



California Community Colleges

SYSTEM WEBINAR SUMMARY:

Proposition 98 and the 2025-26 Budget (Feb. 2025)

This [webinar](#) focused on Proposition 98 and the Governor's budget proposal for 2025-26.

How Does the Proposition 98 Guarantee Work?

- [Proposition 98](#), passed by a slim margin in 1988, is intended to provide some stability in funding for K-14 education.
- Three tests are used to calculate the guaranteed funding level:
 - Test 1: Based on the share of state revenues for K-14 in 1986-87 (40%), applied to the combination of General Fund and property tax revenues.
 - Test 2: Based on prior-year funding adjusted for changes in enrollment and the change in per capita income.
 - Test 3: Based on prior-year funding adjusted for changes in enrollment and the change in General Fund revenues plus 0.5%.
- Each year, the state takes the lesser of the Test 2 or Test 3 values and compares it to the Test 1 value. The greater of the two becomes the guaranteed funding level.
- “Maintenance Factor” is created in Test 3 years or when the Proposition 98 Guarantee is suspended by the Legislature (as occurred for 2023-24), aimed at ensuring that, when revenues are lower, the Guarantee gets pushed back up in subsequent years. The state pays off any outstanding maintenance factor based on a formula representing the difference between the growth in General Fund revenues and per capita income. Until repaid, outstanding maintenance factor obligations grow to reflect changes in enrollment and per capita income.
- “Spike protection” applies when large one-time revenue spikes occur, excluding certain revenues from future Prop. 98 calculations. If Test 1 is operative and exceeds the Test 2 level by more than 1.5% of General Fund revenue, the amount above the 1.5% threshold does not count towards the Guarantee the next year.
- “Settle-Up” applies when the Guarantee is higher than initially estimated, requiring the state to make additional appropriations to meet the higher Guarantee.
- While the Proposition 98 Guarantee represents the minimum amount of funding the state must provide for K-14 education, the state rarely provides additional funds above the Guarantee.
- In Test 1 years, the state can make deposits into a K-14 Rainy Day Fund to be withdrawn in future years when revenues are down (as happened in the current year budget when \$8 billion was withdrawn).

What is the Context for the Governor's Budget Proposal?

- Revenues are higher than anticipated when the 2024-25 budget was passed; the Proposition 98 Guarantee, therefore, is also higher than anticipated.
- In combination with the higher-than-expected revenues, operational efficiencies achieved through a 7.95% cut to state agencies and positions left vacant result in a balanced budget for 2025-26. Projections for the next two years are for budget deficits, but the Proposition 98 Guarantee is still expected to increase.
- For the community colleges, the budget proposal reflects a significant focus on the [Master Plan for Career Education](#). The plan calls for increased coordination across education and workforce systems to strengthen career pathways and equip working learners with academic credit for industry-valued skills.

What are the Spending Proposals for the California Community Colleges?

- The [budget proposal](#) includes additional revenues of \$394.2 million one-time and \$358.6 million ongoing, plus repayment of the \$243.7 million deferral from 2024-25 to 2025-26. The combination results in additional funding of about \$1.3 billion.
- Within this total, the proposal includes \$133.5 million one-time and \$29 million ongoing to launch the Common Cloud Data Platform that would integrate career-oriented technology tools. It also includes \$168 million one-time to complete the Statewide Technology Transformation to streamline data collection.
- The budget proposal includes \$93 million one-time and \$7 million ongoing to scale up credit for prior learning policies and build infrastructure for a Career Passport aimed at accelerating skills-based hiring.
- The proposal includes \$30 million ongoing to expand the Rising Scholars Network.
- It continues to target \$60 million of Strong Workforce funds for nursing expansion, and includes the final \$10 million in one-time funds for LGBTQ+ support centers.
- The proposal includes funds for a 2.43% cost-of-living adjustment (including for certain categorical programs) and funds for 0.5% growth.

What are the Next Steps in the Budget Process?

- Legislative budget hearings will continue through mid-June, covering both proposed investments and ongoing program oversight.
- The governor will release a revised budget proposal (“the May Revision”) by May 14th, reflecting updated revenues, expenditures, and proposed investments.
- The Assembly and Senate must adopt a budget by June 15th, then a final budget is negotiated with the Administration by late June.
- For information throughout the process, visit [Budget News](#) on the CCCCCO website.