



Executive Summary on the Governor's January Budget Proposal

March 1, 2023

Governor Newsom released a summary of his 2023-24 state budget proposal in January, proposing to continue massive K-12 program expansion and funding a large cost-of-living adjustment, all despite plummeting state revenues. The Governor's Budget estimates state revenues are falling \$29.5 billion short of levels estimated when the current (2022-23) state budget was adopted, with most of the decline attributable to the upcoming 2023-24 fiscal year.

Despite plummeting tax revenues, the governor estimates that total K-14 funding under the state's constitutional education funding formula declines only slightly. This modest decline, combined with targeted cuts, expiration of one-time prior-year commitments, and declining enrollment frees up an estimated \$5.9 billion of additional education spending "room" for 2023-24.

While not all details are available as of today, the Governor's Budget appears to include the following major features of specific interest to charter schools:

Big COLA: The governor proposes fully-funding a large, **8.13** percent estimated cost-of-living adjustment (COLA) for the Local Control Funding Formula (LCFF) and some categorical programs, including Special Education, the Charter Facilities Grant Program, and others.

MWA Impact: The state funding will increase by about \$1M due to the big COLA.

Continued Charter Facility Grant Augmentation: The proposed budget includes \$30 million for another year's augmentation to the Charter School Facility Grant Program. Newsom describes this augmentation as part of a "one-time investment. . . consistent with the 2022 Budget Act" even though nothing in the Budget Act actually denotes this funding as "one-time."

MWA Impact: The SB740 funding for the facilities will increase slightly due to the augmentation. We are yet to know the exact amount.

Some Notable Cuts: The budget proposes several notable cuts to funding previously appropriated or committed. The governor proposes cutting **\$1.2 billion** from the Arts, Music, and Instructional Materials Discretionary Block Grant. The current-year budget appropriated \$3.5 billion for this one-time grant and the governor would reduce funding to \$2.3 billion. Though appropriated last summer, the California Department of Education (CDE) has slow-walked apportioning the funds to schools, presumably because the governor's staff were anticipating a potential cut. Newsom justifies the cut by pointing to the new \$941 million increase in arts funding mandated by Proposition 28, a ballot measure approved by voters in November. The governor

also proposes allocating \$100 million, or roughly \$200 per 12th grade student, to enable LEAs to provide high school seniors with “access to cultural enrichment.”

MWA Impact: The negative fiscal impact to MWA is about \$200K because of this cut.

SELPA Reforms: The budget includes a few modest proposals to limit the powers of special education local plan areas (SELPAs), including (1) capping funds that SELPAs may take “off the top” before allocating special education funding to member agencies, (2) placing a moratorium on the creation of new, single-district SELPAs, and (3) mandating posting of SELPA governance, service, and budget plans on the CDE website.

More LCAP Mandates and Accountability Tweaks: The draft trailer bill proposes several additional requirements related to the growing Local Control and Accountability Plan (LCAP) mandate, including a new, mid-year progress report that would need to provide details on all available mid-year outcome, expenditure, and implementation data related to the specific outcomes, actions, and expenditures proposed in the LCAP.

Key Takeaways: Overall, it seems that K-12 education portion of the budget was largely spared from cuts, notwithstanding falling Proposition 98 Guarantee. We anticipate a more or less “baseline” education budget that maintains existing programs, plus COLA in FY23-24 school year.