

OVERVIEW OF BUDGET BILLS

Governor's Proposed 2024-2025 California State Budget

GENERAL BUDGET OVERVIEW

On January 10, Governor Newsom released his proposed state budget for the 2024-2025 fiscal year. The state will need to address a projected shortfall of \$37.9 billion to reach a balanced budget, a greater deficit than the state faced in 2023-2024. In order to close this gap, the proposed budget uses strategic maneuvers aimed to minimize significant spending cuts, while also reducing spending in areas such as climate change and housing. The Legislature has introduced its budget bills, AB 1812 (Gabriel) and SB 917 (Skinner). The following summary includes excerpts from the proposed budget summary on the Department of Finance website.

The 2024-2025 proposed state budget is a \$291.5 billion dollar spending plan, with more than \$208 billion in state General Fund expenditures. Due to the delayed income tax collection in 2023, the proposed budget relies heavily on estimates based upon projected tax revenue. While the Governor's proposed budget operates on a projected deficit of \$37.9 billion, the LAO's more conservative estimate projects a deficit of \$58 billion. The true severity of the deficit won't become clear until more tax receipts have been processed.

The following outlines the key steps proposed to close the estimated \$37.9 billion budget gap:

- Reserves— \$13.1 billion, drawn from the state's budgetary reserves of \$32.7 billion.
- Reductions and Pullbacks—\$8.5 billion in General Fund spending reductions or pullbacks of previously approved spending.
- Revenue and Internal Borrowing—\$5.7 billion in revenue, primarily from the Managed Care Organization tax, and internal borrowing from special fund balances.
- Delays—\$5.1 billion in delayed spending across three years, without reducing the total amount of funding over the same period.
- Fund Shifts—\$3.4 billion in shifts of spending commitments from the General Fund to other funds.
- Deferrals—\$2.1 billion in deferred spending on several obligations specific to the 2025-26 fiscal year.

PROPOSITION 98

The proposed education budget maintains the state's ongoing commitment to funding, despite the projected deficit. The Budget includes total funding of \$126.8 billion (\$76.4 billion General Fund and \$50.4 billion other funds) for all K-12 education programs. The Proposition 98 funding will be critical to improving instruction and support for students, including funding for expanded learning opportunities, education workforce, and universal transitional kindergarten.

The Guarantee continues to be in a Test 1 for all years 2022-23 through 2024-25. This means that the funding level of the Guarantee is equal to roughly 39 percent of General Fund revenues, plus local property tax revenues. To reflect the continued implementation of Universal Transitional Kindergarten and the implementation of the Arts and Music in Schools—Funding Guarantee and Accountability Act, the Budget "rebenches" the Test 1 percentage from 38.6 percent to 39.5 percent to increase the percentage of General Fund revenues due to the Guarantee.

The Budget reflects Proposition 98 funding levels of \$98.3 billion in 2022-23, \$105.6 billion in 2023-24, and \$109.1 billion in 2024-25. These revised Proposition 98 levels represent a decrease of approximately \$11.3 billion over the three-year period relative to the 2023 Budget Act, but the Budget proposes statutory changes to address roughly \$8 billion of this decrease.

COMMUNITY COLLEGE FUNDING

The budget reflects a continued focus on improving the California Community College system. The proposed budget includes \$13.5 billion General Fund & Property Taxes.

The budget proposes the following significant adjustments to Community Colleges investments:

- CCC Apportionments—An increase of \$69.1 million ongoing Proposition 98 General Fund to provide a 0.76-percent cost-of-living adjustment (COLA) for Student Centered Funding Formula apportionments and \$29.6 million ongoing Proposition 98 General Fund for 0.5-percent enrollment growth.
- CCC Categorical Program COLA—An increase of \$9.3 million ongoing Proposition 98 General Fund to provide a 0.76-percent COLA for select categorical programs and the Adult Education Program.
- K-14 Rainy Day Fund—A withdrawal of roughly \$235.9 million in 2023-24, and \$486.2 million in 2024-25, to support Student Centered Funding Formula resource needs.
- Nursing Program Support—An increase of \$60 million one-time Proposition 98 General Fund to expand nursing programs and Bachelor of Science in Nursing partnerships to develop, educate, and maintain the next generation of registered nurses through the community college system, subject to future statutory changes.

LABOR AND WORKFORCE DEVELOPMENT

The Labor Agency budget has been the place for many apprenticeship related investments in recent years. The budget largely maintains the workforce investments made in 2022, which included funding to increase the number of apprenticeships, but proposes reductions of approximately \$100 million General Fund. The Budget also proposes delays of \$734.5 million from 2023-24 and prior years to 2024-25 and future years. The budget proposes the following adjustments in some key areas in apprenticeship and workforce development:

- Healthcare Workforce Investments—A delay of \$140.1 million General Fund for the Nursing and Social Work Initiatives to 2025-26. Additionally, given lower-than-anticipated Mental Health Services Act revenue, the Budget also delays \$189.4 million Mental Health Services Fund to 2025-26 for various Department of Health Care Access and Information workforce investments. The Budget maintains \$974.4 million (General Fund and Mental Health Services Fund) through 2025-26 for various workforce investments in the Department of Health Care Access and Information. (See the Health and Human Services Chapter for additional information.)
- High Road Training Partnerships—A reduction of \$45 million General Fund in 2023-24 for the High Road Training Partnerships program at the California Workforce Development Board. The Budget maintains \$90 million over two years for this program.
- Apprenticeship Innovation Fund—A delay of \$40 million General Fund to 2025-26 and 2026-27 (\$20 million each year) for the Apprenticeship Innovation Fund at the Department of Industrial Relations.
- California Youth Apprenticeship Program—A delay of \$25 million General Fund to 2025-26 for the California Youth Apprenticeship Program at the Department of Industrial Relations.
- Emergency Medical Technician Training—A reduction of \$10 million General Fund for the Emergency Medical Technician training program at EDD. The Budget maintains \$30 million General Fund for this program over two years.

GOVERNOR’S BUDGET PROPOSAL IN PRINT

[AB 1812](#) (Gabriel) and [SB 917](#) (Skinner)

AB 1812 and SB 917 represent the Governor’s proposed 2024-2025 California State Budget. The bills include the elements described above. In addition, below is the specific line item (6870-101-001) that includes apprenticeship funding. Please note that the provision has been shortened to only include schedules (2) and (3) and the implementing budget bill language.

Item: 6870-101-0001—For local assistance, Board of Governors of the California Community Colleges Proposition 98)\$5,878,113,000

Schedule:

(1) 5670015-Apportionments	\$3,657,022,000
(2) 5670019-Apprenticeship	\$64,584,000
(3) 5670023-Apprenticeship Training and Instruction	\$59,513,000

3. (a) (1) The funds appropriated in Schedule (2) shall be available pursuant to Article 3 (commencing with Section 79140) of Chapter 9 of Part 48 of Division 7 of Title 3 of the Education Code. Funds appropriated pursuant to this subdivision shall be available for encumbrance or expenditure until June 30, 2027.
 - (2) Pursuant to Section 79149.3 of the Education Code, the reimbursement rate shall be \$10.05 per hour.
- (b) Of the funds appropriated in Schedule (2), \$30,000,000 shall be used for the California Apprenticeship Initiative pursuant to Section 79148.1 of the Education Code. Funds appropriated pursuant to this subdivision shall be available for encumbrance or expenditure until June 30, 2030.
4. (a) The funds appropriated in Schedule (3) shall be available pursuant to Article 8 (commencing with Section 8150) of Chapter 1 of Part 6 of Division 1 of Title 1 of the Education Code. Funds appropriated pursuant to this subdivision shall be available for encumbrance or expenditure until June 30, 2027.
 - (b) Pursuant to Section 8152 of the Education Code, the reimbursement rate shall be \$10.05 per hour.

SUMMARY

In sum, the proposed budget attempts to protect priority programs and investments from significant spending cuts as much as possible by utilizing reserves, revenue, shifts, and delays. The Legislature will review the Governor’s proposal in the coming months as they work toward a final budget by June 15th. You can find a robust summary of the Governor’s proposed 2024-2025 budget [HERE](#).