The Governor also proposes to utilize $7 million in Individuals with Disabilities Education Act funds to assist LEAs in developing regional alternative dispute resolution services and statewide mediation services for cases arising from the pandemic and distance learning service delivery for students with disabilities.

Investing Federal CARES Act Funds

The Governor proposes to use $4.4 billion from the Coronavirus Aid, Relief, and Economic Security (CARES) Act for LEAs to mitigate learning loss. Funds will be allocated to LEAs using a formula that considers the number of students with disabilities, low-income students, English learners, youth in foster care, and homeless youth served by the LEA. These funds may be used for the following activities:

- Extending the instructional school year
- Providing additional academic services for students, such as connectivity for in-classroom and distance learning
- Learning supports that begin prior to the start of the school year, and continuing into the school year
- Student supports to address other barriers to learning, such as health, counseling, or mental health services; professional development in distance-learning for teachers and parents; access to school breakfast and lunch programs; or programs to address student trauma and social-emotional learning

In addition, the Governor also invests $100 million from the CARES Act for county offices of education to develop community schools. Another $63.2 million will be used to provide training and professional development for educators that is focused on closing opportunity gaps, addressing trauma-related health and mental health barriers to learning, and developing strategies to support necessary changes in the educational program, such as distance learning and social distancing.

Categorical Cuts

The May Revision proposes savings totaling $352.9 million by reducing funding for various categorical programs. If federal funds materialize, then these cuts may be reversed. Funding for the following programs will be reduced by the following amounts:

- After School Education and Safety: $100 million
- K–12 Strong Workforce Program: $79.4 million
- Career Technical Education Incentive Grant Program: $77.4 million
- Adult Education Block Grant: $66.7 million
- California Partnership Academies: $9.4 million
- Career Technical Education Initiative: $7.7 million
- Exploratorium: $3.5 million
- Online Resource Subscriptions for Schools: $3 million
- Specialized Secondary Program: $2.4 million
- Agricultural Career Technical Education Incentive Grant: $2.1 million
- Clean Technology Partnership: $1.3 million

Early Childhood and Preschool

The Governor pulls back on some of the investments he planned for childcare and preschool programs, such as additional child care slots. Additionally, the May Revision cuts programs that were funded in the 2019 Budget Act like funding for improving the quality of the workforce and the renovation of existing, as well as the construction of new, preschool and child care facilities to house anticipated growth. The May Revision also proposes to suspend the statutory 2.31% COLA and reduces the Standard Reimbursement and Regional Market Rates for child care and preschool by 10%.
Overview of the 2020–21 May Revision

Governor Gavin Newsom’s revised State Budget proposes a multiyear effort to address the state’s budget shortfall through a combination of strategies. This includes drawing down reserves from the state’s Budget Stabilization Account over the next three years but using all of the funds in public education’s Rainy Day Fund immediately, canceling program expansions and new programs that were proposed in the January State Budget, making programmatic reductions across almost all government programs, and deferring payments such as K–12 and community college apportionments.

Proposition 98

The Governor’s May Revision estimates that the minimum guarantee will decline approximately 23% from the 2019 State Budget Act over the three-year budget period. However, the May Revision is also proposing supplemental appropriations above the constitutionally required Proposition 98 funding level—from non-Proposition 98 funds—beginning in 2021–22 and going through 2023–24. The proposal provides for an allocation of 1.5% of General Fund revenues per year up to a cumulative total of $13 billion. While this will help accelerate the growth in the minimum guarantee in the long-term and increase the share of General Fund revenues to Proposition 98 in a Test 1 year from 38% to 40%, it does not blunt the cuts in the short-term.

For the current year, the May Revision proposal adjusts the Proposition 98 guarantee down by $4.2 billion from the Governor’s January State Budget for an estimated $77.4 billion.

For 2020–21, an even larger decline is proposed, with the Proposition 98 guarantee at $70.5 billion, a decrease of $13.5 billion from the Governor’s January State Budget and an almost $7 billion decrease year over year. The guarantee is still projected to be based on Test 1—funding based on education’s proportion of General Fund revenues in 1986–87, which is estimated at 38%.

Cost-of-Living Adjustments and ADA

While the May Revision proposal acknowledges the statutory cost-of-living adjustment (COLA) of 2.31%—just slightly higher than the 2.29% included in the January State Budget proposal—it suspends the COLA in 2020–21 for all eligible programs, including special education, Child Nutrition, Preschool, and the Mandate Block Grant.

The May Revision confirms the continued decline in statewide average daily attendance (ADA) for the upcoming fiscal year—with declines going from the 0.33% estimated in January to 0.67%.

LCFF

The May Revision proposes a reduction in addition to the statutory COLA suspension—for a total cut of 10%, or $6.5 billion—to the Local Control Funding Formula (LCFF) absent additional federal funding. The cuts are meant to proportionately reduce LCFF with the reductions taken from the base grant, which lowers the amount upon which supplemental and concentration grant funding is calculated.

Deferrals

Unfortunately, the May Revision proposal brings back deferrals. The Governor proposes deferring approximately $1.9 billion of LCFF funding in June 2019–20 to July in 2020–21. Further, LCFF deferrals are needed in 2020–21, increasing by $3.4 billion to $5.3 billion in total apportionments deferred to 2021–22.

Flexibilities for LEAs

A number of proposed flexibilities are included in the Governor’s May Revision and many will require statutory changes to be implemented. The major areas of flexibility are detailed as follows:

- Exemptions for local educational agencies (LEAs) if apportionment deferrals create a documented hardship
- The authority for LEAs to exclude state pension payments on behalf of LEAs from the calculation of required contributions to routine restricted maintenance
- Increased limits on LEA internal inter-fund borrowing to help mitigate the impacts of apportionment deferrals, and the maximum limit of borrowing between funds would increase from 75% to a temporary maximum of 85%—subject to public hearing
- The authority to use proceeds from the sale of surplus property for one-time General Fund purposes

While acknowledging the proposed flexibilities are not comprehensive or exhaustive, the administration states its openness to explore expanded flexibilities to protect core services and minimize the impact on students due to reduced funding.

CalSTRS and CalPERS Relief

The Newsom Administration proposes to reduce employer contribution rates in 2020–21 and 2021–22. This will reduce the California State Teachers’ Retirement System (CalSTRS) employer rate from 18.4% to approximately 16.15% in 2020–21 and from 18.2% to 16.02% in 2021–22. The California Public Employees’ Retirement System (CalPERS) employer contribution rate will be reduced from CalPERS recently set rate for 2020–21 of 22.68% to 20.7% and CalPERS 2021–22 estimated rate of 24.6% to 22.84%.

Special Education

The proposed May Revision continues the Governor’s January State Budget proposal to increase special education base rates to $645 per student (reflects suspension of the COLA). The current statewide target rate is $557.27. As in January, the proposal would apportion this base funding on a three-year rolling average of LEA ADA (but still allocated to Special Education Local Plan Areas) and would maintain the current funding model’s categorical programs until a later date.