

Proposition 98 Basics

Allocation of Resources to the California Community
College System (CCC)

Learning Outcomes

- Know that Prop. 98 dictates how K-14 education is funded
- Know the basic goal of Prop. 98
- Know how many “tests” there are and very basically how they differ
- Know what the Maintenance Factor is
- Know what the Maintenance factor does not do for community colleges and why



For More detailed Information

- http://www.yosemite.edu/fiscalservices/budget_files/CC%20Finance%20Handbook%202014.pdf
- That link will take you to ***Community College Finance Past/Present/Future***
- Prepared by Teresa Scott, Executive Vice Chancellor, Yosemite CCD
- Pages 14 – 18 are an excellent primer on Proposition 98 – the funding of K-14 education in California



Allocation of Resources to the California Community College System (CCC)

- Proposition 98 – Minimum % of State Budget (tax revenue) to K-14 (tax revenue, not fee revenue)
- The basic goal: guarantees to K-14 education the total amount it received in the prior fiscal year adjusted for increases in the cost of living and increases in enrollment.
- Three “Tests”
- The Split – K-12 vs. CC’s
 - Its calculation
 - The importance of K-12 growth





Prop 98 - Three Tests

- Each Year, the Proposition 98 Funding Level Is Determined by One of Three Formulas (Tests)
 - Test 1: Roughly 35 percent of General Fund revenues must be dedicated to Proposition 98. This minimum requirement must be met each year.
 - Test 2: The Proposition 98 requirement is determined by growth in the economy (as measured by per capita personal income) and K-12 attendance.
 - Test 3: The Proposition 98 requirement is determined by per capita growth in General Fund revenues and K-12 attendance. Applies in years when the General Fund grows more slowly than the economy and formula yields more than under Test 1 but less than Test 2.

Prop 98 – Variations to the Three Tests

- State Can Also Provide More or Less Than the Applicable Formula Requires
 - Providing more increases the base moving forward.
 - Providing less requires suspending the minimum guarantee.



The Maintenance Factor

- In Years When the State Provides Less Than Test 2 - Through Test 3 or Suspension - “Maintenance Factor” Is Created
 - Whenever maintenance factor is created, the Constitution requires the state to provide accelerated growth in Proposition 98 funding in future years (until the “long-term Test 2” is reached)





Why Is Only K-12 Made Whole?

***COMPULSORY
EDUCATION***

Take-Aways

- K-14 education guaranteed a minimum percentage of state tax revenues; approx. 35%
- Basic goal: guarantee to K-14 education the total amount it received in the prior fiscal year adjusted for increases in the cost of living and increases in enrollment.
- 3 tests – very complex
- CCCs not guaranteed a share of the total





Now, Riddle me This

- Do or do not CCCs benefit from being in Prop. 98??? Why?
- How would you summarize Prop. 98 funding to your district's board or academic senate?
- How would you handle the situation if a member of your college's budget advisory committee wanted to dive into the mechanics of Prop. 98,

Transition

- After a short break Dr. Dowd will move on to how the CCCCO (California Community College Chancellor's Office) distributes the state-provided funds to the community college districts

This is the end of this presentation

