CALIFORNIA COUNTY SUPERINTENDENTS

The Common Message

2023-24 Adopted Budget

45-Day Revision

BASC

Business and Administration Services Committee

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Summary	Nicolas Schweizer, Sacramento	Mike Simonson, San Diego

Table of Contents

Sources 4

Background 5

Key Guidance Based on the Adopted Budget 5

Proposition 28 7

Reductions to Block Grants 7

Arts, Music, and Instructional Materials Discretionary Block Grant 7

Learning Recovery Emergency Block Grant 7

Transitional Kindergarten (TK) 8

State Preschool 8

Special Education 9

Planning Factors for 2023-24 and Multiyear Projections 9

Summary 11

Sources

Association of California School Administrators
Ball/Frost Group, LLC
California Association of School Business Officials
California Collaborative for Educational Excellence
California Department of Education
California Department of Finance
California Public Employees' Retirement System
California State Teachers' Retirement System
California State Board of Education
California School Boards Association
California School Information Services
Capitol Advisors
Fiscal Crisis and Management Assistance Team
K-12 High Speed Network
National Forest Counties and Schools Coalition
School Services of California
Small School Districts' Association
Statewide Local Educational Consortium Co-Chairs
WestEd

Background

The Business and Administration Services Committee's (BASC's) goal is to support this endeavor by providing county office CBOs with a uniform common message, based on assumptions used by the California Department of Finance (DOF).

The BASC would like to thank the DOF, the State Board of Education, the California Department of Education (CDE) and the Fiscal Crisis and Management Assistance Team (FCMAT), as well as our colleagues listed in the sources section, for providing BASC and our local educational agencies (LEAs) the most up-to-date information at the time of writing.

Key Guidance Based on the Adopted Budget

On June 27, 2023, Governor Gavin Newsom signed an on-time budget. The budget maintained several proposals that were included in the May Revision; however, some changes were incorporated into the final State Budget. Please be aware that the funding rates and application requirements for many of the new grants listed below are currently unknown. Consequently, it may be premature for an LEA to include them in its 45-day budget revision.

The major transitional kindergarten through grade 12 (TK-12) funding provisions in the 2023-24 State Budget are as follows:

- The funded cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF), special education and several other categorical programs outside the LCFF is 8.22%.
- $1.1 billion reduction to the Learning Recovery Emergency Block Grant (see Learning Recovery Emergency Block Grant below for further details).
- $200 million reduction to the Arts, Music, and Instructional Materials Discretionary Block Grant (see Arts, Music and Instructional Materials Discretionary Block Grant below for further details).
- $300 million (ongoing) increase to create an LCFF Equity Multiplier intended to close opportunity gaps. These funds will be allocated to schools serving more than 70% socioeconomically disadvantaged students and more than 25% transient students.
- Multiple changes to Local Control Accountability Plan (LCAP) requirements. This includes new requirements to:
    - Add focused goals to address educator preparation and student performance for schools receiving Equity Multiplier funding.
    - Add specific actions to address any school or student group assigned the lowest performance level on any California School Dashboard indicator.

    - Change actions deemed ineffective over a three-year period.
    - Tie schoolwide and districtwide actions to specific outcome metrics.

- $248 million (one-time) increase to expand the number of high-poverty schools participating in the Literacy Coaches and Reading Specialist Grant Program. This program provides funding to eligible LEAs for the:
    - Development of school literacy programs.
    - Employment and training of literacy coaches and reading and literacy specialists.
    - Development and implementation of interventions for students needing targeted literacy support.
- The delay of the $550 million in planned support from 2023-24 to 2024-25 for the California Preschool, Transitional Kindergarten (TK) and Full-Day Kindergarten Facilities Grant Program. This program provides funding for the construction of new classrooms or the retrofit of existing school facilities for these programs.
- $100 million decrease in planned support for the School Facility Program in 2023-24, reducing the allocation from approximately $2.1 billion to approximately $2.0 billion. This program provides funding for new construction and modernization.
- $119.6 million (one-time) increase to implement the Stronger Connections Program. This program provides grants to high needs schools to establish safe, healthy, and supportive learning opportunities and environments in schools.
- $20 million (one-time) increase for the Bilingual Teacher Professional Development Program. This program provides competitive grants to LEAs to increase the number of teachers with a bilingual authorization.
- $15 million (one-time) increase for grants to LEAs to acquire and install commercial dishwashers. This is in addition to the $600 million included in the 2022-23 State Budget for kitchen infrastructure grants.
- $10 million (one-time) increase to provide competitive grants for LEAs to credential, place and retain diverse school administrators.
- $7 million (one-time) increase to provide competitive grants for LEAs to implement restorative justice best practices. These practices will be developed and made available on the CDE's website by June 1, 2024.
- $6 million (one-time) increase for the California Student Aid Commission's Golden State Teacher Program. This program administers grants to teacher candidates enrolled in a special education teacher preparation program who agree to teach at high-need school sites.

- $3.5 million (ongoing) increase to be allocated to COEs for distributing naloxone hydrochloride, or another medication to reverse an opioid overdose, to LEAs. This is to ensure all middle, high, and adult schools maintain at least two doses on campus for emergency aid.

Proposition 28

In November 2022, voters approved Proposition 28, which mandates the annual allocation of 1% of the TK-12 portion of Proposition 98 funding for arts and music instruction in schools. The State Budget estimates total funding for Proposition 28 to be $938 million in 2023-24. Furthermore, legislation adopted with the State Budget (SB 115) includes several technical clarifications to the proposition, such as specifying that the funding amount for a given fiscal year is finalized as of the subsequent year's May Revision.

LEAs should exercise caution in planning for the expenditure of these funds. LEA and school site allocations are not yet known and some key provisions of the Proposition, including the restriction on supplanting and the requirement to use 80% of the funding for employees, lack clarity. As a reminder, LEAs have a three-year timeframe to spend each year's allocation of funds.

Reductions to Block Grants

Arts, Music, and Instructional Materials Discretionary Block Grant

The 2022-23 State Budget established the Arts, Music, and Instructional Materials Discretionary Block Grant, totaling $3.5 billion in one-time funds. This grant provides LEAs with funding for specified uses, including standards-aligned professional development, instructional materials, improved school culture and development of diverse and culturally relevant book collections. The 2023-24 State Budget reduces this amount by $200 million, or approximately 6%.

The first 50% of the grant was distributed to LEAs in November 2022. The remaining funds, adjusted for the $200 million reduction, are scheduled for distribution in the 2023-24 fiscal year, most likely in late summer or early fall.

As a reminder, the grant requires LEA governing boards to approve expenditure plans consistent with the allowable uses of the grant.

Learning Recovery Emergency Block Grant

The 2022-23 State Budget also established the Learning Recovery Emergency Block Grant, totaling $7.9 billion in one-time funds, to support academic learning recovery, staff, and pupil social and emotional well-being. This funding is designated to be spent through the 2027-28 fiscal year. The 2023-24 State Budget reduces funding for the Learning Recovery Emergency Block Grant by $1.1 billion, or approximately 14%, in the 2022-23 fiscal year. However, it is the intent of the legislature to restore these funds starting in fiscal year 2025-26, with an increase of $378.7 million each year through the 2027-28 fiscal year.

LEAs received the full apportionment for the Learning Recovery Emergency Block Grant in the 2022-23 fiscal year. To recover the reduction in funds, the CDE will reduce most LEAs' principal

apportionment in the 2023-24 fiscal year. However, in specific cases, the CDE may opt to bill an LEA for the amount to be returned instead of reducing the principal apportionment. While the exact implementation date for this reduction remains unclear, it will not occur before September 2023.

Please be aware that the actual reduction in revenue should be attributed to the Learning Recovery Emergency Block Grant, Standardized Account Code Structure (SACS) Resource Code 7435. LEAs are advised to consider entering a revenue liability for 14% of the amount received to recognize the reduction at 2022-23 year-end.

Transitional Kindergarten (TK)

The 2023-24 State Budget makes three significant changes to TK staffing requirements as compared with the May Revision:

- Beginning in 2025-26, all TK classrooms must be staffed at a 10-to-1 student-to-adult ratio. While it is the intent of the legislature to provide funding to support this staffing ratio, the 10-to-1 requirement is no longer contingent upon the receipt of additional funding.
- Beginning in 2023-24, any LEA that opts to enroll children in TK who meet the definition of "early enrollment children" (those whose fourth birthday falls between June 2 and September 1 preceding the school year in which they are enrolled in TK) must adhere to a 10-to-1 student-to-adult ratio and maintain a maximum class size of 20 for classes that include an early enrollment child.
- The credentialed teacher requirement and the qualification requirements for adults assigned to a TK classroom that were part of the Governor's January Budget and May Revision are not included in the state's adopted budget.

State Preschool

The 2022-23 State Budget included a $485 million (ongoing) increase to expand access to State Preschool services for three-year-olds, students with exceptional needs, dual language learners and students needing mental health support. This funding allocation also imposed certain requirements on State Preschool Program providers to serve additional students with exceptional needs.

However, the 2023-24 State Budget introduces revised timelines for the implementation of these requirements. The requirement that at least 7.5% of a provider's funded enrollment be reserved for students with exceptional needs has been delayed from July 1, 2023 to July 1, 2025. Likewise, the requirement that at least 10% of funded enrollment be reserved for students with exceptional needs has been delayed from July 1, 2024 to July 1, 2026.

Furthermore, the State Budget also suspends the annual COLA for State Preschool for the 2023–24 and 2024–25 fiscal years. Instead, it expresses the intention to honor negotiated rate increases.

Additionally, legislation adopted prior to the State Budget allows the CDE to use $9.7 million from the 2022-23 State Budget to waive family fees for preschool through September 30, 2023. Starting October 1, 2023, family fees cannot exceed 1% of the family's monthly income, and families with an adjusted monthly family income below 75% of the state median family income cannot be assessed a family fee. A new family fee matrix is in development.

Special Education

As part of the State Budget, the Special Education base grant will receive an 8.22% COLA and will now be approximately $887.40 per funded average daily attendance (ADA). Furthermore, the State Budget maintains the following policy adjustments that were initially proposed in and revised slightly from the Governor's January Budget and May Revision:

- Special Education Local Plan Areas (SELPAs) are required to allocate base funding of at least the same amount provided to their member LEAs in 2022-23 for the 2023-24 fiscal year. This minimum allocation should be increased by the 8.22% COLA and adjusted to account for any changes in the funded ADA.
- LEAs may allocate funds back to their SELPA for purposes of providing regionalized or other programmatic services.
- The moratorium on the creation of new single-district SELPAs is extended by an additional two years to June 30, 2026.
- The CDE must post each SELPA's annual local plan on its website.

Planning Factors for 2023-24 and Multiyear Projections

Below are key planning factors for LEAs to incorporate into their 2023-24 adopted budgets and multiyear projections (MYPs) based on the most up-to-date information available:

Planning Factor	2023-24	2024-25	2025-26
Cost-of-Living Adjustment (COLA)			
LCFF COLA	8.22%	3.94%	3.29%
Special Education COLA	8.22%	3.94%	3.29%
Employer Benefit Rates			
CalSTRS	19.10%	19.10%	19.10%
CalPERS-Schools	26.68%	27.70%	28.30%
State Unemployment Insurance	0.05%	0.05%	0.05%
Lottery			
Unrestricted per ADA	$177	$177	$177
Proposition 20 per ADA	$72	$72	$72
Minimum Wage	$16.00*	$16.50**	$16.90***
Universal Transitional Kindergarten/ADA LCFF add-on for the 12-to-1 student-to-adult ratio	$3,044	$3,164	$3,268
Mandate Block Grant			
Districts			
Grades K-8 per ADA	$37.81	$39.30	$40.59
Grades 9-12 per ADA	$72.84	$75.71	$78.20
Charters			
Grades K-8 per ADA	$19.85	$20.63	$21.31
Grades 9-12 per ADA	$55.17	$57.34	$59.23

*Effective January 1, 2024.
**Effective January 1, 2025.
***Effective January 1, 2026.

Summary

The purpose of this edition of the Common Message is to provide LEAs with data and guidance for fiscal planning and the development of their 45-day budget revision and MYPs. The information provided for fiscal year 2023-24 and beyond includes the latest known proposals and projections to facilitate effective multiyear planning.

The state's adopted budget successfully closed a $31.7 billion budget deficit and fully funded the statutory COLA while safeguarding most education programs from cuts. However, LEAs should be aware that the state remains at risk for further revenue shortfalls that could result in additional cuts to education spending. The state's complete revenue will not be known until after all 2022 taxes are filed in October, because nearly all residents and some corporations were granted tax filing extensions.

LEAs face near and long-term challenges, including risks to the state revenue forecast, reduced ADA because of COVID-19-related student absences, inflationary pressures (e.g., pension rate increases), expiring one-time COVID-19 relief funds, and declining enrollment. Given that each LEA has unique funding and program needs, it is crucial that LEAs continuously assess their individual situations, work closely with their COE, and develop comprehensive plans that maintain their fiscal solvency and preserve the integrity of their educational programs.