

Overview of the 2021–22 Governor’s May Revision

Governor Gavin Newsom’s “California Comeback Plan” includes a mix of ongoing and one-time investments of \$100 billion made possible by an unanticipated surge in state revenues and robust federal stimulus funding. The K–14 public education investments include over \$121 billion in budget-year spending for K–12 and an over \$1 billion (or 5.7%) increase for community colleges from 2020–21 levels.

The Economy

The rate of the economic recovery is so strong that the Gann Limit has been triggered. The May Revision estimates that the Gann Limit could be exceeded for the 2020–21 and 2021–22 fiscal years by \$16.2 billion. The May Revision allocates the whole \$16.2 billion estimate, providing tax refunds through the Golden State Stimulus, and allocating the balance of \$8.1 billion to K–14 schools in 2022–23 as a supplement to Proposition 98 funds.

Proposition 98 Minimum Guarantee

Proposition 98 is estimated to increase by \$17.7 billion above Governor Newsom’s January estimates. Revised from January estimates, the Proposition 98 minimum guarantee increases during the three-year budget window as shown in Table 1 for each of fiscal years 2019–20, 2020–21, and 2021–22.

| Fiscal Year | January Estimate | May Revision |
|-------------|------------------|--------------|
| 2019–20 | \$79.5 | \$79.3 |
| 2020–21 | \$82.8 | \$92.8 |
| 2021–22 | \$85.8 | \$93.7 |

Public School System Stabilization Account

According to the May Revision, the state is required to set aside \$1.6 billion more than the January estimate of \$3.0 billion into the Public School System Stabilization Account, for a total reserve of \$4.6 billion. The reserve amount triggers the statutory cap on local reserves in fiscal year 2022–23.

Deferrals

The May Revision provides additional funding to further reduce the deferrals that were included in the 2020–21 Enacted Budget. The Governor’s Budget in January proposed paying down \$9.2 billion of the K–12 deferrals. The May Revision proposes paying down an additional \$1.1 billion, leaving a balance of \$2.6 billion at the end of the 2021–22 fiscal year.

Cost-of-Living Adjustment

Local educational agencies (LEAs) will need to keep three different cost-of-living adjustments (COLAs) in mind when calculating revenues for 2021–22:

| COLA | Programs |
|--------------------|---|
| 5.07% (mega) | Local Control Funding Formula (LCFF) |
| 4.05% (compounded) | Special education |
| 1.70% (statutory) | Other categorical programs—Child Nutrition, State Preschool, Youth in Foster Care, Mandate Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program |

Local Control Funding Formula

Governor Newsom proposes a \$1.1 billion augmentation to the concentration grant for the purpose of increasing the number of adults providing direct

services to students. The effect of this infusion is an ongoing increase to the concentration grant factor.

Special Education

The May Revision proposes to apply the compounded COLA of 4.05% to special education funding. This will increase the special education base rate from \$625.00 in the current year to approximately \$650.31 per average daily attendance. There is also an increase of \$277.7 million one-time in federal funding to Individuals with Disabilities Act from the American Rescue Plan.

Educator Workforce

Governor Newsom invests in the educator workforce by providing \$3.3 billion in a multiyear package to support initiatives that build the teacher pipeline, encourage educator retention, and provide professional training in key areas for administrative, credentialed, and classified staff.

Child Care, Preschool, and Transitional Kindergarten

Governor Newsom increases the state’s child care and preschool reimbursement rates by the statutory 1.70% COLA. He is also proposing 100,000 new subsidized child care slots, as well as funding an additional 6,500 slots from Proposition 64 cannabis tax revenues. Governor Newsom’s child care package also includes continued protections for families through waived family fees and protections for providers through a variety of stipend and resource programs and continuing the hold harmless provision for direct contractors. Finally, the May Revision maintains current spending levels for the California State Preschool Program with the intention of achieving universal preschool access for all low-income three-year-olds in California.

The Governor also proposes to provide universal Transitional Kindergarten (TK) to all four-year-olds

in California by 2024–25. The Governor proposes increasing the Proposition 98 minimum guarantee by an estimated \$900 million in fiscal year 2022–23 and reaching a total of \$2.7 billion by full implementation in 2024–25 to pay for the costs of California’s new “14th grade.” He also proposes an additional \$380 million Proposition 98 investment, growing to \$740 million by 2024–25, to reduce TK classroom ratios by half.

The May Revision proposes repurposing the January Governor’s Budget one-time \$250 million TK incentive grant proposal to instead, provide LEAs resources to enable them to prepare for TK expansion beginning with the 2022–23 school year, as well as maintain a facilities proposal to help LEAs with their student housing needs when new TK students cross their campus gates beginning in 2022–23.

Community Schools

Governor Newsom significantly increased his \$275 million community schools proposal from January by investing \$3 billion in one-time Proposition 98 funding over several years to further expand the implementation and use of the community school model.

Child Nutrition

Governor Newsom proposes \$150 million in ongoing funding to increase LEA participation in federal universal meal provisions. Additionally, \$100 million in one-time funding is proposed to provide school kitchen infrastructure upgrades and training for school cafeteria staff.

Student Learning

Governor Newsom proposes an additional \$2 billion for health and safety activities associated with reopening schools to supplement the In-Person Instruction Grant. In addition, the Governor proposes to supplement the Expanded Learning Opportunities Grant with an additional \$2.6 billion to provide

interventions for students focused on accelerated learning.

Recognizing that some parents may still be hesitant to send their children back to school in the fall, the May Revision affirms that LEAs may serve these students outside the classroom using existing independent study statutes. To ensure these students receive a high-quality option for nonclassroom-based instruction, improvements to the independent study statutes are proposed.

Afterschool and Summer Programs

The Governor envisions robust afterschool and summer programs for elementary school students with a five-year plan. Funds are proposed to provide no-cost afterschool and summer programs with a priority for LEAs with the highest concentrations of low-income students, English language learners, and youth in foster care. The May Revision includes \$1 billion for this proposal in 2021–22, growing to \$5 billion in 2025–26.

Retirement Systems

Governor Newsom does not include any new funding for the California State Teachers’ Retirement System (CalSTRS) or the California Public Employees’ Retirement System (CalPERS) for LEAs. This reaffirms the current best CalSTRS employer rate estimate for 2021–22 of 16.92% based on the latest recommendation to date from the actuary—a 1.00% increase compared to what LEAs are currently expecting at 15.92%. In contrast, the CalPERS Board approved the employer contribution rate at its April 2021 meeting for 2021–22 at 22.91%—a 0.09% decrease compared to what LEAs are currently expecting at 23.00%.

POCKET BUDGET 2021–22

A Summary Analysis of the May Revision Proposal for the 2021–22 State Budget for California’s Schools

Prepared By:



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*Public Education's Point of Reference
for Making Educated Decisions*

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