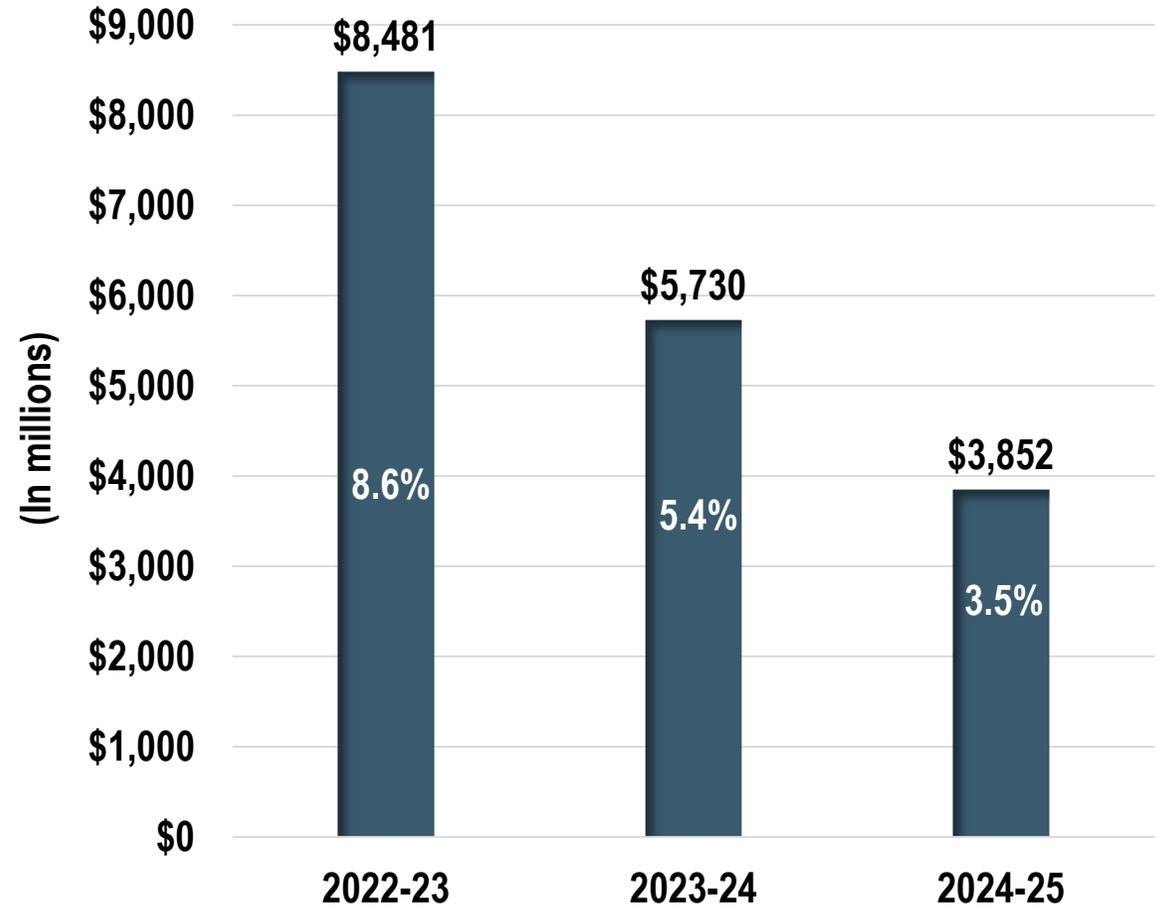
¹Statutory deadlines per Education Code Sections 44949, 44955, and 45117



Local Reserve Cap

- Law limits local school district reserves to 10% in the subsequent fiscal year when certain conditions are met
- The Governor's Budget reflects:
 - Deposits of \$339 million in 2022-23, \$288 million in 2023-24, and \$752 million in 2024-25
 - Discretionary withdrawals of \$3.0 billion in 2023-24 and \$2.7 billion in 2024-25
 - An account balance of \$5.7 billion in 2023-24 makes the reserve cap operative for 2024-25

Proposition 98 Reserve Balance and Percent of K-12 Share of Proposition 98





The Road Ahead

- **Despite a multibillion-dollar budget deficit, the Governor is calling for limited early action on issue areas not affecting education**
- **The next steps in the process are controlled by the Legislature, which has the responsibility to vet the Governor’s proposals during budget hearings over the next several weeks and months**
 - **This process coincides with the release of further details on the Governor’s Budget proposals, included in trailer bill language, which is usually released at the beginning of February**
 - **The LAO and public also get to weigh in with their feedback and counterproposals**
 - **This process prepares legislators to respond quickly after the next official State Budget checkpoint—the May Revision**



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Questions