



Increased Funding for Schools and Community Colleges Depends on Higher Revenues

Approved by California voters nearly 30 years ago, Proposition 98 constitutionally guarantees a minimum level of annual funding for K-12 schools and community colleges, with these dollars provided through a combination of General Fund and local property tax dollars.

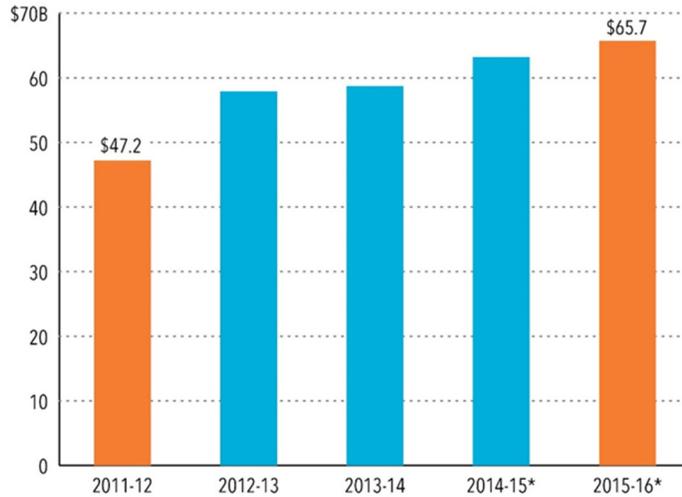
In most years, the Proposition 98 guarantee is calculated based on the prior-year funding level. This means that an increase in the minimum funding guarantee in one year tends to boost the guarantee in future years. Moreover, if the Legislature allocates more than the minimum level of funding in a particular year, that amount becomes part of the base that is used to calculate future years' guarantees. As a result, the Proposition 98 minimum guarantee has often served as a ceiling as well as a floor for K-14 education funding. This is because the Legislature may be reluctant to provide more dollars than the Proposition 98 minimum guarantee requires in a given year knowing that it means committing the state to a higher funding level for schools and community colleges in future years, which generally would leave fewer dollars for other state priorities.

Each year the Governor proposes a budget in January that includes revised revenue estimates, which in turn can change the size of the Proposition 98 guarantee assumed in the *prior* year's budget agreement. For example, the Governor's 2015-16 budget proposal estimates higher 2014-15 state General Fund revenues, which boosts the Proposition 98 guarantee in 2014-15 to \$63.2 billion, \$2.3 billion more than the level assumed in the budget signed last June. In turn, this higher Proposition 98 guarantee for 2014-15 increases the base that is used to calculate the 2015-16 minimum funding level for K-14 education.

The 2015-16 Proposition 98 funding level assumed in the Governor's proposal is \$65.7 billion, \$18 billion (39.3 percent) higher than the 2011-12 funding level. This significant increase in Proposition 98 funding for K-14 education is due, in part, to higher General Fund revenues resulting from voter approval of Proposition 30 in 2012, which raised taxes primarily on the wealthiest Californians. A portion of Proposition 30 revenues will expire at the end of 2016, with the remainder scheduled to expire at the end of the 2018 tax year. If Proposition 30's revenues are allowed to expire, it is likely that Proposition 98 funding for schools and community colleges

Due to Higher State Revenues, the Minimum Funding Guarantee for K-14 Education Would Increase in 2015-16

Proposition 98 Spending Would Be \$18 Billion Above 2011-12



* 2014-15 estimated and 2015-16 proposed.
 Note: Proposition 98 spending includes both state General Fund and local property tax dollars.
 Source: Legislative Analyst's Office

will be lower than if Proposition 30 were extended. The scheduled expiration of Proposition 30's tax increases – coupled with the fact that California spending per K-12 student continues to significantly lag the rest of the nation – underscores the need to work toward a long-term approach for state revenues that ensures robust, sustained investments in K-12 schools and community colleges as well as in key public services and systems that support children and their families.