

PROPOSITION 98 CRIB SHEET

Proposition 98 is . . .

- The biggest share—about 40%—of the State Budget
- Used to determine the minimum *size* of the K-14 funding pie, *but not how the pie is sliced*

- A floor, not a ceiling
- A dynamic model, continually revised, based on changing projections of state taxes, personal income, and resident and student population
- Suspendable
 - ⇒ Automatically when state taxes grow slower than personal income (Test 3)
 - ⇒ Suspension may also occur at any time with a two-thirds vote of the Legislature and Governor's signature

- After suspension, formula provides for funding to eventually get back on track under the "maintenance factor"—but dollars lost in the interim are never recovered



PROPOSITION 98 CRIB SHEET: "THE TESTS"

Test 1—"A Fair Share of State Revenue"

Test 1 guarantees Proposition 98's share of state General Fund expenditures never fall below a minimum percentage of state revenues.



Test 2—"Business as Usual"

California schools do as well as California residents. The annual change per average daily attendance (ADA) in Proposition 98 funding equals the average annual percentage change in the income of Californians (Per Capita Personal Income—PCPI).



Test 3—"Sharing the Pain"

When state tax revenues grow more slowly than personal income, the Proposition 98 minimum funding level per ADA changes only by the percentage increase, or decrease, in state General Fund revenues plus $\frac{1}{2}\%$.