

June 24, 2020

**MEMORANDUM**

**TO:** Eric Kaljumägi, CCA President  
Randa Wahbe, CCA Vice President

**FROM:** Katie Hardeman, Legislative Advocate

**RE:** 2020-21 Final Budget Agreement

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The following is a summary of the major components of the 2020-21 final budget agreement with the Legislature and Governor related to the California Community Colleges. The Legislature is expected to vote on this budget agreement by Friday, June 26<sup>th</sup>.

**State Revenues.** The Governor's May Revision projected an estimated \$54 billion deficit compared to the Governor's January Budget. This includes a \$41.2 billion reduction in revenues, \$7.1 billion increase in caseload and \$6 billion in additional spending related to COVID-19.

The final budget agreement includes \$4.4 billion in new revenues through a temporary three-year suspension of net operating losses and limitation on business incentive tax credits to offset no more than \$5 million of tax liability per year. This increases the Proposition 98 (Prop 98) minimum guarantee by \$1.8 billion in 2020-21.

**Federal Funds.** California Community Colleges received \$579 million from the Higher Education Emergency Relief Fund. Community colleges are required to expend half of the higher education funds to provide emergency grants to students.

**Proposition 98.** The budget agreement includes \$70.5 billion in Prop 98 funding (\$7.6 billion for community colleges) for 2020-21, \$10.6 billion less than the 2019 Budget Act. However, this is largely due to \$11 billion in funding for 2020-21 being counted toward the 2021-22 fiscal year (through payment deferrals). Additionally, approximately \$7 billion is being provided in federal funds for schools and community colleges, outside of the Prop 98 guarantee.

The budget agreement assumes Prop 98 "Test 1" is operative in 2020-21 and the out-years. The agreement includes the Governor's May Revision proposal to provide supplemental appropriations above the constitutionally required Prop 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5 percent of General Fund revenues per year, up to a cumulative total of \$12 billion. This will increase the Prop 98 share of the General Fund from 38 percent to 40 percent over time.

**Pensions.** The budget agreement includes the May Revision proposal to redirect the \$2.3 billion provided to CalSTRS and CalPERS toward long-term unfunded liabilities to instead further reduce employer contribution rates for local educational agencies and community colleges in 2020-21 and 2021-22.

The May Revision also included a proposal to freeze the state's CalSTRS contribution rate for three years. The final budget agreement includes a rate freeze for one year in 2020-21.

**Community Colleges.** The budget agreement includes the following related to community colleges:

- **Student Centered Funding Formula (SCFF).** Rejects the Governor's proposed 10% cut to the SCFF but does not provide a COLA. Approves the Governor's proposed extension of the hold harmless provision by two years.
- **Deferrals.** Approves a \$332 million deferral from 2019-20 to 2020-21, and a \$662.1 million deferral from 2020-21 to 2021-22. Includes trailer bill language to allow for hardship exemptions. Approves an additional deferral of \$791.1 million, which would be rescinded if the state receives additional federal funding.
- **Faculty Programs.** Rejects the May Revision proposals to reduce funding for part-time faculty office hours and compensation, and rejects the proposed reductions to the Academic Senate.
- **Categoricals.** Maintains funding for other categorical programs, including Strong Workforce, Student Equity and Achievement Program, and Adult Education. Approves the Governor's proposal to provide ongoing funding for immigrant legal services.
- **COVID Response Block Grant.** Provides \$120 million in one-time Prop 98 and federal funding to support a basic needs/learning loss/COVID 19 response block grant to colleges to support expenses such as mental health services, housing and food insecurity, re-engagement for students who left college in Spring 2020, technology, and development of online courses and student supports.
- **Calbright.** Reduces Calbright funding by \$5 million ongoing and \$40 million one-time.
- **Classified Layoff Protections.** Includes protections for certain classified employees for the 2020-21 fiscal year, including nutrition, transportation, or custodial services, and includes Legislative intent language stating all classified staff should be retained.

cc: Joy Boyd  
Becky Zoglman  
Daniel Koen  
Teri Holoman  
Jonathan Goldman  
Lori Easterling  
Claudia Briggs  
Michael Borges