

## May Revision to the Governor's Budget

### Governor's May Revision 2021-22

The Governor's May Revision was released this morning and highlights incredible growth in state revenues, especially when compared to the bleak forecasts from one year ago. After the Governor's proposed trailer bill language is made public (this evening), we will have the details necessary to evaluate the May Revision at a deeper level. What follows is an overview of key proposals affecting K-12 education based on the administration's [Summary of the May Revision](#).

### Fiscal outlook

On the wings of multiple rounds of federal stimulus and mass vaccinations, the Administration predicts California's economy is poised for rapid expansion through the remainder of 2021 and continued growth in 2022. This improvement in the projected path of economic activity has led to a significant improvement in the revenue forecast.

The result is billions in one-time revenue growth, which Governor Newsom has eagerly invested into the "California Comeback Plan," a mix of programs to speed our, thus far, deeply unequitable economic recovery. With that growth, state reserves have swelled to \$24.4 billion (including \$4.6 billion in the Proposition 98 reserve) and the Gann Limit has been exceeded by over \$16 billion, triggering major funding reallocations such as the Golden State Stimulus program and future appropriations to K-14 in 2022-23.

Proposition 98, under a Test 1 year, is expected to grow to an historical high of \$93.7 billion in 2021-22. The growth is occurring across all three budget years: prior year (2019-20), current year (2020-21), and budget year (2021-22).

### Spending overview

Under Newsom's "California for All Kids Plan," the state outlines a five-year strategy for public school investment that aims to offer every child in California the comprehensive support necessary to reach their full potential. Major expenditures, both inside and outside Proposition 98, include:

- Universal transitional kindergarten starting in 2022-23
- Greater access to before/after-school supplemental education programs
- Community schools
- Educator workforce expansion and training
- Decreased adult-to-student ratio by adding teachers, school counselors, social workers, and nurses
- Expanding universal meal provisions
- More integrated relationship between schools and health care plans, county health, and social services to provide school-based services to children

- Broadband access

## New compounded COLA for school districts, county offices

The May Revision proposes a 5.07% compounded cost-of-living adjustment (COLA) to the Local Control Funding Formula (LCFF) for school districts and county offices of education. In January, the Governor's Budget proposed a compounded LCFF COLA of 3.84%. The May Revision adds a 1.7% increase, plus a discretionary increase of one percent. The discretionary increase, like all discretionary spending proposals, will no doubt be a subject of debate within the Legislature as they evaluate discretionary versus more targeted funding expenditures.

Of note: The administration's Summary indicates a 2.7% COLA for county offices of education (page 56). This is an error, according to the Department of Finance.

A 1.7% COLA will be applied to categorical programs 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.

## Virtual learning options in 2021-22

Given the state's return to full-time in-person instruction starting on July 1, 2021, the May Revision provides \$2 billion (Prop. 98, one-time) to fund health and safety activities, including testing and vaccine initiatives, enhanced cleaning, personal protective equipment, and improved ventilation. These funds will supplement the \$2 billion appropriated by Assembly Bill 86 (2021) to schools that were open for in-person instruction by April 1, 2021.

In a recognition that many families are hesitant to return their children to school, however, the May Revision specifically indicates non-classroom-based instruction should use the existing traditional and course-based independent study models. Additional requirements to independent study would include: (1) providing access to technology, internet connectivity, and a dedicated and rigorous curriculum; (2) developing and implementing a framework of tiered re-engagement strategies for students not meaningfully participating in instruction; and (3) tracking and recording daily student participation and interaction with teachers.

Trailer bill language will provide additional details about these new independent study requirements and the extent to which they apply to some, or all, independent study programs. The Department of Finance confirmed the May Revision does not include any restrictions on families' choice.

## Before and after school education expansion for LEAs receiving concentration grants

Starting at \$1 billion and building to \$5 billion (ongoing) in 2025-26, this proposal would allow any school that receives concentration grant funding for English learners, foster youth and low-income students to implement before and after school and summer school programs for all students at those LEAs. The funding would double for TK and Kindergarten students to ensure appropriate staffing ratios of 1:10 for TK and Kindergarten and 1:20 for students in first through sixth grades. The administration estimates this investment would impact 2.1 million students at full implementation.

Building on the expanded learning opportunities of AB 86, these resources will allow parents to have full-day and full-year educational opportunities for their children. Combined with traditional school, this provides nine hours of academics and enrichment each school day and six weeks each summer. The academic portion includes tutoring or homework assistance and enrichment activities include arts, STEM, CTE, recreation and physical activities to name a few.

LEAs with an 80% unduplicated pupil percentage will receive the first apportionments. Future appropriations will be based on growth in the Proposition 98 minimum guarantee.

## Community schools on 1,400 campuses

The governor builds upon his January investment in community schools (\$265 million), increasing the funding to community schools and wrap-around service to \$3 billion over multiple years. These LEA grants would, in the administration's estimate, create 1,400 community school programs across the state that will focus on mental health, high quality educators, and after school care. Community schools blend various funding sources to provide integrated health, mental health, and social services alongside high-quality, supportive instruction. In addition to these integrated student supports, community schools offer expanded learning time, active family and community engagement, and collaborative leadership and practices.

## Supplementing concentration grants to decrease student-teacher ratios

To increase the number of adults working with children in schools, the May Revision proposes \$1.1 billion (ongoing) to augment the concentration grant funding going to schools. The grant amount would increase, from 50% to 65% atop other LCFF funding, resources that must be used to decrease the adult-to-student ratio. Recipient LEAs must report in their LCAP how they will decrease adult to child ratio by increasing positions, such as classified staff, counselors, teachers, paraeducators, and nurses.

## "Science-based" interventions to accelerate learning

The May Revision proposed \$2.6 billion for research-tested interventions for students, including intensive tutoring. The sources of funding are federal ESSER and GEER funds (\$2 billion, one-time) and Proposition 98 (\$623 million, one-time).

## Educator preparation, retention, and training

May Revision builds upon more than a half-billion in investments proposed in the Governor's Budget to further expand the state's educator preparation and training infrastructure by providing a grand total of approximately \$3.3 billion to support educator initiatives. These proposals include:

### Workforce preparation

- \$550 million (Prop. 98, one-time) over five years (up from \$150 million in the Governor's Budget) to support approximately 22,000 teacher candidates in teacher residencies and other grow-your-own teacher credentialing programs.

- \$500 million (general fund, one-time) over five years (up from \$100 million in the Governor's Budget) for Golden State Teacher grant. Unclear until we review TBL whether grants are limited to institutions of higher education or have been expanded to LEA programs.
- \$250 million (general fund, one-time) for Regional K-16 Education Collaboratives to focus on streamlining educational pathways leading to in-demand jobs.
- An additional \$100 million (Prop. 98, one-time) over five years (for a total of \$125 million) for the Classified School Employee Teacher Credentialing.
- Other funding to establish the Roadmap to Pre-K through 12 Educational Employment Program; to provide a credential fee waiver in 2021-22 for individuals entering the K-12 educator workforce and to support 6,000 teachers in completing the coursework necessary to receive state certification to teach computer science.

### **Retention and training**

- \$1.5 billion (Prop. 98, one-time) over three years (up from \$250 million in the Governor's Budget) for the Educator Effectiveness Block Grant.
- \$250 million one-time Proposition 98 General Fund over five years for incentives for 2,500 highly-qualified National Board Certified teachers that teach in high poverty schools to attract and retain them as mentors for other instructional staff.
- Funding for the Classified School Employee Summer Assistance Program.

## **Universal Transitional Kindergarten; Early Learning and Care**

### **Universal Transitional Kindergarten**

The May Revision proposes the expansion of Transitional Kindergarten (TK) over a 4-year period with full implementation (i.e., TK available to all 4 year-olds) in 2024-25. At an estimated \$2.7 billion (Prop. 98, ongoing), the Administration will rebench the Proposition 98 minimum guarantee to accommodate the increase.

The proposal also includes \$250 million (Prop. 98, one-time) for TK planning and implementation grants, \$10 million (one-time) to revise the Preschool Learning Foundations, and more than \$1 billion to lower TK teacher to student ratios to 1:12. In recognition that this proposal will impact other state and federal programs serving 4 year-olds, the Administration will develop a comprehensive plan to support state preschool providers in transitioning to serve younger children.

### **Childcare slots**

The May Revision also proposes the addition of 100,000 new childcare slots, but provides little detail about which programs would be augmented or whether all new slots would be ongoing. However, the summary is specific about new investments in childcare infrastructure, data, and quality, all of which are funded by federal stimulus dollars, including:

- \$250 million to develop or update childcare facilities
- \$10 million for Resource and Referral programs
- \$20 million for strengthening quality improvement systems and supports
- \$3,500 to \$6,500 one-time stipends for licensed providers
- \$10.6 million for early childhood mental health consultation to expand the California Inclusion and Behavior Consultation project
- 16 non-operational days for childcare providers
- \$25 million for the Child Care Initiative Project
- \$4.8 million for a childcare data system to meet the needs of families and the workforce.
- Hold-harmless for state preschool and general childcare contractors and maximum reimbursement for childcare providers
- Per-child stipends for subsidized childcare and preschool providers
- Waiving fees for eligible families during FY 2021-22

## Student Health and Mental Health

In addition to supporting student wellness through community schools and increased adults working with students (see above), the Administration proposes \$30 million to provide another round of Mental Health Student Services Act (MHSSA) funding.

The May Revision also moves forward with a plan to create a Children and Youth Behavioral Health Initiative and increases the planned commitment from \$400 million to \$1 billion. This proposal would provide financial incentives to Medi-Cal managed care organizations that provide youth services on school campuses or in collaboration with schools. It would also establish a virtual platform that provides tools to meet the tier 1 (education resources, screening) to tier 3 (referrals, one-one counseling) needs of youth under the age of 26 and fund a public awareness campaign on Adverse Childhood Experiences (ACES) and toxic stress through the Surgeon General's Office. The Administration plans to make the virtual platform "agnostic" of student insurance provider, i.e., services will be available whether a child is covered by Medi-Cal or commercial insurance.

## Special education

In addition to several smaller pots of federal IDEA funding (Summary, pages 55-56), we highlight several important changes in special education funding.

- \$277.7 million (federal IDEA, one-time) for LEA special education resources.



- \$117.7 million (Proposition 98) to increase COLA from 1.5% to 4.05% (the sum of the 2021-22 COLA, plus an un-suspending of the 2.31% COLA from 2020-21).
- Other funding for IDEA technical assistance; and staff positions at CDE.

No programmatic reforms are proposed in the May Revision's Summary.

## Broadband access

The May Revision proposes a \$7 billion investment over three years as part of a plan to expand broadband infrastructure, increase affordability, and enhance access to broadband for all Californians. This mix of federal ARPA and state (non-Proposition 98) funds would support the following:

- \$500 million (one-time) to expand broadband in rural areas being served by the state's affordable telephone service.
- \$500 million Loan Loss Reserve Account to assist local governments, tribes and non-profits to secure private financing for new municipal fiber networks.
- Middle-mile network to incentivize providers to expand service by reducing their upfront infrastructure costs, creating new opportunities for municipal fiber networks, and promoting affordability for consumers.
- California Advanced Services Fund to incentivize existing and new providers to fund infrastructure for "last mile" service to the state's remaining unserved households.
- The Broadband Connectivity Initiative.

## College savings accounts

The May Revision includes approximately \$2 billion (federal ARPA, one-time) and assumes \$170 million (general fund, ongoing) beginning in 2022-23, to establish college savings accounts for all current low-income public school students. The California Child Savings Program will provide \$500 seed money for each student into their savings account, and homeless youth and those in foster care will receive an additional \$500 deposit.

## School nutrition

The May Revision includes \$150 million (Prop. 98, ongoing) to encourage LEAs to participate in one of the federal universal meal provisions. This will generate \$0.25 meal for each student that participates in the universal meals.

The May revision also includes:

- \$100 million (Prop. 98, one-time) to provide school kitchen infrastructure upgrades and training for school cafeteria staff.
- \$30 million (general fund, one-time), up from \$10 million in the Governor's Budget, to the Department of Food and Agriculture to support the Farm to School initiative.

## Pension payments, deferrals, supplemental Proposition 98 payments

Beginning July 1, 2022, the supplemental state payments to CalSTRS and CalPERS on behalf of school employers will expire. The May Revision does not propose additional payments to ease school employer rate increases starting in 2022-23. The May Revision does, however, include supplemental payments on behalf of the state in its capacity as a CalPERS-covered employer and as a contributor under the CalSTRS funding plan of 2014.

The May Revision proposes to pay \$1.1 billion towards reducing the remaining June/July deferral, bringing the remainder to \$2.6 billion.

In exchange for an ongoing expansion of Transitional Kindergarten, along with rebenching the Proposition 98 minimum guarantee commensurately, the Administration proposes to eliminate the \$2.3 billion one-time supplemental payment proposed in the Governor's Budget in January. The May Revision also retains the Governor's January proposal to eliminate prospectively the supplemental payment. As a reminder, the supplemental payments were the result of a deal cut with the Legislature to restore education funding during the anticipated recession.