

June 23, 2020

MEMORANDUM

TO: Teri Holoman, Associate Executive Director
Lori Easterling, Manager, Legislative Relations

FROM: Katie Hardeman, Legislative Advocate

RE: 2020-21 Final Budget Agreement

The following is a summary of the major components of the 2020-21 final budget agreement with the Legislature and Governor related to revenues and K-14 education. The Legislature is expected to vote on this budget agreement by Friday, June 26th.

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. The budget agreement includes a \$5.5 billion in mostly federal funds for one-time COVID-related expenses. These funds will be allocated based on the following:

- \$1.5 billion to all local educational agencies (LEAs), based on special education enrollment to be used for learning loss.
- \$2.9 billion to all LEAs, based on the Local Control Funding Formula (LCFF) supplemental and concentration grant formulas to be used for learning loss.
- \$980 million to all LEAs, based on the LCFF formula.
- \$45m for existing Community School models.
- \$112.2m for LEA school meal reimbursements during summer and COVID closures.

The budget also allocates \$1.4 billion in federal Elementary and Secondary School Emergency Relief (ESSER) funds directly to LEAs based on the federal Title I formula, as required by federal law.

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.

California also received \$350.3 million through the federal CARES Act for COVID-19 related childcare activities.

Proposition 98. The budget agreement includes \$70.5 billion in Prop 98 funding 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.

Payment Deferrals. The final budget agreement includes a total of \$11 billion in payment deferrals, or late payments to schools, in 2019-20 and 2020-21. If additional federal funding comes in, \$5.7 billion in deferrals will be repaid. The agreement also includes a hardship exemption for LEAs unable to afford deferrals, for up to \$300 million.

Local Control Funding Formula. The Governor’s May Revision proposed a 10 percent (\$6.5 billion) reduction to the LCFF. The final budget agreement includes no cuts to the LCFF. However, a COLA is not provided to the LCFF.

Layoff Protections. The final budget agreement suspends Education Code section 44955.5, which would trigger August layoffs for certificated employees absent a 2 percent increase to the LCFF. The budget also includes protections for certain classified employees for the 2020-21 fiscal year, including janitors, bus drivers and food service workers.

Funding, Distance Learning and Accountability. The budget agreement includes the following components for the 2020-21 school year.

- **Attendance Hold Harmless.** The budget agreement extends the 2019-20 average daily attendance (ADA) hold harmless to the 2020-21 school year for all LEAs, contingent on in-person instruction or distance learning under certain parameters.
- **Distance Learning.** The budget agreement maintains instructional day requirements, but provides flexibility for instructional minute requirements to allow for distance learning under certain conditions including: if the LEA or school site closes due to state or local health guidance, if a student is medically fragile or would be put at risk by in-person instruction, or is self-quarantining because of exposure to COVID-19. The budget agreement includes specific requirements for distance learning, including that students have access to technology, and devices, student support services and meals. The agreement also requires teachers to provide daily live interactions and document student participation daily.
- **Local Control Accountability Plans (LCAP).** The final budget agreement eliminates the requirement for LEAs to complete an LCAP for the 2020-21 school year. Instead the budget requires LEAs to complete a local Learning Continuity and Attendance plan by September 30, 2020.

Special Education. The budget adopts the Governor’s proposal related to special education, including providing an increase of \$545 million for a new base funding rate for Special Education Local Plan Areas (SELPA) of \$625 per ADA, or the 2019-20 rate, whichever is greater. The budget approves the Governor’s proposal to freeze funding for certain add-ons to the special education formula, but provides an additional \$100 million for the low-incidence pool add-on.

Categorical Programs. The final budget agreement rejects the Governor’s May Revision proposal to cut categorical programs, including: After School Education and Safety, K-12 Strong Workforce, Career Technical Education Incentive Grant, Adult Education Block Grant, California Partnership academies and other programs.

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 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.

Charter Schools. The budget agreement includes trailer bill language that requires charter schools to use dashboard data based on two out of the last three years for determining charter renewals, due to dashboard data not being available for 2019-20. The budget agreement includes other clarifications related to the charter school legislation passed last year.

School Police. The budget agreement includes Legislative intent to evaluate the presence of peace officers and other law enforcement on school campuses and to identify and consider alternative options to ensure pupil safety based on the needs of the local school communities. The agreement also creates the Young Person Task Force to look at these issues.

Early Childhood Education. The budget agreement rejects the May Revision 10% trigger cuts to all childcare programs and growth adjustment reductions to Alternative Payment programs, General Child Care, and the California State Preschool Program. The budget also provides an attendance hold harmless to all state-subsidized childcare providers if open in 2020-21. The budget agreement also includes the Governor’s proposal to transition all child development programs, except the California State Preschool Program, to the Department of Social Services, beginning July 2021.

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 and 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 the Academic Senate.
- **Categoricals.** Maintains funding for other categorical programs that had been proposed to be cut, 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.

cc: Joy Boyd
Becky Zoglman
Daniel Koen
Jonathan Goldman
Claudia Briggs
Michael Borges