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

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 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. 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 Zoglm  
Daniel Koen  
Teri Holoman  
Jonathan Goldman  
Lori Easterling  
Claudia Briggs  
Michael Borges