

WESTERN PLACER UNIFIED SCHOOL DISTRICT
An Overview of the 2022-23 Governor’s May Revision
Overview of the Governor’s Budget Proposals

On May 13, 2022, Governor Gavin Newsom released his revised proposal for the 2022-23 State Budget. Given the state revenue windfall since January, the Governor has significantly expanded upon his proposals from the Governor’s Budget just four months ago.

Governor Gavin Newsom’s \$300.7 billion budget spending plan is to “provide relief from rising inflation, ensure public safety, address homelessness, transform public education, and combat climate change.” General Fund revenues are estimated to be nearly \$55 billion higher than in January, four short months ago.

Outside of education, the Governor is focused on inflation relief in the form of direct payments to Californians; significant infrastructure investments, including broadband and new housing; a commitment to address the effects of climate change; increased support in public safety; universal preschool, health care accessibility, environmental clean-up, and violence prevention.

As it relates to education funding in the May Revision, some of the significant proposals that help the state spend below its Gann Limit are highlighted below, including increased investments to the State School Facility Program, funding for deferred maintenance, and infrastructure to support the new Universal Meals Program.

Economy and Revenues

In response to the robust revenue collections from January through April, Governor Newsom has revised his estimated revenue collection for 2021-22 upward by \$30.8 billion. This upward revision recognizes both the robust revenue collections to date and assumes that the increased tax collection will continue through the end of the year.

| Big Three Taxes for 2021-22 (in billions) | | |
|--|---------------------|-----------------|
| | January 2022 | May 2022 |
| Personal Income Tax | \$120.9 | \$136.4 |
| Sales and Use Tax | \$30.9 | \$32.7 |
| Corporation Tax | \$32.9 | \$46.4 |
| Total | \$184.7 | \$215.5 |

This positive forecast is also reflected in the estimated tax revenues for 2022-23 as the Governor has increased the estimates from January by \$23.8 billion.

| Big Three Taxes for 2022-23 (in billions) | | |
|--|---------------------|-----------------|
| | January 2022 | May 2022 |
| Personal Income Tax | \$130.3 | \$137.5 |
| Sales and Use Tax | \$32.2 | \$34.0 |
| Corporation Tax | \$23.7 | \$38.5 |
| Total | \$186.2 | \$210.0 |

WESTERN PLACER UNIFIED SCHOOL DISTRICT An Overview of the 2022-23 Governor's May Revision

In spite of the increased revenues, the Governor used much of his introductory statement paralleling the current tax collections with the robust tax collections in 2000. The words were meant as a warning, and signal that history may be on the cusp of repeating itself—that had the Legislature known that a crash was about to happen in 2000, much more of the surplus would have been allocated in one-time investments.

Proposition 98 Minimum Guarantee, Reserve, and Local Reserve Cap

As California's larger economy prospers, yielding tens of billions of dollars more in unanticipated revenue for the state General Fund, funding for K-12 and community college agencies has skyrocketed. This is because the Proposition 98 minimum guarantee is determined by the Test 1 formula, which ensures that funding for public K-14 education receives approximately 40 cents of every state General Fund dollar. According to the May Revision, the Proposition 98 minimum guarantee across the three-year State Budget window has increased by \$19.6 billion above Governor Newsom's January Budget estimates.

Proposition 98

The 2022-23 May Revision includes Proposition 98 funding of \$110.3 billion for 2022-23. This is an increase of nearly \$19.6 billion over the three-year budget window (2020-2023) compared to the January Governor's Budget. The Proposition 98 funding levels for the current budget year (2021-22) and last year (2020-21) have been revised upward to \$110.2 billion and \$96.1 billion, respectively.

The May Revision projects that Public School System Stabilization Account (PSSSA) deposits will be required in the amount of \$9.5 billion. This balance triggers a cap of 10% on school district reserves beginning in 2022-23.

Thus, local school districts will need to take action to comply with the law with the adoption of their budgets by June 30, 2022, as well as anticipate that the cap on their reserves will be in place for the foreseeable future.

Local Control Funding Formula, Cost-of-Living Adjustment, and Average Daily Attendance

As part of the January State Budget, the Governor proposed increasing funding for the Local Control Funding Formula (LCFF) by the then-estimated statutory cost-of-living-adjustment (COLA) of 5.33%. In addition, he proposed amending how school districts are funded under the LCFF by building upon current law and allowing school districts to calculate LCFF funding based on the greater of prior, current, or the average of three prior years' average daily attendance (ADA).

With the May Revision, the statutory COLA for LCFF has increased to 6.56%, which the Administration proposes to fully fund. The other education programs that are funded outside of the LCFF—Special Education, Child Nutrition, Foster Youth, Mandate Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education program—will also receive the 6.56% statutory COLA.

WESTERN PLACER UNIFIED SCHOOL DISTRICT An Overview of the 2022-23 Governor’s May Revision

Further, the Administration includes three other proposals in the May Revision.

1. Provide an additional \$2.1 billion in ongoing Proposition 98 General Fund monies to increase LCFF base funding. The Budget summary notes that this additional funding is meant “to mitigate the impacts of rising pension obligations, increased costs for goods and services, and other ongoing local budget concerns.”
2. An additional \$101.2 million in ongoing Proposition 98 General Fund to augment LCFF funding for county offices of education that are facing cost pressures similar to school districts and charter schools.
3. To mitigate the drop in enrollment, and subsequent ADA that is being experienced in 2021-22 by local educational agencies (LEAs) due to the pandemic. To do this, the May Revision proposes allowing all classroom-based LEAs the ability to be funded in 2021-22 on the greater of their current-year ADA or their current-year enrollment adjusted for pre-COVID-19 absence rates. The proposal to allow school districts the use of the average of the three prior years’ ADA for LCFF funding purposes will be adjusted to allow for this change in 2021-22.

LCFF Entitlements for School Districts and Charter Schools

The base grants by grade span for 2022-23 are increased over 2021-22 by the estimated statutory COLA of 6.56%. Not included in the table below are the impacts of the additional \$2.1 billion proposed to increase LCFF base funding.

| Grade Span | 2021-22 Base Grant Per ADA | 6.56% COLA | 2022-23 Base Grant Per ADA |
|------------|----------------------------|------------|----------------------------|
| TK-3 | \$8,093 | \$531 | \$8,624 |
| 4-6 | \$8,215 | \$539 | \$8,754 |
| 7-8 | \$8,458 | \$555 | \$9,013 |
| 9-12 | \$9,802 | \$643 | \$10,445 |

The Transitional Kindergarten (TK)-3 base grant increase for the class-size reduction (CSR) grade span adjustment is \$897 per ADA in 2022-23, and the grade 9-12 base grant per ADA is increased by \$272 in recognition of the need for Career Technical Education (CTE) courses provided to students in the secondary grades.

School districts and charter schools are entitled to supplemental grant increases equal to 20% of the adjusted base grant (including CSR and CTE funding) for the percentage of enrolled students who are English learners, eligible for the free or reduced-price meals program, or in foster care. Both the grade span adjustments and supplemental grant amounts would increase proportionately should the LCFF base funding be increased by the proposed \$2.1 billion.

WESTERN PLACER UNIFIED SCHOOL DISTRICT

An Overview of the 2022-23 Governor's May Revision

Universal Transitional Kindergarten

The May Revision makes no significant changes to the state's plan to achieve Universal TK in 2025-26 by expanding the age eligibility window each year beginning with the 2022-23 school year. Next year, LEAs will be required to offer TK to any student whose fifth birthday occurs between September 2 and February 2, inclusively, and maintain average TK classroom ratios of 12 to 1. The Governor's January State Budget proposed to pay for the additional cost of lower classroom ratios by providing a TK add-on equal to \$2,813 per TK ADA, and to pay for the increased students being served by TK expansion with a \$640 million increase to Proposition 98 funding. The May Revision reduces the estimated cost of TK expansion by \$25.2 million, to \$614 million, due to decreased estimates for TK enrollment in 2022-23.

Perhaps the most significant proposal in the May Revision relative to universal TK is allowing preschool teachers with preschool teaching permits, who have bachelor's degrees that meet basic skills requirements and who are enrolled in coursework toward a teaching credential, to teach TK. The May Revision proposes to sunset this flexibility on June 30, 2026.

Special Education

The Governor makes no significant changes to his proposals in January for students with disabilities, which included:

- \$500 million in Proposition 98 General Fund dollars above the 6.56% COLA
- \$500 million one-time funding for the Inclusive Early Education Expansion Program to support general education and special education students in inclusive preschool classrooms and facilities
- Serving at least 10% students with disabilities and providing children with an individualized education plan categorical eligibility to participate in State Preschool

According to the Department of Finance, the per-ADA Assembly Bill 602 rate will remain unchanged at the May Revision, at \$820 per ADA in 2022-23, due to downward ADA growth adjustments.

One-Time Discretionary Dollars

The Governor's May Revision proposes \$8 billion in one-time Proposition 98 dollars on a per-pupil basis to K-12 LEAs (estimated at \$1,360 per pupil). It is the Administration's intent that these discretionary one-time dollars be used to address student learning challenges, protecting staff levels and supporting the mental health and wellness of students and staff. These funds would also serve as an offset to any outstanding mandate debt owed to LEAs.

Nutrition

To help with the implementation of the Universal Meals Program, the Governor's January State Budget proposal included \$596 million, to provide two free meals per day to any student that requests a meal, on top of \$54 million provided in the 2021 State Budget Act. Essentially, this is what the Administration is projecting the program to cost the state after accounting for federal reimbursement. The May Revision continues to include this augmentation.

WESTERN PLACER UNIFIED SCHOOL DISTRICT An Overview of the 2022-23 Governor's May Revision

Recall that California schools were reimbursed through the federal Seamless Summer Option for providing all students with a subsidized meal; however, this option is set to expire on June 30, 2022. In turn, the Administration is also proposing an additional \$611.8 million ongoing to maintain meal reimbursement rates beginning in 2022-23 so LEAs can continue to offer students high-quality, nutritious subsidized meals. If the federal government extends the flexibilities, any unused state funding for rate increases in 2022-23 will go towards kitchen infrastructure grants.

Finally, the Governor's proposal includes an increase of \$45 million one-time to support the implementation of the California Healthy School Meals Pathway Program, which supports workforce readiness for school food service workers.

Early Childhood Education

In addition to maintaining the proposed investments to expand access to state subsidized child development programs and increase provider reimbursement rates, the May Revision includes several new proposals, largely designed to mitigate the continuing effects of COVID-19 and to address the pressures that historic inflation rates put on California's neediest families. These proposals include:

- \$157.3 million to waive family fees for state subsidized programs through June 30, 2023
- Holding funding for child development contractors and providers harmless for the 2022-23 year, including reimbursing voucher-based providers based on authorized hours of care rather than actual hours of care
- Increased \$34 million investment in the California State Preschool Program for adjustment factors for children with disabilities and dual language learners

K-12 School Facilities

The May Revision adds \$1.8 billion General Fund to support new construction and modernization projects through the School Facility Program with the following allocation:

- \$2.2 billion one-time General Fund in 2021-22,
- \$1.2 billion one-time General Fund in 2023-24, and
- \$625 million one-time General Fund in 2024-25.

The new \$1.8 billion would begin in 2023-2024, assuming the \$3.9 billion is sufficient to be sustained for 2021-22 and 2022-23.

The May Revision also includes approximately \$1.8 billion one-time Proposition 98 General Fund for deferred maintenance and assumes the Office of Public School Construction continues to process applications according to its existing capacity. Every district or charter school that is in a district-owned facility would get a minimum of \$100,000 and the remainder would be distributed to LEAs and county offices based on unduplicated pupil counts.

WESTERN PLACER UNIFIED SCHOOL DISTRICT

An Overview of the 2022-23 Governor's May Revision

Expanded Learning Opportunities Program

In the Governor's January State Budget proposal, funding for the Expanded Learning Opportunities Program (ELOP) was proposed to increase to \$4.4 billion ongoing. In the May Revision, additional ongoing funds are proposed to raise the funding level to \$4.8 billion starting in 2022-23. At this higher level of funding, school districts and charter schools will receive \$2,500 for every student eligible for the program that is low-income, an English language learner, or in foster care. The implementation plan proposed earlier this year remains, such that compliance via the audit process would not start until 2023-24. In addition, as proposed, starting in 2023-24, LEAs with an unduplicated pupil percentage (UPP) greater than or equal to 75% must offer the program to all students in grades TK-6. LEAs with a UPP below 75% would only be required to offer the program to unduplicated students in grades TK-6 and provide access to at least half of these students.

The May Revision also adds \$63 million to the one-time ELOP infrastructure funds that the Governor proposed in January, bringing this total grant to \$1 billion. These funds are intended for infrastructure and arts and music programming needs for the ELOP.

Other One Time Proposals

Community Engagement

Prioritizing community support and engagement through positive relationships with LEAs, Governor Newsom proposes an increase of \$100 million one-time funds to expand the Community Engagement Initiative to additional LEAs. The intention is to bolster relationships between LEAs and the communities they serve. To date, the Community Engagement Initiative, administered by the California Collaborative for Educational Excellence with an initial investment of \$13.3 million in 2018, has supported several dozen LEAs through peer-to-peer coaching.

Categorical Program COLA

The May Revision increases the statutory COLA provided in the January Governor's Budget to 6.56%. This is extended to select categorical programs as well, and an additional \$62.1 million is provided for this purpose.

Educator Workforce

Teacher and School Counselor Residencies

The May Revision provides \$500 million one-time Proposition 98 General Fund to expand residency slots for teachers and school counselors. It also proposes a statute to expand eligibility for the Golden State Teacher Grant Program to school counselor, social worker and psychologist candidates.

WESTERN PLACER UNIFIED SCHOOL DISTRICT

An Overview of the 2022-23 Governor's May Revision

Educator Support for Science, Technology, Engineering and Mathematics (STEM) Instruction

The May Revision includes \$85 million one-time Proposition 98 General Fund to create PK through grade 12 educator resources and professional learning to implement STEM instruction and support the alignment of other state STEM educator support initiatives. It also includes \$300 million one-time Proposition 98 General Fund for LEAs to prioritize STEM educator support and professional learning through the Educator Effectiveness Block Grant.

The May Revision also provides, over a three-year period, \$15 million one-time General Fund to continue the work focused on computer science and \$15 million one-time Proposition 98 General Fund focused on support for special education and English-language-learner students in the Educator Workforce Investment Grant Program.

Minimum Wage

California's minimum wage is projected to increase to \$15.50 per hour for all workers effective January 1, 2023, triggered by increasing costs due to inflation. Per Labor Code, the minimum wage rate will be adjusted annually for inflation based on the national consumer price index for urban wage earners and clerical workers (CPI-W). Because the CPI-W exceeded 7%, the first adjusted increase was accelerated; therefore, employees will be guaranteed the \$15.50 rate even if they work for small employers—those employers with 26 employees or less.

Areas That Were Not Addressed In the May Revision

In a proposal that unfortunately does not benefit LEAs but recognizes the prudence of paying down liabilities when cash is available, Governor Newsom proposes \$11 billion of supplemental payments for the next four years to reduce state retirement liabilities. Therefore, the California State Teachers' Retirement System and the California Public Employees' Retirement System employer rates for 2022-23 would remain as set recently by each board, at 19.1% and 25.37%, respectively.

Also, no significant changes were presented in the May Revision in the areas of school transportation, independent study, college and career preparation, and early literacy.

WESTERN PLACER UNIFIED SCHOOL DISTRICT

An Overview of the 2022-23 Governor's May Revision

Next Steps

At the State level:

- Budget Committees conduct broad overview
- LAO issues detailed review of Governor's May Revision
- Budget Subcommittee process
- Negotiations between the Governor and Legislature
- On time State budget - June 15th requirement

At the local level – WPUSD

- **June 7, 2022 Board Meeting** – Public Hearing of WPUSD Local Control and Accountability Plan (LCAP) and 2022-23 Preliminary Budget
- **June 21, 2022 Board Meeting** – Adopt WPUSD Local Control and Accountability Plan (LCAP) and 2022-23 Adopted Budget
- **State Budget Approval (June 15th Deadline)**– WPUSD presents 45-day District budget revision if material changes from Adopted Budget