



## Executive Summary on the Governor's January Budget Proposal

---

*January, 2024*

On Wednesday, January 10th, 2024, Governor Newsom released his 2024-25 budget proposal, estimating a relatively small \$37.9 billion budget shortfall and proposing a largely status quo budget for K-12 schools. The Governor's Budget represents a much more optimistic scenario than most had anticipated after the Office of the Legislative Analyst (LAO) issued a grim, \$68 billion budget shortfall estimate in December and warned of the potential for significant ongoing risks.

Newsom and his Director of Finance said the primary difference between the governor and the LAO's figures stem from differences in near-term economic projections. Where the LAO sees a potential for a recession and hedges with slightly depressed income tax estimates, the governor relies on more optimistic estimates. The governor downplayed these differences, noting that the governor's and LAO's longer-term (6-year) estimates are very close and differ by only \$2.5 billion.

Notwithstanding the optimistic estimates, **the governor still anticipates over \$30 billion budget shortfall for the state in 2024-25. He proposes a mix of cuts, deferrals, and dipping into budget reserves to address the gap.** This includes tapping \$5.7 billion from the education-specific Public School Stabilization Account, a budget reserve specifically for K-12 schools and community colleges, to maintain spending for K-14 education. He did not declare a budget emergency, a technical step that could have opened the door to other options, including tapping deeper into reserves.

**It seems that the proposal largely spares MWA from any major financial impact, except for a much smaller COLA than what received in the past few years.**

Key details of the Governor's Budget proposal of interest to charter school leaders include the following:

- **Fully funding a small, 0.76 percent statutory cost-of-living increase (COLA)** for the Local Control Funding Formula (LCFF) and many other state education funding programs, including Special Education.
- **Maintaining funding for several recent and ongoing program expansions**, including universal transitional kindergarten, the Expanded Learning Opportunities Program (ELO-P), universal free school meals, the LCFF Equity Multiplier, and the Community Schools Program.
- **Cutting funding for reimbursing so-called "other" costs in the Charter School Facilities Grant Program (CSFGP) by \$30 million**, which will not affect MWA; the prior two budgets had included these funds. The governor separately proposes augmenting CSFGP with a COLA and \$6.6 million to fund growth in demand for the baseline lease reimbursement program.
- **Proposing several attendance accounting and instructional time amendments**, including requiring local education agencies (LEAs) to provide access to remote instruction during emergencies lasting more than 5 days. The proposal also would allow LEAs to bolster their funded attendance by allowing "attendance recovery time" before/after school, on weekends, and during intersession and would encourage LEAs to provide hybrid and remote learning opportunities for students who are unable to attend school.

#### **Key Takeaways:**

1. Overall, it seems we will be largely spared from cuts, but will face a significantly smaller COLA than what we received in previous years. Additionally, the Governor's Budget is only the first step in enacting the state budget for 2024-25, and a lot of changes could happen between now and June, when the final budget will be adopted by the legislature.
2. The Legislature is expected to take early action on mid-year adjustments in the coming weeks and continue budget hearings through the spring. Economic assumptions, including the COLA, will be updated in mid-May. The Legislature must adopt the 2024-25 budget by June 15.
3. MWA's executive team is working on a more aggressive 'right-sizing' approach to the FY24-25 budget. We will provide an update at the Finance Advisory Committee meeting in April, when we are set to present the first draft of the FY24-25 budget.