

June 29, 2021

MEMORANDUM

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

FROM: Katie Hardeman, Legislative Advocate

RE: 2021-22 Budget Agreement

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.

Per Pupil Funding – Under the budget agreement, per-pupil funding for K-12 education is \$13,977 in Prop 98 funding (\$3,323 above the 2020 Budget Act) and \$21,152 when accounting for all funding sources.

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.

Local Control Funding Formula – The budget agreement adopts the Governor’s proposed 5.07 percent cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF). The budget also includes changes to the multi-year nature of LCFF supplemental and concentration grant tracking.

Additionally, the agreement provides \$1.1 billion in ongoing funding to increase the LCFF concentration grant from 55 percent to 65 percent of the base grant and requires the additional funding to be used to increase staffing. Local Educational Agencies (LEAs) are eligible to receive a concentration grant as part of LCFF funding when the enrollment of unduplicated students (low-income, foster youth, and English learners) is 55 percent of total enrollment or greater.

Independent Study – The budget agreement makes changes to the independent study program and school closure statutes to provide schools and families with high-quality alternative options to in-person learning when necessary. Further details will be forthcoming.

Transitional Kindergarten (TK) – The budget adopts universal Transitional Kindergarten (TK), phasing in expanded age eligibility by two months per year from 2022-23 to full implementation in 2025-26. The agreement “rebenches” the Prop 98 Guarantee to provide ongoing funding for the TK expansion of approximately \$2.7 billion at full implementation. The budget includes quality standards for TK, including full school-day instructional minutes, 1:12 staff to student ratio by 22-23, and 1:10 staff to student ratio by 23-23, subject to future budget appropriations. The agreement also allows the California State Preschool Program to provide wrap-around after and summer school care for TK/K, and allows for parent choice for entering or retaining children in state preschool programs, child care, or Head Start programs that are age-eligible for TK. The budget includes \$10 million in one-time General Fund for CDE to update the California Preschool Learning Foundations to reflect the expansion of transitional kindergarten.

The budget agreement provides \$300 million in one-time Prop 98 for a California Pre-Kindergarten Program Planning and Implementation Grant to support the preparation of preschool and TK/K teachers. Up to \$200 million will support planning grants to expand Pre-Kindergarten and kindergarten programs, including TK, kindergarten, Head Start, and preschool programs.

Additionally, the budget includes \$490 million in one-time General Fund for school districts to construct new facilities or retrofit existing facilities to support State Preschool, TK, or full-day kindergarten program expansion.

Expanded Learning Time – The budget agreement creates the Expanded Learning program to provide funding for afterschool and summer school enrichment programs targeted at low-income students. In 2021-22, the budget provides \$1 billion in ongoing Prop 98 funds, and \$753.1 million in one-time Prop 98 funds, growing to \$5 billion in ongoing Prop 98 funding at full implementation for all classroom-based LEAs.

The budget also provides one-time federal American Rescue Plan Act funds to increase the *After School Education and Safety (ASES)* program and *21st Century Community Learning Center (21st CCLC)* after school program daily rates to \$10.18 and expand program access.

Community Schools – The budget includes \$2.8 billion in one-time Prop 98 funding through 2028 for LEAs to expand the community school model.

Teacher Pipeline and Training – The budget includes the following investments for various teacher recruitment, retention, and professional development programs, including:

- \$1.5 billion one-time Prop 98 funds over five years for the Educator Effectiveness Block Grant to provide training for classified, certificated, and administrative school staff.
- \$500 million one-time General Fund to support the Golden State teacher program.
- \$250 million one-time Prop 98 funding, available over five years, to provide incentive grants to attract and retain highly-qualified National Board Certified teachers to teach in high poverty schools, serve as mentors for other instructional staff, and support teachers in pursuing National Board certification.
- \$125 million one-time Prop 98 funding available over five years for the Classified School Employees Credentialing Programs and provides priority for LEAs expanding or providing new programs with a plan to recruit expanded learning and early childhood education program staff.
- \$60 million one-time Prop 98 General Fund to provide state matching funds to the Classified School Employees Summer Assistance Program.
- \$50 million one-time Prop 98 funds for the implementation of California’s Ethnic Studies curricula, and \$5 million one-time Prop 98 General Fund to fund professional development and instructional materials for LEAs on a regional basis.
- \$25 million one-time Prop 98 funding, available over five years, to support the 21st Century School Leadership Academies.
- \$25 million in one-time General Fund to support child behavioral health-related professional development for educators.
- \$15 million one-time Prop 98 funds to identify and curate a repository of high-quality open educational resources.
- \$10 million one-time Prop 98 funding to provide professional learning to strengthen reading instruction for all students, emphasizing diverse learners.
- \$3.5 million Prop 98 funding to reflect the restoration of the Science, Technology, Engineering, and Mathematics professional development funding for San Francisco Unified School District in partnership with the San Francisco Exploratorium.
- \$1.7 million one-time Prop 98 funding to support the Center for Teaching Careers in 2021-22 and waives teacher credentialing fees in the Budget Year.

The budget also expands the list of allowable exemptions from the basic skills proficiency test, would specify that the minimum requirements for a preliminary single or multiple subject teaching credential include verification of subject matter competence, and provides alternative assessment authority to the CTC.

Student Assessments – The budget allows LEAs to administer standards-aligned assessments during the 2020-21 school year, in place of the California Assessment of Student Performance and Progress’s summative assessments, and receive an apportionment at a rate approved by the State Board of Education.

Behavioral Health – The budget agreement invests a total of \$4.4 billion over five years to create a new, modern, and innovative behavioral health system for youth ages 0 to 25. The investment will include \$205 million for the Mental Health Student Services Act to fund school and county mental health partnerships that support the mental health and emotional needs of children and youth as they return to schools and everyday life.

School Nutrition – The budget agreement includes funding for the Universal School Meals Program, with an increase in state meal reimbursements by \$54 million in the 2021-22 fiscal year and \$650 million in ongoing Prop 98 funding beginning in 2022-23, to cover the costs of offering breakfast and lunch for all students. The budget also includes \$257 million one-time federal funds for payments to child nutrition program operators to offset pandemic-related costs.

The budget also includes \$150 million one-time Prop 98 funding to provide training for school food service workers and grants for kitchen infrastructure upgrades.

Special Education – The budget agreement increases special education funding by \$396 million in ongoing Prop 98, increasing the per-student statewide base rate. In addition, the budget increases the special education funding formula by \$260 million in ongoing Prop 98 to include funding for specified services for children aged 3-5 years old in the formula. The budget also includes the following investments related to special education:

- \$550 million in one-time General Fund to support students with disabilities, with requirements to match funds on a one-to-one basis, use voluntary alternative dispute resolution practices, and implement a plan to engage with families.
- \$15 million in one-time Prop 98 funds, for use over three years, for the Supporting Inclusive Practices project to provide technical assistance and grants to LEAs to increase inclusive practices for students with disabilities.
- \$277.7 million in one-time federal IDEA funds for local assistance.
- \$7 million in ongoing federal funding to expand family empowerment centers to all regions in the state.

College Readiness – The budget includes \$557 million in one-time Prop 98 funding for the A-G Completion Grant Program, which includes funding to all LEAs to improve A-G completion rates through staff development, pupil supports, additional A-G access, credit recovery, and covering AP fees for students.

Career Technical Education – The budget agreement increases the Career Technical Education Incentive Grant (CTEIG) program by \$150 million in ongoing Prop 98 funding and increases the positive consideration for existing high-quality regional-based career technical education programs.

The budget also approved the May Revision proposal to provide \$86.4 million in one-time Prop 98 funds for career technical education regional occupational centers or programs (ROCPs) operated by a joint powers authority to address costs associated with the COVID-19 pandemic.

Categorical Programs – The budget includes \$2.4 million in ongoing Prop 98 funding to reflect a 1.7 percent COLA for categorical programs outside the LCFF and Special Education, including: Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program. The budget also includes \$29.7 million in ongoing Prop 98 funds for County Offices of Education (COEs) to reflect the updated COLA and changes in attendance and \$80 million one-time to COEs to be used for any purpose consistent with providing in-person instruction.

Non-Classroom Based Charter Schools – The budget extends the existing moratorium on the approval of new non-classroom based charter schools to 2026.

Early Childhood Education – The budget agreement includes significant investments in early childhood education. In addition to universal TK, the budget includes the following investments:

- Increases child care access by 120,000 slots in the Alternative Payment and General Child Care programs with a multi-year commitment to fund a total of 200,000 new slots by 2025. Makes essential worker short-term child care vouchers ongoing.
- Provides \$130 million in ongoing Prop 98 funding for LEA-based California State Preschool programs, prioritizing full-day and full-year programs for approximately 8,700 slots.
- Increases all childcare and preschool program rates to the 75th percentile of their county 2018 Regional Market Rate (RMR) as the interim Rate Reform single rate.
- Adopts Rate Reform policy for all child care programs, beginning in the 2021-22 Budget Year, which sets rate targets for a single rate system beginning in 2023.

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 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
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KH:bgs