

# Research Brief

July 24, 2024

## Final budget agreement for 2024-25 includes critical funding for schools and community colleges, addresses large deficit

Legislative leaders and the governor reached agreement on a 2024-25 budget package on June 22, which they describe as supporting fiscal stability while preserving key programs. The \$297.9 billion deal includes \$211.4 billion in General Fund expenditures and a Prop. 98 minimum guarantee of \$115.3 billion for 2024-25. It incorporates a multi-year approach that Gov. Newsom proposed in his May Revise, with a balanced budget projected for both 2024-25 and 2025-26. The deal largely protects education funding, with a fully funded statutory COLA (1.07%) for TK-12 and community colleges, as well as increased base funding for the University of California. The controversial Proposition 98 funding maneuver that was initially proposed by Gov. Newsom is not included in the enacted budget; instead, the agreement will result in higher funding levels in the short- and long-term.

Faced with a deficit of \$46.8 billion, the budget agreement relies on many tools including deferrals and delays, fund shifts, spending of reserves, some new revenues, and funding cuts. Roughly half of the state’s rainy day funds will be used, leaving about \$13 billion in the fund after the 2025-26 year. The budget package includes agreement to allow the state to save more during periods where there is an anticipated surplus. The Prop. 98 reserves are used to cover expenditures from 2023-24, and the Prop. 98 guarantee for that year is suspended. Though a maintenance factor is established, the practical operational impact of the suspension is not expected to be disruptive to schools and community colleges.

New revenues come from a suspension of a tax deduction for businesses with CA income over \$1 million (NOL, net operating loss, deduction) and limits on a business tax credit to \$5 million for the next three years. There is also an increase to the MCO Tax (Managed Care Organization tax) that supports Medi-Cal.

The budget bill package includes 19 bills and trailer bills. Of particular interest for CFT are the 2024 Budget bill (AB 107), Budget Bill Jr. for 2024 and 2023 (SB 108 and 109), Education trailer bill (SB 153), Suspension of Prop. 98 (SB 154), Higher education trailer bill (SB 155), and the Early Childhood education trailer bill (SB 163). Some additional clean-up actions are anticipated in August.

### PROPOSITION 98

	2024-25 BUDGET	NOTES
Prop. 98 Funding	The Proposition 98 funding agreement revises the minimum guarantee for 2022-23 to \$97.5 billion but includes an additional \$6.2 billion that is included in the base in 2023-24 and going forward. The repayments will be paid back over ten years (\$621 million per year), starting in 2026-27.	2022-23 – \$97.5 billion, plus \$6.2 billion above the minimum for \$103.7 billion total (was \$110.6) 2023-24 – would be \$106.8 billion, but suspended to \$98.5 billion (was \$107.4) 2024-25 – \$115.2 billion, includes

For 2023-24, the minimum guarantee is suspended to \$98.5 billion and a maintenance factor of \$8.3 billion is created. The 2024-25 guarantee of \$115.2 billion includes a maintenance factor payment for about half of the suspended funding from 2023-24 (\$4.1 billion). \$4.1 billion maintenance factor

The additional funding for 2023-24 makes Test 2 in effect for that year, with Test 1 operative in the other two years.

Prop. 98 is also re-benched for the Universal TK rollout and the implementation of the Arts and Music in Schools (Prop. 28) initiative. K-12 per-pupil funding is projected to be \$18,354 from Prop. 98 funds in 2024-25, which is \$693 more than the 2023 budget act. Accounting for all sources, it is \$24,626 per student.

Public School System Stabilization Account (PSSSA)	For 2023-24, \$8.4 billion is withdrawn from these reserves, bringing the balance to zero and a deposit of \$1.1 billion is included for 2024-25.	The \$1.1 billion deposit in 2024-25 is a discretionary deposit.
Local Reserves	The 10% cap on local district reserves will not be operative in 2024-25 after the PSSSA is depleted in 2023-24.	The cap is unlikely to be in effect in 2025-26.
Prop. 98 Re-benching	The Prop. 98 minimum guarantee is “re-benched” to account for the continued rollout of Universal TK and the Arts and Music in Schools initiative funding.	

## EARLY CHILDHOOD EDUCATION

	2024-25 BUDGET	NOTES
COLA	The COLA for the state preschool provider rates was suspended for the 2023-24 and 2024-25 fiscal years.  Child Nutrition programs receive the 1.07% COLA.	
Access / Slots	Fully funds 11,000 awarded child care expansion slots; revises goal to 200,000 additional slots by 2028.	
Children with Disabilities	At least 5% of funded enrollment must be set aside for children with disabilities; requirement to increase to 10% is repealed.	
Eligibility	Children ages 24 to 35 months allowed with reimbursement rate adjustment at 1.8 allowed, but not required; sunsets on July 1, 2027.	
Inclusive Early Education Expansion Program	\$100 million is maintained, proposed cuts are rejected.	From General Fund
Early Childhood Planning and infrastructure	Cuts \$550 million planned for 2024-25 for the State Preschool, Transitional Kindergarten, Full Day Kindergarten facility grant program.	Funding could come through the Prop. 2 bond on the November 2024 ballot.
Universal Transitional Kindergarten	TK expansion for 2024-25 offers TK to four-year-olds whose fifth birthday is between Sept. 2 and June 2, inclusive. Average TK class size of 24 students and classroom ratios of 12 students to 1 adult are required.	\$1.5 billion supports the third year of the UTK expansion.

## K-12 EDUCATION

	2024-25 BUDGET	NOTES
COLA	Statutory Cost-of-Living Adjustment (COLA) of 1.07% is fully funded in the 2024-25.	Applied to the LCFF and most categorical programs outside the LCFF.
Deferrals	Two deferrals (June to July) were included in the budget; \$3.57 billion was deferred (on paper) from June to July 2024 and \$246 million will be deferred from June to July 2025.	
Local Control Funding Formula (LCFF)	The LCFF base grant will increase by the 1.07% COLA. The total LCFF funding proposed is about \$983 million above the 2023-24 budget act.  TK Add-On would also be increased by COLA, for a total of \$3,077 per ADA after the COLA is applied.	
Equity Multiplier	This add-on to the LCFF was first funded in 2023-24 with \$300 million. The Multiplier is increased by the COLA and some program changes are included: the per site minimum amount of \$50,000 will be adjusted by COLA; unspent funds from closed sites will be returned to the state; schools planned for closure in the budget year will not receive funding and district office enrollment will not generate funding.	\$303.2 million is allocated for 2024-25.
Categorical funding	Statutory COLA of 1.07% is applied to most of the remaining categorical programs that are outside of the LCFF. This includes: Adult Education, American Indian Early Childhood Education Program, American Indian Education Centers, Charter School Facility Grant Program, Child Nutrition Program, Mandate Block Grant, Special Education, Youth in Foster Care. Adults in Correctional Facilities receive the prior year COLA (8.22%).	\$89.2 million supports these programs.
August Layoff Window Closed	For 2024-25, the statute allowing school district to issue August layoffs of certificated and classified staff, when the LCFF is not increased by at least 2%, is suspended.	
Learning Recovery Emergency Block Grant	Total funding level remains at \$6.8 billion and requires LEAs to develop a needs assessment to spend remaining funds, through 2027-28. The expenditures will need to be evidence-based and included in LCAPs. Funds may be used for professional development on the Math and English Language Arts frameworks.	A minimum of \$2 billion must be spent based on needs assessments, per legal settlement.
Arts and Music in Schools (Prop. 28)	Prop. 98 is permanently re-benched to include an amount equal to 1% of the K-12 share of the minimum guarantee. Though Prop. 28 allows reductions to the funding when Prop. 98 is suspended, the budget fully funds this program.	Funding was \$938 million for 2023-24 and \$907 million 2024-25.
School Facilities Funding	Planned funding of \$875 million for the School Facility Program and \$550 million for the Preschool, TK, and Full-Day Kindergarten Facilities Grant Program is cut. A bond on is expected to provide alternative funding for these programs.	\$10 billion bond will be on Nov. 2024 ballot. \$8.5 billion would go to TK-12 schools and \$1.5 billion to community colleges.

Nutrition – Universal Meals	Ongoing funding is increased by \$179.4 million and another additional \$120.8 million one-time funds are included to fully fund the universal meals program in 2023-24 and 2024-25.	This funding is added to the base funding of \$1.6 billion.
Expanded Learning Opportunities Program (ELOP)	ELOP funding is unchanged at \$4 billion per year. Programmatic changes include providing up to \$2000 per student in 2024-25 to LEAs with <75% unduplicated students; allowing funds to be spent on attendance recovery; extending to two years the deadline for expending funds, starting in 2023-24. District will annually declare intent to run the program, starting in 2025-26.	No cuts and no COLA.
Community Schools	Funding is maintained. Minor changes adjust set-aside amounts for implementation and extension grants, and prioritize implementation grants starting July 1, 2024.	No cuts, no increases.
Discriminatory Materials	LEAs are prohibited from adopting or approving use of materials or curriculum that subjects students to unlawful discrimination, with fiscal penalties for violations.	Complaints can be filed by any member of the public under Uniform Complaint Procedures, or with the State Superintendent of Public Instruction (new EC Sec. 244)
Instructional Continuity and Attendance Recovery	Statutory changes included in budget package allow LEAs to provide attendance recovery opportunities starting in 2025-26, allowing up to 10 days of additional ADA. LEAs will also include instructional continuity plans in School Safety Plans and if schools close, they will need to certify they have an adopted school safety plan that includes the instructional continuity plans and that they have provided the instruction and engagement as specified or have not due to extenuating circumstances.	
Educator Workforce / Staffing Shortage	Funding (\$25 million, one-time) for training for literacy screening of K-12 students; Golden State Teacher Grant Program funding is continued but amount awarded per student is reduced and funding is prioritized for low-income students and awardees must commit to working in priority schools; funding (\$5 million) allocated for holocaust and genocide training for teachers.	
Zero-Emission / Green School Buses	Maintains support of \$500 million one-time funds for greening of school bus fleets. Includes an intent to restore funding next year.	\$375 million for buses; \$125 million for infrastructure.
Other initiatives with Ongoing funding	Include: \$2 million for CA College Guidance Initiative; \$3.2 million for K-12 High Speed Network for broadband infrastructure for schools; \$2.1 million for fourth graders to access to CA state parks; \$2 million for Technical Assistance Center on inclusive college readiness.	
Other initiatives with One-time funding	Include: \$17 million for Youth Vaping Alternative Prevention program; \$7 million for curriculum-embedded performance tasks for science; \$4 million to research high-quality, data-supported models of hybrid and remote learning; \$5 million for Save the Children, after school programs in rural districts; \$2.5 million for homeless education technical assistance centers.	

## COUNTY OFFICES OF EDUCATION

	2024-25 BUDGET	NOTES
COLA	County Offices of Education operations grant (all three components) receive the 1.07% COLA.	
LCFF Operations Grant	With the COLA, the base amount per county is \$881,483 and amount per district in county will be \$350,882. Operations grant rates per ADA also will increase, depending on countywide ADA totals.	
LCFF Alternative Education Grant	COLA of 1.07% applied.	Base grant: \$16,571 Supplemental grant: \$5,800 Concentration grant: \$5,800 (\$2,900 for juvenile court school students)
LCFF Add-Ons	COE's operating at least one Juvenile Court School receive \$200,000 and COE's with at least one county community school would receive \$200,000.	No changes to amounts.
Support for LEAs	COLA applied to LCAP support, with the greater of \$24,285 per district or \$103,908 per COE.  Differentiated Assistance Support for districts and charter schools is included.	Amount depends on size and numbers of LEAs
Parks Access	\$1.2 million ongoing funding to the Sacramento County Office of Education to enable fourth grade students to access state parks.	
Math instruction training	\$20 million one-time funds to a county office to work with the UC Subject Matter Projects and other organizations to develop and provide training for mathematics coaches and teachers.	

## SPECIAL EDUCATION

	2024-25 BUDGET	NOTES
COLA	Special education funding would receive the 1.07% COLA.	Increases base rate to \$896.89 per ADA
Alternative Pathways	Diploma of graduation available to students in grade 10 or higher in 2022-23.	

## CHARTER SCHOOLS

	2024-25 BUDGET	NOTES
COLA	The 1.07% COLA would apply to the LCFF base grant that charter schools receive.	
ERAF Distributions	Proposal to make charter schools eligible to receive ERAF (Educational Revenue Augmentation Fund) revenues was rejected in the final budget agreement.	

## CAREER TECHNICAL EDUCATION

	2024-25 BUDGET	NOTES
School Facilities Bond	\$500 million of the \$10 billion K-14 facilities bond is for CTE.	Bond to be on November 2024 ballot.

## ADULT EDUCATION

	2024-25 BUDGET	NOTES
COLA	Adult education would receive the 1.07% COLA, for an increase of \$6.9 million, and a total of \$659.1 million.	Funded through Community Colleges

## CLASSIFIED EMPLOYEES

	2024-25 BUDGET	NOTES
August Layoff Window Closed	For 2024-25, the statute allowing school district to issue August layoffs of certificated and classified staff, when the LCFF is not increased by at least 2%, is suspended.	
Zero-Emission / Green School Buses	Maintains support of \$500 million one-time funds for greening of school bus fleets. Includes an intent to restore funding next year.	\$375 million for buses; \$125 million for infrastructure.
Summer Assistance Program	One-time funding increase of \$9 million added to the TK-12 program.	
Other funding	No changes proposed to Classified School Employee Teacher Credentialing Program.  Other budget items that will support Classified employees include the ELOP, universal meals, and the TK expansion.	

## COMMUNITY COLLEGES

	2024-25 BUDGET	NOTES
COLA	The 1.07% COLA is be applied to the community college apportionments. This increases the SCFF component rates and many categorical programs.	
Deferrals	Two deferrals (June to July) were included in the budget; \$446 million was deferred (on paper) from June to July 2024 and \$244 million will be deferred from June to July 2025.	
Prop. 98 Reserves	Withdrawal of \$788 million from the Prop. 98 Reserves to cover costs in 2023-24.	
Student Centered Funding Formula (SCFF)	\$100.2 million supports the COLA as applied to the SCFF. After adjustments, total SCFF funding would be about \$9.6 billion.	SCFF technical adjustments based on estimates of FTES plus supplemental and success metrics
Enrollment growth	\$28 million ongoing funding is provided to support 0.5% growth.	

Categorical Programs	Funding for several categorical programs is increased by the 1.07% COLA. These include: Adult Education, Extended Opportunity Programs and Services, Disabled Students Programs and Services, Apprenticeships, CalWORKS Student Services  EOPS; DSPS; CalWORKS Student Service; Apprenticeship; Cooperative Agencies Resources for Education (CARE); Childcare Tax Bailout; Mandates Block Grant (adjusted by COLA and enrollment).	
Nursing Program Expansion and Grant Program	\$60 million one-time funds to expand nursing program capacity and \$5 million one-time funds to support educational pathways for low-income homecare and childcare workers are earmarked from the Strong Workforce Program for these purposes. \$60 million per year for five years is also earmarked to establish the Rebuilding Nursing Infrastructure Grant Program	Not new funding, but redirected from Strong Workforce.
Part-Time Faculty Programs	\$200 million ongoing funding for PT Faculty healthcare continues. PT Faculty compensation funding continues at \$26.5 million and PT Faculty office hours funding continues at \$23.6 million ongoing funds. The Office Hours reimbursement amount is increased to up to 90% of employer costs, while funding is available.	Total funding for PTHC is \$200.5 million.
Full-time faculty hiring	No new funding proposed; program would remain at current funding level of \$150 million ongoing.	
Student Housing	A statewide lease revenue bond program is included in the budget, which authorizes the State Public Works Board to issue \$804.7 million in revenue bonds to support 13 approved community college affordable student housing projects. Other projects that do not fit within the parameters will be funded with redirected annual rent subsidy funds from the \$61.5 million from the Higher Education Student Housing Grant Program funds.	
FAFSA	\$20 million one-time funds included to assist colleges with administering FAFSA due to unplanned challenges.	
Prior Learning Pathways	\$6 million one-time funds allocated for grants to establish policies to award credit for prior learning or develop a framework to institutionalize the practice.	Linked to Mapping Articulated Pathways for Credit for Prior Learning Demonstration Project.
State Operations	Chancellor's Office funding is cut by 7.95%, consistent with across-the-board cuts to all state agencies.	Approximately \$700,000
Reporting on Projected Funding Levels	By Nov. 1, 2024, district-by-district reporting on funding projections for the next three years, summer enrollment, changes to performance metrics, and projections based on potential changes to supplemental allocation within SCFF.	Report from Chancellor's Office to Legislature.

## UNIVERSITY OF CALIFORNIA

	2024-25 BUDGET	NOTES
Compact / Base Funding	5% increase (\$227.8 million) to ongoing base budget as per compact agreement for 2024-25 plus one-time cut of \$125 million. The 5% increase (\$240.8 million) expected for the	Early Action deferrals for UC funding rescinded in final budget agreement.

	2025-26 year will be deferred to 2026-27 and repaid in that year. The 2026-27 compact funding would be deferred to 2027-28.	Intent language for out-year deferrals
Enrollment	\$31 million provided to offset revenue reductions associated with replacing nonresident students with California resident students. For 2025-26, \$31 million expected for this purpose will be deferred to 2026-27 and repaid in that year. For 2026-27, this funding would be deferred to 2027-28.	
State Operations	Base operations funding cut of 7.95% starting in 2025-26.	\$252 million ongoing funding cut
UC Labor Centers	No funding cut to the UC Labor centers; proposed \$13 million funding cut was rejected in the final agreement.	
Time, Place, and Manner Policy	As a condition for receiving \$25 million in state funding, all UC campuses will need to prepare campus climate notifications to all students prior to the fall 2024 term. They should include the campus's Time, Place, and Manner Policy, which identifies allowable parameters of free speech activities and the campus; the Student Code of Conduct, which identifies acceptable student behavior; and relevant state and federal laws, which delineate legal and illegal activities; the systemwide Nondiscrimination Policy, which ensures compliance with Title VI and Title VII of the Civil Rights Act of 1964; and other processes and policies relating to the balance of freedom of expression with student, staff, and faculty safety and access to educational opportunities.	
UC College of the Law	\$2.2 million increase to ongoing funding to support operating costs	
Capital Outlay	Anticipated \$300 million one-time General Fund support for an Institute for Immunology and Immunotherapy at UC Los Angeles is not funded.	
Graduate Medical Education	\$13.5 million ongoing funding cut from state General Funds to backfill declining Proposition 56 revenue; the leaves \$40 million in total funding for graduate medical residency slots.	
Professional Development	One-time reversion of \$5 million General Fund previously provided to support the Equal Opportunity Practices and Professional Development for UC Faculty in the 2021 Budget Act.	

## CALIFORNIA STATE UNIVERSITY

	2024-25 BUDGET	NOTES
Compact / Base Funding	5% increase (\$240.28 million) to ongoing base budget as per compact agreement for 2024-25 plus one-time cut of \$75 million. The 5% increase (\$252. million) expected for the 2025-26 year will be deferred to 2026-27 and repaid in that year. The 2026-27 compact funding would be deferred to 2027-28.	Early Action deferrals for UC funding rescinded in final budget agreement.  Intent language for out-year deferrals
State Operations	Base funding cut of 7.95% starting in 2025-26	\$322 million ongoing funding cut
Time, Place, and Manner Policy	Requirement for all CSU campuses to prepare campus climate notifications to all students prior to the fall 2024	



term. They should include the campus's Time, Place, and Manner Policy, which identifies allowable parameters of free speech activities and the campus; the Student Code of Conduct, which identifies acceptable student behavior; and relevant state and federal laws, which delineate legal and illegal activities; the systemwide Nondiscrimination Policy, which ensures compliance with Title VI and Title VII of the Civil Rights Act of 1964; and other processes and policies relating to the balance of freedom of expression with student, staff, and faculty safety and access to educational opportunities.

## Additional information

### CALSTRS/CALPERS EMPLOYER CONTRIBUTION RATES\*

	2023-24	2024-25	2025-26	2026-27	2027-28
CalSTRS	19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS	26.68%	27.05%	27.60%	28.00%	29.20%

\*The employer contribution rates are determined by the respective boards and subject to change by the board

### STATUTORY COLA: ACTUAL AND PROJECTED RATES^

	2023-24	2024-25	2025-26	2026-27	2027-28
COLA	8.22%	1.07%	2.93%	3.08%	3.30%

^Rates for 2025-26 and forward are estimates from the Department of Finance.

### CALIFORNIA MINIMUM WAGE (EFFECTIVE. JAN 1)

	2023-24	2024-25	2025-26	2026-27	2027-28
	\$16.00	\$16.50	\$17.00	\$17.40	\$17.80

### FOR ADDITIONAL INFORMATION, CONTACT:

**Aimee Shreck** Research Director [ashreck@cft.org](mailto:ashreck@cft.org)

**Tiffany Mok** Legislative Advocate [tmok@cft.org](mailto:tmok@cft.org)

**Telephone** (916) 446-2788

[www.cft.org/tag/state-budget](http://www.cft.org/tag/state-budget)