



## **Summary of Governor's Proposed Budget FY 2023–24** January 10, 2023

California's TK-14 public schools were largely spared from falling state revenues in Governor Gavin Newsom's proposed budget for the 2023–24 fiscal year, released today. Today's budget proposal initiates a months'-long process of debate and negotiations between the governor, legislature, and interest holders.

The state faces a \$22.5 billion deficit beginning July 1, 2023. Proposition 98 funding, however, remains near its all-time high at \$108.8 billion, slightly less than projected in last year's enacted budget.

Thanks in large part to Proposition 98's minimum guarantee and fiscally prudent prior year spending plans, the Governor's Budget would fund a robust 8.13 percent cost-of-living adjustment to the Local Control Funding Formula. It would also protect recent transformational investments such as community schools, transitional kindergarten, expanded learning, and universal meals.

With few new programs, two are worth mentioning.

First, the most significant new expenditure is \$300 million (ongoing) to establish an "equity multiplier" add-on to the LCFF. The specifics of this proposal and adjoining changes to the state's accountability system, differentiated assistance, and Local Control Accountability Plans are forthcoming in trailer bill language, due in early February.

Second, \$250 million (one-time) is proposed to build upon the existing Literacy Coaches and Reading Specialists Grant Program.

For all this to pencil out, several existing investments would be modified. These include a \$1.2 billion reduction to this year's "Arts, Music, and Instructional Materials Discretionary Block Grant." We see delayed implementation in other programs, such as the Full-Day Kindergarten Facilities Grant program.

You may find the Governor's [press release linked here](#). You may watch a recording of the [Governor's State Budget presentation linked here](#) (education begins at 12:10).

## **Summary**

### **8.13% COLA for LCFF, COEs, and Categorical Programs**

The administration proposes an 8.13 percent cost-of-living adjustment—\$4.2 billion ongoing—to the Local Control Funding Formula, pursuant to the statutory formula in Education Code. This is applicable to all LEAs, including county offices of education. Additionally, to offset an anticipated decline to statewide LCFF apportionments due to attendance drops, the administration proposes to maintain current funding levels with an appropriation of approximately \$2 billion (a mix of one-time and ongoing Proposition 98 General Fund).

The proposed COLA would exceed the estimate used presently by LEAs (5.38 percent), but would be less than the 8.73 percent COLA projected by the Legislative Analyst last November. Given the current budget climate, this sizable COLA contrasts sharply with the state of programs on the non-Proposition 98 side of the Budget.

The 8.13 percent COLA will also be applied to other categorical programs, including: Special Education, Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

### **LCFF “Equity Multiplier” and State Accountability Amendments**

In a significant update to the Local Control Funding Formula, the Governor proposes an “equity multiplier as an add-on to the LCFF,” costing \$300 million ongoing (Proposition 98 General Fund). In contrast to current law, an LEA’s funding eligibility for the add-on would be based on school-site eligibility, “a more targeted methodology than the existing supplemental grant eligibility.” The objective is to close opportunity gaps by augmenting resources to the highest-needs schools in the state. Additional details on allocation methodology and requirements were not provided in today’s Budget summary.

County offices, in particular, should note the administration’s intention to propose a forthcoming “comprehensive package of amendments to the K-12 accountability and continuous improvement system” through the LCAP and Differentiated Assistance processes. These amendments are based in research studies, evaluations and lessons learned during the first ten years of implementation of these LCFF-based systems. We expect to see the details in trailer bill language (TBL) in early February, but you may find more information from the Department of Finance below:

The Governor’s Budget includes \$300 million ongoing Proposition 98 funding to establish an Equity Multiplier add-on for the LCFF to accelerate gains in closing opportunity and outcome gaps. These funds will be allocated to LEAs with schools serving high concentrations of students eligible for free meals (90% or more free meal eligibility for elementary and middle schools and 85% or more free meal eligibility for high schools).

Under this proposal, LEAs with eligible schools will receive significant additional resources and would be required to use the funding on services and supports that directly benefit the eligible school(s). In addition, the LEA will be required to engage with parents and communities and plan for the use of the funds at the school(s) generating the funds through the LCAP and specifically address any underlying issues in the credentialing and preparation of the schools' educators and for student groups in the 'red' and 'orange' performance categories on Dashboard indicators.

To accompany the proposal, the Governor's Budget also proposes trailer bill language to strengthen the ties between the three elements of California's accountability system: the LCAP, the California School Dashboard, and the Statewide System of Support. These proposals will better ensure that resources are allocated based on student needs and that related actions and services are effective in closing opportunity and outcome gaps. The proposed statutory changes center on refining the LCAP and System of Support to better focus planning and improvement efforts on the needs of students and their communities and ensuring supports and services are addressing those needs.

Specifically, trailer bill will, among other things, require LEAs, where student group performance is low on a Dashboard indicator at the school level, to include specific goals, actions and funding to address these demonstrated student group and school-level needs in the LCAP and LEA budget, with subsequent evaluations of effectiveness that include parent and community input. TBL will also improve LCAP planning and transparency by better equipping community members with information on how to use the Dashboard and other local data used to inform the LCAP development process. In addition, it will strengthen support for LEAs through the creation of one or more Equity Lead(s) to work with the LEAs and schools generating equity multiplier funding and across all LEAs to assess and analyze programs and practices to identify barriers and opportunities for meeting the needs of all students, including addressing racial disparities in outcomes.

## **Transitional Kindergarten and State Preschools**

The Administration maintains many of its prior commitments to both Transitional Kindergarten and the California State Preschool Program (State Preschool). The Budget includes \$690 million Proposition 98 General Fund to implement the second year of transitional kindergarten expansion, which will provide program eligibility to all children turning five-years-old between September 2 and April 2. In addition, \$165 million Proposition 98 General Fund is provided to support additional staff needed for the increased eligibility for transitional kindergarten programs. The Administration is not proposing to reduce student-to-teacher ratios in the budget year. The Proposition 98 guarantee is re-benched to account for the implementation of Universal Transitional Kindergarten.

The 2022 Budget Act also includes \$64.5 million Proposition 98 General Fund and \$51.8 million General Fund to continue the multi-year plan to increase the percentage of students with disabilities served in State Preschool programs.

In addition, the reimbursement rate increases provided in prior years are continued with General Fund dollars, \$112 million Proposition 98 General Fund is provided to support the 8.13 percent cost-of-living adjustment, and \$763,000 Proposition 98 General Fund is provided to support the preschool Classroom Assessment Scoring System.

While these prior year commitments have been maintained, funding for the 2023-24 investment in the Full-Day Kindergarten Facilities Grant Program (FDK Program) has been delayed to 2024. This program supports the construction of new or retrofitting existing school facilities to provide transitional kindergarten, full-day kindergarten, or preschool.

### **Behavioral Health Programs**

The Governor's Budget proposal primarily stays the course on behavioral health investments and implementation of the Children and Youth Behavioral Health Initiative (CYBHI) with two exceptions: 1) a one-year delay of certain behavioral health workforce grants in the CYBHI and 2) delayed allocation of the final round of Behavioral Health Continuum Infrastructure Grants from 2022-23 to 2024-25. All other CYBHI workstreams and grants will continue as planned.

As for new investments, the Budget proposes a \$6.1 billion (mixed General Fund and Mental Health Services Fund) investment over 5 years to implement a California Advancing Innovation in Medi-Cal (CalAIM) demonstration project that would expand behavioral health services and improve integration of care for those with serious mental health illness with a particular focus on children and youth. This funding is not expected to flow through LEAs but COEs should be aware of how these expanded services and coordination requirements impact foster youth and may align with other projects such as MHSSA and SBHIP.

In addition, the Budget includes almost \$100 million for opioid and fentanyl response with \$3.5 million ongoing Proposition 98 General Fund to provide at least two doses of naloxone or other opioid reversal treatments to every middle and high school site in the state.

### **Literacy**

Citing continued focus and investments on equity in the pre-K-12 education system, the Governor's Budget includes \$250 million one-time Proposition 98 General Fund to augment the existing [Literacy Coaches and Reading Specialists Grant Program](#) and \$1 million one-time General Fund to create a Literacy Roadmap to enable educators to navigate existing resources and integrate them into classrooms. These investments build upon the programs and funds provided since 2019 to improve student literacy outcomes.

## Special Education

Building off the work of prior special education policies and investments, the Administration proposes the following programmatic changes to the special education system:

- Limiting the amount of additional funding that Special Education Local Plan Areas (SELPAs) are allowed to retain for non-direct student services before allocating special education base funding to their member local educational agencies.
- Stabilizing current SELPA membership by extending the moratorium on the creation of new single-district SELPAs by two years from June 30, 2024, to June 30, 2026.
- Increasing fiscal transparency by requiring the California Department of Education to post each SELPA's annual local plan, including their governance, budget and services plans, on its website.

The state continues to fund its multi-year plan to increase the percentage of students with disabilities served in State Preschool programs, as enacted in the Budget Act of 2022.

## Educator Workforce

While the administration proposes no new investments to address educator workforce staff shortage, they restate their commitment to implementing prior investments.

## Arts and Cultural Enrichment

California voters approved the "Arts and Music in Schools—Funding Guarantee and Accountability Act" (Proposition 28) in November 2022. This measure results in an increase of approximately \$941 million Proposition 98 General Fund to increase arts programs and instruction in California's public schools. In addition, the Governor's Budget includes \$100 million one-time Proposition 98 General Fund to increase access to theatrical performances, museum visits and participation in extracurricular art enrichment activities for 12th grade students enrolled in public schools.

The Administration proposes reducing the Arts, Music, and Instructional Materials Discretionary Block Grant by approximately \$1.2 billion Proposition 98 General Fund, citing the need for one-time costs cover the LCFF in 2022-23 and 2023-24. This reduction takes the one-time allocation from approximately \$3.5 billion to approximately \$2.3 billion Proposition 98 General Fund.

## In Addition...

The Governor's Budget also includes the following proposals:

- A reduction of \$100 million General Fund planned support in 2023-24 for the School Facility Program.
- Delay the planned implementation of Full-Day Kindergarten Facilities Grant Program by one year (\$550 million).

- \$30 million one-time Proposition 98 General Fund investment for the Charter Schools Facility Grant Program.
- \$15 million of the \$600 million one-time Proposition 98 General Fund (appropriated in the 2022 Budget Act to support school kitchen infrastructure) will be set-aside for the acquisition and installation of commercial dishwashers.
- \$2.5 million non-Proposition 98 General Fund and 15 positions to the CDE to increase capacity to meet state and federal data and accountability requirements, support data sharing with other agencies, and respond to emergent needs for data both internally and externally.
- \$3.9 million ongoing Proposition 98 General Fund to the California College Guidance Initiative to support their college and career planning platform.
- \$750,000 ongoing Proposition 98 General Fund for the Fiscal Crisis and Management Assistance Team to support professional development of local educational agencies' Chief Budget Officers.