



DATE: May 14, 2020

TO: SELF

RE: *SSC's Sacramento Weekly Update*

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## May Revision to Be Released on May 14

On Thursday, May 14, 2020, Governor Gavin Newsom will release the May Revision, which is the final statutory opportunity for the Governor to update his economic projections prior to the enactment of the State Budget in June.

In last week's *Sacramento Update* we reported on the budget letter released by the Department of Finance (DOF), which provided a grim outlook of the state's revenue and budget forecast due to the recession caused by COVID-19. As a reminder, the DOF estimates state revenue losses of \$9.7 billion in the current year and \$32.2 billion in the coming budget year, which brings the total shortfall to \$54 billion, after factoring in the increased caseload of the state's social services programs.

In next week's update we will provide an overview of the Governor's May Revision, including the initial legislative response as the Assembly Budget Subcommittee on Education Finance is slated to meet on Monday, May 18, to discuss the Governor's revised State Budget.

## Senate Education Committee

On Tuesday morning, the Senate Education Committee held its only hearing to consider Senate education bills for the year. The agenda only consisted of five bills, which were all approved by the committee and will be moving on in the legislative process. Summaries of those bills can be found below:

- Senate Bill (SB) 805 (Portantino, D-La Cañada Flintridge) would prohibit school districts from requiring an employee to use sick, vacation, or other paid leave if the school is forced to close because of mandatory evacuation order or any of the instances described in Education Code Section (EC §) 46392, or if the employee is unable to report to work because they reside in an area with a mandatory evacuation order or any of the instances described in EC § 46392
- SB 860 (Beall, D-San Diego) would require a county office of education foster youth services plan to describe how the program will coordinate efforts to ensure completion of the Free Application for Federal Student Aid

or the California Dream Act Application for foster youth pupils who are in grade 12, and report the number and percentage of pupils in foster care who successfully complete the applications

- SB 884 (Dodd, D-Napa) would establish the Disaster Relief Instructional Recovery Program for the purpose of allocating funding to eligible local educational agencies (LEAs) to make up instructional days lost due to emergency or other extraordinary conditions, including a public safety power shutoff
- SB 1181 (Committee on Education) would make various nonsubstantive changes to the education code
- SB 1213 (Leyva, D-Chino) would establish a process and timeline to recommend revisions to the history-social science academic content standards by January 31, 2024, and require the state board to adopt, reject, or modify the recommendations by spring 2024

While these are the five bills that will be considered on the Senate side by the Senate Education Committee, there are other bills being considered in other policy committees that could have implications for K–12 education. In addition to significantly reducing their bill workload due to COVID-19, the Legislature also made the decision that the limited number of bills being considered could only be referred to one policy committee. This means that any bill that would have been referred to a second policy committee under normal circumstances will only be heard in one policy committee in order to limit the number of hearings the Legislature conducts during the COVID-19 pandemic.

## **Special Election Results**

On Tuesday, there were two special elections to fill the vacancies of Congressional District (CD) 25 and state Senate District (SD) 28. The special elections became necessary after Senator Jeff Stone (R-La Quinta) resigned from the SD 28 last November to take a position in President Trump's Administration while Congresswoman Katie Hill (D-CA) resigned from the CD 25 last October due to an allegation of inappropriate relations with staff.

Due to COVID-19, Governor Newsom signed an executive order requiring every registered voter in these two elections to receive a vote-by-mail ballot in order to prevent large crowds from gathering on Election Day. While there were still a limited number of in-person voting centers available for the elections, they were only a fraction of the voting sites these elections would have had in a non-pandemic setting.

While it will take several weeks to officially count all of the vote-by-mail ballots, it is projected that Republican Assemblymember Melissa Melendez (R-Lake Elsinor) has defeated Democratic candidate Elizabeth Romero in the SD 28 race. According to the Secretary of State's website, Melendez currently enjoys an advantage of over 20,000 votes, making it very unlikely that Romero will be able to catch her. If the results stand, the makeup of the Senate will be 29 Democrats to 11 Republicans, while the Assembly would be 61 Democrats, 17 Republicans, 1 Independent, and 1 vacancy (Melendez's current Assembly seat). Either way, the Democrats will continue to enjoy comfortable supermajority statutes in both houses.

For the CD 25 race, Republican candidate Mike Garcia currently leads Democratic Assemblymember Christy Smith (D- Santa Clarita) by more than 17,000 votes. While it looks as though Garcia will end up the victor, he will only hold the seat for the remainder of the congressional term, which is the end of the calendar year. This means that regardless of who ends up winning this special election, both Smith and Garcia will face off once again in November to battle it out for the new two-year congressional term beginning January 2021.

*Leilani Aguinaldo*

## LAO Issues Additional Proposition 98 Recession Details

By Michelle McKay Underwood  
School Services of California Inc.'s *Fiscal Report*  
May 12, 2020

The Legislative Analyst's Office (LAO) provided more details over the weekend on the effect of the current economic downturn on Proposition 98 (see "[LAO Issues New Economic Outlook](#)" in the current Fiscal Report). Under both the more optimistic "U-shaped" and more pessimistic "L-shaped" recession recovery scenarios, the LAO forecasts a Test 1 for Proposition 98 through the 2023–24 year, meaning K–14 education will continue to receive its roughly 40% share of state general funds and property taxes. But with differing hits to the state General Fund (and the flattening of property tax growth), the Proposition 98 minimum guarantee significantly differs between the scenarios:

Proposition 98 Minimum Guarantee (in billions)	2019–20	2020–21	2021–22	2022–23	2023–24
U-Shaped Scenario	\$78.3	\$73.9	\$76.0	\$80.8	\$84.7
L-Shaped Scenario	\$77.8	\$69.1	\$68.5	\$73.1	\$77.6

As noted in their economic outlook, the LAO uses a different point of comparison for the size of the current budget problem. By their estimations, both economic recoveries could have a significant impact on the minimum Proposition 98 guarantee for 2020–21. A U-shaped recovery would be approximately a 10% Proposition 98 reduction compared to 2019–20, and an L-shaped recovery would be approximately 16%. The LAO noted that neither scenario contemplates reimbursements from the Federal Emergency Management Agency, revenues from the recently-passed Coronavirus Aid, Relief, and Economic Security (CARES) Act, or any support from the Budget Stabilization Account. While still dire, these projections are less severe than Governor Gavin Newsom's 22% hit (see "[COVID-19 Decimates State Revenues, Education Funding](#)" in the current Fiscal Report).

Along with the change in minimum funding levels, the two scenarios also have different projected cost-of-living adjustments (COLAs):

COLA	2020–21	2021–22	2022–23	2023–24
U-Shaped Scenario	2.31%	-0.03%	1.11%	2.05%
L-Shaped Scenario	2.31%	-0.63%	-1.04%	1.16%

Finally, the LAO notes that the full Proposition 98 reserve would be withdrawn and utilized in the 2019–20 State Budget year because Proposition 98 funding will be insufficient to support the prior year funding level, as adjusted for student attendance and inflation; unfortunately, that balance is a mere \$377 million for K–14 education.

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