

February 6, 2024

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

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# Governor's Budget Themes

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- Governor Gavin Newsom measures a \$37.9 billion budget shortfall, due largely to 2022 tax collections well below the budget's assumptions
- The Governor's Budget proposal protects the education budget against the local impact of a nearly \$12 billion reduction in Proposition 98 resources that, if unmitigated, would undoubtedly harm our students and the educational professionals who dedicate their lives to teaching and supporting them
- Proposal attempts to ensure that the education profession remains an attractive career choice by removing obstacles to entry and enabling agencies to provide competitive wages
- Governor's focus is on students whose learning was and continues to be deeply impacted by the COVID-19 pandemic
- The Governor's Budget uses less pessimistic revenue assumptions than the Legislative Analyst's Office (LAO)



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# 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)



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# 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

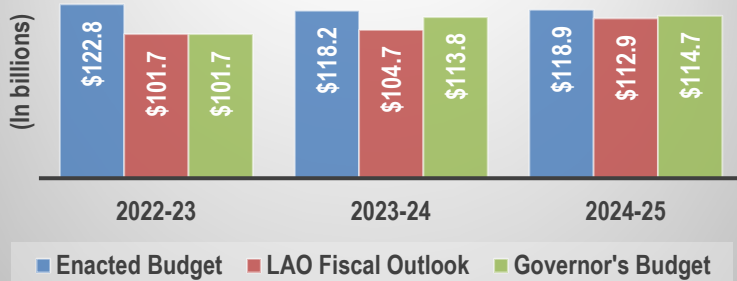
- Education is facing a “COLA-only” year where the projected statutory COLA is significantly less than 2023-24 and anticipated for 2024-25 trending



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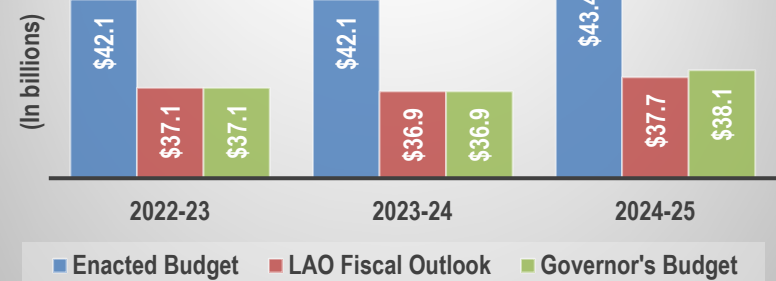
# Big Three Taxes—Governor’s Budget vs. LAO’s *Outlook*

### Personal Income Tax

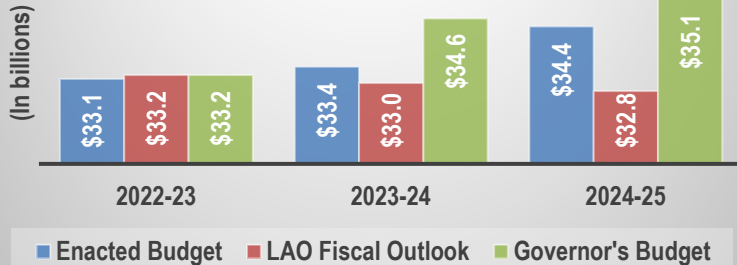


Personal income tax (PIT) and corporation tax revenue projections are significantly lower at Governor’s Budget than Enacted Budget

### Corporation Tax



### Sales and Use Tax

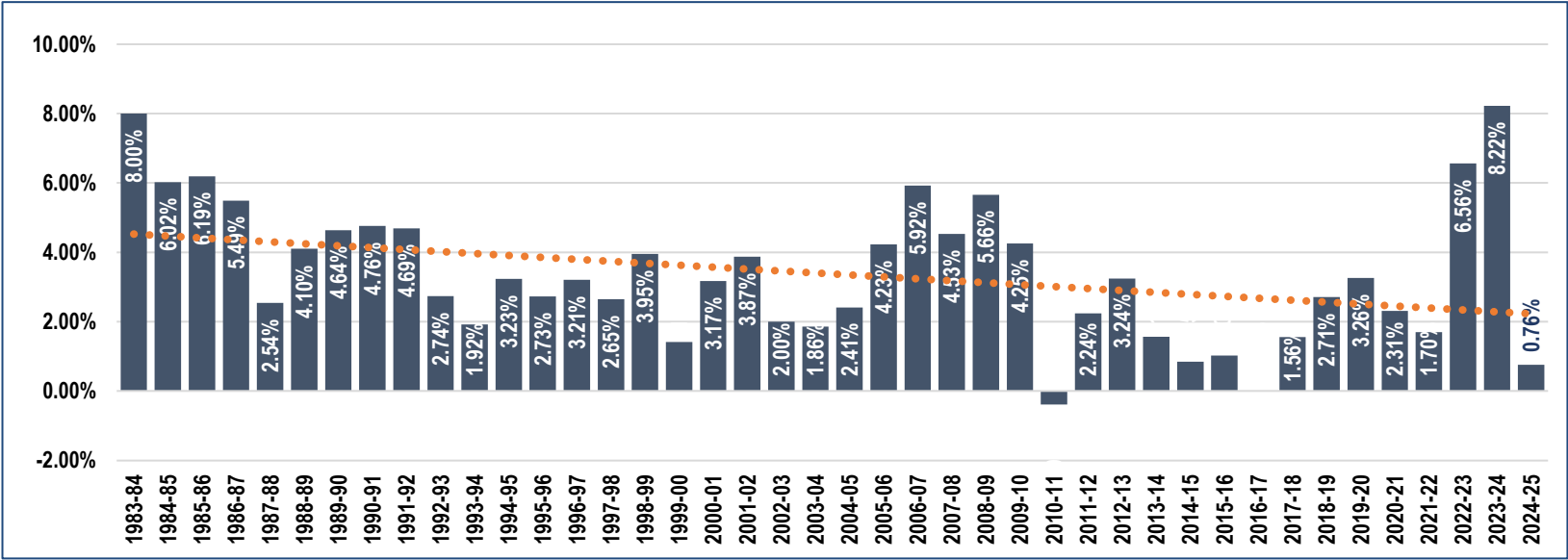


Compared to the LAO’s *California’s Fiscal Outlook (Outlook)*, the Governor’s Budget projections for:

- PIT is \$9.1 billion and \$1.8 billion higher in 2023-24 and 2024-25, respectively
- Corporation tax is slightly higher
- Sales and use tax is higher than both LAO and 2023-24 Enacted Budget projections

# Historical Statutory COLAs

The statutory COLA for 2024-25 feels anomalous relative to the last two years, but when looking back, COLA is beginning to normalize to historical trends—COLAs above 6% are the anomalies



# 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
- The significant projected decline in 2024-25 is the result of two primary factors, the reversal in price increases that occurred in 2022 and revisions to historical data points
- **For 2024/25 - COLA decrease from 1.27% (projected at First Interim 12/23) to 0.76% is a reduction in LCFF Funding of \$665,000.**
- **For 2025/26 - Slight COLA increase from 2.50% (projected at First Interim 12/23) to 2.73% equates to a net reduction in LCFF Funding of \$275,000.**

	2024-25	2025-26	2026-27
January 2024 – Gov. Jan Budget	0.76%	2.73%	3.11%
December 2023 (WPUSD 1st Interim)	1.27%	2.50%	3.19%
<i>Percentage Point -Decrease / +Increase</i>	<i>-.51</i>	<i>+0.23</i>	<i>-0.08</i>



# SSC Financial Projection Dartboard



Planning Factors						
		2023-24	2024-25	2025-26	2026-27	2027-28
DOF <sup>1</sup> Planning COLA		8.22%	0.76%	2.73%	3.11%	3.17%
California CPI <sup>2</sup>		3.36%	2.83%	2.70%	2.72%	2.72%
CalSTRS <sup>3</sup> Employer Rate		19.10%	19.10%	19.10%	19.10%	19.10%
CalPERS <sup>4</sup> Employer Rate		26.68%	27.80%	28.50%	28.90%	30.30%
Unemployment Insurance		0.05%	0.05%	0.05%	0.05%	0.05%
California Lottery	Unrestricted per ADA	\$177.00	\$177.00	\$177.00	\$177.00	\$177.00
	Restricted per ADA	\$72.00	\$72.00	\$72.00	\$72.00	\$72.00
Mandate Block Grant (District) <sup>5</sup>	Grades K-8 per ADA	\$37.81	\$38.10	\$39.14	\$40.36	\$41.64
	Grades 9-12 per ADA	\$72.84	\$73.39	\$75.39	\$77.73	\$80.19
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$19.85	\$20.00	\$20.55	\$21.19	\$21.86
	Grades 9-12 per ADA	\$55.17	\$55.59	\$57.11	\$58.89	\$60.76

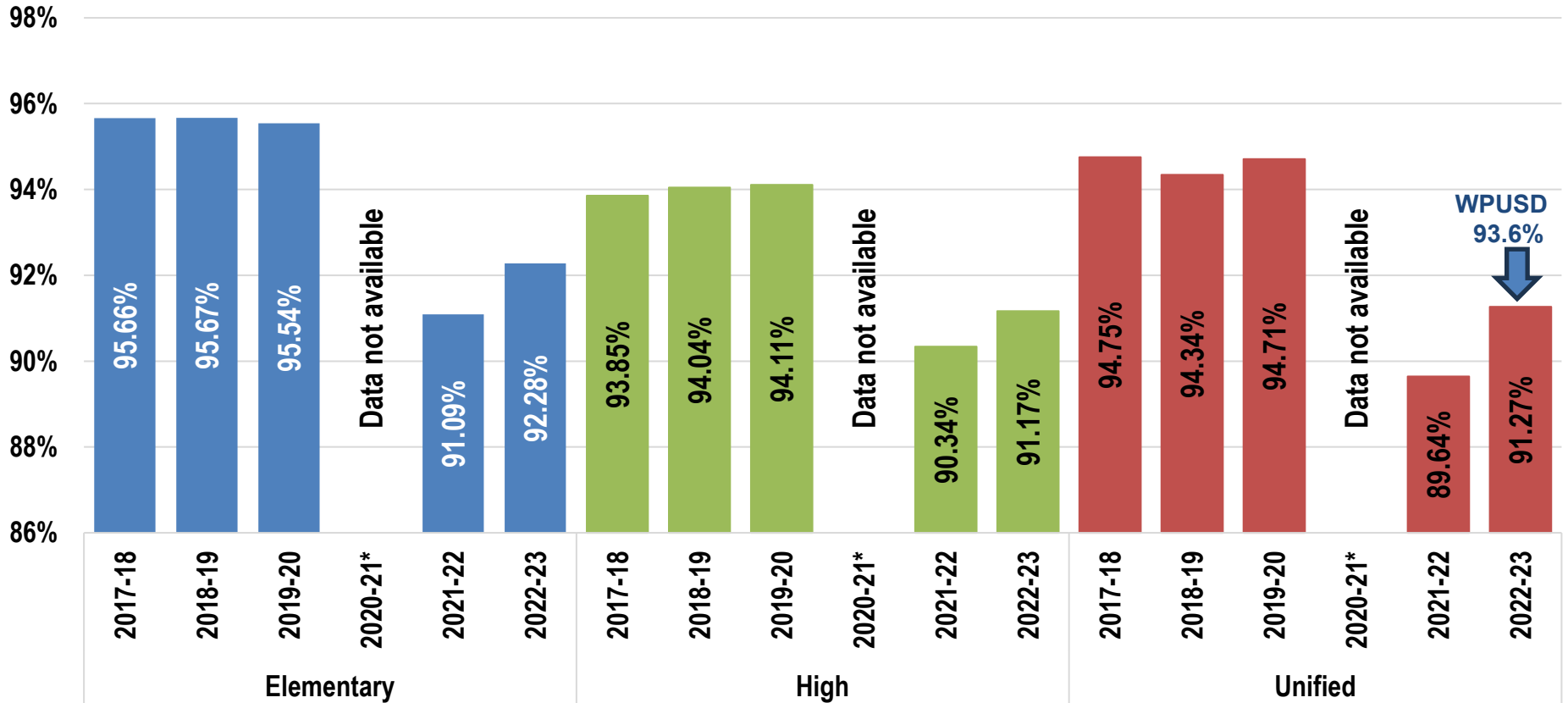
<sup>1</sup>Department of Finance, <sup>2</sup>Consumer Price Index, <sup>3</sup>California State Teachers' Retirement System, <sup>4</sup>California Public Employees' Retirement System,

<sup>5</sup>COE Mandate Block Grant: \$38.10 per ADA grades K-8; \$73.39 per ADA grades 9-12; \$1.28 per unit of countywide ADA





# P-2 ADA to Enrollment Trends—2017-18 to 2022-23

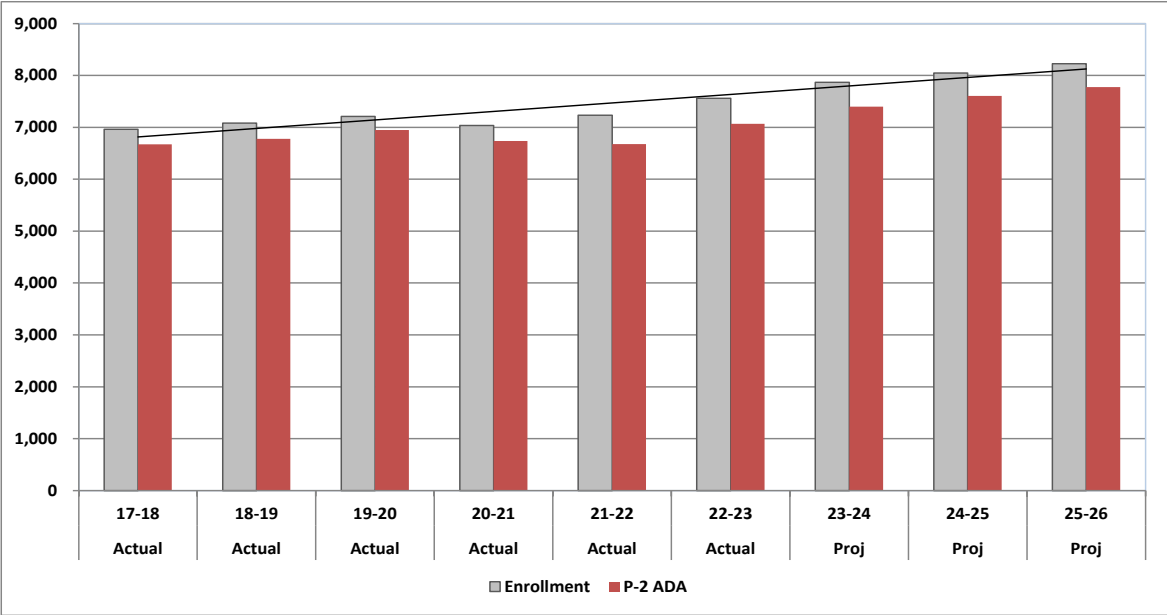


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93.6%

Source: Second Principal Apportionment (P-2) ADA and CALPADS

# WPUSD Enrollment and ADA Trends & Projections

	22/23 Unaudited Actuals	23/24 Adopted	23/24 First Interim	24/25 Projection	25/26 Projection
<b>REVENUES</b>					
Enrollment	7,560	7,636	7,869	8,046	8,227
ADA Yield	93.6%	94.0%	94.0%	94.5%	94.5%
ADA (Excl. County ADA)	7,076	7,178	7,398	7,604	7,775
ADA (Incl. County ADA)	7,090	7,195	7,414	7,620	7,791
% Increase (Decrease) Enrollment	4.5%	1.0%	4.1%	2.25%	2.25%
# Increase (Decrease) Enrollment	325	76	309	177	181
% Increase (Decrease) in ADA	0.9%	1.5%	4.5%	2.8%	2.2%
# Increase (Decrease) in ADA	61	106	322	206	171

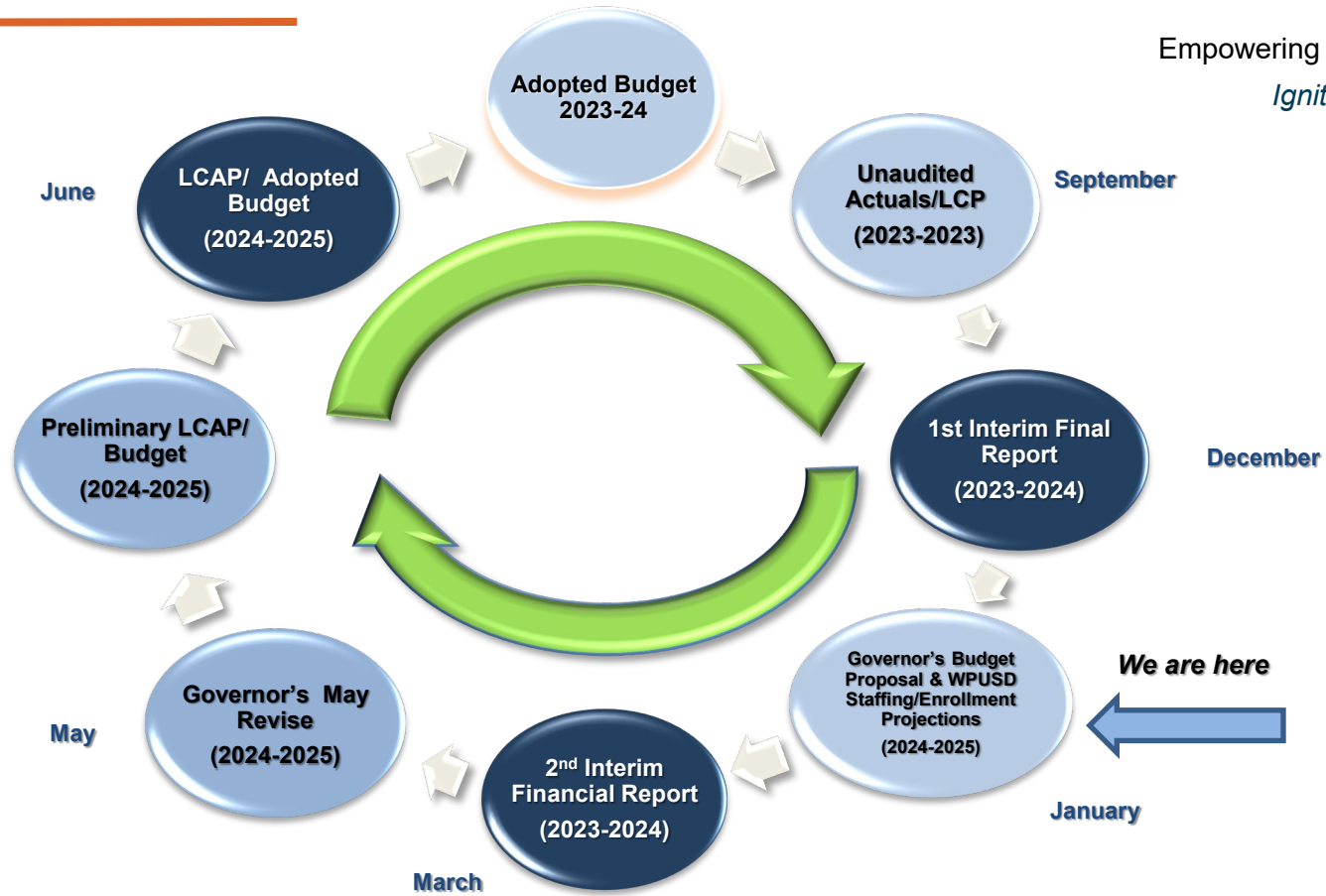


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# WPUSD - The Budget Reporting Cycle



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# What's Next

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- State Level

- January through May:

- Trailer bill language with details of proposals
    - Budget subcommittees review
    - LAO issues detailed review of Governor's plan spending restraint and slightly higher revenue forecast

- Governor's 2024-25 May Revision on or before May 15th

- On-time 2024-25 budget by June 15<sup>th</sup>

- District level

- ✓ 2024-25 Enrollment and Staffing Projections – December 2023

- ✓ 2024-25 Budget and Staffing Meetings with Departments and Schools – January 2024

- 2024-25 New Student Registration – January & February 2024

- 2023-24 Second Interim Report – March 2024

- 2023-24 Actual P-2 ADA will be used to update, if necessary, enrollment and ADA projections for 2023-24, 2024-25 and 2025-26

- Governor's 2024-25 May Revision Presentation – May 2024

- 2024-25 Budget Adoption and LCAP Approval – By June 30, 2024



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# Governor's January Budget Proposals

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Accept Information of  
2024-25 Governor's January  
Budget Proposals

QUESTIONS & COMMENTS



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