



BUDGET BRIEF

2022-23 Governor's Budget Proposal: Record Proposition 98 Spending Continues Program Expansions

Background

On January 10, 2022, Governor Gavin Newsom released his budget proposal for the 2022-23 fiscal year. The Governor's Budget is the "kick-off" to the 2022-23 budget cycle which will result in the state budget that will take effect on July 1, 2022. This proposal will be debated in the Legislature over the coming months, and updated in May, and likely amended before final budget adoption in June. [You can read CCSA's Statement on the Governor's Budget here.](#) [The full Governor's Budget Summary and detail can be found here.](#) All of the Governor's proposals are subject to legislative approval and amendment. This Brief provides a summary of the Governor's plan as it relates to education and charter schools.

Budget Overview

The State budget contains \$213 billion in General Fund expenditures in 2022-23, According to the governor, the State now has a projected surplus of \$45.7 billion, which includes \$20.6 billion in General Fund for discretionary purposes. The budget includes \$102 billion for Transitional Kindergarten (TK) through community college education under the Proposition 98 school funding guarantee- the highest level of school funding ever. This provides an average of \$15,261 per K-12 pupil from Proposition 98 funding.

TK-12 Highlights

The Proposition 98 funding guarantee for TK-12 schools and community colleges for 2022-23 is \$102 billion. This is a \$8.2 billion increase from the funded guarantee in the 2021-22 Budget Act. Further, there are one-time settle-up adjustments to Proposition 98 which increase the guarantee in the 2019-20 and 2020-21 fiscal years for a three-year total increase of \$16.1 billion over the 2021-22 Budget Act.

Specifically, for 2022-23, the budget proposes to provide a cost-of-living adjustment (COLA) of 5.33 percent to the Local Control Funding Formula (LCFF) and many other categorical programs and funds. In 2021, the budget initiated significant new investments to begin expansion of TK, Expanded Learning Opportunities, and school meals for all. The Governor's Budget provides funding to continue the expansion and implementation of these programs as planned.

For charter schools, the budget includes a base augmentation to the SB 740 Facility Grant Program of \$39 million, increasing the total program to \$183 million. This program has historically been oversubscribed, so this increase will be a huge benefit to the charter schools that access these funds for lease reimbursement. The budget does not specifically provide hold harmless protections for charter schools in parity with school districts for ADA losses experienced by charter schools in 2021-22. However, the governor has stated his intent to "to engage in outreach and discussions with interested



parties throughout the spring to explore options for providing declining enrollment protections for charter schools.” We are encouraged by this opportunity to continue discussions on this critical issue.

Key funding and policy highlights include:

- \$3.3 Billion for a 5.33% cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF), and \$295 million for COLAs for several other K-12 categorical programs, such as special education, nutrition, and the mandates block grant.
- Funding for the continued expansion of Transitional Kindergarten (TK) as initiated last year. Additionally, the Budget proposes \$383 million to add one additional certificated or classified staff person to every TK class to address changes to the required student to teacher ratios in TK.
- \$3.4 billion funding for the continued implementation of the Expanded Learning Opportunity Program as initiated last year, and \$937 million in one-time funding for arts and music integration into the program.
- \$596 million for the continuation of access to universal subsidized school meals as initiated last year.
- \$1.5 billion one-time funding for development and expansion of Career Pathways.
- \$1.5 billion for electric school buses and related infrastructure.
- \$800 million in one-time funds for various early literacy efforts, including \$500 million for high-needs schools to train and hire literacy coaches and reading specialists.
- \$54.4 million to build on various teacher workforce investments.
- \$500 million in a base increase for Special Education and several recommended funding formula changes.

These highlights and other issues are discussed in greater detail below.

Proposition 98 Adjustments

The provisions of Proposition 98 (1988) establish a minimum funding guarantee for TK through community college education based on complex calculations, and the interactions of various economic and demographic variables. The budget contains a Proposition 98 school funding guarantee of \$102 billion for the 2022-23 fiscal year. Ongoing Proposition 98 expenditures for TK through grade 12 in 2022-23 are projected to average \$15,261 per pupil, though individual school funding will vary based on grade span, pupil need, and program.

- **Proposition 98 Adjustments for the Current Year (2021-22):** As a result of much more state revenue than anticipated when the budget was enacted, the Governor’s Budget contains an upward adjustment to the Proposition 98 guarantee in the current year. The revised guarantee is \$99.1 billion. This will result in about \$5.3 billion in one time funding to settle-up to the new guarantee level.
- **Proposition 98 Projection for the Budget Year (2022-23):** The Proposition 98 guarantee in 2022-23 is \$102 billion. This is an increase of \$2.9 billion over the revised 2021-22 guarantee of \$99.1 billion. The budget also makes a technical adjustment to “rebench” the Proposition 98 base to accommodate the higher level of service required by the expansion on TK. This adjustment increases the calculation of the annual guarantee from 38.02 percent to 38.40 percent of the total General Fund. The budget includes mandated contributions to the Proposition 98 Rainy



Day Fund, in accordance with Proposition 2 (2014). The contribution in 2022-23 is \$3.1 billion for a total reserve balance of \$9.7 billion. The Governor’s proposal uses the funding increase to provide a COLA of 5.33 percent for the Local Control Funding Formula and other categorical programs, and to support planned expansion of TK-12, Expanding Learning Opportunities, and other priorities as discussed below.

Proposition 98 Guarantee 2022-23 Governor's Budget (Dollars in Billions)			
	2020-21	2021-22	2022-23
Total Prop. 98	\$95.936	\$99.064	\$101.980

Local Control Funding Formula (LCFF)

The Governor’s Budget contains a \$3.3 billion Proposition 98 General Fund increase for a LCFF COLA of 5.33 percent. The Governor does not propose any additional increase to the base of LCFF nor any significant program changes.

The LCFF provides a base target per-pupil rate by grade level span (TK-3, 4-6, 7-8 and 9-12) and additional grade span adjustments for K-3 and high school average daily attendance (ADA). Each pupil, who is identified as an English Learner, eligible for free or reduced priced meals (FRPM), or a foster youth, generates an additional supplement. Finally, in addition to the base and supplement, districts and charter schools receive an additional weighted grant if they have a high concentration of high-needs pupils overall. In 2021-22, the concertation grant rate was increased from 50 percent to 65 percent of the base grant.

Below are the estimated rates, supplements, and multipliers under the LCFF for 2022-23. Grade level rates per ADA are revised annually for inflation, including a 5.33 percent COLA for 2022-23. Actual funding to be received by each school will vary depending on the pupil population.

LCFF Funding Element	LCFF Amounts for 2022-23
Grade TK-3 Base	\$ 8,528
Grade K-3 Grade Span Adjustment	\$ 887 (10.4% of K-3 target)
Grade 4-6 Base	\$ 8,655
Grade 7-8 Base	\$ 8,913
Grade 9-12 Base	\$10,328
Grade 9-12 Grade Span Adjustment	\$ 269 (2.6% of 9-12 target)
Supplement per unduplicated Free or Reduced Priced Meal Eligible Pupil, English Learner or Foster Youth	20% of average base and add-on funding per eligible ADA
Concentration Supplement per pupil above 55% of the lesser of total district or charter percent high need	65% of average base and add-on funding per eligible ADA above 55%

The information above provides a brief overview of the LCFF and the estimated component rates for 2022-23. However, an additional tool available is an LCFF simulator developed by the state Fiscal Crisis and Management Assistance Team (FCMAT) to assist schools in estimating LCFF funding. The FCMAT simulator is a downloadable interactive spreadsheet. The Governor’s Budget version will be available at: <https://www.fcma.org/lcff>.

In building budgets, charter schools should also include non-LCFF funding sources such as federal funds, special education funds, the mandate block grant, facility grants, and any other funding the school may receive.

Adjustments to Other K-12 Base Programs

- **Charter School Facility Grants:** Ensuring adequate funding in the charter school facility grant program has been a top priority for CCSA. We are grateful that the Governor has recognized the tremendous benefit of this program by proposing a significant funding increase to address chronic shortfalls. The budget contains a total of about \$39 million in ongoing increases to SB 740 Charter School Facility Grant Program. These increases include \$2.9 million for a COLA of 5.33 percent, \$6 million for a base increase for estimated need for lease costs, and \$30 million for estimated need of unfunded eligible nonlease facility costs. With these adjustments, total program funding will be \$182.5 million. This program has been oversubscribed for several years, resulting in the reduction of grant amounts, and the program is likely to experience a funding shortfall in the current year (2021-22). However, this new funding for 2022-23 will significantly reduce the funding gap on lease costs and should allow reimbursements in the category of “other eligible facilities costs” to resume. More program information can be found at: <http://www.treasurer.ca.gov/csfa/csfgp/index.asp>.
- **Special Education:** The budget contains \$500 million in an ongoing increase for Special Education and several recommended funding formula changes which would include:
 - Amending the special education funding formula to calculate the special education base funding allocations at the local educational agency level rather than the SELPA level.
 - Consolidating two special education extraordinary cost pools into a single cost pool to simplify the current funding formula.
 - Allocating Educationally Related Mental Health Services funding directly to local educational agencies rather than to SELPAs.
 - Developing a Special Education Addendum to the Local Control and Accountability Plan.
- **Independent Study (IS):** In 2021, the budget enacted major reforms to IS programs. For 2022-23, the governor proposes some additional changes to IS law intended to provide flexibility on timelines for signing IS agreements and to allow synchronous instruction to count as instructional time in addition to the time value of student work product. Details of this proposal will be released with the Budget Trailer Bill in the coming weeks, and the Legislature may have additional proposals to improve the operation of IS programs.

Continuation of New and Expanded Programs: In 2021, the budget enacted sweeping expansion of several large categorical programs over multiple years. The Governor’s Budget includes investment of additional resources to continue the expansion and implementation of these programs as initiated in last years’ budget.

- **Expanded Learning Opportunity Grants:**
In 2021, the budget included \$1 billion ongoing funds and \$753.1 million in one-time funds, to expand afterschool and summer school enrichment programming for high-need students in



grades TK-6 in classroom-based Local Education Agencies (LEAs). The budget's stated intent is to increase ongoing funding to \$5 billion at full implementation for classroom-based LEAs, based on the average daily attendance (ADA) count of low-income, English learner and foster youth students in grades TK-6. The program combined with the educational day shall offer nine-hours of combined service time on regular instructional days, plus 30 days of non-school day opportunities and no less than 9 hours per day during intersessional periods. LEAs are encouraged to coordinate with community-based organizations and other programs to maximize these opportunities.

Beginning in 2022-23, all LEAs must offer all pupils in K through 6th grade access to expanded learning opportunities programs and provide them to all pupils who request placement in a program. The budget proposes an additional \$3.4 billion to increase per pupil funding for the program and expanding the number of local educational agencies offering no-cost services. This brings total ongoing program funding to \$4.4 billion, with additional funds anticipated in future years. The Budget also proposes \$937 million one-time funds to integrate more arts and music programming. The details of these changes should be provided in the Budget Trailer Bill in the coming weeks.

- **Transitional Kindergarten (TK):** The 2021 Budget initiated the phase, beginning with 2022-23 to 2025-26, TK eligibility to all four-year-old children and provided \$300 million for expansion planning grants. Starting in the 2022-23 school year, and each year from 2022-23 to 2025-26, the eligibility date for TK students will expand by three months until all four-year-olds born by September 1 are eligible for a full year of TK before kindergarten. The law also caps TK class size to 24 pupils and reduces the adult to student ratio in TK to 1 to 12 starting in 2022-23 and 1 to 10 starting in 2023-24. Other existing laws and standards around TK participation and implementation remain in place.

The 2021-22 Governor's Budget takes steps to continue this program expansion as planned by proposing \$639.2 million to expand TK eligibility, from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2, beginning in the 2022-23 school year. The budget also proposes \$383 million to add one additional certificated or classified staff person to every TK class to address new student-to-adult ratios noted above.

- **Universal School Meals:** In 2021, the budget increased state meal reimbursements by \$54 million to cover the costs of offering breakfast and lunch for all students beginning in 2022-23 and provided \$150 million for grants for food service infrastructure so that starting in 2022-23 school districts and charter schools will provide two school meals free of charge during each school day to any pupil who requests a meal, without consideration of the pupil's eligibility for free or reduced-price meals.

The 2022-23 Budget proposes \$596 million in additional funds for universal access to subsidized school meals. Further, all schools eligible for the Community Eligibility Provision, the federal universal meals provision, will be required to apply for the program by June 30, 2022 (if they are not already participating) to reduce volatility in costs to the state and to maximize federal reimbursement. The state will then cover any remaining unreimbursed costs up to the



combined state and federal free per-meal rate. The budget also proposes an additional \$450 million in one-time funds available over three years, to upgrade school kitchen infrastructure and equipment.

- **Quality Teachers and Teacher Pipeline:** In 2021, the budget contained significant investment in teacher preparation and quality with a \$1.5 billion Educator Effectiveness Block Grant and \$1.3 billion in for various teacher recruitment, retention, and professional development programs. Most of these one-time funds were made available over five years, so these efforts will continue in 2022-23.

The Governor's Budget for 2022-23 proposes \$54.4 million to build upon the multi-year investments, including \$24 million to waive certain teacher examination fees, \$12 million to extend the waiver of select credentials fees and \$10 million for competitive grants to develop and implement integrated teacher preparation programs. The Governor also proposes to extend the statute authorizing any holder of a credential or permit issued by the CTC to serve in a substitute teaching assignment aligned with their authorization, including for staff vacancies, for up to 60 cumulative days for any one assignment.

New Programs Proposed for 2022-23

While much of the budget investment proposed for 2022-23 focuses on continuation of prior commitments, the Governor has proposed a few new items as well. Here are a few of the larger issues in the Governor's plan.

- **Declining Enrollment Protections:** The Governor recognizes that demographic trends toward declining K12 enrollment have only been exacerbated through the pandemic. He states that the current ADA funding calculation does not provide local educational agencies with the ability to make gradual changes over a series of years to adjust instructional programming and that some school districts over the next few years will be faced with difficult choices to remain fiscally solvent. Therefore, the Budget proposes \$1.2 billion to change to the LCFF calculation to consider the greater of a school district's current year, prior year, or the average of three prior years' ADA. While charter schools are not specifically included in that proposal, the Administration specifically states its intent "to engage in outreach and discussions with interested parties throughout the spring to explore options for providing declining enrollment protections for charter schools." We are encouraged by the Administration's acknowledgement that declining enrollment protections for charter schools to be addressed and we look forward to continuing engagement with them on this top priority issue.
- **Literacy Initiatives:** To improve success in increasing grade-level reading proficiency among young readers, the budget proposes a package of new one-time supports, including:
 - \$500 million for five years grants to high-needs schools to train and hire literacy coaches and reading specialists.
 - \$200 million for a grant program for LEAs to create or expand multi-lingual libraries offering culturally relevant materials.
 - \$60 million to provide training for educators on effective use of tools for early identification of learning disabilities.



- College and Career Pathways:** The Budget proposes \$1.5 billion over four years to enhance and expand the offering of educational pathways to provide the workforce needed for economic growth, through the development of pathway programs focused on technology (including computer science, green technology, and engineering), health care, education (including early education), and climate-related fields and \$500 million to strengthen and expand student access, and participation in dual enrollment opportunities that are also coupled with student advising and support services.

Other Base Adjustments and Figures

- Cost of Living Adjustment (COLA):** The education COLA for 2022-23 is estimated at 5.33 percent. However, given the volatility of the state’s economic situation due to the pandemic, this factor will likely be updated at the May Revision to the Budget. The COLA provides about \$3.3 billion to increase the LCFF base and \$295 million more for several categorical programs that remain outside of the LCFF such as special education, nutrition, mandate block grant and the Charter School Facility Grant Program. The Department of Finance has projected the following COLA estimates for future years, which may assist in budget planning:

Year	Estimated COLA
2021-22	5.07%
2022-23	5.33%
2023-24	3.61%

- TK-12 Average Daily Attendance (ADA):** Department of Finance’s statewide TK-12 ADA projections are provided in the following table:

Year	Estimated TK-12 ADA	Change
2020-21	5,871,581	-0.43%
2021-22	5,711,791	-2.72%
2022-23	5,715,844	0.07%

- Minimum Wage Increase:** Another issue that schools should consider in longer range budget planning is the continued increase in the minimum wage to reach \$15.00 per hour. Schools will need to plan for both the wage increase, and related benefits to wages for minimum-wage employees. Some local jurisdictions may have increases not reflected here, so schools should also monitor any local action on minimum wage. The following table shows the increase in the minimum wage under state law.

Year	Minimum Wage for Employers with less than 26 Employees	Minimum Wage for Employers with 26 or more Employees
January 1, 2022	\$14.00	\$15.00
January 1, 2023	\$15.00	\$15.00



STRS/ PERS Contributions: As you may recall, to provide LEAs with increased fiscal relief, the 2020 Budget redirected \$2.3 billion to further reduce employer pension contribution rates in 2020-21 and 2021-22. However, no additional or extended relief is proposed for employer contributions for 2022-23 and the previous reduction relief for school employers is scheduled to expire this year. While the budget does include continued state payments to reduce unfunded pension liabilities, those payments do not impact employer payments or contribution rates.

Legislative Analyst's Office Response

The State's Legislative Analyst's Office (LAO) has provided an initial assessment of the Governor's Budget and raises issues for legislative consideration on the major budget proposals. The complete LAO summary is [available here](#) or at: www.lao.ca.gov. The LAO believes that the Governor's revenue projections are generally reasonable, but is concerned that some spending proposals may exceed revenue capacity. The LAO also recommends that the Legislature consider building general purpose reserves above the level currently proposed. The LAO also notes that the Governor's Budget was developed before Omicron surfaced, which may affect budget priorities and revenue estimates. In their summary, they note that Governor's Budget includes nearly \$13 billion in discretionary spending proposals for schools but cautions on expanding or adding new programs beyond schools' capacity to effectively implement them. The LAO will provide a more detailed analysis of each program area, including education, in the coming weeks.

Next Steps

The Governor's Budget is only the first step in enacting the State budget for 2022-23. The Legislature must act on this proposal, and will no doubt have its own priorities and ideas for managing the state's finances. The Department of Finance is expected to release more programmatic details in the Budget Trailer Bill soon. Economic assumptions, including the COLA, will be updated in mid-May. We note specifically that the economic impact of the Omicron COVID variant was not factored into the Governor's Budget assumptions and volatility the budget situation caused by this new variant may have a unique impact on the May Revision. The Legislature must adopt the 2022-23 budget by June 15. CCSA will provide regular updates in our **Capitol Update** newsletter and CCSA member portal as the budget moves forward, and we will keep you informed on how you can participate in advocating for positive budget outcomes for charter schools.