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## May Revision preview mixes welcome news with items of concern

As part of his California Comeback tour, this afternoon Gov. Gavin Newsom previewed what California schools can expect from the forthcoming May Revision of the Governor's Budget. The initial announcement offered encouraging news for public schools while also raising concerns about outstanding issues that CSBA will press the administration and the Legislature to address in the final state budget due June 15.

In today's remarks, the Governor outlined what he calls a \$20 billion, five-year transformational commitment, highlighting major investments in a full expansion of transitional kindergarten, community schools and wraparound services, universal after-school services, accelerated learning, youth mental health and teacher preparedness.

### Proposition 98 funding guarantee increases to \$93.7 billion

**Other press reports have noted** that thanks to soaring revenues, demonstrating the volatility and long-term unpredictability of the state's revenue structure, the state is projecting a budget surplus of \$75.7 billion. The revised Proposition 98 funding guarantee will be \$93.7 billion, an increase of \$7.9 billion from the \$85.8 billion proposed in the **January Governor's Budget**. Increased revenues will require a larger contribution to the Proposition 98 reserve: \$4.6 billion over two years, increased from \$2.95 billion in the January budget. Included in this revised funding is an additional 1 percent bump to the compounded cost-of-living adjustment (COLA) for the Local Control Funding Formula for a total of 5.07 percent.

Early press also indicates that as proposed in the January Governor's Budget, funding is provided to pay off the February, March, April and May deferrals established by the Budget Act of 2020. However, the May Revision proposes to leave a \$2.6 billion deferral remaining in the June apportionment, which will be paid in July 2021. With the influx of additional one-time revenues, CSBA continues to push for the state to fully eliminate all apportionment deferrals prior to establishing new programs with one-time funds.

## **Universal transitional kindergarten**

First in the Governor's transformational blueprint presented May 12 was a proposal of an additional \$2.7 billion to expand access to transitional kindergarten to all 4-year-olds. Additionally, Gov. Newsom announced that teacher-to-student ratios for TK will be reduced by half, from 24:1 to 12:1. This is all welcome news, however, it raises concerns about availability and recruitment of teachers needed to meet this lower teacher-to-student ratio. It also remains to be seen whether the Governor's May Revision will address ancillary but equally important issues related to an expansion of this size, including facilities impacts and necessary transportation funding to respond to increased demand for TK and additional students to serve.

## **New funds for community schools, after-school programs, extended learning**

Gov. Newsom also announced significant additional investments in providing what State Superintendent of Public Instruction Tony Thurmond described as "support for students and their families from 6 a.m. to 6 p.m." Recognizing students' critical need for enrichment and support, the Governor proposed \$3 billion for community schools and wraparound services for students. The funds, in the form of one-time grants over a three-year period, will build on successful models currently used across the state.

The Governor also committed \$5 billion to fully implement universal access to after-school programs and other expanded learning programs over the next five years and \$2.6 billion to support accelerated learning — what the Governor referred to as "high-dose tutoring" — and interventions to address the effects of the COVID-19 pandemic on students. The new funds will build on the \$4.6 billion allocated through Assembly Bill 86, the "Safe Schools for All Plan" for extended learning this past March.

## **Commitment to youth mental health**

In recognition of the critical importance of social-emotional well-being and mental health, particularly in light of the effects of the COVID-19 crisis, the revised proposal will include \$4 billion for youth behavioral health. The proposed funds will support universal screening and access to treatment based on need for all students aged 0-25.

## **Teacher preparedness and reduced class sizes**

Finally, Gov. Newsom announced new investments in the teacher pipeline. \$3.3 billion is proposed for teacher preparedness programs, residencies and loans and to support teachers in California's most vulnerable communities. An additional \$1.1 billion is proposed to reduce class sizes and provide more counselors, teachers and support staff with a focus on low-income communities and halving the teacher–student ratio in TK classrooms.

## **No extension of distance learning provisions**

Reiterating his commitment to a return to in-person learning, the Governor clarified that his proposal will not include an extension of the distance learning provisions set by Senate Bill 98. LEAs wishing to offer ongoing virtual learning will be able to do so under the current Independent Study (IS) statutes. However, with the increased reliance on IS as a mechanism to provide more virtual learning alternatives for families and students uncomfortable with returning to in-classroom instruction this fall, there could be changes

proposed to IS in the May Revision. It will be important to know whether these changes could interfere with districts that already have IS programs or are planning to use IS to serve students virtually.

### **Issues to watch for**

As the final state budget develops between now and June 15, CSBA will emphasize several remaining issues. While the May Revision contains several positive developments, the following concerns remain:

- As mentioned above, with billions in additional revenues available, all deferrals must be retired in the current year as a priority before creating new programs.
- LEAs were notified weeks ago of a looming increase in Unemployment Insurance rates: from .05 percent of payroll to 1.23 percent. While the administration cites increasing claim costs experienced in the school pool, advocates remain unconvinced that the jump in claims are not an extension of the broader claims fraud that have been reported in the press since the first federal stimulus bill increased weekly benefits. The May Revision needs to cover the nearly \$600 million in increased, one-time school costs.
- Despite large gains in Proposition 98 in one-time funds, approximately \$350–500 million annually is being taken from all LEAs as a result of improper guidance from the State Controller's Office that allows Excess Educational Revenue Augmentation Funds (ERAF) counties to not include charter school average daily attendance as part of property taxes that belong to schools. This must be corrected and the school community cannot let one-time gains distract from ongoing losses that will have long-term impacts on the stability of school budgets.
- Funding for growing programs is not expected to be included in the May Revision, nor will there likely be an extension of the current funding hold harmless. While the current budget allows for funding increases to cover planned enrollment increases adopted in local budgets, many districts and county programs have experienced higher growth in the current year and have had to cover increased costs without commensurate funding increases. Increasing pension costs will be covered through the upcoming budget year but currently there is no plan to continue to cover those increases after June 30, 2022.

### **What's next?**

The May Revision will be formally released this Friday, May 14, providing more detail on the full scope of the Governor's updated spending plan — including a long-awaited announcement on how the state intends to combat the digital divide. That release will kick off negotiations with the Legislature and budget committee hearings that will continue until the June 15 deadline to send the final agreement to Gov. Newsom for signature. CSBA will continue to provide updates as the budget season progresses.

### **Register for CSBA's May Budget Revision webinar**

Join CSBA experts and state and local voices in analyzing the May Budget Revision, its implications for schools and CSBA's response in a 90-minute webinar on Friday, May 14 at

5:30 p.m.

[Register now](#)

CSBA is also co-sponsoring Budget Perspectives Workshops in partnership with Capitol Advisors in counties across the state from May 24–27. [Click here for more information and to register.](#)

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