



To: Dan Koen, Assistant Executive Director – Center for Organizing and Bargaining
Cc: CTA CSO and CTA Managers
From: Angela Su, Center for Organizing and Bargaining School Finance Specialist
Date: May 13, 2023
Re: Governor’s 2023-24 Education Budget – May Revision

BACKGROUND

With revenues coming in below projections for the Budget year, the state is now facing a shortfall of \$31.8 billion in 2023-24 (up from \$22.5 billion estimate in January). Despite this, the proposed 2023-24 Proposition 98 Guarantee for pre-K-12 schools and community colleges is projected to be \$106.8 billion (\$2 billion less than projected in January), with a few reductions in one-time funding in prior years and the highest funded COLA since the late 1970s. This memo highlights those budget proposals that may impact collective bargaining for public education employees. For details on all other education related items, please review the *Governor’s 2023-24 May Revision Memorandum* from Katie Hardeman, CTA Legislative Advocate, dated May 12, 2023.

BUDGET YEAR (2023-24) PROPOSALS

Local Control Funding Formula (LCFF)

Governor Newsom proposes to increase LCFF funding for school districts and charter schools by \$3.4 billion over 2022-23 levels. The cost-of-living adjustment (COLA) is **8.22%** for 2023-24, which the Governor proposes to fully fund. Additionally, the Administration proposes a \$300 million LCFF add-on, an “equity multiplier” to be based on school-site eligibility, to support the highest-needs schools continuing the proposal from January with additional program amendments provided as part of the May Revision.

County Offices of Education (COEs) would also see a proposed \$80 million in additional funding to support a cost-of-living adjustment (**8.22%**), ADA changes, and a 50% increase to the base grant allocation for differentiated assistance.

Transitional Kindergarten (TK)

The Administration proposes to continue investing in TK by expanding access in 2023-24 to all children turning five years old between September 2 and April 2 as was proposed in January. However, the proposal continues the delay in implementing the student-to-adult ratio reduction from 12:1 to 10:1 that was originally intended for 2023-24.

Proposition 98 Rainy Day Fund – Public School System Stabilization Account (PSSSA)

In 2019-20, for the first time ever, a deposit was required to be made to the Public School System Stabilization Account (the “Prop 98 Rainy Day Fund”). When the PSSSA balance is 3% or more of the K-12 portion of Proposition 98 funds for a fiscal year, the 10% district reserve cap limitation is triggered

(for more information see *C4OB Advisory: District Reserves Update (SB 751)*, January 2018, found on CTASearch). The PSSSA's \$9.9 billion ending balance from 2022-23 extends the school district reserve cap requirement into 2023-24.

State Pension Payments

The Budget includes \$3.9 billion for the statutorily required annual state contribution to CalSTRS. This contribution *does not* “buy down” employer contributions as has occurred in prior years.

Categorical Programs

For 2023-24, the May Revision proposes funding COLA (**8.22%**) and growth for select categorical programs that were kept outside the Local Control Funding Formula. These stand-alone categoricals include Special Education, Child Nutrition, State Preschool, Foster Youth, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facilities Grant, American Indian Education Centers, and the American Indian Early Childhood Education Program.

Other relevant programs noted in the Governor's Budget proposal:

- Arts and Music in Schools (AMS) – Funding Guarantee and Accountability Act (Prop 28, November 2022)
 - The May Revision modifies the funding estimate for 2023-24 to \$933 million (from \$941 million).
 - The California Department of Education (CDE) recently posted [Proposition 28 FAQs](#) which note that the first allocation and apportionment of the AMS will occur “later in FY 23-24.” This means that LEAs should be cautious about implementing this program in the early parts of 2023-24 as district level funding amounts and distribution timelines are still unclear.
 - The Administration also proposes to reduce the 2022-23 one-time allocation in the Arts, Music, and Instructional Materials Discretionary Block Grant from \$3.5 billion to approximately \$1.8 billion to help pay for the LCFF COLA.
- Learning Recovery Emergency Block Grant – The Administration proposes a decrease of \$2.5 billion in the one-time Learning Recovery Emergency Block Grant from the 2022-23 Budget. This would reduce the statewide allocation from \$7.9 billion to \$5.4 billion. The reduction will help fund the LCFF COLA.
- Bilingual Teacher Professional Development Program – The May Revision proposes an increase of \$20 million one-time to be available through the 2028-29.
- Expanded Learning Opportunities Program – In addition to the statutory changes proposed in the January Budget (LEAs do not incur penalties greater than their ELOP entitlement and the ability for LEAs to offer 30 non-school days during summer), the May Revision proposes additional time to expend ELOP funds allocated in 2021-22 and 2022-23 from June 30, 2023, to June 30, 2024.
- Nutrition – The May Revision includes an additional \$110 million one-time and \$191 million ongoing to fully fund the Universal School Meals program for 2022-23 and 2023-24.
- Educatory Workforce – The May Revision proposes the following program changes:
 - Increase Teacher and School Counselor Residency Grant Program per-candidate allocation to grantee LEAs and require a minimum stipend or salary be provided to residents.
 - Allow residence candidates to complete their service requirement in 8 years instead of 5.

- Allow teachers who were unable to finish their credential because they could not take the Teaching Performance Assessment during COVID to meet the requirement through completion of a Commission-approved induction program or two years of satisfactory teacher evaluations.
- Authorizing the Commission on Teacher Credentialing to issue a comparable California credential to any U.S. military servicemember or their spouse who possesses a valid out-of-state teaching or service credential when the candidate is relocated to California on military orders.
- Requiring the Commission to evaluate how transcript reviews can be conducted to assess basic skills and subject matter competence for teaching candidates to complete their credentialing requirements (instead of an exam).

Community Colleges (CC)

BUDGET YEAR (2023-24) PROPOSALS

- Apportionment funding – \$704.4 million.
 - Cost-of-living adjustment (COLA) – \$678 million (8.22%).
 - \$26.4 million for growth (0.5%).
 - \$503 million one-time to support the Student-Centered Funding Formula.
- COLA (8.22%) – Adult Education Block Grant, Extended Opportunity Programs, Disabled Student Programs, Student Services for CalWORKs, Mandate Block Grant, and Campus Childcare Tax Bailout.
- \$100 million one-time (down from \$200 million proposed in January) to support efforts to increase student retention rates and enrollment.
- \$362.6 million (\$50 million decrease from January due to revised participation estimates) for Student Success and Completion Grant Program.
- \$305 million one-time (reduced from \$650 million in January) for the COVID-19 Recovery Block Grant.
- \$14 million one-time for Workforce Training Grants.
- Deferred Maintenance – Decrease of \$452 million one-time.
- \$19.6 million ongoing decrease in Proposition 98 General Fund as a result of increased offsetting local property tax revenues.
- The May Revision proposes statutory changes to allow CCC districts spending flexibility on specified categorical programs (Student Equity and Achievement Program, Student Financial Aid Administration, and Student Mental Health Resources) starting in 2023-24. The proposed changes would stipulate that after 5 years the Chancellor’s Office would assess district-level progress in meeting 5 of the roadmap goals. CCC districts that do not make sufficient progress toward the roadmap goals would have their flexible spending authority revoked and be offered technical assistance.

For more details on these proposals, consult the [May Revision to the Governor’s 2023-24 Budget Summary](#).

BARGAINING IMPLICATIONS AND RECOMMENDATIONS

The Governor's May Revision of the January budget proposal takes us to the midpoint of the process during which the Legislature must reach consensus in the coming weeks with that with the initial budget adoption by mid-June.

We recommend consulting your CTA staff person to determine an appropriate bargaining strategy given the overall increase in school funding. The following list may guide discussions as chapters prepare to bargain.

- The Governor is proposing to fully fund the LCFF 8.22% COLA. This is a significant increase in ongoing funding. Make sure your LEA budgets for this increase and if not, push for the reasons why not.
- As districts ramp up TK expansion, chapters may want to bargain the impacts and effects of expanding TK and/or implementing full-day kindergarten. The working conditions for kindergarten teachers and support staff can change considerably from part-day to full-day and with additional students and staff, all of which should be bargained in advance of implementation.
- Get the data necessary to update your district financial analysis, including ending balance information, budget updates, and LCFF funding projections for 2023-24 based on the FCMAT LCFF (or alternative) calculator.
- Districts are well into the process of updating their Local Control and Accountability Plans (LCAP) for 2023-24. Locals should be asserting their rights to consult on the LCAP and demand to bargain over the impacts and effects of LCFF and LCAP implementation, BEFORE the LCAP is updated and approved by the local school board on or before July 1, 2023.
- LEAs may still overreact to the district reserve cap requirement. If LEAs are looking to spend down reserves, be sure to ask questions about the efficacy of that spending and assert demands as appropriate. It is important to note that LEAs can move or "prioritize" ending balances to avoid reducing their reserves to the cap level. Be vigilant and require explanations for such budgetary "sleights of hand."
- Resist bargaining formula or contingency language! Many components of the LCFF are still evolving so words or concepts used today may not have the same meaning or function in the future, making the application of formulas or contingencies more difficult than normal. Consult with your CTA staff person before heading down this path.

The CTA Center for Organizing and Bargaining will provide a more detailed analysis of the state budget after we examine the available materials more closely. C4OB staff will also provide additional information and advice in the coming weeks at meetings throughout the state.