

A stylized, light-colored illustration of a plant with several leaves and a cluster of small, round buds or flowers, positioned on the left side of the page against a dark background.

GOVERNOR'S PROPOSED 2021-22 STATE BUDGET

January 19, 2021

GOOD NEWS... Maybe

- It's important to remember that this is only a proposal – there will be many discussions taking place between now and the May revise
- The outlook for the California state budget situation has improved from the 2020-21 budget information
 - “Big Three” revenues are outperforming expectations
 - Part of the increase is related to improving employment conditions
 - ***BUT, the state is still seeing a reduction in opportunities for lower-wage positions***
 - The growing housing market resulting from low interest rates and high demand
 - The sales of taxable goods versus non-taxable services has positively improved sales tax revenue
- Many of the spending “increases” are one-time and not ongoing
 - Relief to low-income Californians
 - Measures for economic recovery
 - Reopening of schools for in-person learning
 - Pay down of deferrals from 2020-21
- Hold harmless funded for 2021-22
- That said... it's still a good start and much better than many of us had hoped to see!

Accommodations for COVID-19 Environment

- Providing fiscal stability is a major goal of proposed budget
- Proposal for an Early Action Package – *immediate* action to support recovery
 - One time \$100 million for emergency student financial grants
 - One time \$20 million for retention and re-enrollment strategies
 - Particularly targeted to students who had to discontinue their education or couldn't start their education pathways due to pandemic
- Emergency conditions established under Title V to accommodate pandemic situation remain in effect
 - Designed to prevent loss of apportionment revenue
 - FTES protection for base allocation of SCFF

Highlights of Ongoing Revenue Increases

- 1.5% Proposed COLA for Student Centered Funding Formula (SCFF) and certain categorical programs
 - Part of the 2020-21 budget guaranteed that K-12 will get full COLA, but is silent on community colleges
 - K-12's proposed to receive 3.84% to make-up for no COLA in FY2020-21
- Growth of 0.5%
 - FHDA is in hold harmless status and will not be eligible for growth
- \$30 million in targeted basic needs
 - Online technology access (electronic devices and access to high-speed internet) and mental health services
- \$10.6 million to improve online education structure
 - More robust and equitable
 - Includes \$2.5 million in one-time funds for dual enrollment instructional materials
- \$15 million to expand California Apprenticeship initiative

Highlights of One-Time Revenue Increases

- \$250 million in emergency financial assistance to students
 - Includes \$100 million for “Early Action Package”
- \$100 million in basic student needs related to food and housing insecurity
 - Available over three years
- \$20 million Retention and enrollment strategies
 - Part of proposed “Early Action Package”
- \$20 million to expand work-based learning
- \$20 million for faculty professional development
- \$15 million for expansion of zero-textbook cost pathways

Deferrals

- Even though federal aid package was passed on December 28, 2020, it was enacted too late to stop the implementation of the deferrals for 2020-21
 - Deferrals for 2020-21 will start in February
 - At this point FHDA does not expect serious cash flow impacts from these deferrals
- The proposed budget would pay down all but \$327 million of those deferrals in 2021-22
 - Good news for cash flow, especially in smaller districts with fewer resources
 - Does impact what can be done in the 2021-22 fiscal year

Other Items Included in Proposed Budget

- High School seniors would be required to complete the FAFSA
- Higher education institutions would be required to maintain 10% more online courses than the total offered in 2018-19.
- Establishment of dual enrollment process between California Community Colleges and public university systems, including increased production of Associate Degrees for Transfer.
- No further buy downs of pension liabilities but continued implementation of 2021-22 reduction from 2020-21 budget.
- No scheduled maintenance or instructional equipment funding proposed



Questions?