

2024–25 May Budget Revision

Implications for Schools

May 15, 2024



Housekeeping

- At the end of the presentation, we will have a Question-and-Answer segment where we will try our best to answer your questions
- Please, use the Q & A feature of Zoom to type your questions. This is located on ribbon below the speaker.



- Your questions will be answered either in the Q & A panel or live by our presenters
- All attendees will receive a link to the **video** of this webinar as well as **the slide deck**





Today's Presenters

- ▶ **Patrick O'Donnell**, Chief, Governmental Relations
- ▶ **Chris Reeve**, Legislative Director
- ▶ **Erika Hoffman**, Deputy Legislative Director for State and Federal Programs
- ▶ **Carlos Machado**, Legislative Advocate
- ▶ **Robert Manwaring**, Sr. Policy Advisor, Children Now & former K-12 Ed. Dir., LAO
- ▶ **William Tunick**, Shareholder, Dannis, Woliver & Kelley

Moderator:

- ▶ **Troy Flint**, Chief Communications Officer

What is the May Revise?

- The May Revise is the formal presentation of updated general fund revenues received due to the annual April 15 income tax filing deadline.
- Required by law to be presented on or before May 14, and is an opportunity for the Governor to provide an update on:
 - ❖ State general fund revenues for the current year and coming budget year.
 - ❖ Governor's proposals to expand or reduce programs and expenditures.
- State law also requires the May Revise to include an update on Proposition 98 funding and the state's efforts to meet the constitutional guarantee.



May Revise Overview

State Budget Deficit

- Projected budget deficit in the January Budget was estimated to be \$37.9 billion.
- May Revision projects a growth in the deficit by \$7 billion, increasing to an overall deficit of \$44.9 billion.
- *However*, early budget actions taken by the Legislature in April helped to reduce the size of the deficit by \$17.3 billion.
- This resulted in a revised budget deficit of \$27.6 billion.



Proposition 98 Overview

- Revised ***minimum*** guarantee for the current year is \$102.6 – \$3.5 billion below the January Budget estimate.
- For 2024–25, the minimum guarantee is estimated to be \$109.1 billion
- When accounting for adult education, Proposition 28 and other agencies, the Prop 98 total for the split is \$107.3 billion
 - ❖ TK–12 share: \$95.5 billion – 89%
 - ❖ Community College share: \$11.8 billion – 11%
- The revised three-year estimate for Prop 98 is:
 - ❖ \$97.5 billion in 2022-23*
 - ❖ \$102.6 billion in 2023-24
 - ❖ \$109.1 billion in 2024-25



Proposition 98 Overview Continued

- According to the Department of Finance, revised estimates of Prop 98 over the three-year period spanning 2022–23, 2023–24 and 2024–25 represent an approximate decrease of \$14.8 billion relative to the 2023 Budget Act.
- To bridge an estimated shortfall of \$8.8 billion in funding of Prop 98 in 2022–23, the Governor is proposing a new interpretation of Prop 98 – referred to as a “funding maneuver.”
- Prop 98 continues operating under Test 1 in the current year and budget year, i.e., current year funding adjusted for increases in property tax revenue.
- Test 1 is estimated to be 39.28% of the overall state budget



Public School System Stabilization Account Prop 98 Reserve

To make up the difference between the budget shortfall and the lower Prop 98 funding guarantee, the Governor proposes using all of the Prop 98 Reserve over a two-year budget period.

- \$5.8 billion in the current 2023–24 fiscal year
- \$2.6 billion in the 2024–25 budget year
- This would exhaust the reserve after 2024–25
- Local reserve cap remains in place in the current year, but would not apply for the 2024–25 fiscal year



Cost-of-Living Adjustment (COLA)

1.07% COLA included for LCFF, county offices of education and programs historically provided the COLA:

- LCFF Equity Multiplier
- 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

The Proposition 98 “Funding Maneuver”



How did we get here?

- Delayed collection of 2022 federal and state income taxes due to states of emergencies relating to 2023 severe winter storms.
- Resulted in state flying “fiscally blind.”
- 2023 Budget Act was adopted using projected state revenues, rather than actual revenues.
- Unknown until later in 2023 – the states big three tax revenues (income, sales and corporate taxes) fell 25 percent.

Loss of revenue

- Prop 98 is in unprecedented territory.
- Revenues came in \$8.8 billion below the funded 2022–23 Prop 98 Guarantee.
- This created a substantial shortfall never seen in Prop 98 history.
- It is forcing the state to either honor the funding provided to schools and find the money somewhere else or to lower the Prop 98 Guarantee.



Proposition 98 shortfall and proposed “funding maneuver”

- Rather than acknowledge the \$8.8 billion as counting towards the guarantee, the Governor’s funding maneuver proposes to use the state’s strong cash position to borrow from itself.
- The state would borrow from its own cash now to cover the \$8.8 billion gap.
- It would repay it to the general fund over a five-year period beginning 2025–26 – \$1.76 billion annually.
- Essentially, if adopted, the state is providing itself a no-interest loan.



CSBA advocacy on the maneuver

- CSBA is opposed to the maneuver for several reasons:
 - 1) Undermines the principles of the guarantee
 - 2) Runs contrary to the spirit, statutory and constitutional requirements enshrined in Prop 98
 - 3) Sets a troubling precedent, which could be used by future governors and Legislatures to avoid complying with the Prop 98 funding guarantee.





CSBA's message

We are urging the Legislature to:

- **Protect, not undermine Prop 98**
- **Reject the maneuver**
- **Any efforts to reduce or alter education funding must align with the statutory and constitutional provisions of Prop 98**

Governor's Budget Proposals



Special Education Funding

- The Governor's proposed budget funds special education at \$8.024 billion – an increase of \$295 million from all funding sources over 2023–24.
- It includes an increase of approximately \$134 million in ongoing Prop 98 funds for ADA growth.
- \$19.6 million for COLA.



Universal School Meals Program

- Total funding for the Universal Meals program in 2024–25 is being proposed at \$298.3 million.
- This includes:
 - ❖ \$179.4 million in ongoing Prop 98 funds
 - ❖ \$19.5 million COLA
 - ❖ \$118.916 million in one-time funds to reimburse districts for meals served in the current fiscal year.
 - ❖ The one-time funds to reimburse for meals in 2023–24 will be provided to districts based on current year meal counts.



School Facilities

- Increase the reduction of the School Facilities Aid Program by an additional \$375 million for a total reduction of \$875 million over the two-year fiscal period of 2023–24 and 2024–25.
- In prior year budgets \$550 million for the Preschool, Transitional Kindergarten and Full-Day Kindergarten Program was delayed until the next fiscal year.
- Rather than delay again, the May Revise proposes to eliminate this funding.
- Regarding a state school facilities bond, discussions continue on the placement of a statewide bond on the November 2024 ballot.
 - ❖ The Legislature has until June 27 to place the bond on the ballot.



Electric School Buses

- According to the Department of Finance, the May Revise proposes to increase funding for electric school buses from \$500 million to \$895 million.
- The \$395 million increase will be funded with:
 - ❖ \$145 million in Prop 98 funds
 - ❖ Shifting \$254 million from deleting provisions to increase the number of special needs children in the California State Preschool Program.



Educational Revenue Augmentation Fund

- Proposes to include charter schools in the calculation of the Educational Revenue Augmentation Fund (ERAf).
- A complex funding formula, it was created in 1992 to release pressure on the state general fund to meet the Prop 98 Guarantee.
- It did this by shifting some of the state's local government property taxes to school districts and community colleges.
- Including charter schools in the ERAf calculation is a win for CSBA's Education Legal Alliance.
- It will ensure that the calculation of the fund shift accurately and adequately assesses the total number of public schools in the state.



California State Preschool Program

- The May Budget Revision proposes to delete current statutory language that would increase the number of special needs students in the California State Preschool Program to 10 percent by July 2026.
- According to the Department of Finance, in deleting this language, the Revision shifts \$254 million to the Electric Vehicle account for the purchase of electric school buses.
- This shift will impact both full-day and part-day preschool programs and will greatly lessen the ability of these programs to increase the enrollment of children with special needs.



Expanded Learning Opportunities Program (ELOP)

- Maintains the prioritization of \$4 billion in ongoing Prop 98 funds to address “lost learning opportunities” due to the pandemic.
- Proposes the following changes on funding and expense of ELOP moneys:
 - ❖ Requires that encumbered 2021–22 and 2022–23 moneys be spend by September 30, 2024.
 - ❖ Moving forward, requires local ELOP funding to be fully expended within two years.
 - ❖ Requires local educational agencies to declare their intent to offer ELOP beginning in 2025–26.
 - ❖ Allows the state to reallocate unspent ELOP funds.



Attendance Recovery and Instructional Continuity

- In the January Budget, the Governor proposed significant new programs to mitigate learning loss and chronic absenteeism.
- The May Revise proposes the following changes:
 - ❖ Delaying implementation of the attendance recovery program until July 1, 2025.
 - ❖ Permitting Saturday and Sunday attendance programs to count for reporting of chronic absenteeism.
 - ❖ Clarify criteria when student participation extends beyond 15 days.



Broadband Infrastructure Grant Program

- Established in 2019 to provide broadband connectivity over a five-year period.
- Expanded in the 2023 Budget Act for another four years.
- However, May Revise proposes deleting the extension of the program, effectively ending it June 30, 2024.



School Employer Pension Costs

CalSTRS

Fiscal Year	Contribution Rate**
2021-22	16.92%*** (-2.18)
2022-23	19.1%
2023-24	19.1%*
2024-25	19.1%*
2025-26	19.1%*

CalPERS

Fiscal Year	Contribution Rate
2021-22	22.91%*** (-2.16)
2022-23	25.37%
2023-24	26.68%
2024-25	27.05%
2025-26	28.5%*
2026-27	28.9%*

* Credit: Capitol Advisors Group

* Latest projected rates based on most recent projections

** CalSTRS Board now allowed to adjust employer contribution rate up or down by up to 1% each year, but no higher than 20.25% and no lower than 8.25%

***Reflects rate relief provided by state through 2020 Budget Act



Continues funding for existing programs

Consistent with CSBA's priority to fund existing programs, the May Revise continues funding for significant programs established or expanded during the pandemic:

- Universal Transitional Kindergarten
- Home-to-School Transportation Program
- Community Schools Grant Program
- Teacher recruitment and development programs



Thank you



California School Boards Association
3251 Beacon Boulevard, West Sacramento, CA 95691
www.csba.org | 800 266.3382

**Opt-in to receive
advocacy text messages
from CSBA!**

**Text CSBA4kids
to 52886**



Questions



Budget Perspectives Workshop May Revision 2024-25

In collaboration with:



Learn more:

<https://budgetperspectivesworksho.regfox.com/mayrevision2024-25>

