

The 2023-24 Budget:

One-Time K-12 Spending Proposals

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SUMMARY

In this brief, we provide our analysis and recommendations regarding the administration’s proposals for using available 2021-22 Proposition 98 funds.

Governor’s Budget Includes \$990 Million in 2021-22 Proposition 98 Spending Proposals.

To bring 2021-22 spending up to the revised estimate of the 2021-22 minimum guarantee, the Governor’s January budget includes a net of \$990 million in new one-time spending proposals. This includes (1) using \$1.8 billion to cover 2022-23 and 2023-24 Local Control Funding Formula (LCFF) costs; (2) providing \$250 million in additional one-time funding for literacy program activities (including an associated evaluation); (3) providing \$100 million to fund arts and cultural enrichment for high school seniors; and (4) decreasing funding for the Arts, Music, and Instructional Materials Discretionary Block Grant by \$1.2 billion.

Recommend Taking Actions to Minimize Reductions to Arts, Music, and Instructional Materials Discretionary Block Grant. The state provided \$3.6 billion for this block grant in the June 2022 budget plan. Given that districts have already received the first half of their funding for the block grant and many have adopted plans for how to use the funds, reducing funding would be disruptive to local planning. We recommend the Legislature take actions that would free up funding to decrease or eliminate the proposed reduction to the block. We recommend the Legislature do so in two ways:

- ***Reduce Ongoing Spending in 2023-24.*** Reducing ongoing spending in 2023-24 would free up room to fund 2023-24 LCFF costs with ongoing funds, which would then free up 2021-22 funds that can be used to minimize or eliminate the need for reducing the discretionary block grant. Reducing ongoing spending in 2023-24 also would help the state avoid passing a budget that creates a deficit in 2024-25.
- ***Reject Additional Literacy Funding and New Arts and Cultural Enrichment Proposal.*** Given that the state has yet to evaluate the effectiveness of the Literacy Coaches and Reading Specialists (LCRS) program model, it would be premature to provide additional program funding. The Legislature could consider providing additional funding in the future once it has a better sense of program outcomes and magnitude of any implementation challenges. The funding for arts and cultural enrichment would only be available for one set of activities and would only benefit one cohort of high school seniors. Districts that are interested in providing additional opportunities for arts and cultural enrichment could use other funding sources, such as LCFF. Rejecting these two proposals would free up \$350 million in 2021-22 that could be used to restore funding for the discretionary block grant.

Adopt Evaluation of Literacy Program. To improve the Legislature’s ability to evaluate the effectiveness of the literacy grants funded in 2022-23, we recommend the Legislature provide \$500,000 Proposition 98 General Fund for an independent evaluation of the program on or before June 30, 2028 (a year after the encumbrance deadline). Additionally, the Legislature could consider codifying specific questions and data points it would like to be included in interim progress reports and the independent evaluation (such as specific demographic information of children served, challenges in hiring staff, description of other implementation challenges, and identification of possible solutions).

INTRODUCTION

The Governor's 2023-24 budget makes several proposed changes that affect state spending to meet the Proposition 98 requirements in 2021-22. This includes (1) using \$1.8 billion to cover the 2022-23 and 2023-24 LCFF costs; (2) providing \$250 million in additional one-time funding for literacy program activities; (3) providing \$100 million to fund arts and cultural enrichment for high school seniors; and (4) decreasing funding for the Arts, Music, and Instructional Materials Discretionary Block Grant by \$1.2 billion. After accounting for these changes, the Governor's proposal would spend at the minimum guarantee. In this brief, we provide our analysis of the proposal and make associated recommendations for the Legislature to consider.

BACKGROUND

In this section, we provide background on the Proposition 98 minimum guarantee, early literacy, and arts education.

Proposition 98 Minimum Guarantee

Proposition 98 (1988) Establishes Minimum Funding Level for Schools and Community Colleges. This minimum funding level is commonly called the minimum guarantee. The state calculates the minimum guarantee based on certain inputs, such as state General Fund revenue, per capita personal income, and K-12 student attendance. The state can choose to fund at the minimum guarantee or any level above it. It also can suspend the guarantee with a two-thirds vote of each house of the Legislature, allowing the state to provide less funding than the formulas require that year. The state meets the guarantee through a combination of state General Fund and local property tax revenue.

At Key Points, State Recalculates Minimum Guarantee and Certain Proposition 98 Costs. The guarantee typically changes from the level initially assumed in the enacted budget as the state updates the relevant Proposition 98 inputs. The state updates these inputs until May of the following fiscal year. The state also revises its estimates of certain school and community college costs. When student attendance changes, for example, the cost of LCFF tends to change in tandem.

If the revised guarantee is above the revised cost of programs, the state makes a one-time payment to "settle up" for the difference. The Legislature can allocate these settle-up payments for any school or community college purpose, including existing programs or new initiatives. If program costs exceed the guarantee, the state can reduce spending if it chooses.

Literacy Activities

The State Authorizes Certain Credentials to Provide Reading Intervention. Reading intervention involves pulling out a student from a general education class to receive reading content in a separate setting or instruction in a separate specialized reading class. All teachers with a multiple subject teaching credential (required to be an elementary school teacher) or a single subject teaching credential in English (required to teach middle or high school English) are authorized to provide reading intervention services. Teachers with credentials in other subject areas can provide reading intervention services if they obtain either a Reading and Literacy Added Authorization (RLAA) or a Reading and Literacy Leadership Specialist (RLLS) credential. To obtain an RLAA or RLLS, individuals must have at least three years of teaching experience and complete a preparation program that includes coursework and supervised field experience. In 2020-21, the California Commission on Teacher Credentialing (CTC) issued 289 new RLAA and RLLS credentials (194 RLAA and 95 RLSS credentials). This increased to 430 in 2021-22 (358 RLAA and 72 RLLS newly issued credentials). Between 2015-16 and 2021-22, about 1,700 unique individuals were issued an RLAA and/or RLLS.

State Has Recently Provided Various One-Time Funding to Support Improvement in Literacy. The state has funded various one-time literacy initiatives with Proposition 98 General Fund and federal funds in recent budgets. We describe some of these one-time budget actions below.

- The 2021-22 budget included \$50 million to establish the Early Literacy Support Block Grant program to improve early literacy. Under this program, block grants were provided to the 73 schools with the lowest

performance on third grade state reading assessments. Additionally, \$3 million was provided for a lead county office of education (COE) to provide statewide professional development and technical assistance focused on effective literacy instruction in early grades. The 2021-22 budget also included \$1.5 billion in educator professional development grants that local education agencies (LEAs)—school districts, charter schools, and COEs—can use over five years, as well as \$10 million for statewide professional development on reading instruction and intervention.

- The 2022-23 budget provided a total of \$265 million to fund three literacy coach initiatives. First, the budget provided \$225 million to create the LCRS program. These funds were allocated to eligible schools to develop school literacy programs, employ and train literacy coaches and reading and literacy specialists, and develop and implement interventions for students. (A total of 390 schools were eligible.) Second, the budget provided \$25 million for a COE to develop and provide statewide training for educators to become literacy coaches and reading specialists. Finally, the budget included \$15 million for the Reading and Literacy Supplementary Authorization Incentive Grant Program, which will provide financial assistance to teachers interested in obtaining an RLAA and/or RLSS.
- In addition to state funding, the federal government awarded \$37.5 million in Comprehensive Literacy State Development Grant funds to the California Department of Education (CDE) in 2019 to expand literacy efforts statewide over five years. CDE distributed these funds in 2021 through a competitive grant process to seven COEs to serve as local literacy lead agencies. Each literacy lead agency will implement evidenced-based, multiyear, small-scale pilots with school districts that support the literacy priorities established in the [State Literacy Plan](#).

Arts Education

State Law Has Minimum Requirements in Arts Education. State law requires schools to provide instruction in visual and performing arts (including music) to all students in grades 1 through 6. State law also requires schools to offer such courses in grades 7 and 8 as electives. The specific courses and amount of instruction are determined by each local governing board. In high school, students may take an arts course to earn their high school diploma. The state requires students to complete one year of either (1) visual or performing arts, (2) a foreign language, or (3) career technical education. Local governing boards can add other requirements for high school graduation. Many school districts set their minimum graduation requirements to match the course requirements for admission to the state's public universities, which require one year of visual and performing arts. Students may also receive arts programming through participating in before/after school and summer programs.

2022-23 Budget Included \$3.6 Billion One-Time Proposition 98 Funding for an Arts, Music, and Instructional Materials Discretionary Block Grant. Funding is provided to LEAs on a per-student basis and is available through 2025-26. LEAs may use these funds for professional development and instructional materials in various academic subject areas, including visual and performing arts. In addition, LEAs may use these funds for professional development related to school climate (such as training on de-escalation strategies). Funds may also be used for operational staffing costs (including retirement and health benefit cost increases), materials and equipment to keep schools safely open during the COVID-19 pandemic, and purchasing diverse and culturally relevant books and text that support independent student reading. Each local governing board must adopt a public plan that describes how funding will be spent.

Voters Recently Approved Statewide Ballot Measure to Provide Dedicated Arts Funding to Public Schools. Proposition 28 (2022) requires the state to provide additional funding to increase arts instruction and/or arts programs in public schools. The amount required each year is equal to 1 percent of the amount of Proposition 98 funding provided to K-12 education in the previous year.

Proposition 28 distributes the funding to LEAs based on their prior-year enrollment in preschool and K-12, with additional funding for students from low-income families. Local governing boards may use up to 1 percent of this new funding for administrative expenses. The remainder of the funding must be distributed to LEAs' school sites based on their enrollment. The funding is primarily to be used for hiring new staff to expand arts education programs. (Schools with less than 500 students are automatically exempt from this staffing requirement.) The remaining funding can be used for training, supplies and materials, and for arts educational partnership programs. Proposition 28 requires the principal of a school site (or the program director of a preschool) to develop a plan for spending the funding they receive. The principal or program director would determine how to expand a site's arts instruction and/or programs.

GOVERNOR'S PROPOSALS

Governor Makes Several Changes to 2021-22 Proposition 98 Spending. Compared with the estimate included in the June 2022 budget plan, the administration revises its estimate of the minimum guarantee up \$178 million in 2021-22, primarily due to local property tax revenue exceeding previous estimates. The administration also revises its estimates of 2021-22 Proposition 98 spending down by about \$800 million, primarily due to lower-than-expected LCFF costs. To bring 2021-22 spending up to the revised estimate of the 2021-22 minimum guarantee, the Governor's January budget includes a net of \$990 million in new one-time spending proposals.

(See **Figure 1**.) This includes a total of \$2.1 billion in spending increases, offset by a \$1.2 billion spending reduction. We describe these proposals in more detail in this section.

Uses 2021-22 Funding to Cover 2022-23 and 2023-24 LCFF Costs. The Governor's budget proposes to use \$1.8 billion in 2021-22 funding to cover LCFF costs in the current and budget

year—\$613 million for 2022-23 and \$1.2 billion for 2023-24. (The budget also includes \$200 million in unspent prior-year funding to cover 2023-24 LCFF costs.) Covering 2022-23 LCFF costs with 2021-22 funding allows the administration to bring spending down to the revised estimate of the minimum guarantee in 2022-23 without affecting the amount of LCFF districts receive. For 2023-24, covering some LCFF costs with 2021-22 funding allows the administration to make other ongoing spending increases while maintaining spending at the minimum guarantee. Most notably, the Governor's January budget includes \$6.4 billion to provide a statutory cost-of-living adjustment (COLA) to K-12 programs, as well as \$300 million in new ongoing funding for high-poverty schools.

Provides Additional \$250 Million One-Time Funding for Literacy Program Activities.

The Governor's budget proposes an additional \$248 million to further support the recently established LCRS program, which reflects more than a doubling of program funds. These funds are intended to increase the number of high-poverty schools participating in the LCRS program. Specifically, eligibility is for elementary schools that have not previously received LCRS program funding and have a student body where at least 95 percent of students are low-income or English learners. These funds would be available for encumbrance through June 30, 2028 (a year longer than the initial funding for LCRS program). Additionally, the Governor proposes \$2 million to (1) increase funding for statewide training services for educators to become literacy coaches and reading and literacy specialists,

Figure 1

Governor Proposes Several Changes to 2021-22 Proposition 98 Spending

(In Millions)

| | |
|--|--------------|
| Local Control Funding Formula backfill ^a | \$1,814 |
| Arts, Music, and Instructional Materials Discretionary Block Grant | -1,174 |
| Literacy program activities | 250 |
| Arts and cultural enrichment for high school seniors | 100 |
| Total | \$990 |

^a Includes \$613 million to cover 2022-23 costs and \$1.2 billion for 2023-24 costs. Budget also includes \$200 million from unspent prior-year funds to cover 2023-24 costs.

and (2) provide up to \$500,000 to conduct an independent evaluation of the effectiveness of the LCRS program. The independent evaluation would include an examination of (1) how funds were used, (2) how expenditures impacted student literacy achievement, (3) how LEAs plan to continue to fund literacy programs past the award period, and (4) the effectiveness of the literacy trainings. The evaluation would be submitted to the Legislature on or before June 30, 2029 (a year after the encumbrance deadline of the additional funding).

Provides \$100 Million One Time for Arts and Cultural Enrichment for High School Seniors. This proposal is intended to give all high school seniors in the 2023-24 school year access to arts and cultural institutions, museums, and art enrichment experiences. Funding would be allocated to LEAs in 2023-24 based on their 11th grade enrollment in 2022-23. LEAs could use the funding to cover transportation and admission to (1) arts and cultural institutions; (2) live art and cultural performances; and (3) off-campus extracurricular arts and cultural activities, workshops, and learning experiences. Funding must be prioritized for admission, program, and activity costs. Any remaining funding may be used for transportation costs. The administration estimates the proposal would provide LEAs with about \$200 per high school senior.

Reduces Arts, Music, and Instructional Materials Discretionary Block Grant by \$1.2 Billion. To fund the proposals described above, while also maintaining spending at the minimum guarantee for 2021-22, the Governor's budget includes a \$1.2 billion reduction to the \$3.6 billion provided last year for the Arts, Music, and Instructional Materials Discretionary Block Grant. This would result in a 33 percent reduction to all LEAs' allocations.

Budget Also Includes \$941 Million Ongoing in Proposition 28 Funding. As required by Proposition 28, the Governor's budget includes \$941 million ongoing funding in 2023-24 for arts education programs. As required by the measure, this funding is on top of the Proposition 98 funding requirement otherwise calculated for 2023-24.

ASSESSMENT

Covering Ongoing Costs With One-Time Funding Creates Deficit for 2023-24. As we discuss in our recent brief, [The 2023-24 Budget: Proposition 98 Overview and K-12 Spending Plan](#), using one-time funds to cover ongoing 2023-24 costs creates a deficit in the Proposition 98 budget the following year. If the state were in a recession, this deficit would compound an already difficult budget situation and make program reductions or deferrals more likely or more severe. Even if the guarantee continues to grow, the deficit would reduce the funding available to cover COLA and other priorities. Recognizing these risks, the Legislature generally has avoided adopting Proposition 98 budgets that contain these deficits except during downturns.

Literacy Program Activities Remain in Early Implementation Stages. CDE allocated the \$225 million in LCRS program funds to schools in January 2023. Moreover, CDE and CTC are still in the process of finalizing the request for application (RFA) for the statewide literacy training contract and supplementary authorization incentive grant program. (As of February 13, 2023, the RFAs have not been posted. We understand that these RFAs will be posted in the spring of 2023.) Given that LCRS program dollars were just recently allocated to schools, it is too early to determine whether LEAs have faced any barriers to implementation. However, we understand that during initial conversations with CDE, LEAs mentioned the overall teacher shortage as possibly being the greatest implementation challenge in finding qualified staff for literacy programs.

Arts and Cultural Enrichment Proposal Has Limited Scope. Unlike the funding from the discretionary block grant and the arts funding provided by Proposition 28, the \$100 million proposed for arts and cultural enrichment is much more limited in use. These funds would only be available for one set of activities and would only benefit one cohort of high school seniors. To the extent that LEAs deem this a local priority, they can use other funds (such as LCFF) to cover these costs. Using another funding source such as LCFF would allow them to extend opportunities to students across all grades.

Reducing Discretionary Block Grant Would Be Disruptive to Local Planning. CDE notified LEAs of their allocations for the discretionary block grant this fall and distributed the first half of funding in December 2022. Our understanding is that many LEAs already adopted plans for how to use these funds, often after discussions in the community and with school employee groups. Reducing the discretionary block grant by one-third would require districts to revisit these plans and could require changing larger aspects of their budget plans. Given the variety of allowable uses for the block grant, LEAs would not be able to use Proposition 28 funding to cover many of their planned expenditures. The funds for Proposition 28 (1) are limited to arts education, (2) must be spent on ongoing salaries and benefits in larger schools, and (3) are to be spent at the discretion of school principals.

RECOMMENDATIONS

Take Actions to Minimize Reductions to Arts, Music, and Instructional Materials Discretionary Block Grant. To minimize disruption to LEA budget plans, we recommend the Legislature take actions that would free up funding to decrease or eliminate the proposed reduction to the Arts, Music, and Instructional Materials Discretionary Block Grant. Specifically, we recommend the Legislature:

- ***Reduce Ongoing Spending in 2023-24.*** As we discussed in our recent [brief](#), we recommend the Legislature reduce ongoing spending in 2023-24 to avoid passing a budget that creates a deficit in 2024-25. The Legislature has a variety of options for making ongoing reductions, including (1) funding a lower COLA; (2) rejecting or delaying implementation of new ongoing funding for high-poverty schools, or (3) making certain reductions to existing programs, such as the Expanded Learning Opportunities Program or State Preschool. Taking one or a combination of these actions would free up room to fund 2023-24 LCFF costs with ongoing funds, which would then free up 2021-22 funds that can be used to minimize or eliminate the need for reducing the discretionary block grant.

- ***Reject Additional Literacy Grant Funding and New Arts and Cultural Enrichment Proposal.*** Given that the state has yet to evaluate the effectiveness of the LCRS program model, it would be premature to provide additional program funding. The Legislature could consider providing additional funding in the future once it has a better sense of program outcomes and the magnitude of any implementation challenges. Moreover, LEAs that are interested in providing additional opportunities for arts and cultural enrichment could use other funding sources, such as LCFF. Rejecting these two proposals would free up \$350 million in 2021-22 that could be used to restore funding for the discretionary block grant.

Adopt Evaluation of Literacy Program.

To improve the Legislature's ability to monitor the progress of implementation and evaluate overall program effectiveness of the LCRS funding provided in 2022-23, we recommend the Legislature provide \$500,000 Proposition 98 General Fund for an independent evaluation of the program on or before June 30, 2028 (a year after the encumbrance deadline of the existing funding for the LCRS program). Additionally, the Legislature could consider codifying specific questions and data points it would like to be included in interim progress reports and the independent evaluation (such as specific demographic information of children served, challenges in hiring staff, description of other implementation challenges, and identification of possible solutions).

LAO PUBLICATIONS

This report was prepared by Jackie Barocio and Michael Alferes, and reviewed by Edgar Cabral and Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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