



California School Boards Association

## Gov. Newsom announces changes to Proposition 98 funding maneuver

### *Revisions reflect CSBA advocacy*

On May 28, Gov. Gavin Newsom's Administration revealed elements of proposed changes to his Proposition 98 "funding maneuver" that appear responsive to many of the requests and criticisms made by CSBA since the Governor's January Budget Proposal and reinforced after the May Revise. It's important to note that the issue of the Prop 98 maneuver, its constitutionality and other questions have yet to be resolved; however, these adjustments, particularly the classification of funds as Prop 98 or non-Prop 98 dollars, are a significant step in the right direction.

Although details are limited and further review is needed to accurately assess the changes, the adjustments reflect CSBA's continued advocacy to protect Prop 98. The Governor's January Budget proposed to reclassify \$8.8 billion in public education funding as non-Prop 98 moneys through a funding maneuver that would fund a shortfall in 2022–23 funding for Prop 98 with moneys from the state's cash on-hand. In essence, this funding maneuver would function as a loan to Prop 98 and negatively impact how the state calculates the Prop 98 Minimum Guarantee, causing the loss of \$15 billion over three years in public education funding. If adopted, it would not only undermine Prop 98 and the State Constitution, but it would also set a worrisome precedent allowing future governors and legislatures to manipulate Prop 98.

Upon announcement of this maneuver, CSBA pushed back immediately and urged the Governor and Legislature to reject the proposal. In response to CSBA's objections and advocacy, as well as subsequent advocacy and a media campaign launched by the California Teachers Association, changes were announced today by the Administration.

Specific details of the revised budget provisions have not been released, but from what was shared in a briefing with CSBA by Department of Finance staff, it appears the Governor is no longer reclassifying the 2022–23 shortfall in public education funding as non-98 funds. Using a mix of deferrals, changes in the application of the Prop 98 Reserve and the suspension of Prop 98 in the current 2023–24 budget year, the Newsom Administration intends to maintain the funding guarantee over the three-year budget period spanning from 2022–23 to 2024–25.

Importantly, an option of last resort — the suspension of Prop 98 — is an approach CSBA does not take lightly. This serious action has only occurred twice before (2004–05 and 2010–12). Suspension of Prop 98 can only be enacted one year at a time and creates a "maintenance factor." The maintenance factor is debt owed to Prop 98 over an extended period during which repayment is constitutionally required. It creates a clear financial incentive for the state to repay money owed to Prop 98, removing much of the uncertainty over future education funding created by the Governor's initial Prop 98 maneuver. This

ensures that Prop 98's minimum funding guarantee is truly a guarantee and will always be funded.

"While we appreciate the Administration's movement on this critically important issue to our 5,000 locally elected members and the 5.8 million students they serve, we must reserve comment until we see the details, given we are talking about a constitutional issue that could have ramifications on our schools for years to come," said CSBA CEO & Executive Director Vernon M. Billy.

Ultimately, the "devil is in the details," as the saying goes, but if the proposal is reflective of what has been announced so far, it is a significant change and acknowledgement of the advocacy efforts of CSBA and the broader education community. In less than 10 days, school district and county board members responding to CSBA's call to action have generated more than 25,000 emails to the Governor and key members of the Legislature.

CSBA appreciates the ongoing leadership demonstrated by its members in the fight to protect Prop 98, respect the State Constitution and preserve school funding. We will keep you informed of further developments as the budget process continues.

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