

## *Prop 98 for Dummies People Who Have a Life*

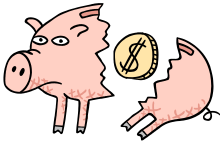
Proposition 98 determines the minimum funding amount for K-14 schools according to the three formulas, but it is important to remember:

- Prop 98 calculates how much money is guaranteed for education, but not how it is spent.
- Prop 98 determines the funding floor – not the ceiling.
- It uses a ratchet-up formula – each year builds on the prior-year funding.
- The Prop 98 guarantee can be suspended – either politically by a two-thirds vote of the Legislature, or automatically under Test III for fiscal reasons.



### Test II – “The Pocketbook”

Under Test II, which is the Prop 98 norm, K-14 schools do as well as Californians in general. Per-student funding from year to year is adjusted by the % change in the state’s per capita personal income.



### Test III – “The Piggy Bank”

When growth in the state’s General Fund tax revenues lags behind the Test II factor, Prop 98 gets only this lower amount, with a promise (“The Maintenance Factor”) to get back on track down the road, according to formula. However, the dollars lost in the intervening years are never recovered.



### Test I – “The Pie”

K-14 Schools are guaranteed a certain percentage (currently about 40%) of the State’s General Fund revenue, regardless of enrollment. Until this year (’10-11), Test I hadn’t been in play since 1988-89, the very first year of Prop 98. In the meantime, a multi-billion-dollar controversy has grown around Test I and the Maintenance Factor. How is it generated? How is it paid off?