



January 2024 Legislative Advocate Report

By Jennifer Baker, CalRTA Legislative Advocate

Governor Releases 2024-25 Proposed Budget

The Governor released his [2024-25 budget](#) on January 10th, which includes a \$291.5 billion proposed overall budget, \$208.7 billion in the General Fund, and a \$37.9 billion shortfall. To minimize cuts to services and programs, including education, the proposed budget includes withdrawals from budget reserves, including a total of \$13.1 billion.

Total Proposition 98 funding for 2022-23 and 2023-24 are revised to be \$98.3 billion and \$105.6 billion, and \$109.1 billion is additionally included for 2024-25. These totals include a total three-year decrease of \$11.3 billion. The proposed budget includes various statutory changes to address \$8 billion of this decrease to mitigate impacts on existing local education agencies and community college districts.

Total education funding equals \$126.8 billion, including \$76.4 billion General Fund and \$50.4 billion in other funds for K-12. A total of \$17,653 per pupil funding is provided in Proposition 98 General Fund, and \$23,519 per pupil from all funding sources. The proposed Local Control Funding Formula cost-of-living is solely 0.76 percent, resulting in a decrease of about \$1.4 billion in discretionary funding for LEA.

The Legislature will begin holding hearings to discuss the Governor's budget proposal over the next few months, which will be followed by the Governor's May Revision after the April 15th tax receipts have been finalized.

LAO Reviews Governor's Proposed Budget

The Legislative Analyst's Office (LAO) recently released [The 2024-25 Budget: Overview of the Governor's Budget](#), which contains key differences in their overall fiscal outlook from the Governor. Despite the fact that the LAO estimated the shortfall to be \$68 billion in December, they do not believe the difference between their projection and the Governor's is too large based upon the point in time in which each of them conducted their assessment.

The LAO believes the Governor projects \$15 billion in higher revenue projections than they believe will materialize. While the LAO believes the Governor's proposed withdrawals from the Rainy Day funds are reasonable, they do not believe the Governor's proposed budget makes the necessary fiscal changes to address both current and future fiscal pressures the State is facing.

The Governor's budget includes approximately \$21 billion in solutions that include baseline changes, \$15 billion of which include reductions to school and community college spending compared to the amount that was enacted in 2023. His proposed budget includes \$15.2 billion in required General Fund spending required by Proposition 98, which is offset minimally by \$903 million in increased local

property tax revenues. Additionally noted in the Governor's \$1.6 billion in spending delays is the delay of funds for the school facilities program of \$700 million. The LAO highlights the proposed \$8 billion reduction between 2022-23 and 2024-25 and questions how it would likely be achieved as a plan is not in place for how these reductions would be implemented.

The cumulative impact of the Governor's baseline changes has the fiscal effect of reducing the projected shortfall from what the LAO assesses as a \$58 billion shortfall to the \$38 billion included in the budget proposal. They ultimately believe the net difference between their projected budget shortfall and that of the Governor is about \$10 billion. They recommend the Legislature assume lower current revenues, maintain the proposed withdrawal from the Rainy Day funds, create a more comprehensive spending plan for schools and community colleges, utilize more reductions to one-time spending, and finally, create a higher hurdle to justify discretionary proposals.

The LAO will be sharing details of their analysis with the Legislature over the next few months as the Legislature begins to reflect and comment on the Governor's proposal.

Legislature Begins Budget Hearings

The Senate and Assembly began their first overview hearings on January 23rd, which included presentations from the Department of Finance, Legislative Analyst's Office, and budget staff. Each house is expected to have over 60 total hearings that will include both the larger budget committee and subcommittees over the next few months. The Budget Committees will need to address not only the existing proposed \$37.9 billion shortfall but also approximately \$30 billion of ongoing projected deficits for the next few years.

The Department of Finance broke down the boom-and-bust tax revenue cycle California is facing due to its progressive tax structure. The LAO noted where they most disagree with the Governor is its belief that taxes will not be as positive as the Governor projects. This statement is verified by the [LAO's analysis of January revenues](#), which are already \$3-4 billion less than the Governor's projections. They also believe that the \$8 billion in proposed delays will put pressure on future deficits. Further, the impact of the proposed reduction to Proposition 98 is not outlined in the proposed budget and could have a negative impact on school funding and how Proposition 98 grows in the future. They further noted that the Federal Reserve's actions over the past few years have had an outsized impact on California's economy, particularly in the tech field.

Lawmakers decried proposed cuts to health and social safety net programs, the potential \$8 billion gap to Proposition 98 from the Governor's proposal, and its impact on school districts, student housing, and CalGrant reform. Both Asm. Budget Subcommittee Chair Alvarez and Asm. Muratsuchi specifically asked the Department of Finance for additional details and were told the intent was to provide Proposition 98 with supplemental funding to prevent school funding from cuts while not growing the base to mitigate future fiscal pressures. They also raised concerns about the minimal cost of living, which caused the DOF to note they would like to further discuss this with the Legislature. Asm. Muratsuchi stated the Legislature still intends to roll out Universal Transitional Kindergarten by 2025-26 but that districts don't have the ability to meet the upcoming fiscal needs. The DOF stated they and the Governor are supportive of a future facilities bond to help alleviate these fiscal challenges.

Upcoming Legislative Deadlines

January 31st – Last day to pass a two-year bill.

February 16th – Last day for a bill to be introduced.

March 21st – Spring Recess.

April 1st – Legislature returns from Spring Recess.

April 4th – CalRTA Advocacy Day in Sacramento.

April 26th – Last day for a policy committee to hear a fiscal bill.

Legislature Slow to Introduce Legislation

With the February 16th deadline to introduce new legislation a few weeks away, there is still plenty of time to introduce a bill. Last year, over 2,600 bills were introduced, with at least half being introduced less than a week before the legislative deadline. So far, this month has yielded few new bills, which could be a result of the budget deficit, changes taking place in leadership in both houses, as well as newer legislators and staff are still adjusting to the capitol.

Once the legislative deadline to introduce bills has passed, all bills impacting CalRTA will be reviewed by the Government Relations Committee for a position. These recommendations will then move to the CalRTA Board for the final position. All CalRTA positions will be communicated to the Legislature throughout the legislative process.