

2021–22 Statutory COLA is 1.70%

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Today, April 29, 2021, the U.S. Department of Commerce released the 2021 first quarter value of the Implicit Price Deflator for state and local government goods and services, which provides the last piece of information needed to establish the 2021–22 statutory cost-of-living adjustment (COLA) for K–14 education apportionments. Based on this data, we calculate the statutory COLA for 2021–22 to be 1.70%, a slight increase from Governor Gavin Newsom’s State Budget estimate that projected the statutory COLA to be 1.50%.

Recall that the current enacted State Budget for 2020–21 provided zero COLA for the Student Centered Funding Formula and other categorical programs that would normally receive a COLA.

In January, to remedy the zero COLA for K–12 districts, the Governor proposed a compounded COLA to bring their funding formula up to where the rates would be had 2020–21’s statutory 2.31% been funded. Applying the 2021–22 statutory COLA to last year’s unfunded COLA would provide a compounded COLA of 4.05%, assuming that Governor Newsom continues the policy he proposed in January. Community college districts are seeking equity through the same compounded COLA, a concept that resonated with legislators during winter State Budget hearings.

The Governor is scheduled to release the May Revision no later than May 14 and will do so without the full knowledge of the full impact of the COVID-19 pandemic on 2020 tax receipts. This is due to the fact that personal income tax filings, and related payments, were extended from April 15 to May 17.