

June 29, 2021

**MEMORANDUM**

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

**FROM:** Katie Hardeman, Legislative Advocate

**RE:** 2021-22 Budget Agreement

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On June 28, 2021, the Legislature passed a partial budget agreement. The following summarizes the major components of the 2021-22 budget agreement. Many of the budget trailer bills, including the Education and Higher Education Omnibus trailer bills, have not yet been released publicly. Therefore, more details will be available when the trailer bills are made available later this week.

**State Revenues** – The budget agreement uses the Department of Finance’s revenue estimates as proposed at the May Revision, augmented by \$1.6 billion additional current year cash. The updated revenues are up relative to the Governor’s January Budget by approximately \$47 billion over the three-year budget window. Of that, approximately \$17.7 billion is dedicated to Proposition 98 (Prop 98) for K-14 education. The increased revenues are attributed mainly to increased personal income tax, sales tax, and corporate tax revenue.

**CalSTRS** – The budget maintains the Governor’s Budget proposal to include a one-time \$410 million Proposition 2 (Prop 2) supplemental pension payment to be paid to CalSTRS in 2021-22 toward the state’s share of the CalSTRS unfunded liability. This payment is estimated to result in \$1.1 billion gross savings to the state through 2045-46. The budget also maintains the January proposal to provide a one-time \$174 million payment to offset the reduction in the state’s contribution in 2020-21 to allow the funding plan to stay on track to be fully funded by 2046.

**Broadband** – The budget agreement includes \$6 billion in federal funding for broadband infrastructure and improved access to internet services throughout the state, including \$3.75 billion for middle-mile infrastructure in unserved communities.

**Reserves** – Prop 2, enacted by the voters in 2014, created the Budget Stabilization Account (BSA) and the Public School System Stabilization Account (PSSSA), or the Prop 98 reserve, with specific requirements for deposits and withdrawals. The budget agreement includes a total payment of \$4.5 billion in the Prop 98 reserve.

Under current law, school district reserves are capped at 10 percent in fiscal years immediately succeeding those in which the balance of the Prop 98 reserve is equal to or greater than 3 percent of the total K-12 share of the Prop 98 guarantee. The balance of \$4.5 billion in 2021-22 will trigger school district reserve caps beginning in 2022-23.

**Proposition 98** – The budget agreement includes a Prop 98 funding level of \$93.7 billion in 2021-22, the highest level ever, reflecting a \$23.2 billion increase from the level adopted in the 2020 Budget Act. The budget also updates the Prop 98 minimum guarantee in prior years to be \$79.3 billion in 2019-20 and \$93.4 billion in 2020-21. This results in a total increase in Prop 98 funding of \$17.7 billion over the three-year budget period, compared to the Governor’s January Budget. The budget projects Prop 98 “Test 1” is operative in 2021-22 and the out-years.

**State Appropriations Limit** – Excess revenues above the State Appropriations Limit (SAL) over a two-year period creates a Constitutional obligation for the state to make a one-time payment to K-14 schools, as a supplement to the Prop 98 Guarantee. The Governor’s May Revision projected the state would exceed the SAL in 2020-21 and 2021-22, resulting in an estimated \$8.1 billion in one-time funding being provided to K-14 schools in the 2022-23 fiscal year. However, the final budget agreement does not anticipate the state exceeding the SAL in 2020-21 and 2021-22 due to multiple factors, including counting some realignment revenues under counties’ SAL rather than the state SAL and exempting some emergency COVID related expenses. Therefore, the final agreement does not budget for the one-time payment to schools and community colleges in 2022-23. This is likely to change in the coming months as revenues continue to come in higher than projected.

**Supplemental Payment** – The 2020 Budget Act included 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 \$13 billion. This would increase the Prop 98 share of the General Fund from 38 percent to 40 percent over time. The Governor’s January Budget included a one-time supplemental payment of \$2.3 billion but rescinded supplemental payments in future years. The budget agreement adopted the May Revision proposal to rescind the \$2.3 billion one-time supplemental payment proposed in January because revenues have significantly surpassed the “Test 2” Prop 98 level, which was the basis of this proposal.

**Educational Revenue Augmentation Fund (ERAF)** – The Prop 98 funding level includes property tax decreases of \$283 million in 2019-20, \$298 million in 2020-21, and \$315.9 million in 2021-22 due to inaccurate calculations by counties that are considered “excess ERAF.” The budget does not propose to correct the excess ERAF calculations. CTA has recently challenged the certification of the 2019-20 Prop 98 funding level due to these inaccurate calculations.

**Payment Deferrals** – The 2020 Budget Act included a total of \$12.5 billion in payment deferrals to K-12 schools and community colleges. The budget agreement pays off all payment deferrals to schools and community colleges.

**College Savings Accounts** – The budget agreement modifies the May Revision proposal to support college savings accounts by providing \$1.8 billion federal funds and \$107.8 million in ongoing General Fund to support the CalKIDS program and a new program within CalKIDS

to provide up to \$1,000 for accounts for low-income K-12 students, to be administered by ScholarShare.

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

- **COLA.** Provides a 5.07 percent cost-of-living adjustment (COLA) to apportionments, or \$371.2 million in ongoing Prop 98 funding. Rejects the Governor’s Budget proposal to tie increased COLA funding to the requirements that community colleges increase online courses and provide an equity gap report.
- **Deferrals.** Eliminates all community college payment deferrals.
- **Hold Harmless.** Extends the hold harmless provision for the Student Centered Funding Formula by one year, to 2024-25.
- **Enrollment Growth.** Approves the May Revision proposal to support 0.5 percent enrollment growth.
- **Emergency Financial Aid.** Approves the Governor’s Budget proposal to provide \$150 million one-time Prop 98 funding for emergency financial aid.
- **Basic Needs.** Approves the Governor’s Budget proposal to provide \$100 million one-time Prop 98 funding to support student basic needs and provides \$30 million in ongoing Prop 98 funding to support basic needs centers at all community colleges.
- **Full-Time Faculty.** Provides \$100 million in ongoing Prop 98 funding to increase the hiring of full-time faculty.
- **Part-time Faculty Office Hours.** Provides \$90 million one-time Prop 98 and \$10 million in ongoing Prop 98 funding to support part-time faculty office hours.
- **Student Recruitment and Retention.** Approves the Governor’s Budget proposal to provide \$100 million one-time Prop 98 funding to support student recruitment and retention strategies.
- **Mental Health.** Provides \$30 million in ongoing Prop 98 funding to support student mental health services.
- **Professional Development.** Approves the Governor’s Budget proposal to provide \$20 million one-time Prop 98 funding to support faculty professional development.
- **CalBright College.** Maintains funding for CalBright College.
- **Apprenticeship.** Approves the Governor’s Budget proposal to add \$15 million in ongoing Prop 98 funding to the California Apprenticeship Initiative and provides a 4.05 percent COLA.
- **Zero-Textbook-Cost Degrees.** Provides \$115 million one-time Prop 98 funding for zero-textbook-cost degrees.
- **Capital Outlay.** Approves all proposed Prop 51 capital outlay projects and reappropriations, including 9 new projects and 32 continuing projects. It also provides \$511 million in one-time Prop 98 funding for deferred maintenance.
- **Dual Enrollment.** Rejects May Revision proposals to support dual enrollment costs. Approves the Governor’s Budget proposal to support dual enrollment textbook costs.
- **Course Numbering.** Provides \$10 million one-time General Fund to develop a common course numbering system throughout the community college system.

- **Student Equity and Achievement Program.** Approves the May Revision proposal to increase support for the Student Equity and Achievement Program by \$23.8 million in ongoing Prop98 funding.
- **Workforce Programs.** Approves the May Revision proposal to provide \$20 million in one-time Prop 98 funding to support the participation of community colleges in High Road Training Partnerships and regional partnerships funded by the California Workforce Development Board. Increases support for the Strong Workforce program by \$42 million in ongoing Prop 98 funding.
- **Adult Education.** Provides a 4.05 percent COLA for the Adult Education program.
- **Categorical Programs.** Provides a COLA to the following categorical programs: EOPS, campus child care, CalWORKS, DSPS, child nutrition and the mandates block grant. Includes augmentations to the following community college categorical programs:
  - \$4.9 million in ongoing Prop 98 funding for Umoja
  - \$8.2 million in ongoing Prop 98 funding for MESA
  - \$7.3 million in ongoing Prop 98 funding for Puente
  - \$20 million in ongoing Prop 98 funding for EOPS
  - \$1.3 million in ongoing Prop 98 funding for the HBCU Transfer program

The budget agreement also includes the following investments in student financial aid:

- Eliminates the age and time out of high school requirements for the Cal Grant for income-eligible California community college students starting in 2021-22. These students would continue to receive Cal Grant even if they transferred to UC or CSU. New funding will be \$153 million in ongoing General Fund in 2021-22 and grow to \$332 million ongoing General Fund by 2025-26. Includes an increased cap for the Students with Dependent Children award to accommodate new students in this program and adds \$82.3 million ongoing General Fund to support up to \$6,000 in non-tuition support for each of these students.
- Provides \$5.4 million for a COLA to the private non-profit tuition coverage award of \$9,084. Students will now receive \$9,220.
- Expands the Middle-Class Scholarship program to cover the total cost of attendance for low- and middle-class UC and CSU students starting in 2022-23. The program calculates a student's costs, other aid, and a student contribution, and then provides state aid to make up the remaining costs. The program begins by covering about a third of the total costs.

Please note these are only highlights, and further details will be forthcoming.

cc: Joe Boyd  
 Becky Zoglman  
 Daniel Koen  
 Jonathan Goldman  
 Michael Borges

KH:bgs