



Governor's Budget Proposal Addresses LCFF COLA and Declining Enrollment; Ignores School Pension Burden

Overview

Increased funding for declining enrollment, transitional kindergarten, and expanded learning highlight Governor's Budget

Gov. Gavin Newsom released his January Budget Proposal on Jan. 10, officially kicking off the 2022–23 budget season. As the Proposition 98 guarantee rises to an all-time high once again and projected surpluses continue to grow, major proposals for education include protections for local educational agencies experiencing declining enrollment, steps to streamline independent study, continued investments in universal transitional kindergarten and the Expanded Learning Opportunities Grants Program and more.

Proposition 98

Prop 98 guarantee rises to \$102 billion; budget surplus grows again

The Governor has proposed a \$286.4 billion total budget, including \$119 billion in funding for all TK-12 programs. Once again, the state is experiencing a significant budget surplus — the Governor estimates it at \$45.7 billion, of which \$16.1 billion would go to Proposition 98. The proposed Proposition 98 guarantee has grown to a total \$102 billion, an \$8.2 billion increase over the 2021 Budget Act that includes a rebenching of the guarantee to accommodate the expansion of universal transitional kindergarten.

The Governor's plan also includes a statutorily required cost-of-living adjustment (COLA) of 5.33 percent for the Local Control Funding Formula, adding \$3.3 billion in discretionary funds for LEAs. A proposed \$295 million in ongoing Proposition 98 General Funds will also go to a 5.33-percent COLA for categorical programs outside of LCFF, including special education, child nutrition, youth in foster care, Mandates Block Grant, Adults in Corrections Education Program, American Indian Education Centers, and the American Indian Early Childhood Education Program. Further, county offices of education will receive a 5.33-percent COLA equaling about \$11.5 million in ongoing Proposition 98 funds. These funds would also incorporate potential average daily attendance (ADA) changes applicable to the LCFF for county offices.

Declining Enrollment

Protections for LEAs experiencing declining enrollment

To address declining enrollment, the Governor proposes amending how the LCFF apportionment is calculated to consider the greater of a school district's current year, prior year, or the average of three prior years' ADA. The proposal also expresses the Governor's intent to engage with stakeholders to explore

options for providing charter schools with declining enrollment protections. The ongoing cost is estimated to be \$1.2 billion Proposition 98 General Funds.

Independent Study

Streamlined independent study programs

The Governor's proposed budget reiterates the administration's commitment to in-person instruction while continuing to allow LEAs to offer traditional independent study and course-based independent study to meet their students' needs with short- and long-term remote instruction. The budget proposes streamlining these programs by:

- Allowing synchronous instruction to count for instructional time in traditional independent study, in addition to student work product.
- Providing flexibility on the timeline to collect a signed independent study plan.

Transitional Kindergarten

Continued commitment to universal transitional kindergarten

The 2022–23 fiscal year marks the beginning of the Governor's proposed four-year expansion toward universal TK. Most notable is the stated intent by the Governor to "rebench" Proposition 98 to fund the growth in enrollment from these children. Under the Governor's proposal, the Proposition 98 guarantee will be rebenchmarked from 38.02 percent to 38.4 percent of the state's General Fund. In alignment with the 2021 Budget Act, the Governor's budget proposes \$639.2 million to fund the expanded eligibility for TK for children who turn 5 between Sept. 2 and Feb. 2.

The Governor also proposes to provide \$383 million in Proposition 98 General Funds to add an additional teacher or paraprofessional to a TK class to reduce the student-to-adult ratio to "more closely align with the state Preschool Program." The current year budget stated the intent to reduce the student-to-adult ratio from 12:1 to 10:1 for the 2022–23 school year. This proposed allocation of funding fulfills that intent.

Rainy-Day Fund

Reserve caps likely triggered in 2022-23

As proposed, the budget includes a \$3.6 billion deposit into the Public School System Stabilization Account, education's rainy-day fund. The total balance of the account would rise to \$9.7 billion, triggering local school district reserve caps beginning in 2022–23. CSBA sponsored legislation in 2017 (SB 751, Chapter 674, Statutes of 2017) that exempted all small school districts (those with ADA of 2,500 and below) as well as all basic aid districts from the cap and limited the cap to assigned and unassigned reserves.

Expanded Learning

Two-year funding rises to \$4.4 billion

The Governor proposes an additional \$3.4 billion in ongoing Proposition 98 General Funds for the Expanded Learning Opportunities Grants Fund. When combined with the funding allocated in the 2021 Budget Act, it brings the overall funding to \$4.4 billion. The proposed budget also includes \$937 million in one-time Proposition 98 General Funds to support “program infrastructure,” with a focus on including arts and music programs in the grant program.

Early Literacy

One-time money for staffing and libraries

In an effort to increase grade-level reading proficiency in children, the Governor proposes providing \$500 million in one-time Proposition 98 General Funds over a period of five years to high-needs schools to hire literacy coaches and reading specialists to assist in the classroom and provide one-on-one and small group intervention. He also proposes providing \$200 million in one-time Proposition 98 General Funds to provide grants to LEAs to “expand multi-lingual school or classroom libraries.”

Special Education

\$500 million and a host of program changes

The proposed budget provides an additional \$500 million in ongoing Proposition 98 General Funds for the special education funding formula, which is paired with the following program changes:

- Amending the funding formula to calculate base funding at the LEA level rather than the Special Education Local Plan Area (SELPA) level.
- Consolidating the two extraordinary cost pools into a single cost pool to simplify the formula.
- Allocating Educationally Related Mental Health Services funding to LEAs rather than to SELPAs.
- Developing a Special Education Addendum to the Local Control and Accountability Plan to support inclusive planning and promote cohesion by linking special education and general education planning.
- Continuing the development of comprehensive individualized education programs (IEPs).
- Establish an alternate diploma and a workgroup to explore alternative coursework options for students with disabilities.

College & Career Pathways

\$2 billion over four years for STEM & dual enrollment

The Governor proposes \$1.5 billion in one-time Proposition 98 General Funds over a period of four years to provide additional funding to support the development of additional college and career pathways. The intent is to focus on science, technology, engineering and math (STEM), health care, education and climate

pathways. Another \$500 million is proposed, also over a period of four years, to support dual enrollment opportunities.

School Facilities

\$2.3 billion in new construction and modernization funding

The Governor's budget proposes approximately \$2.3 billion in additional school facilities funding over two years for new construction and modernization. It also provides an additional \$30 million ongoing for the Charter School Facility Grant Program.

Transportation

Transportation funds for green buses

The Governor proposes dedicating \$1.5 billion one-time Proposition 98 funds over three years to greening school bus fleets. Grants of at least \$500,000 would be available for LEAs, prioritizing those with high concentrations of low-income students, youth in foster care and English learners, as well as small and rural LEAs. Each grant would be used to acquire an electric school bus, construct charging stations and support other transportation needs, including training.

The Governor also proposes establishing a workgroup composed of members from the Department of Motor Vehicles, California Highway Patrol, Department of Education and the State Board of Education to streamline the process of training and licensing new school bus drivers.

School Nutrition

Additional funding for universal school meals & Farm-to-School

The Governor's plan dedicates \$596 million Proposition 98 General Funds to provide universal access to subsidized school meals. The plan requires public schools provide two free meals per day to any student who requests a meal, regardless of income eligibility, beginning in the 2022–23 school year. In order to maximize federal reimbursement for meals, schools that are eligible for the federal universal meals provision will be required to apply for the program by June 30, 2022. The state will cover remaining unreimbursed costs up to the combined state and federal free per-meal rate.

The budget also proposes \$450 million in one-time Proposition 98 General Funds over three years to upgrade school kitchens and \$3 million one-time Proposition 98 funds for the School Breakfast and Summer Meal Start-Up and Expansion Grant Program. In addition, the plan builds on the previous year's investment in the Farm to School Program with an additional \$30 million one-time General Funds to establish additional farm-to-school demonstration projects and \$3 million ongoing General Funds to expand the Farm to School Network, which supports local food procurement and farm-to-school programs throughout the state.

Miscellaneous Education Proposals

Property tax adjustments and curriculum reform

Other proposals for education in the Governor's plan include:

- Local property tax adjustments: A decrease of \$127.8 million ongoing Proposition 98 General Funds for school districts and county offices of education in 2021–22 and \$1.4 billion in 2022–23, as a result of increased offsetting property taxes.
- Model curricula: \$14 million one-time Proposition 98 funds to support county offices of education in developing model curricula related to the Vietnamese American refugee experience, the Cambodian genocide, Hmong history and cultural studies and Native American studies.
- Agricultural Career Technical Education Incentive Grant: \$2 million ongoing Proposition 98 funds for an augmentation to the Agricultural Career Technical Education Incentive Grant program.
- Instructional Quality Commission: \$246,000 one-time non-Proposition 98 General Funds for the IQC to continue its work on curriculum frameworks.

Pension Relief

No relief in sight

Despite significant looming increases, the Governor's budget does not include relief for school employer pension contributions, a key priority for CSBA's budget advocacy. References made by the Governor to pension relief cover the state's obligation, not school employers.

What's Next

Continued updates and advocacy from CSBA

Much of the detail regarding the Governor's Budget Proposal will be in budget trailer bills. Draft language should be available in early February. The Senate is scheduled to hold its initial budget overview hearing on Jan. 19. By May 15, Gov. Newsom will release his May Budget Revision, and negotiations between his administration and the Legislature will be ongoing until the June 15 deadline for the Legislature to pass the budget bill. The Governor will then have until July 1 to sign the bills.