



**MEMORANDUM**

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

**FROM: Katie Hardeman, Legislative Advocate**

**DATE: May 12, 2023**

**RE: Governor's 2023-24 May Revision**

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The following is a summary of the major components of the Governor's proposed 2023-24 May Revision related to Pre-K-12 education and community colleges. The May Revision includes updated revenue estimates and changes to the Governor's proposed January Budget.

**Governor Newsom's Overall Budget**

Governor Newsom's revised budget includes \$306 billion in total funds (\$224 billion General Fund). Since the release of the Governor's January budget, the state has seen monthly revenue shortfalls, resulting in a General Fund revenue estimate shortfall of \$9.3 billion at the May Revision. When combined with the \$22.5 billion shortfall at the January Budget and other adjustments, California is now facing a **\$31.5 billion** budget deficit. Further, the federal and state tax filing deadline delays provide greater uncertainty in the state's projected revenues.

The Governor proposes addressing the budget shortfall using a variety of solutions, including funding delays, funding reductions/pullbacks, fund shifts, trigger reductions, revenue generation, borrowing and a withdrawal of \$450 million from the Safety Net Reserve.

The May Revision includes \$37.2 billion in total budgetary reserves. These reserves include \$22.3 billion in the Budget Stabilization Account, \$10.7 billion in the Public School System Stabilization Account, \$450 million in the Safety Net Reserve, and \$3.8 billion in the state's operating reserve – the Special Fund for Economic Uncertainties. As the Budget Stabilization Account balance is at its constitutional maximum amount, a total of \$2.3 billion is required to be dedicated to infrastructure investments in 2023-24. The May Revision accelerates the paydown of state retirement liabilities as required by Proposition 2, with \$2.3 billion in additional payments in 2023-24 and approximately \$5.1 billion projected to be paid over the next three years.

**Tax Proposals** – The May Revision includes tax relief to Californians who have student loans or fees discharged as part of financial relief to individuals impacted by economic disruptions and hardships from the COVID-19 Pandemic. These changes were recently passed through legislation as part of early budget action.

The May Revision also maintains the January proposal to extend the existing Film and Television Tax Credit Program for five years beginning in 2025-26 and proposes to allow the credit to be "refundable"

prospectively, allowing for those productions without tax liability to be eligible for a tax refund at a discounted value over multiple years.

**Child Savings Accounts** – The CalKIDS program provides colleges savings accounts targeted to low-income and underrepresented public-school students, in addition to establishing college savings accounts for all newborns. The May Revision maintains the January proposal to utilize available resources within the program to increase incentive payments to parents choosing to open an account for their newborn child from \$25 to \$100.

### **Proposition 98**

The Proposition 98 (Prop 98) minimum funding level is estimated to be \$110.6 billion in 2021-22, \$106.8 billion in 2022-23, and \$106.8 billion in 2023-24, representing a three-year decrease in the minimum guarantee of \$2 billion compared to the Governor’s January Budget.

The Prop 98 Test 1 is projected to be operative for fiscal years 2021-22 through 2023-24, which means the Prop 98 guarantee is equal to approximately 38 percent of General Fund revenues, plus local property tax revenues.

The Governor’s May Revision maintains the commitment to “rebench” Prop 98 upward in 2023-24 to reflect the continued implementation of Universal Transitional Kindergarten (TK), with full implementation anticipated in 2025-26. The May Revision updates the cost to “rebench” Prop 98 from \$604 million at the January Budget to \$357 million at the May Revision to reflect revised enrollment estimates. Additionally, in 2024-25, the Prop 98 guarantee will be “rebenched” pursuant to the requirements of the Arts and Music in Schools – Funding Guarantee and Accountability Act (approved by voters in November 2022 with Prop 28), estimated to be \$933 million at the May Revision.

**Proposition 98 Rainy Day Fund** – Prop 2, enacted by voters in 2014, established the Public School System Stabilization Account, or Prop 98 Rainy Day Fund. The Governor’s January budget projected a balance of \$8.5 billion in this fund between 2021-22, 2022-23, and 2023-24. The May Revision estimates increased capital gains revenues, requiring \$2.2 billion in additional Prop 98 Rainy Day Fund deposits and increasing the total balance to \$10.7 billion, the constitutional cap for the 2023-24 fiscal year.

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 three percent of the total K-12 share of the Prop 98 guarantee. The balance of \$9.9 billion in 2022-23 continues to trigger school district reserve caps in 2023-24.

**Per Student Spending for TK-12 Education** – Under the Governor’s May Revision, TK-12 per-student funding totals \$17,444 Prop 98 and \$23,706 when accounting for all funding sources, slightly lower than projected in the January Budget.

### **K-12 Spending Proposals**

**Local Control Funding Formula (LCFF)** – The May Revision includes \$3.4 billion in ongoing Prop 98 funding to provide an 8.22 percent cost-of-living adjustment (COLA), updated from the 8.13 percent COLA in the Governor’s January budget. This increase brings total LCFF funding to \$79.3 billion. The May Revision includes \$2.7 billion in one-time funding to support the ongoing cost of the LCFF in 2023-24.

The Governor's January budget and May Revision include \$300 million in ongoing Prop 98 to establish an equity multiplier as an add-on to the LCFF. These funds will be allocated to local educational agencies (LEAs) based on school-site eligibility and will be targeted to support the highest-needs schools in the state. The Governor also proposes a comprehensive package of changes to the K-12 accountability and continuous improvement system. The May Revision makes clarifying changes to the accountability proposals, including assurances that all LEAs with low student performance address disparities in the preparation of their educators. The May Revision also includes \$2 million ongoing Prop 98 funding to support the newly proposed Equity Leads within the Statewide System of Support.

The May Revision includes an increase of \$80 million ongoing Prop 98 funding to support county offices of education serving students in juvenile court and other alternative school settings. Additionally, the May Revision includes a 50-percent increase to the base grant allocation that county offices of education receive to support their differentiated assistance work, in recognition of the lengthened timeline for differentiated assistance proposed at the Governor's Budget.

**One-Time Program Reductions** – The May Revision proposes reducing the following one-time programs adopted in the 2022 Budget Act:

- **Arts, Music, and Instructional Materials Discretionary Block Grant** – The Governor proposes a decrease of \$607 million one-time Prop 98 funding for the Arts, Music and Instructional Materials Block Grant, bringing total funding for the Block grant from \$2.3 billion at the January Budget to \$1.8 billion at the May Revision.
- **Learning Recovery Emergency Block Grant** – The Governor proposes a reduction of \$2.5 billion in one-time Prop 98 funding for the Learning Recovery Emergency Block Grant, bringing total funding for the Block Grant from \$7.9 billion at the January Budget to \$5.4 billion at the May Revision.

**Nutrition** – The Governor's January Budget included approximately \$1.5 billion ongoing Prop 98 funding for the Universal School Meals program, which also receives approximately \$2.6 billion in federal reimbursement. The May Revision includes an additional \$110 million one-time Prop 98 and \$191 million ongoing Prop 98 funding for 2022-23 and 2023-24 due to greater demand in the program.

**Literacy** – The May Revision proposes to require LEAs to begin screening students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year. The May Revision provides \$1 million in one-time Prop 98 funding to support the convening of an independent panel of experts to approve a list of screening instruments for these assessments and the Administration intends to fund professional development for this purpose in future budgets. Under the proposal, LEAs would be further required to provide support and services to students identified as at risk of reading difficulties, including dyslexia.

The May Revision maintains the proposed \$250 million in one-time Prop 98 funding to build on the existing Literacy Coaches and Reading Specialists Grant Program, which funds high-poverty schools to train and hire literacy coaches. The proposal also includes \$1 million in General Fund to create a Literacy Roadmap to help educators navigate these resources.

**Special Education** – The Governor's May Revision includes an 8.22 percent COLA for special education and maintains the policy changes proposed at the January Budget, including to:

- Limit the amount of additional funding that Special Education Local Plan Areas (SELPA) can retain for non-direct student services before allocating special education base funding to their member LEAs.
- Extend the moratorium on the creation of new single-district SELPAs by two years from June 30, 2024, to June 30, 2026.
- Increase fiscal transparency by requiring the California Department of Education to post each SELPA's annual local plan, including their governance, budget and services plans, on its website.

**Educator Workforce** – The Governor's January and May Revision budget does not include any additional funding specifically dedicated to the educator workforce/pipeline, but proposes the following policy changes:

- Increase the Teacher and School Counselor Residency Grant Program per-candidate allocation and require a minimum stipend or salary be provided to residents to better enable candidates to afford to pursue this pathway.
- Allow residency candidates to complete their service requirements in eight years instead of five years, and provide flexibility for candidates to fulfill their service requirement by teaching in schools outside of the sponsoring district.
- Allow teachers who were unable to finish their credential because they could not take the Teaching Performance Assessment during the COVID-19 pandemic to meet this requirement through completion of a Commission-approved induction program or through two years of satisfactory teacher evaluations.
- Authorize 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 services credential to provide instruction or services in the public schools of the state of issuance when the candidate is relocated to California on military orders.
- Require the Commission on Teacher Credentialing to evaluate how transcript reviews can be conducted to assess basic skills and subject matter competence for teaching candidates to complete their credentialing requirements without the need to take state-mandated exams.

**Expanded Learning Opportunities Program** – The 2022 Budget Act allocated \$4 billion ongoing Prop 98 funding to support the Expanded Learning Opportunities Program (ELOP). Beginning in 2023-24, LEAs will be required to offer expanded learning opportunities to all low-income students, English learners, and youth in foster care in elementary grades. LEAs with the highest concentrations of these students will be required to offer expanded learning opportunities to all elementary students.

The May Revision proposes to provide LEAs with additional time to expend the ELOP funding allocations by extending the expenditure deadline for ELOP funds received in 2021-22 and 2022-23 from June 30, 2023, to June 30, 2024.

**Categorical Programs COLA** – The May Revision includes a decrease of approximately \$1.7 million ongoing Prop 98 funding to reflect a change in the COLA for categorical programs from 8.13 at the January Budget to 8.22 percent at the May Revision and changes in enrollment projections. These categorical programs include special education, child nutrition, State Preschool, youth in foster care, the mandate block grant, American Indian education centers, and the American Indian early childhood education program.

**Other Proposals** – The May Revision maintains the following proposals included in the Governor’s January Budget:

- **School Facilities** – Reduces the School Facility Program by \$100 million General Fund, bringing the total allocation in 2023-24 from \$2.1 billion to \$2 billion. The Governor’s budget includes \$30 million in one-time Prop 98 funding to support eligible facilities costs for the Charter School Facility Grant Program.
- **Cultural Enrichment** – Provides \$100 million in one-time Prop 98 funding for LEAs to provide high school seniors with access to cultural enrichment experiences across the state by facilitating museum visits, access to theatrical performances or other enrichment activities.
- **Reversing Opioid Overdoses in Schools** – Includes \$3.5 million ongoing Prop 98 funding for all middle and high school sites to maintain at least two doses of medication to reverse an opioid overdose.
- **Fiscal Crisis Management Assistance Team Mentor Program** – Includes \$750,000 ongoing Prop 98 funding to support the professional development of LEA’s Chief Budget Officers through mentorship programming by the Fiscal Crisis and Management Assistance Team.

The May Revision includes the following new proposals:

- **Bilingual Teacher Professional Development Program**— Provides \$20 million one-time Prop 98 funding to be available through the 2028-29 fiscal year to support the Bilingual Teacher Professional Development Program.
- **Restorative Justice Practices**— Allocates \$7 million one-time Prop 98 funding to provide support for local educational agencies opting to implement the Restorative Justice best practices that will be developed and posted on the Department of Education’s website by June 1, 2024, pursuant to AB 2598 (Chapter 914, Statutes of 2022).
- **Golden State Teacher Grant Program**— Includes \$6 million one-time federal funds to support grants to teacher candidates enrolled in a special education teacher preparation program who agree to teach at a high-need school site. Additionally, the May Revision alters proposed statutory changes transmitted with the Governor’s Budget to maintain the requirement that awardees serve in high-need schools.
- **Bipartisan Safer Communities Act, Stronger Connections Program**— Allocates \$119.6 million one-time federal funds to support state-level activities related to school climate and safety through the Stronger Connections Program.

### **Early Childhood Education**

The Governor’s May Revision includes the following changes related to early childhood education:

**Transitional Kindergarten (TK)** – The Governor’s May Revision maintains the commitment to expand TK. Due to reduced TK enrollment projections at the May Revision, the first-year costs to expand access to all children turning five years-old between September 2 and February 2, are revised from \$604 million to \$357 million Prop 98 funding. Additionally, the first-year costs to add an additional certificated or classified staff person to every TK class (for a 12:1 student-to-adult ratio) is revised from \$337 million to \$283 million Prop 98 funding.

**State Preschool Program** – The May Revision provides an update COLA of 8.22 percent for the State Preschool Program. The May Revision reflects recent legislation that allows the California Department of Education (CDE) to use \$4.4 million General Fund and \$5.3 million Prop 98 funding from the 2022 Budget Act to continue to waive family fees from July 1, 2023 through September 30, 2023. The May Revision also reflects recent legislation that authorizes the CDE to utilize approximately \$112 million in available federal funds to provide employee stipends to the California State Preschool Program.

The May Revision maintains the proposal to provide \$64.5 million Prop 98 funding and \$51.8 million General Fund to increase the State Preschool Program adjustment factors for students with disabilities and dual language learners.

**Preschool, TK and Kindergarten Facilities** – The May Revision maintains the proposal to delay the planned \$550 million investment in 2023-24 for the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program until 2024-25.

### **California Community Colleges**

The Governor’s May Revision provides a total of \$12.3 billion in Prop 98 funding for the California community colleges (CCC) in 2023-24. The Governor’s May Revision proposes additional ongoing resources of approximately \$746 million to the CCCs appropriations and categorical programs, as compared to the 2022 Budget Act, somewhat lower than proposed in January. Specific spending proposals include:

- **Apportionments** – The May Revision includes \$678 million ongoing Prop 98 funding for an 8.22 percent COLA for community college apportionments, \$25.4 million more than the Governor proposed in January for a COLA of 8.13 percent. The May Revision also includes a decrease of \$2.4 million ongoing Prop 98 funding needed to sustain 0.5 percent enrollment growth. The May Revision proposes to use approximately \$503 million in one-time Prop 98 funding to support ongoing Student-Centered Funding Formula costs for 2023-24.
- **CCC Categorical Program COLA** – The May Revision includes an additional \$3 million ongoing Prop 98 funding to provide an 8.22 percent COLA for select categorical programs and the Adult Education Program, on top of the approximately \$92 million included in the Governor’s January Budget.
- **Student Success and Completion Grant Program** – The May Revision proposes a decrease of \$50 million one-time Prop 98 funding to reflect revised program participation estimates, bringing the cumulative 2023-24 support for this program to a total of approximately \$362.6 million.
- **California Community College COVID-19 Recovery Block Grant**— The May Revision includes a decrease of approximately \$345 million one-time Prop 98 funding in support of the California Community College COVID-19 Recovery Block Grant, bringing the block grant amount to \$305 million one-time Prop 98 funding.
- **Student Enrollment and Retention** – The May Revision includes a reduction of \$100 million in one-time Prop 98 funding to support community colleges’ efforts and strategies to increase student retention rates and enrollment, bringing the total in 2023-24 to \$100 million one-time Prop 98 funding. This proposed funding is building on the one-time investments of \$120 million in 2021-22 and \$150 million in 2022-23.

- **Categorical Flexibility** – The May Revision proposes to provide all CCC districts with spending flexibility beginning in 2023-24 for the following categorical programs:

- Student Equity and Achievement Program
- Student Financial Aid Administration
- Student Mental Health Resources

The proposal would stipulate that after five years, the CCC Chancellor’s Office would assess district-level progress in meeting certain roadmap goals and districts not making progress would have their spending flexibility revoked and offered technical assistance. The May Revision also proposes to expand eligible uses of the funding for the CCC Strong Workforce Program funding, including providing funds for student grants to cover fees for their-party certification and licensing and supporting applied and experiential learning in the workplace.

- **Deferred Maintenance** – The May Revision includes a decrease of approximately \$239 million one-time Prop 98 funding for deferred maintenance needs, for a total reduction of \$452 million one-time Prop 98 funding when combined with the reduction proposed in the Governor’s January Budget.
- **Enrollment Monitoring** – The May Revision does not include a specific proposal related to adjusting district budgets due to lost enrollment. However, the Administration has indicated that they will continue to monitor district-level enrollment trends.
- **Other Programs** – The May Revision maintains the following proposals included in the Governor’s January Budget:
  - **Workforce Training Grants** – Includes an increase of \$14 million one-time Prop 98 funding to support the administration of workforce training grants in collaboration with the California Department of Forestry and Fire Protection.
  - **Chief Business Officer Mentorship Program** – Provides \$275,000 Prop 98 funding (of that \$200,000 is ongoing) to develop a community college chief business officer professional learning program, administered by the Fiscal Crisis Management Assistance Team to improve district leadership and fiscal accountability.

The May Revision includes the following new CCC proposals:

- **LGBTQ+ Pilot Project**—An increase of \$10 million a year for three years Prop 98 funding to support the Los Angeles Community College District LGBTQ+ Pilot Project.
- **East Los Angeles College Entrepreneurship and Innovation Center**— Provides an increase of \$2.5 million one-time Prop 98 funding for the East Los Angeles College Entrepreneurship and Innovation Center.

**Student Housing** – The 2021 and 2022 Budget Acts included a total of \$2.2 billion, over a three-year period, for the Higher Education Student Housing Grant program, to provide grants for the CCCs, CSU and UC to construct student housing for low-income students. The Governor’s January budget proposed to delay \$250 million of the anticipated 2023-24 funding to the 2024-25 fiscal year. The May Revision instead proposes \$450 million in one-time General Fund for 2023-24 and \$95.4 million one-time General Fund for 2024-25 for CCC affordable student housing projects. The May Revision also proposes to shift approximately \$1.1 billion in current and planned General Fund support for UC and CSU affordable student housing grants from General Fund to UC and CSU-issued bonds, and reflects an increase of \$75 million in ongoing General Fund to support the debt service on those bonds.

Additionally, the 2022 Budget Act included intent language to provide \$1.8 billion one-time General Fund over a two-year period in 2023-24 and 2024-25, to establish a student housing revolving loan program for the UC, the CSU, and the CCCs. The Governor's May Revision maintains the proposal from January to delay \$900 million planned in 2023-24 to the 2025-26 fiscal year and delay \$250 million from the 2024-25 fiscal year to the 2025-26 fiscal year. This delay would result in \$650 million in 2024-25 and \$1.15 billion in 2025-26 being available for the program.

*Please note these are only highlights and more details will be forthcoming.* As always, please keep in mind, this is only a "proposal" and must be negotiated through the Legislative process.

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