



## Executive Summary on FY23 Adopted State Budget

---

September 1, 2022

Governor Newsom signed the 2022-23 state budget and dozens of related “trailer” bills into law on June 30, 2022. The adopted budget aligns closely with the Governor’s prior “May Revise” version of the budget on most issues, except for a larger increase in general-purpose funding and other modest changes. Key items of particular interest to us include the following:

**Huge Local Control Funding Formula (LCFF) funding increase:** The adopted budget includes both the 6.56 percent statutory cost-of-living increase (COLA), plus an additional 6.28 percent increase. We preliminarily estimate the total LCFF funding increase at 13.25 percent. This increase is higher than the Governor had proposed, but lower than the Legislature’s leaders had proposed. Compared with our projections in the FY23 preliminary budget, our **LCFF funding will be further increased by about \$700k.**

**Two forms of charter “hold harmless”:** The adopted education trailer bill includes two complex provisions that provide one-time “hold harmless” funding to most classroom-based charter schools that experienced either declining enrollment and/or declining rates of attendance in the 2021-22 school year. These hew closely to the Governor’s proposal in his May Revise budget, with several technical changes. The budget also includes expanded ongoing declining enrollment protection for school districts, but not charter schools. We estimate that our LCFF revenue from FY22 will be **increased by about \$1M** because of the “hold harmless” provisions. Our auditor recommended us to recognize the additional revenues in FY23 rather in FY22, due to the fact that we haven’t yet received the formal apportionment letter from the state with a confirmed number to accrue.

**Even more pandemic emergency funding:** The budget includes \$7.9 billion to provide a one-time Learning Recovery Emergency Block Grant to all schools. The grant will be allocated based on each school’s 2021-22 average daily attendance (ADA) multiplied by their percentage of “unduplicated” pupils (“UPP,” including low income, English learner, foster youth). The funds could be spent on an expansive list of learning recovery and support costs through the 2027-28 school year. This grant hews closely to the Governor’s May Revise budget but targets the funding on “unduplicated” pupils rather than the governor’s per-ADA approach for all students. We preliminarily estimate the **total funding for MWA will be well over \$1M.**

**Arts, music, and instructional materials funding:** The budget appropriates \$3.6 billion to provide a “per-pupil” grant to all schools. While the law specifies using 2021-22 data to allocate the funds, it is not clear as to whether the formula is based on ADA versus enrollment—but should be in the neighborhood of \$600 per. These funds also could be spent on a broad range of items, including instructional materials and staff development related to various subject matter and even “operational costs, including but not limited to retirement and health care cost increases,” and must be encumbered by the end of the 2025-26 school year.

**Independent study compliance requirement:** The adopted trailer bill also hews closely to the Governor’s proposals for tweaking the extensive laws governing independent study. One notable change is that we will have only 10 days, instead of 30 days as in last year to have parents sign the independent study master agreement after the start of the independent study program. Because of these changes, we will have to revise our independent study policy and master agreement. We will submit the updated policy to the MWA board for approval in September board meeting.

**Expanded learning funded with mandate deferred:** The trailer bill increases funding for the Expanded Learning Opportunities Program (ELO-P) while deferring the penalties for not offering expanded learning for an additional year (2023-24). The bill increases funding for schools serving 75 percent or higher proportions of “unduplicated” pupils to \$2,750 per unit of K-6 ADA, multiplied by the school’s unduplicated pupil percentage (all based on prior-year data). Schools serving fewer than 75 percent unduplicated pupils would be funded at a lower rate, estimated by legislative staff at \$1,249 per unduplicated pupil in grades K-6. Since MWA serves more than 75 percent of “unduplicated” pupils, we are expected to receive a bit more ELO-P funding than previously estimated.

**To summarize, key takeaways from the FY23 adopted budget are:**

- 6.25% statutory cost-of-living increase (COLA) for LCFF
- Plus an additional 6.28% to “permanently” increase LCFF
- “Hold-harmless” for FY22 funding
- Even more pandemic funding and other categorical funding
- Further changes to Independent Study law

**Next Steps:**

The enormous K-12 budget trailer bills include 350+ pages of detailed provisions, many of which are poorly drafted. We will continue to review and evaluate the details and we will provide a more detailed update to our government revenues assumptions in the FY23 1<sup>st</sup> interim budget.