

# Initial Impressions from Governor Newsom's 2021–22 State Budget Proposal



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Today, January 8, 2021, Governor Gavin Newsom released his proposal for the 2021–22 State Budget, his third budget proposal as California's chief executive.

The purpose of this article is to provide a quick overview of Governor Newsom's assertions regarding the 2021–22 State Budget. We address the community college topics highlighted by Governor Newsom this morning in his press conference, press release, and high-level State Budget summary but reserve our commentary and in-depth details for inclusion in our *Community College Update*, to be released later today.

## **Economic Outlook**

As the Department of Finance has been signaling in recent monthly Finance Bulletins, the revenue forecast has drastically improved from the 2020 State Budget Act. As a result, before accounting for transfers such as to the Budget Stabilization Account, General Fund revenue is higher than the 2020 Budget Act projections by nearly \$71 billion from 2019–20 through 2021–22. Over the three fiscal years, the personal income tax is up almost \$58 billion, the sales and use tax is up almost \$9 billion, and the corporation tax is up \$1.3 billion.

While the 2020 State Budget Act drew down \$8.8 billion from reserve accounts in order to balance the Budget, the Governor's 2021–22 State Budget is proposing to refill those reserves with a total of \$15.6 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund), \$450 million in the Safety Net Reserve, \$3 billion in the Public School System Stabilization Account, and an estimated \$2.9 billion in the state's operating reserve.

## **Level of Proposition 98 Funding**

The proposed 2021–22 State Budget includes Proposition 98 funding of \$85.8 billion for 2021–22, which Governor Newsom notes as an "all-time high." The Proposition 98 funding levels for the current budget year (2020–21) and last year (2019–20) have been revised upward to \$82.8 billion and \$79.5 billion, respectively.

Due largely to projected increases in revenues and year-over-year declines in average daily attendance (ADA), Test 1 is projected to be operative for fiscal years 2019–20 through 2021–22.

## **Public School System Stabilization Account (PSSSA)**

The 2020 State Budget Act drew down the entirety of the PSSSA, and this year, Governor Newsom proposes to instead make deposits into the account because of the upward revision in the Proposition 98 minimum guarantee. The Budget projects deposits are required in the amount of \$747 million in 2020–21 and \$2.2 billion in 2021–22 for a projected PSSSA balance of \$3 billion. This balance triggers a cap of ten percent on school district reserves beginning in 2022–23.

## **Growth and Cost-of-Living Adjustment (COLA)**

Governor Newsom proposes \$111.1 million ongoing to provide a 1.5% COLA for apportionments and \$23.1 million ongoing for 0.5% enrollment growth.

## **Student Centered Funding Formula (SCFF)**

The Governor does not propose any programmatic changes to the SCFF, but does propose to reduce apportionment deferrals for the SCFF by more than \$1.1 billion to \$326.5 million for 2021–22.

The State Budget Proposal also includes an increase of \$52.7 million in one-time funds for 2020–21 community college apportionments and a decrease of \$292.7 million ongoing as a result of increased offsetting local property tax revenues.

## **COVID-19 Investments**

To mitigate the impact that COVID-19 has had on community college students, the Governor proposes the following investments:

- \$150 million one-time for emergency financial assistance for full-time, low-income community college students as well as other students who were previously working full-time and can demonstrate an emergency financial need and at least a 2.0 GPA in one of their last three semesters or four quarters
- \$100 million one-time to address food and housing insecurity among California community college students
- \$30 million ongoing to support student technology access
- \$20 million one-time for a systemwide effort to provide culturally competent online professional development for community college faculty
- \$10.6 million ongoing to support distance learning, including access to online tutoring, online counseling, and online student support services such as mental health services

### **Work-Based Learning**

Governor Newsom proposes \$15 million in ongoing funds to augment the California Apprenticeship Initiative and another \$20 million in one-time funds to expand work-based learning models and programs at community colleges.

### **Student Program Adjustments**

The Governor proposes \$15 million one-time funds to develop and implement zero-textbook-cost degrees using open educational resources and \$2.5 million in one-time funds to provide instructional materials for dual enrollment students

### **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 local educational agencies, but previous investments to assist employers reduce the employer rate for CalSTRS from 18.1% to 15.92% in 2021–22 and for CalPERS from 24.9% to 23%.

### **Capital Outlay**

Governor Newsom proposes \$355.8 million for capital outlay projects, including \$2.2 million to start one new project and \$353.6 million for the construction phase of 17 projects anticipated to complete design by spring 2022. This allocation represents the next installment of the \$2 billion available to community colleges under Proposition 51.

### **Broadband Access**

The Governor proposes to invest \$8 million ongoing for cost increases associated with continued broadband access provided by the Corporation for Education Network Initiatives in California.

### **Adult Education Program**

The State Budget Proposal provides an increase of \$8.1 million ongoing for the Adult Education Program, which reflects a 1.5% COLA. Additionally, Governor Newsom proposes an increase of \$1 million ongoing to support technical assistance for the Adult Education Program.

### **Summary**

This very broad extract of the Governor's 2021–22 State Budget Proposal is provided to keep you informed. Over the next few hours and days, we will be working to distill the information and make it actionable for community colleges.