

WESTERN PLACER UNIFIED SCHOOL DISTRICT

An Overview of the 2023-24 Governor’s May Revision Proposals

On May 12, 2023, Governor Gavin Newsom released his revised proposal for the 2023-24 State Budget.

Governor Gavin Newsom’s spending plan in May attempts to reach a balance of protecting existing investments while anticipating continued economic uncertainties. Revenues have continued to underperform since the release of the Governor’s proposals in January, forcing the Administration to now recognize a \$31.5 billion budget shortfall, an increase of \$9.3 billion since January 2023.

Despite this uncertainty, education falls into the category of an investment to protect, and Governor Newsom fully funds the historically large cost-of-living adjustment (COLA) for K-14 education; however, doing so comes at the expense of one-time funds reduced in the current year, some of which have already hit local educational agencies.

Echoing his warnings in January, the Governor’s summary states “should broader economic risks materialize, deeper reductions will be necessary.”

The Economy and Revenues

Governor Gavin Newsom began his press conference unveiling his May Revision for the 2023-24 State Budget highlighting California’s progressive socio-economic disposition. Because the state’s progressive tax system conditions state General Fund revenues on a small fraction of its population, fifty percent of all personal income taxes is paid by 1% of California residents, whose income relies heavily on Wall Street performance. Consequently, a near 20% decline in the S&P 500 is reflected in significantly less personal income tax withholdings late in 2022. What was a \$22.5 billion budget deficit in January now stands at \$31.5 billion at the May Revision, or a net reduction of \$8.5 billion in state revenues from January.

In Millions	2021-22		2022-23		2023-24	
	Governor's Budget	May Revision	Governor's Budget	May Revision	Governor's Budget	May Revision
Personal Income Tax	\$136,762	\$137,144	\$128,905	\$122,769	\$126,695	\$118,136
Corporation Tax	\$45,298	\$45,128	\$38,482	\$42,091	\$39,308	\$42,081
Sales Tax	\$32,915	\$33,026	\$32,851	\$33,072	\$33,599	\$33,366
Total	\$214,975	\$215,298	\$200,238	\$197,932	\$199,602	\$193,583

The May Revision, and what will become the 2023-24 Enacted Budget in late June, presents the riskiest California budget in over a decade. The Governor enumerated the risks to the budget to include Washington D.C.’s inability to reach a deal on the federal debt ceiling, the increased cost of borrowing due to interest rate hikes by the Federal Reserve, and, lastly, the delay of personal income and corporation tax revenues until mid-October.

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On this last risk, Governor Newsom shared that an estimated \$42 billion in anticipated revenue (or 19% of state General Fund revenues included in his May Revision) are due to come in the fall—\$28.4 billion from personal income tax receipts and \$13.3 billion in corporation taxes. Outstanding personal income taxes represent approximately 23% of all such revenue while outstanding corporation taxes represent 32% of all such revenues in 2022-23.

The Governor underscores the need for budgetary resilience and prudence while maintaining investments designed to transform the lives of Californians—education, housing affordability, healthcare, public safety, and jobs, among others. The May Revision retains \$37.2 billion in budget reserves, including \$22.3 billion in the Budget Stabilization Account and \$10.7 billion in reserves for K-12 agencies and community colleges.

Local Control Funding Formula and Cost-of-Living Adjustment

As part of the January Governor’s Budget, the Governor proposed increasing funding for the Local Control Funding Formula (LCFF) by the then-estimated statutory COLA of 8.13%. **With the May Revision, the statutory COLA for the LCFF has increased to 8.22%**, which the Administration proposes to fully fund. The other education programs that are funded outside of the LCFF—Special Education, Child Nutrition, State Preschool, Foster Youth and Mandate Block Grant, will also receive the 8.22% statutory COLA.

For WPUSD this COLA increase of 0.09% reflects a Base LCFF increase of approximately \$65,000.

LCFF Entitlements for School Districts and Charter Schools

Grade Span	2022-23 Base Grant per ADA*	8.22% COLA	2023-24 Base Grant per ADA
TK-3	\$9,166	\$753	\$9,919
4-6	\$9,304	\$765	\$10,069
7-8	\$9,580	\$787	\$10,367
9-12	\$11,102	\$913	\$12,015
*Average daily attendance (ADA)			

The TK-3 base grant increase for the class-size reduction (CSR) grade span adjustment is \$1,032 per ADA in 2023-24 and the grade 9-12 base grant per ADA is increased by \$312 in recognition of the need for Career Technical Education (CTE) courses provided to students in the secondary grades.

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Universal Transitional Kindergarten

The Governor continues to prioritize implementation of universal transitional kindergarten (UTK), maintaining the target of 2025-26 for full implementation. The cost of the 12:1 TK ratio for 2023-24 is unchanged from the Governor's Budget.

Special Education and Reading Difficulties

As a result of the slightly higher 8.22% COLA, the per-ADA Assembly Bill 602 rate will increase from \$820 in 2022-23 to \$887.40 in 2023-24. In January, the Newsom Administration proposed to require Special Education Local Plan Areas (SELPA) to send at least as much funding to their member LEAs in 2023-24 as they did in 2022-23 plus COLA.

To support early identification and intervention to improve literacy outcomes for pupils that have or are at risk of having reading difficulties, the May Revision proposal would require LEAs to begin screening pupils in kindergarten through second grade for reading difficulties, including dyslexia, by the 2025-26 school year. In the meantime, the Governor proposes providing \$1 million in one-time funding to support the convening of a panel of experts to approve screening instruments for these assessments. The intent is to fund professional development for the utilization of these devices in future budgets.

Universal Meals

The current 2022-23 school year saw the implementation of universal school meals, a requirement that LEAs provide two free meals per school day to every student who requests it, regardless of the student's eligibility for subsidized school meals. The 2022-23 Enacted Budget included approximately \$1.4 billion in ongoing Proposition 98 funding for state reimbursement for universal school meals. The California Department of Education has projected a shortfall for the Universal School Meals Program in the current year because of greater demand for meals that are reimbursed in the paid meal category relative to meals reimbursed in the free and reduced-price meals categories. The May Revision includes an additional \$110 million one-time Proposition 98 funds for 2022-23 and approximately \$191 million ongoing Proposition 98 in 2023-24 to fully fund the program.

Expanded Learning Opportunities Program

The May Revision does not propose any funding or programmatic changes to the Expanded Learning Opportunities Program (ELO-P) but does propose a one-year extension so that funding apportioned in 2021-22 must now be spent by June 30, 2024 (instead of June 30, 2023), the same deadline that applies to 2022-23 ELO-P funds.

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One-Time Reductions

Proposition 28 - Art and Music Program

The voter-approved Proposition 28 requires the state to provide arts and music funding for schools outside of the Proposition 98 minimum guarantee beginning with the 2023-24 fiscal year. Annual Proposition 28 funding is required to be equal to 1% of the K-12 share of the minimum guarantee from the prior fiscal year. The Administration estimates that it will cost \$933 million to fully fund the Proposition 28 obligation for the 2023-24 fiscal year, a decrease of \$8 million from the estimate provided in January.

2022/23 Arts, Music, and Instructional Materials Discretionary Block Grant

The Governor proposes an additional decrease of \$607 million in one-time funding to the Arts, Music, and Instructional Materials Discretionary Block Grant. This reduction is on top of the \$1.2 billion reduction proposed in January, bringing the total reduction to \$1.8 billion, or 51% of the amount provided in 2022-23 Enacted Budget for this program.

- WPUSD had reduced the 2022/23 original one-time allocation of \$4.4 million by \$1,500,000 in January based on the proposed January budget
- **For WPUSD the May Revision proposal will reduce the available program funds by an additional \$700,000 for a total of \$2,200,000.**
- Staff is evaluating the multi-year budget plan to determine where the additional reductions are to be made and alternate funding sources.

2022/23 Learning Recovery Emergency Block Grant

The Governor proposes with his May Revision to reduce funding for the 2022/23 Learning Recovery Emergency Block Grant by \$2.5 billion in one-time Proposition 98 funding. This would bring total funding for this program to \$5.4 billion, a decrease of about 32%.

- **WPUSD - The May Revision proposal would reduce the 2022-23 original one-time program allocation of \$5.4 million by \$1,700,000.**
- Staff is evaluating the multi-year budget plan to determine where the reductions are to be made and alternate funding sources

WPUSD 2022/23 Enrollment and Average Daily Attendance (ADA) Rate

In April the District's P-2 (April 2023) attendance reporting came in right on target with our budgeted ADA funding and ADA rate. At Second Interim we budgeted a 93% ADA rate and at P-2 showed a 93.5% ADA rate.

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In Closing

At the May Revision, the focus is on what the Governor has changed since his January proposals. In that regard, no significant changes were presented in the May Revision.

What *has changed* is a significant increase in cuts to current-year 2022-23 one-time funding to shore up the ongoing LCFF expense.

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 6, 2023 Board Meeting** – Public Hearing of WPUSD Local Control and Accountability Plan (LCAP) and 2023-24 Preliminary Budget
- **June 20, 2023 Board Meeting** – Adopt WPUSD Local Control and Accountability Plan (LCAP) and 2023-24 Adopted Budget
- **State 2023-24 Budget Approval (June 15th Deadline)**– WPUSD presents a 45-day District budget revision if material changes from Adopted Budget