

Research Brief

March 1, 2023

Governor’s Proposed State Budget for 2023-24

Governor Newsom started off the 2023-24 budget process on January 10 with a \$223.6 billion proposal. Facing lower revenues than expected last year and a budget deficit projected at \$22.5 billion by the Department of Finance, the January budget proposal is cautionary. Since the 2022-23 enacted budget anticipated a different budgetary landscape and included significant one-time expenditures, the governor’s initial proposal includes few cuts to education and does not draw on the available rainy-day reserves. Protecting education funding, the proposal also fully funds the statutory COLA, which is estimated at 8.13% at this time.

In the proposal, the General Fund budget assumes \$211.1 billion in revenues, which is roughly the same as the 2022-23 enacted budget. The minimum guarantee for Proposition 98 funding for 2022-23 is revised down by about \$3.4 billion; it is estimated to be \$108.8 billion for 2023-24.

The details of the January budget proposal are outlined below. In the coming months, legislative budget committees will hear more information about this budget proposal and in mid-May, the governor will release a revision. A final budget will not be developed and voted on until June. In the meantime, some uncertainty will remain through the spring since tax filing deadlines have been pushed back by several months for many counties in the state.

When reviewing the sections below, please remember they are all proposals at this time and much can happen between now and the start of the fiscal year on July 1.

PROPOSITION 98

	BUDGET 2023-24	NOTES
Proposition 98 Funding	\$108.8 billion is allocated for Proposition 98, using Test 1. The minimum guarantee for 2021-22 was increased slightly and for 2022-23 was reduced by \$3.4 billion. In total, the proposal assumes a \$4.7 billion decrease in the minimum guarantee across three years.	2021-22: \$110.4 billion (was \$110.2) 2022-23: \$107.0 billion (was \$110.4) 2023-24: \$108.8 billion
Public School System Stabilization Account (PSSSA)	Also known as the Proposition 98 Rainy Day Fund, the proposal revises deposit amounts for 2021-22 and 2022-23 (lowers payments) and assumes a deposit of \$365 million for 2023-24. The balance at the end of 2022-23 is expected to be \$8.5 billion.	2021-22: \$3.7 billion 2022-23: \$1.1 billion 2023-24: \$365 million

EARLY EDUCATION

	BUDGET 2023-24	NOTES
Statutory COLA	Statutory COLA is currently estimated at 8.13% and would apply to general childcare and state preschool reimbursement rates.	2023-24 final COLA rate will be set in May upon release of calculations from the federal government.

Transitional Kindergarten	\$690 million proposed to implement the second year of the TK expansion plus \$165 million to support adding one additional certificated or classified staff to TK classes. Proposal also adds requirement that paraeducators must be enrolled in a permitting or credentialing program or already have a child development permit or credential. Credentialed teachers first assigned to TK after July 1, 2015 must have additional requirements in place by Aug. 1, 2023.	Access expands to all children turning five between September 2 and April 2. Full implementation expected in 2025-26
State Preschool and Child Care	\$116.3 million proposed for State Preschool to increase support for students with disabilities, dual language learners, and childhood mental health; at least 7.5% of state preschool enrollment must be students with disabilities. Delays anticipated expansion of child care slots by 20,000 to 2024-25, noting thousands of slots available since 2021-22 are still unfilled.	
Preschool, TK, and Full-Day Kindergarten Facilities Grant Program	Proposal to delays to 2024-25 a planned \$550 million allocation to the program.	

K-12 EDUCATION

	BUDGET 2022-23	NOTES
Statutory COLA	Statutory COLA for 2023-24 is currently estimated at 8.13%.	2023-24 final COLA rate will be set in May upon release of calculations from the federal government.
Local Control Funding Formula (LCFF)	An increase of \$5.04 billion is proposed for the LCFF, including a \$4.7 billion increase to fund the statutory COLA, \$165 million for TK staffing, and \$300 million for a new, proposed Equity Multiplier.	Total funding for LCFF would increase to \$80.1 billion.
Equity Multiplier – LCFF Add-On	New funding of \$300 million would be added to the LCFF to provide funds to accelerate learning gains and close opportunity and outcome gaps. Funds would be allocated to LEAs based on school site characteristics; high schools serving at least 85% of students and elementary and middle schools serving at least 90% of students who are eligible for federal free meal programs.	
Categorical Funding	The 8.13% COLA is proposed to be applied to many programs that are outside of LCFF, including Special Education, Child Nutrition, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities, Charter School Facility Grants, American Indian Education Centers, American Indian ECE Program.	Total increase of \$669 million to apply COLA to these programs.
Arts and Music Education	An estimated \$941 million general fund to support arts and music in schools, as required by Prop. 28, which was passed by voters last fall. Proposal to reduce by \$1.2 billion the funding allocated in 2022- 23 through the Arts, Music and Instructional Materials Discretionary Block Grant. \$100 million one-time funds would be allocated to provide high school seniors access to cultural experiences.	Prop. 28 requires the funds supplement and not supplant existing program and no more than 1% can be used for administrative expenses.

Expanded Learning Opportunities Program	No changes are proposed. \$4 billion ongoing funds are allocated in 2022-23 and may be carried over to 2023-24.
Facilities	Proposal reduces a planned allocation of \$2.1 billion to the School Facility Program by \$100 million; provides \$30 million ongoing funds for the Charter School Facility Grant Program, as planned. Sets aside \$15 million from 2022-23 School Kitchen Infrastructure funding for commercial dishwashers.
Other initiatives	\$3.9 million ongoing to support the CA College Guidance Initiative; \$3.8 million for the K-12 High Speed Network program; \$3.5 million for all middle and high schools to maintain opioid overdose reversal medication.

SPECIAL EDUCATION

	BUDGET 2023-24	NOTES
Statutory COLA	The statutory COLA is currently set at 8.13% and would be applied to Special Education funding.	2023-24 final COLA rate will be set in May upon release of calculations from the federal government.
Base Rate	Base rates would increase to \$887 per student.	
Policy Proposals	Programmatic reforms would require CDE to post SELPA plans; moratorium on new single-district SELPAs would extend to June 30, 2026; funding that SELPAs could retain for non-direct student services would be limited.	

COUNTY OFFICES OF EDUCATION

	BUDGET 2023-24	NOTES
Statutory COLA	The statutory COLA is currently set at 8.13% and would provide \$51.7 million, accounting for ADA changes applicable to the LCFF.	2023-24 final COLA rate will be set in May upon release of calculations from the federal government.

ADULT EDUCATION

	BUDGET 2023-24	NOTES
Statutory COLA	The statutory COLA is currently set at 8.13%, which increases the funding by \$48.5 million.	Total would be \$651.7 million.
Federal Funds	\$729 million for Adult Education State grants.	

CAREER TECHNICAL EDUCATION

	BUDGET 2023-24	NOTES
Federal Funds	\$1.4 billion for CTE; \$32 million for CTE National Programs for Innovation and Modernization Grants	

CLASSIFIED EMPLOYEES

	BUDGET 2023-24	NOTES
TK Expansion	Funding to support universal Transitional Kindergarten implementation includes a proposal of \$165 million to add one classified or certificated staff to each class.	

COMMUNITY COLLEGES

	BUDGET 2022-23	NOTES
Statutory COLA	The statutory COLA is currently set at 8.13% for community college apportionments.	2023-24 final COLA rate will be set in May upon release of calculations from the federal government.
Proposition 98	Of the \$108.8 billion total Prop. 98 funding, Community Colleges would receive approximately \$12.6 billion for 2023-24 under the governor's proposal.	2021-22: \$12.3 billion 2022-23: \$12.4 billion 2022-23: \$12.6 billion
Student Centered Funding Formula (SCFF)	The 8.13% COLA would increase the SCFF by \$652.6 million.	
Enrollment Growth	\$28.8 million is proposed for enrollment growth of 0.5%.	
Enrollment and Retention	\$200 million one-time funds proposed to support efforts to retain and recover enrollment lost through the pandemic.	
Categorical Funding Flexibility	Proposal to offer flexibility around some categorical program funding for districts that make progress on the "Roadmap" between the governor and chancellor last year. Details expected later in the year.	
Categorical Programs	COLA of 8.13% is proposed for some programs including: Adult Education, Extended Opportunity Programs and Services, Disabled Student Programs and Services, Apprenticeship, CalWORKs Student Services, Mandates Block Grant, Cooperative Agencies Resources for Education, Childcare tax bailout.	
Part-Time Faculty Health Insurance	\$200 million ongoing Prop. 98 funds is continued as planned in the 2022-23 budget.	
Deferred Maintenance	Proposal cuts \$213 million from the \$840 million in the 2022-23 budget for deferred maintenance and energy efficiency projects. Funding was intended to be used over several years.	
Dual Enrollment and Service Learning	Proposal to request districts to establish dual enrollment agreements between all LEAs in a district and to offer service-learning courses for high school students.	

UNIVERSITY OF CALIFORNIA

	BUDGET 2023-24	NOTES
Base Growth	\$215.5 million proposed to supports a 5% increase in base resources and a 1% growth in undergraduate enrollment,	

	plus \$30 million to offset replacement of 902 nonresident undergraduate students.
Medical Education	\$4 million increase proposed to offset declining revenue from Prop. 56 and \$6.5 million and \$14.5 million ongoing funds to support the Medical School Projects at UC Riverside and UC Merced, respectively.
One-Time Support Delayed	Capital outlay expected in 2022-23 and 20349-24 is proposed to be delayed to 2024-25; \$83 million for the UC Berkeley Clean Energy Campus project would be delayed to 2024-25; and \$83 million for expansion projects at UC Riverside and UC Merced would be delayed to 2024-25.
Transfer Programs	Proposes to require UCLA to participate in the UC Transfer Admissions Guarantee program and Associate Degree for Transfer programs, as a condition of receiving some amount of state general funds.

CALIFORNIA STATE UNIVERSITY

	BUDGET 2023-24	NOTES
Base Resources	\$227.3 million increase proposed for ongoing funding to support a 5% increase in base resources to CSU; funding would be linked to CSU's commitment to the multi-year compact	Compact would provide 5% base increases through 2026-27 and funding for enrollment growth
Capital Project Support	Proposal to shift \$408.8 million for capital projects from state general funding to CSU-issued bonds. \$27 million would support the debt service.	

STATUTORY COLA: PROJECTED RATES AS OF JANUARY PROPOSAL

	2023-24	2024-25	2025-26	2026-27
Projected COLA Rates	8.13%	3.54%	3.31%	3.23%

*Projected by Department of Finance

CaSTRS / CaPERS: EMPLOYER CONTRIBUTION RATES

	2022-23	2023-24	2024-25
CaSTRS	19.10%	19.10%	19.10%
CaPERS	25.37%	27.00%	28.10%

FOR ADDITIONAL INFORMATION, CONTACT:

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