

June 30, 2022

**MEMORANDUM**

**TO:** Teri Holoman, Associate Executive Director  
Lori Easterling, Manager, Legislative Relations

**FROM:** Katie Hardeman, Legislative Advocate

**RE:** 2022-23 Final Budget Agreement

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On June 26th, 2022, the Legislature and Governor announced a final budget agreement. The Legislature passed the budget agreement on Wednesday, June 29<sup>th</sup> and the Governor signed the budget related bills on June 30<sup>th</sup>, which go into effect immediately. The relevant budget bills include:

- AB 178 (Ting) 2022 Budget Bill
- AB 180 (Ting) 2021 Budget Bill Jr.
- AB 181 (Committee on Budget) Education Omnibus Trailer Bill
- AB 182 (Committee on Budget) Education Learning Recovery Grant Trailer Bill (2/3 vote requirement)
- AB 210 (Committee on Budget) Early Childhood Education Trailer Bill
- AB 183 (Committee on Budget) Higher Education Omnibus Trailer Bill
- SB 191 (Committee on Budget) Employment Trailer Bill

This memo summarizes the major components of the 2022-23 budget agreement related to education.

**Overall Budget Highlights**

The 2022-23 budget includes total spending of just over \$300 billion, of which \$234.4 billion is from the General Fund. The budget includes total reserves of \$37.2 billion in 2022-23.

**Fiscal Relief** – The budget provides over \$17 billion in fiscal relief to Californians, small businesses, and nonprofits, including \$9.5 billion to provide direct tax rebates to 17.5 million California tax filers in accordance with three income tiers. The package provides additional assistance for Californians enrolled in the Supplemental Security Income/State Supplementary Payment (SSI/SPP) program and the California Work Opportunity and Responsibility to Kids (CalWORKs) program and provides relief from unpaid utility bills. The budget agreement also includes the Workers Tax Fairness Credit, which turns union dues into a tax credit instead of a deduction. While union dues are currently tax-deductible, union workers are less likely to itemize their deductions. The credit will be established in statute in a trailer bill later in the session, and the credit will be activated through future budget action.

**State Appropriations Limit** – The Governor’s January Budget projected the state would likely exceed the State Appropriations Limit (SAL) or “Gann Limit.” However, the Governor’s May Revision and final agreement projects the state will remain below the SAL by \$11 billion in 2022-23. Any funds above this limit are constitutionally required to be allocated evenly between schools and a tax refund. The Legislature has expressed interest in making changes to the SAL through a constitutional amendment as soon as the 2024 election.

**Pension Costs** – The 2020 Budget Act included one-time non-Proposition 98 (Prop 98) General Fund to buy down employer (local educational agencies and community colleges) contribution rates for the California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) in 2020-21 and 2021-22. The 2022-23 budget agreement does not propose any additional non-Prop 98 General Fund to address rising pension rates for local educational agencies (LEAs) and community colleges. However, as noted below, the budget includes significant one-time funding and ongoing base increases for both K-12 schools and community colleges, intended to help offset rising costs, including increased pension costs.

**Reserves** – Proposition 2, enacted by voters in 2014, established the Public School System Stabilization Account, or Prop 98 Rainy Day Fund. The budget includes payments in 2020-21, 2021-22, and 2022-23 into the Prop 98 Rainy Day Fund, for a balance of \$9.5 billion at the end of 2022-23.

Under current law, school district reserves are capped at 10 percent in fiscal years immediately succeeding those in which the balance of the Prop 98 Rainy Day Fund is equal to or greater than 3 percent of the total K-12 share of the Prop 98 guarantee. The balance of \$7.3 billion in 2021-22 triggers school district reserve caps beginning in 2022-23. The reserve cap requirements do not apply to charter schools, small school districts or basic aid districts.

### **Prop 98**

The budget agreement includes a Prop 98 funding level of \$110.3 billion in 2022-23, the highest level ever, reflecting a \$16.6 billion increase from the level adopted in the 2021 Budget Act. The budget also updates the Prop 98 minimum guarantee in prior years to be \$96.1 billion in 2019-20 and \$110.2 billion in 2020-21. This results in a total increase in Prop 98 funding of \$19.6 billion over the three-year budget period, compared to the Governor’s January Budget. The budget projects Prop 98 “Test 1” is operative in 2022-23.

**Per Pupil Spending for K-12 Education** – The budget includes total funding of \$128.3 billion (\$78.4 billion General Fund and \$49.9 billion in other funds) for all K-12 education programs. K-12 per-pupil funding totals \$16,991 Prop 98 (\$3,014 above the 2021 Budget Act) and \$22,850 per pupil when accounting for all funding sources.

### **Major K-12 Programs**

**Local Control Funding Formula (LCFF)** – The budget agreement includes a \$9 billion ongoing increase to the LCFF, including \$4.4 billion to provide a 6.56 percent cost-of-living

adjustment (COLA) and \$4.4 billion to increase LCFF base funding for school districts and charter schools. The budget agreement also includes \$101.2 million in ongoing Prop 98 funding to augment LCFF funding for county offices of education (COEs). Total LCFF funding for 2022-23 is \$75.7 billion, a 13 percent increase from the 2021 Budget Act.

The budget also includes \$100 million in one-time Prop 98 funding to expand the Community Engagement Initiative, administered by the California Collaborative for Educational Excellence, to improve engagement with students, families, staff, and other community members, which is the foundation of the LCFF and the Local Control Accountability Plan (LCAP) process.

**Average Daily Attendance (ADA) Decline** – The budget agreement includes changes to the LCFF calculation to help LEAs better manage declining enrollment and ensure schools are not penalized for COVID-related absences. Specifically, the budget allows school districts to use the greater of their current year, prior year, or the average of three prior years' ADA (ongoing), provides declining enrollment protections for classroom-based charter schools for the 2021-22 fiscal year and allows school districts, county offices and classroom-based charter schools that offered independent study to all students, in accordance with state requirements, to be funded at the greater of their current year ADA or their current year enrollment adjusted for pre-pandemic absence rates for the 2021-22 fiscal year. The cost of these proposals is estimated to be \$2.8 billion in ongoing funding.

**Learning Recovery Emergency Block Grant** – The budget agreement includes \$7.9 billion in one-time Prop 98 funding for the K-12 Learning Recovery Emergency Block Grant to be allocated based on unduplicated student counts, which includes low-income, English learners, and foster youth students. Specifies that funding is available for use through 2027-28 and shall be used to support academic learning recovery and staff and pupil social and emotional well-being. The budget agreement excludes this funding from the SAL because it is related to the state of emergency declared by the Governor relating to the COVID-19 pandemic.

**Expanded Learning Opportunities Program** – The 2021 Budget Act provided \$1 billion in ongoing funds and \$754 million in one-time Prop 98 funding for the Expanded Learning Opportunities Program, which by 2025-26 will provide all students in low-income communities with no-cost access to developmentally appropriate academics and enrichment activities each instructional day and for six weeks each summer. The budget agreement includes an additional \$3 billion in ongoing Prop 98 funding for the Expanded Learning Opportunities Program, for total program expenditures of \$4 billion in ongoing funding for after-school and summer options for students. Grant amounts include \$2,750 per unduplicated students in schools required to offer services to all students, and \$1,250 per unduplicated student in schools required to serve half their low-income, foster youth, and English learner students.

**Community Schools** – The 2021 Budget Act included \$3 billion in one-time Prop 98 funding to expand and implement the community school model in high-poverty communities. The

budget agreement includes an additional \$1.1 billion in one-time Prop 98 funding to expand access to community school grants to be allocated in 2023-24.

**School Facilities** – The budget agreement allocates \$1.4 billion in remaining Proposition 51 (Prop 51) bond funds and an additional \$1.3 billion in one-time General Fund in 2022-23 to support new construction and modernization projects through the School Facility Program. The budget agreement also states Legislative intent to provide an additional \$2 billion in 2023-24 and \$875 million in 2024-25 for the School Facility Program.

**School Transportation** – The budget agreement includes \$637 million in ongoing funding for Home-to-School Transportation (HTST). School districts and county offices of education will be reimbursed for transportation costs by either their HTST add-on amount and annual COLA, or up to 60 percent of their transportation costs and annual COLA. The budget also includes \$1.5 billion in one-time Prop 98 funding for LEAs to purchase zero and low-emission vehicles and charging stations through the California Energy Commission and the California Air Resources Board.

**School Nutrition** – The budget includes an additional \$611.8 million in ongoing Prop 98 funding to augment the state meal reimbursement rate sufficient to maintain the increased federal meal reimbursement rates that are scheduled to expire on June 30th, 2022. If the federal government extends the waiver that allows for higher federal reimbursement rates, any unused state funding would instead be made available for school kitchen infrastructure grants.

**Career and College Readiness** – The budget agreement includes a total of \$700 million in one-time Prop 98 funding for college and career readiness initiatives proposed in the May Revision, including \$200 million to expand Dual Enrollment options for high school students, and \$500 million for the Golden State Pathways Program to support the development and implementation of college and career educational pathways in critically needed sectors of the economy.

**Educator Workforce**- The budget agreement includes the following actions related to the educator workforce:

- \$250 million in one-time Prop 98 funding to create the Literacy Coaches program, which is intended to provide intensive literacy support for students in high-poverty schools. Funds are to hire literacy coaches and implement evidence-based literacy action plans for students from Preschool through grade 3 and their families.
- \$184 million in one-time Prop 98 funding to augment the Teacher Residency Grant program and expands eligibility to include school counselors.
- \$90 million in ongoing Prop 98 funding for the Classified Employee Summer Assistance program.
- \$85 million in one-time Prop 98 funding to create Pre-K-12 educator resources and professional learning to implement the Next Generation Science Standards, the California Math Framework, the California Computer Science Standards, and the math and science areas of the California Preschool Learning Foundations.

- \$35 million for the Educator Workforce Investment Grant for dual-language, special education, and computer science educators.
- \$24 million in one-time General Fund to waive certain teacher examination fees.
- \$20 million one-time Prop 98 funding to support a K-12 Teacher Residency Program Technical Assistance Center.
- \$20 million in one-time General Fund for the Integrated Teacher Preparation Program.
- \$15 million in one-time Prop 98 funding to support 6,000 teachers in completing the coursework necessary to receive supplementary state certification in reading and literacy.
- \$1.7 million in one-time Prop 98 funding to support educator recruitment through the Center on Teaching Careers.
- Expands eligibility of the Golden State Teachers program to include candidates seeking pupil personnel services credentials.

**Special Education** – The budget agreement includes an increase of \$500 million in ongoing Prop 98 funding to increase the per-student statewide base rate to \$820.

The budget also includes the following changes related to special education:

- Consolidates two special education extraordinary cost pools into a single cost pool to simplify the current funding formula and appropriates \$20 million in ongoing Prop 98 funding.
- Includes \$2 million in one-time Prop 98 funding for resources on inclusivity of students with disabilities, \$5 million in ongoing funding for Alternative Dispute Resolution, and \$5 million in increased federal IDEA funding for the expansion of Family Empowerment Center in regions without support.
- Adopts the January Budget proposal to calculate Special Education funding rates by LEA enrollment.
- Adopts the May Revision proposal for an Alternate Pathways to a Diploma and creates an Individuals with Disabilities Education Act (IDEA) Addendum for the LCAP.
- Adopts the May Revision proposal to allocate Special Education Mental Health Services funds to LEAs, beginning in the 2023-23 fiscal year.
- Provides \$30 million in one-time General Fund for the Special Olympics of Northern and Southern California.

**Arts and Music Block Grant** – The budget agreement includes \$3.48 billion in one-time Prop 98 funding for an Arts, Music, and Instructional Materials Discretionary Block Grant to be allocated to all LEAs based on ADA and can be used for specified purposes, including professional development, instructional materials, and operational costs related to arts and music.

**Categorical Programs** – The budget includes a 6.56 percent COLA for categorical programs outside the LCFF and Special Education, including: Child Nutrition, State Preschool, Youth in

Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

**Independent Study** – The budget agreement makes minor changes to the independent study program to clarify requirements for special education students, synchronous instruction allowances, and chronic attendance triggers for tiered re-engagement and signature timelines.

### **Early Childhood Education**

**Transitional Kindergarten (TK)** – Consistent with the 2021 Budget, the budget agreement expands TK eligibility and rebenches the Prop 98 level to accommodate enrollment increases, estimated to be \$611 million in 2022-23. This budget also reduces the adult-to-student ratio for TK to 1:24, at an estimated cost of \$383 million in ongoing Prop 98 funding. Additionally, the budget agreement provides \$300 million in one-time funding for additional PreKindergarten Planning and Implementation Grants and an additional \$650 million General Fund for the Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facility Grant Program.

The budget agreement includes trailer bill language allowing LEAs to utilize the existing short-term emergency permit process for LEAs that are unable to hire qualified TK educators, if certain conditions are met.

**Child Care and State Preschool** – The budget agreement includes the following actions related to child care and State Preschool:

- \$172.34 million ongoing General Fund and \$314 million in ongoing Prop 98 funding for the California State Preschool program to provide a 1.8 percent adjustment factor for three-year-olds, a 2.49 percent adjustment factor for students with exceptional needs, and a 1.1 percent adjustment factor for mental health services.
- \$250 million in one-time funding for the Inclusive Early Education Expansion Program.
- \$100.5 million in one-time federal funds for the child care facilities program for facilities renovation and repair.
- Extends the family fee waivers and attendance hold-harmless provisions across all child care programs, including California State Preschool programs, until June 2023.
- Expands eligibility for State Preschool to families at the state median income.

### **California Community Colleges**

The budget agreement includes the following actions related to community colleges:

- **Student-Centered Funding Formula (SCFF) Base Increase.** Includes \$600 million in ongoing Prop 98 funding for a base increase for community colleges, an increase from the Governor’s proposed \$375 million base increase.

- **SCFF Hold Harmless.** Creates a new funding floor based on districts' hold harmless level at the end of 2024-25. Specifically, starting in 2025-26, districts will be funded at their SCFF generated amount or their hold harmless amount in 2024 25, whichever is higher. Whereas SCFF rates would continue to receive a COLA in subsequent years, a district's hold harmless amount would not grow. The intent is to eventually get all districts funded under the SCFF.
- **Enrollment Growth.** Approves the May Revision proposal to support 0.5 percent enrollment growth.
- **Learning Recovery Emergency Block Grant.** Includes \$650 million in one-time Prop 98 funding for the Learning Recovery Emergency Block Grant to address barriers to learning, re-engagement strategies, grants to faculty to develop online, accelerated learning modules, professional development opportunities for faculty and student services professionals, investments to close the digital divide, cleaning supplies and personal protective equipment, or to discharge unpaid fees due or owed by a student to a community college in the district.
- **Facilities, Maintenance, and Equipment.** Approves the Governor's proposed Prop 51-supported capital expenditures and provides \$834.4 million in one-time Prop 98 funding for facilities maintenance and instructional equipment.
- **Part-Time Faculty Health Insurance.** Approves the Governor's Budget proposal to provide \$200 million in ongoing Prop 98 funding to augment the Part-Time Faculty Health Insurance Program. Includes Legislative intent to consider changes to the program to achieve parity between part-time faculty and multidistrict part-time faculty, maximize the State of California's investment in this program, and incentivize more community college districts to provide quality and affordable medical care coverage to part-time faculty and multidistrict part-time faculty.
- **Student Success Completion Grant.** Approves the May Revision proposal to adjust the Student Success Completion Grant (SSCG) and provides \$200 million ongoing Prop 98 funding to increase the SSCG award amount to about \$1,300 per semester for Cal Grant students taking more than 12 units and \$4,000 per semester for Cal Grant students taking more than 15 units.
- **Student Recruitment and Retention.** Approves the Governor's Budget proposal to provide \$150 million in one-time Prop 98 funding to support student recruitment and retention strategies.
- **COLA.** Provides a COLA to the Academic Senate, part-time faculty office hours, and part-time faculty compensation categorical programs. Also approves the May Revision proposal to include a COLA for the Disabled Student Programs and Services Program, Student Services for CalWORKs Recipients Program, Extended Opportunity Programs and Services Program, Campus Childcare Tax Bailout Program, Adult Education Program, and Mandates Block Grant program.
- **Career Pathways.** Approves the Governor's Budget proposal to provide \$130 million in one-time Prop 98 funding to support healthcare-focused vocational pathways for English language learners across all levels of English proficiency through the Adult Education Program.
- **Apprenticeship.** Approves the May Revision proposal to provide \$45 million in one-time Prop 98 funding to support the implementation of the California Healthy School Meals Pathway Program, a pre-apprenticeship, apprenticeship, and fellowship

workforce training pipeline pilot program for school food service workers. Also approves the May Revision proposal to increase reimbursement rates in apprenticeship programs to match the full-time equivalent student rate.

- **Classified Summer Bridget Program.** Approves the May Revision proposal to provide \$10 million in ongoing Prop 98 funding to establish the Classified Employee Summer Assistance Program for community college classified employees. Specifies that community college districts shall exclude any hours worked by the classified employee as a result of an extension of the academic year directly related to the COVID19 pandemic, if the hours would prevent the employee from being eligible for this program.
- **Financial Aid Offices.** Provides \$10 million in ongoing Prop 98 funding to support campus financial aid offices.
- **Faculty and Staff Diversity.** Provides \$10 million in ongoing Prop 98 funding to support the implementation of Equal Employment Opportunity best practices to diversify community college faculty, staff, and administrators.
- **Other Ongoing Augmentations.** Includes ongoing support for the following programs:
  - \$30 million in ongoing Prop 98 funding increase for the NextUp program for foster youth and eliminates the cap on the number of colleges that can participate in the program.
  - \$25.7 million in ongoing Prop 98 funding increase for Mathematics, Engineering, Science, and Achievement Program (MESA), for total funding of \$36.4 million.
  - \$25 million in ongoing Prop 98 funding increase for Extended Opportunity Programs and Services (EOPS), for a total of \$169.2 million.
  - \$25 million in ongoing Prop 98 funding increase for the Student Equity and Achievement program.
  - \$10 million in ongoing Prop 98 funding for Cooperative Agencies Resources for Education (CARES), for a total of \$30.9 million.
  - \$10 million in ongoing Prop 98 funding to increase the rapid rehousing program. Total ongoing spending on this program is \$19 million.
  - \$25 million in ongoing Prop 98 funding for the Disabled Students Programs and Services Program, for a total of \$159.7 million.
  - \$15 million in ongoing Proposition 98 General Fund augmentation to the Rising Scholars program to support the implementation of model programming for juvenile justice-impacted students.
  - \$10 million in ongoing Prop 98 funding increase to support the basic needs of community college students. Total ongoing spending on basic needs centers is \$40 million.
  - \$8 million in ongoing Prop 98 funding to support the Asian American, Native Hawaiian, and Pacific Islander Student Achievement Program.
  - \$3 million in ongoing Prop 98 funding increase for the Puente Project, for a total of \$12.3 million.
  - \$1 million in ongoing Prop 98 funding increase for the Umoja program to promote student success for African American students, bringing total state support for Umoja to \$8.5 million.
- **Other One-Time Augmentations.** Includes one-time funding for the following programs:



- \$105 million in one-time Prop 98 funding to support the systemwide implementation of a common course numbering system pursuant to the provisions of AB 1111 (Berman), Chapter 568, Statutes of 2021.
- \$65 million in one-time Prop 98 funding for community colleges to implement the transfer reform provisions required by AB 928 (Berman), Chapter 566, Statutes of 2021.
- \$64 million in one-time Prop 98 funding to establish the California Community College Equitable Placement and Completion Grant Program, which provides funding to colleges to support students in completing college-level math and English courses.
- \$30 million in one-time Prop 98 funding to create the Native American Student Support and Success Program to strengthen K-12 pathways to and through community college, including transfer to the UC and CSU systems, to ensure the educational success of Native American students.
- \$30 million in one-time Prop 98 funding to create the Hire Up program, which supports up to 10 community college districts for a five-year pilot program, to provide funding for stipends to formerly incarcerated individuals, CalWORKs recipients, and former foster youth.
- \$20 million in one-time Prop 98 funding to support emergency student financial assistance grants to eligible AB 540 students.
- \$25 million in one-time Prop 98 funding for the procurement and implementation of software to help students clearly map out intersegmental curricular pathways.

**Student Financial Aid** – The budget agreement includes changes to the Cal Grant Program through the Cal Grant Reform Act. However, implementation is subject to a determination made in May 2024 regarding state revenues. The act eliminates barriers to Cal Grant that will allow about 150,000 more California students to become eligible for an award, aligns Cal Grant eligibility with the new federal Student Aid Index, and creates the Cal Grant 2 program for community college students, which provides non-tuition support that grows annually with inflation, and the Cal Grant 4 program for students at UC, CSU and other institutions. The act also states legislative intent that UC and CSU use institutional aid to cover non-tuition costs for its students.

**University of California (UC) Labor Centers** – Includes an increase of \$13 million in ongoing General Fund to support the operations of existing UC Labor Centers and Occupational Safety and Health Programs and invest in similar new initiatives throughout the UC system.

**New Employee Orientation** – The budget agreement includes trailer bill language making changes to the new employee orientation process. Specifically, the bill requires until June 31, 2025, that an exclusive representative be entitled to schedule an in-person meeting at the worksite during employment hours, if a public employer has not conducted an in-person new employee orientation within 30 days and makes other changes.

cc: Joe Boyd  
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KH:bgs