CABE/Californians Together Plan 2024 Legislation

CABE and Californians Together are continuing to collaborate on legislation for 2024 and plan on moving forward with two co-sponsored bills. The first will strengthen and improve the implementation of the English Learner Roadmap, and the second will create grants to help local education agencies implement the English Learner Roadmap and create a parent toolkit to help engage parents in this process. Detailed information about these two proposals will be released shortly.

Revenues Need Great Expectations

The state finally received the tax revenues, which were later than usual due to two tax delays. Unfortunately, the revenue received is below the $42 billion anticipated in the Budget Act. Solely around $15 billion has come in during October, and very little arrived in November, creating a chilly reception for next year’s budget projections. According to the Franchise Tax Board, the combined revenues for both October and November were approximately $27 million short of expectations.

To add flurries to this winter storm, the Legislative Analyst’s Office (LAO) recently released an Updated “Big Three” Revenue Outlook, which integrates the lower-than-anticipated tax revenues. Coupled with recent economic challenges, 2022-23 revenues will likely be close to $26 billion below Budget Act projections. The LAO believes this may carry into the 2024-25 Budget Act projections, making the cumulative gap as high as $58 billion. Capitol insiders have indicated that the actual shortfall to the 2024-25 Budget Act may be closer to $40+ billion. These changes, coupled with an anticipated COLA of around one percent, will likely create a much more constricted economic outlook for California’s schools in 2024-25.

Revenues Continue to Falter

The Department of Finance has released its December Finance Bulletin, which continues to report lower-than-expected revenues, confirming the data recently released by the Legislative Analyst’s Office. While overall U.S. inflation in various sectors has held steady or has slightly shifted, the U.S. real GDP has somewhat grown. California’s GDP continues to grow at higher rates than the national economy, despite the fact that personal income in California is down.

Now that tax returns are solidifying after the two extensions, preliminary General Fund cash receipts totaled $24.218 billion, which is 39.9% below the Budget Act forecast of $63.192 billion for October and November. This decline was due to a combination of lower personal income and corporate taxes.
When the Budget Act contemplated the final tax returns, it was assumed that an additional $42 billion would be received. The actual return was $23.338 billion below that estimate.

Personal income tax (PIT) cash receipts totaled $18.327 billion out of the $42.852 billion forecast for October and November, reflecting 42.8% below expectations. Total PIT payments over October and November have created a $7.568 billion shortfall. Corporation tax cash receipts totaled $8.113 billion below the initial forecast of $14.107, reflecting merely 57.5% of that forecast. The silver lining of receipts was sales and use tax cash receipts, which included $787 million, which was 15.5% above the October and November forecast.

The Governor’s proposed budget will be released in early January, reflecting these fiscal changes, and will impact the tone of the budget discussions for this next year. Coupled with the changes in both Assembly and Senate leadership, this new complex fiscal situation will reflect a need for strong fiscal leadership to address these shortfalls. Education stakeholders are beginning to worry about potential cuts to Proposition 98, as well as funding for new one-time programs recently created through the budget.

**Senator McGuire to Transition to Senate President Pro Tempore**

The Senate announced this month that Senator McGuire will be sworn in as the next Senate President Pro Tempore on January 5, 2024, replacing current Senate President Pro Tempore Toni Atkins. Senator McGuire has already spent considerable time in the Legislature, which will leave him with about two and a half years at most in his new position. There has not yet been any announcement that Committee Chairs or membership will shift, but it is likely that there may be changes announced during this transition.