

# COMMUNITY COLLEGE UPDATE

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

## Initial Impressions From Governor Newsom's 2024-25 State Budget Proposal



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Today, January 10, 2024, Governor Gavin Newsom released his proposal for the 2024-25 State Budget, his sixth Budget proposal as California's chief executive.

The purpose of this article is to provide a quick overview of Governor Newsom's assertions regarding the 2024-25 State Budget. We address the community college topics highlighted by Governor Newsom this morning in his press conference, press release, and high-level State Budget summary, but reserve our commentary and in-depth details for inclusion in our comprehensive *Community College Update* article, to be released later today.

### **Economic Outlook**

As the Department of Finance has been signaling in its monthly Finance Bulletins, state revenues have been underperforming projections from the 2023 State Budget Act, which has led to the Newsom Administration predicting a \$37.9 billion shortfall, much lower than the Legislative Analyst's Office \$68 billion estimate. After accounting for all transfers, baseline General Fund revenues in the Budget are \$28.9 billion lower than projected in the 2023 Budget Act over the three-year budget window.

The Governor proposes to close the gap through reserve withdrawals (including the Proposition 98 rainy day fund), reductions, internal borrowing, funding delays, funding shifts, and deferrals (outside K-14 education).

### **Level of Proposition 98 Funding**

Governor Newsom notes that the revised estimates of General Fund revenues reduce the Proposition 98 minimum guarantee. Proposition 98 is estimated to be \$98.3 billion in 2022-23, \$105.6 billion in 2023-24, and \$109.1 billion in 2024-25, representing a three-year decrease in the minimum guarantee of \$11.3 billion over the level funded in the 2023 Budget Act.

Due largely to projected increases in revenues and year-over-year declines in K-12 average daily attendance, Test 1 is projected to be operative for fiscal years 2022-23 through 2024-25.

## **PSSSA**

The 2023 Budget Act projected a total balance of \$10.8 billion into the Proposition 98 reserve account, or the Public School System Stabilization Account (PSSSA). The Governor's Budget proposal reflects revised 2022-23 and 2023-24 payments, and a 2024-25 payment, of roughly \$339 million, \$288 million, and \$752 million, respectively, into the PSSSA, and withdrawals of roughly \$3.0 billion in 2023-24 and \$2.7 billion in 2024-25, for a total revised account balance of more than \$3.8 billion at the end of 2024-25.

## **SCFF and COLA**

Governor Newsom proposes \$69.1 million ongoing to provide a 0.76% cost-of-living adjustment (COLA) for Student Centered Funding Formula (SCFF) apportionments and \$29.6 million ongoing for 0.50% enrollment growth for the California Community Colleges (CCC).

The Governor also proposes a withdrawal of roughly \$235.9 million in 2023-24, and \$486.2 million in 2024-25 from the PSSSA to support SCFF resource needs.

## **Categorical Programs**

The Governor proposes \$9.3 million ongoing to provide a 0.76% COLA for select categorical programs and the Adult Education Program. Additionally, the Governor proposes \$60 million one-time to expand nursing programs and Bachelor of Science in Nursing partnerships.

## **Student Housing**

The 2023 State Budget Act shifted the funding sources for all Higher Education Student Housing Grant Program projects from the state General Fund to local lease revenue bonds issued by colleges. This change applied to the twelve prior community college projects originally funded by \$547 million in the 2022 State Budget Act, the seven new community college housing projects authorized in the 2023 State Budget Act, and any future housing projects.

After the CCC field expressed issues about this shift, lawmakers approved intent language in the higher education budget clean up trailer bill for "a statewide lease revenue bond or other statewide financing or fiscal approach be developed and included to support California community college affordable student housing projects."

The Governor's Budget proposal says that the Administration remains committed to a statewide lease revenue bond approach and is developing a proposal for consideration at the May Revision. In addition, for a limited number of projects that do not currently fit within a statewide lease revenue bond approach, the

Administration proposes using resources included in the 2023 Budget to support those projects.

### **Career Education**

The Governor's Office is convening interagency teams both at the state level (under the Governor's Council for Career Education) and at the regional level (as part of the K-16 Regional Collaboratives) that will drive results on the tens of billions in new workforce investments made in the first four years of the Newsom Administration. Second, the Administration is engaging a 13-month planning process to investigate how existing policies, investments, and structures can be improved, culminating in the Governor's Master Plan for Career Education scheduled for publication in the winter of 2024.

### **Summary**

This very broad extract of the 2024-25 Governor's Budget proposal is provided to keep you informed. Over the next few hours and days, we will be working to distill the information and make it actionable for community colleges. Stay tuned.