



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

This PowerPoint presentation has been modified from the original School Services template to focus on topics that specifically impact Newcastle Elementary School District .

The complete presentation is on the Business Page of the NESD website

Three Things
to know
before going
forward from
“40,000 feet”.

State Budget is Funded by the Big 3

1. Personal Income Tax

2. Sales Tax

3. Corporate Tax

Prop 98 is approximately 40% of the State Budget

The January release of the budget is the 1st
draft and will be different in May.

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

Governor Newsom identifies a budget shortfall of **\$37.9 Billion**

The Governor's Budget makes significant reductions to the "Big Three" tax revenues relative to the 2023-24 Enacted Budget across the three-year budget window, for a total downward adjustment of \$42.9 billion

STATE REVENUES

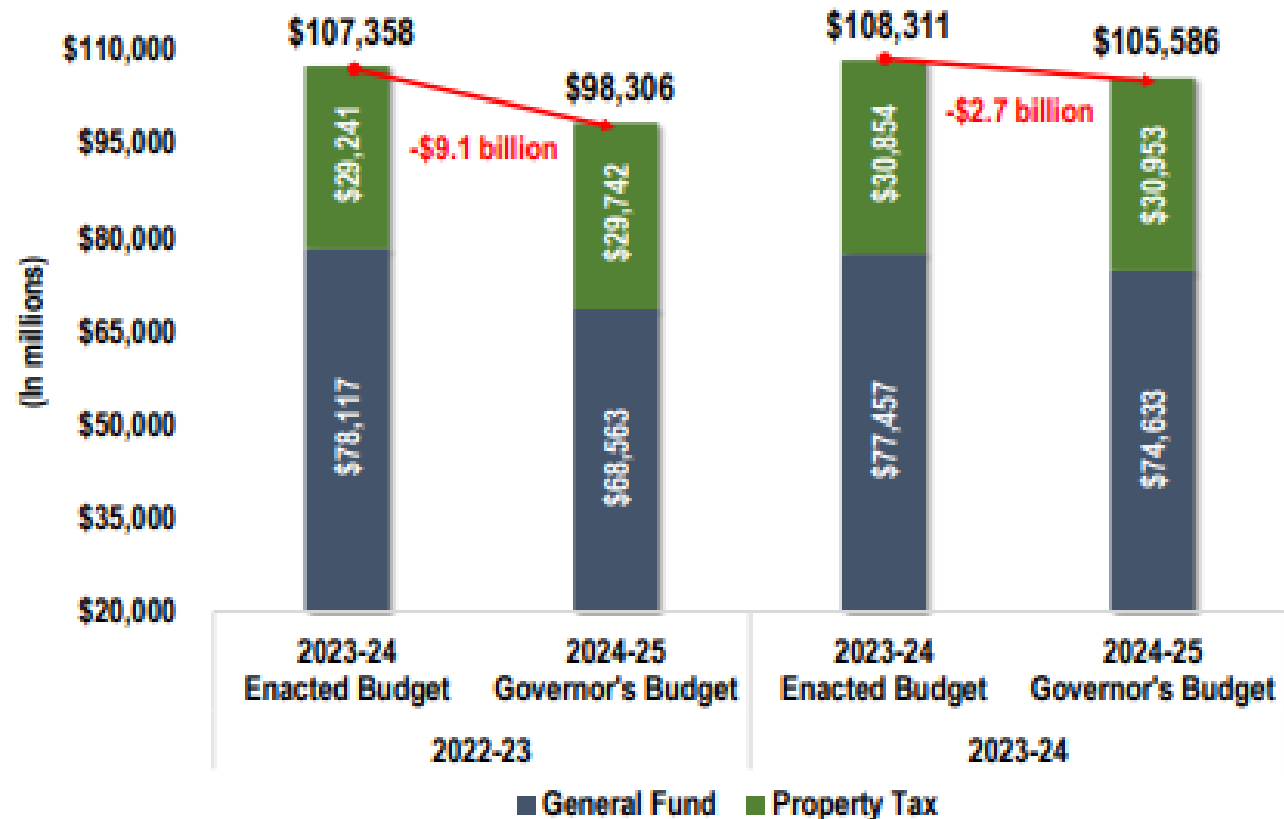


Big Three Tax Revenues (In millions)

	2022-23		2023-24		2024-25	
	2023-24 Enacted Budget	Governor's Budget	2023-24 Enacted Budget	Governor's Budget	2023-24 Enacted Budget	Governor's Budget
Personal Income Tax	\$122,769	\$101,749	\$118,161	\$113,768	\$118,903	\$114,730
Corporation Tax	\$42,091	\$37,140	\$42,081	\$36,913	\$43,369	\$38,055
Sales and Use Tax	\$33,072	\$33,186	\$33,366	\$34,643	\$34,383	\$35,123

Proposition 98—2022-23 and 2023-24

- The Governor's Budget adjusts the prior- and current-year Proposition 98 levels from 2023-24 Enacted Budget levels
 - 2022-23: -8.4%
 - 2023-24: -2.5%
- The sole driver of the change is less-than-expected state General Fund revenues
 - Local property tax assumptions are relatively unchanged



The architecture of the 2023-24 Enacted Budget was built on multibillion-dollar pillars of hope.

PROPOSITION 98

Proposition 98 Minimum Guarantee (In billions)



	2023-24 Enacted Budget	Governor's Budget Adjustments	2024-25 Budget Proposal
2022-23	\$107.4	-\$9.1	\$98.3
2023-24	\$108.3	-\$2.7	\$105.6
2024-25	\$111.6	-\$2.5	\$109.1

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 new 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

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*

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

	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>

The Road Ahead

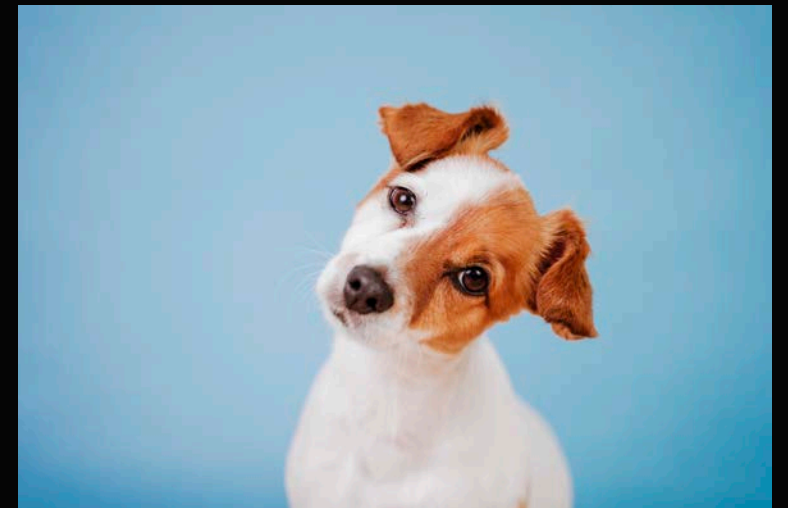
- Despite a multibillion-dollar budget deficit, the Governor is calling for limited early action on issue areas not affecting education
- The next steps in the process are controlled by the Legislature, which has the responsibility to vet the Governor's proposals during budget hearings over the next 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



LAO= Legislative Analyst's Office

Budgeting with caution.....

- Manage Deficit Spending
- Prepare for Legislation response to reject the governor's proposal
- Continue to use one time money for
 footballs *(1X Expenditures)*
 not puppies *(ongoing expenditures)*





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The End

Any Questions

Thank you