



GOV. NEWSOM'S MAY REVISION BUDGET PROPOSAL

Gov. Newsom's May Revision reflects the dramatic impacts of the COVID-19 pandemic on our state's economy. The May Revision estimates a total deficit of \$54 billion over the three year-budget period. The governor framed his proposal as a budget focused on stopping the spread of COVID-19, while protecting the state's core functions, including public education. While California is in a better position to confront this recession in comparison to the Great Recession, without an influx of significant federal funds, the May Revision proposes devastating cuts to public education and other key programs.

The governor's May Revision is sobering, as it proposes a \$15.1 billion reduction in K-12 funding, which would adversely impact student learning, and the overall health and well being of children and adult learners throughout the state. While Gov. Newsom includes various proposals to mitigate the impact of this recession on students, the proposals in totality represent a seismic reduction in public education funding.

EDUCATION FUNDING OVERVIEW

Proposition 98

The May Revision includes significant reductions (\$19 billion) to the Proposition 98 guarantee. The reduction to the K-12 portion of the guarantee is \$15.1 billion over the three-year budget period (2018-19, 2019-20, and 2020-21).

Local Control Funding Formula (LCFF)

The May Revision includes a 10 percent (\$6.5 billion) reduction to the LCFF, which is calculated using last year's funding level, plus COLA. The cut is a 7.69 percent reduction from 2019-20 LCFF funding levels. The proposal includes a trigger that would reverse the cut if federal funds are provided to backfill the reduction.

Special Education

The May Revision retains the governor's proposal from January to shift prior year "one-time" Special Education funding to ongoing, SPED base grant funds. Notably, the SPED proposal does not include the additional \$250 million for the SPED base that was proposed in January. Under the May Revision, SPED base funding would amount to \$645 in per-pupil funding. Lastly, the May Revision retains replacing AB 602 distribution formula with one that is based on a three-year rolling average of total Average Daily Attendance (ADA).

Pension Obligations

The May Revision proposes buying down CalSTRS and CalPERS employer contribution rates over the next two years by redirecting a \$2.3 billion non-Proposition 98 payment included in last year's budget. The proposal would reduce CalSTRS and CalPERS school employer rates by about 2 percent from projected levels. Specifically, under the proposal, CalSTRS rates would be 16.5 percent in 2020-

21 and 16.02 percent in 2021-22, while CalPERS rates are estimated to be 20.7 percent and 22.84 percent.

Deferrals

The May Revision proposes LCFF apportionment deferrals in 2019-20 and 2020-21. Specifically, the budget proposes to defer \$1.9 billion for 2020-21 and \$5.5 billion in 2021-22. Limited exemptions will be made for districts that would be caused financial hardship by the deferrals.

K-12 Categorical Programs

The May Revision includes a roughly 50 percent reduction (\$352.9 million) to various K-12 categorical programs, including \$79.4 million to the K-12 Strong Workforce Program, \$77.4 million to the Career Technical Education Incentive Grant Program, \$66.7 million to the Adult Education Block Grant and \$100 million to After School Education and Safety (ASES).

One-Time Funds to Address Learning Loss

The May Revision proposes directing \$4.4 billion in federal Coronavirus Relief Funds to LEAs to address learning loss. Under the proposal, \$1.5 billion would be allocated to LEAs based on SPED enrollment, while \$2.5 billion would be allocated, on a per-pupil basis, to LEAs that generate concentration grant funding. The funds may be used for a wide array of purposes, including supporting intensive instruction, extending the school year, academic services, devices and connectivity, and mental health services. The \$4.4 billion is in addition to the \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds provided through the CARES Act.

Local Flexibilities

The May Revision proposes providing Local Educational Agencies with several local budget flexibilities, including:

- Exemptions for LEAs if deferrals create a documented hardship.
- Authority for LEAs to exclude state pension payments on behalf of LEAs from the calculation of required contributions to routine restricted maintenance.
- Subject to public hearing, increases on internal inter-fund borrowing limits.
- Authority to use proceeds from the sale of surplus property for one-time general fund purposes.

Elimination of January Proposals

The May Revision eliminates most of the proposals from the governor's January proposal, including funding for Educator Workforce Investment Grants, Opportunity Grants, Community School Grants, and other programs focused on educator recruitment and preparation.

PERSPECTIVE AND WHAT'S NEXT

The May Revision would have devastating impacts on children and adults in our public education system. Bold statewide action will be needed to get through this unprecedented challenge. However, the May Revision also highlights the importance of securing additional federal relief. Nearly \$7 billion in cuts to the LCFF and K-12 categorical programs will be implemented should the federal government fail to intervene. ACSA will continue to join with the governor, legislative leaders, and educational

stakeholders in advocating for the passage of the \$3 trillion Heroes Act to ensure these cuts do not come to fruition.

It is important to note that the May Revision is not the final budget, but rather serves as the next step in the process. The Senate and Assembly will now weigh-in on the governor's proposals and advocate for each house's priorities. While only time will tell how the Legislature will choose to deal with the budget deficit, leaders in the state Assembly have stated their desire to "keep schools whole" and minimize the impacts on public education.

Funding public education appropriately is not only a moral imperative but also necessary for the reopening of our state and the rebounding of our economy. ACSA will deliver this message loud and clear to the governor and Legislature throughout the remainder of this budget process. Our organization will be advocating for every dollar, local flexibility, and statutory change needed to ensure the impacts of this pandemic on students are minimal. Over the next several weeks, ACSA's advocacy efforts will reach unprecedented levels. We will be coordinating dozens of meetings with key legislators and staff so policymakers hear directly from their local school leaders. Additionally, ACSA will provide advocacy tools to our broader membership and ask that you contact your legislators to advocate on students' behalf.