

Senate Budget and Fiscal Review—Scott D. Wiener, Chair

SUBCOMMITTEE NO. 1

Agenda

Senator John Laird, Chair
Senator Dave Cortese
Senator Scott Wilk



Thursday, May 16, 2024
Upon Call of the Chair
1021 O Street, Room 2100

Consultants: Yong Salas

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Public Comment

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6100 DEPARTMENT OF EDUCATION
6360 SCHOOL FACILITY AID PROGRAM**Issue 1: May Revise Overview****Panel.**

- Alex Shoap, Department of Finance
- Dan Merwin, Department of Education
- Ken Kapphahn, Legislative Analyst's Office

May Revision.

Proposition 98 - Changes to the Minimum Guarantee. The May Revision continues to assume the funding maneuver proposed in the Governor's Budget and increases the amount adjusted in the 2022-23 fiscal year to \$8.8 billion, which would be recorded in the out-years for the state's budgetary and financial reporting purposes outside of Proposition 98.

The May Revision reflects a decrease in Proposition 98 funding from the Governor's Budget for the three-year period of 2022-23 to 2024-25. More specifically, the May Revision estimates the Proposition 98 guarantee for the 2022-23 through 2024-25 fiscal years at \$97.5 billion, \$102.6 billion, and \$109.1 billion, respectively. In the Governor's January Budget, the Proposition 98 guarantee for the 2022-23 through 2024-25 fiscal years were estimated to be \$98.3 billion, \$105.6 billion, and \$109.1 billion, respectively.

The revised levels reflect the estimated decrease in General Fund revenues over the three-year period in comparison with the Governor's Budget proposal. The Proposition 98 Guarantee continues to be calculated under Test 1 for all three years (equal to approximately 38.6 percent of General Fund revenues, accommodating the rebench of the Proposition 98 Guarantee related to the expansion of transitional kindergarten, plus local property taxes).

Public School System Stabilization Account. The May Revision increases the proposed withdrawal amounts from the Public School System Stabilization Account from the Governor's Budget, and utilizes the entire reserve. The budget proposes a balance of \$2.6 billion in the Public School System Stabilization Account after 2023-24, which does not trigger the district reserve cap of 10 percent.

K-12 Local Control Funding Formula. The May Revision includes an increase of \$1.6 billion in 2023-24 and a reduction of \$2.5 billion in 2024-25 due to ADA growth adjustments combined with a 1.07 percent cost-of-living adjustment, along with offsets as a result of increased property tax and education protection account revenue. The budget proposes to fund LCFF costs with one-time funds of \$5.3 billion from the Public School System Stabilization Account in 2023-24 and \$2.2 billion from the Public School System Stabilization Account in 2024-25 with \$99 million in re-appropriation funding.

California Community Colleges Student-Centered Funding Formula (SCFF). The May Revision includes an increase of \$100 million ongoing Proposition 98 General Fund in 2024-25 to support a 1.07 percent cost-of-living adjustment for SCFF apportionments. Additionally, the budget proposes a withdrawal of \$532.5 million in 2023-24 and \$381.6 million in 2024-25 from the Public School System Stabilization Account to support SCFF resource needs.

Proposition 28 (Arts and Music in Schools-Funding Guarantee and Accountability Act). The May Revision maintains the Proposition 28 allocation at \$938 million in 2023-24, and estimates \$907 million in 2024-25.

Zero Emission School Buses. The Administration proposes a total of one-time \$895 million Proposition 98 General Fund in 2024-25 for local educational agencies to purchase zero emission school buses and its charging infrastructure, of which the May Revision proposed an additional \$395 million on top of the January Governor’s Budget proposal of \$500 million. \$254.7 million of the proposed new spending are comprised of re-appropriated funds. The 2023-24 Budget included \$500 million for this purpose, of which the funds have not yet been allocated. The proposed budget also continues to plan an additional \$105 million for this program in the 2025-26 fiscal year.

School Facilities Aid Program. The May Revision proposes to eliminate the remaining \$375 million one-time General Fund to support the School Facilities Aid Program in 2024-25.

California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program. The May Revision eliminates a planned 2025-26 investment of \$550 million General Fund that was intended to support the Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program.

Preschool Inclusivity. The May Revision eliminates the planned General Fund investments \$47.9 million in 2025-26 and \$97.9 million ongoing starting in 2026-27. The funding was intended to support the California State Preschool Program adjustment factor costs for State Preschool to serve at least 10 percent of students with disabilities by 2026-27. Providers will continue to be required to serve at least five percent of students with disabilities.

Staff Recommendation. Hold open.