



Legislative *Update*

May 17, 2024

Governor's May Revise addresses significant state budget; Legislative budget up next

May proposal draws down education reserve, continues controversial approach to Prop. 98 guarantee, lacks serious revenue proposals to address deficit

INTRODUCTION

Over the past week, Governor Newsom released full details of the May Revise, an annual update to the full budget proposal released each January. The state's budget deficit is now estimated at about \$45 billion. Early budget actions that were passed by the legislature and enacted in April should mitigate about \$17 billion of this shortfall, leaving \$28 billion still to address. California's General Fund revenues rely largely on Personal Income Tax, Corporation Tax, and Sales Tax revenues and the projected returns are about \$10.5 billion lower than were projected in January. (note: the Legislative Analyst uses different revenue projections and accounts for the Proposition 98 shortfalls using a different approach, and will describe the deficit as even larger).

The May Revise modifies the January proposal and each year includes an update to the Prop. 98 guarantee for three fiscal years: the prior year, the current year, and the budget year. Across all three years, the Prop. 98 guarantee is \$3.8 billion below the estimates from January, and significantly lower than estimated when the 2023-24 budget was enacted. Gov. Newsom's approach to Prop. 98 focuses on maintaining funding for TK-12 education and community colleges, despite a large drop in the guarantee for 2022-23. To address the shortfalls, Gov. Newsom continues to promote a controversial accounting approach he introduced in January, but which is being widely criticized and may be at odds with the state constitution. The cost of the "maneuver" has increased from \$8 billion to \$8.8 billion between January and May.

- The May Revise also includes a proposal to fully spend the Prop. 98 Reserve, in order to cover funding gaps resulting from a lower Prop. 98 guarantee.
- For TK-12 education, Gov. Newsom applies the statutory COLA of 1.07% (up from .76% in January) to the LCFF and the categorical programs that historically are adjusted by COLA.
- For Community Colleges, the COLA is applied to the SCFF and apportionments, and some categorical programs.
- For the University of California, an anticipated 5% increase to core funding (connected to a non-binding Compact agreement) was deferred to 2025-26 as part of the early action budget bill (AB 106) passed in April.
- The May Revise also includes some changes to how the state's other rainy day funds would be withdrawn, spreading the use of the reserves over two years in anticipation of deficits continuing in 2025-26.

CONTENTS

- [PROPOSITION 98](#)
- [EC/TK-12 EDUCATION](#)
- [COMMUNITY COLLEGES](#)
- [UNIVERSITY OF CALIFORNIA](#)
- [NEXT STEPS](#)

Below is a summary of the key education components of the governor’s May proposal. The next step in the statutory process will be for the Legislature to send a budget to the Governor by June 15.

REVISED PROP. 98 MINIMUM GUARANTEE, CONTINUED SUPPORT FOR FUNDING “MANEUVER”

The governor’s proposal regarding Prop. 98 guarantee, introduced in January, was not changed in the May Revise but the size of the budget gap that it is supposed to address has increased to \$8.8 billion. This is considered a controversial accounting maneuver, possibly unconstitutional, because of how it recalculates the size of the guarantee in past years, which then has implications for future years. Gov. Newsom, the Department of Finance, and legislators will continue discussing this over the coming weeks. Note: the formula is being re-benched in connection to the continued rollout of Universal TK, which is unchanged.

The Prop. 98 minimum guarantee amounts are updated in May to be about \$3.8 billion lower, across the three year period:

- 2022-23: \$97.5 billion (was \$98.3 billion in January)
- 2023-24: 102.6 billion (was \$105.6 billion)
- 2024-25: 109.1 billion (was \$109.1 billion)

EC/TK-12 EDUCATION

LCFF The LCFF (Local Control Funding Formula) determines core funding levels for TK-12 education, and the formula would be increased by the 1.07% COLA under the May Revise proposal. Overall funding derived from the formula would be lower, however, after adjustments related largely to declining enrollment. Funding per-pupil is expected to be \$23,878 (including all funds) and \$17,502 (Prop. 98 funds only)

The **Equity Multiplier Add-On** to the LCFF, would be funded with \$303.2 million in 2024-25, after the COLA is applied.

Universal School Meals funding is increased in the May Revise to account for rising costs. A total of \$298.3 million is included in the proposal and the program funding would also be adjusted by the COLA.

The May Revise proposal increases **Electric School Bus** funding by \$395 million for a total of \$895 million in 2024-25.

For **Child Care**, the May proposal pauses a planned expansion of child care slots. So far, approximately 119,000 slots (of 200,000 anticipated) have been added since the 2021 budget act. This aims to save \$489 million in 2024-25 and \$951 million in 2025-26.

Additional Proposals Affecting Education: Gov. Newsom’s May Revise includes several cuts to one-time funding allocations (including Prop.98 and non-Prop. 98 dollars). These include:

- Learning-Aligned Employment Program: \$485 million one-time funding cut (this reflects the balance of unspent funding)
- Golden State Teacher Grant Program: \$60.2 million one-time funding cut (leaves \$50 million remaining)
- School Facilities Aid Program: Cuts remaining \$375 million planned support for this program; the Early Action package has already cut \$500 million from the original \$875 million one-time General Fund allocation.

- Preschool Inclusivity: Cuts \$47.9 million in 2025-26 and \$97.9 million ongoing funds starting in 2026-27 that would have supported a policy requiring California State Preschool to serve at least 10 percent of students with disabilities by 2026-27. Providers would continue to be required to serve at least 5 percent of students with disabilities.
- California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program – cuts \$550 million planned for 2025-26
- Children and Youth Behavioral Health Initiative – cuts \$72.3 million in 2023-24, \$348.6 million in 2024-25, and \$5 million in 2025-26. These funds were allocated for school-linked health partnerships and capacity grants for higher education institutions, behavioral health services and supports platform, evidence-based and community-defined grants, public education and change campaign, and youth suicide reporting and crisis response pilot.
- Outdoor Equity Grants – cuts \$50 million in 2023-24 for outdoor environmental education and access programs administered through the Outdoor Equity Grants Program.

HIGHER EDUCATION - COMMUNITY COLLEGES

- Community college funding increases in the May Revise by \$59 million when all adjustments are factored in. This includes the 1.07% COLA that is applied to SCFF, Adult Education, Extended Opportunity Programs and Services, Disabled Students Programs and Services, Apprenticeships, CalWORKs student services, Mandates Block Grant, Cooperative Agencies Resources for Education, and Childcare tax bailout.
- Enrollment funding of \$28.1 million is proposed to support 0.5% enrollment growth, supporting 5,400 FTE students.
- Increased funding (\$60 million) proposed in January to expand nursing programs is unchanged.
- New funding proposal include: \$5 million for a Pathways for Learners of Low Income project (with the United Domestic Workers); \$6 million for a Mapping Articulated pathways for Credit for Prior Learning project; \$12 million for a Common Cloud Data Platform project; \$12 million for expanding e-Transcript to all colleges.
- An ongoing, across-the-board cut of 7.95% is proposed for most state department budgets, and this would also apply to the CCC Chancellor’s Office budget. The Chancellor’s Office reports this would be about \$700,000 less than the office received in 2023-24 for Chancellor’s Office operations.
- Ongoing funding continues (\$200 million) for Part-Time faculty health insurance; funds also continue for Full-Time faculty hiring (\$150 million); Part-Time faculty office hours (\$23.6 million); Part-Time faculty compensation (\$26.5 million).

HIGHER EDUCATION - UNIVERSITY OF CALIFORNIA

- The governor’s January budget proposed to defer core funding increases that were part of a higher education “compact” funding agreement between Gov. Newsom, the University of California, and the California State University. The compact called for 5% base budget increases in 2024-25, totaling \$259 million for UC and \$240 million for CSU.
- The governor’s January proposal deferred the 2024-25 funds until 2025-26, and paying both 2024-25 and 2025-26 increases in that year. The Early Action budget package passed in April included these funding deferrals. However, the May proposal adds to this one-time base

budget cut of \$125 million for the UC in 2024-25. It also applies a 7.95% cut to the base budget starting in 2025-26. When all combined, the UC's ongoing base budget funding would increase by only 2% in 2025-26, rather than the 10% expected based on the January proposal and April action.

- The May Revise also calls for cutting \$13 million allocated to the UC Labor Centers.
- Budget cuts of about \$24 million in unexpended funds (allocated in 2022-23 and 2023-24) for several programs are also proposed. This would affect UC Equal Opportunity Practices and Professional Development; UC Los Angeles Latino Policy and Politics Institute; UC Davis Equine Performance and Rehabilitation Center.
- Proposal to cut \$510 million from the Middle Class Scholarship Program, leaving \$100 million for ongoing support.

NEXT STEPS

With such a challenging budget year, we expect much more to come through the legislative budget process, which will now incorporate the May Revise proposals. The Legislature must pass a budget by June 15 and there will likely be ongoing negotiations between the governor's office and legislators until we reach June 30, the deadline by which Gov. Newsom must sign a budget.

CFT will continue to advocate for CFT members and union priorities throughout the coming weeks of this process and we will circulate an analysis of the enacted budget later this summer. In addition to the proposals under consideration, CFT reaffirms support for creating new revenue sources to ensure we can recruit and retain staff so that every California student can reach their educational potential and goals. As the fifth largest economy in the world, California can and should provide students and their families a public school system that is fully and equitably funded.

CFT is also joining with other education unions to call on the legislature to suspend the Ed Code provisions that allow for layoffs of certificated and classified employees to be laid off during August; this layoff window opens only when certain fiscal conditions are met, and it is possible these conditions will be in effect this year.

For some additional information about the budget proposals and process, please see these resources .

- Governor's budget and revised [budget information](#)
- Legislative Analyst Office 2024-25 [budget summary and analysis](#)
- CA Community Colleges May Revise [Joint Analysis](#)

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