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Honorable John Laird, Chair
Honorable Jesse Gabriel, Vice Chair
Joint Legislative Budget Committee
1020 N Street, Room 553
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Re: Objection to Proposed 2024-25 Proposition 98 Guarantee Certification

To Director Stephenshaw, Senator Laird, and Assembly Member Gabriel:

The California Teachers Association ("CTA") respectfully submits the following comments on the Proposed Proposition 98 Certification for the 2024-25 fiscal year, published by the Department of Finance on May 14, 2026.

CTA objects to the Proposed Proposition 98 Certification for 2024-25 because the Enacted Budget improperly withheld $1.9 billion of the calculated Minimum Guarantee during the 2024-25 fiscal year.

The 2024-25 fiscal year ended with the state appropriating $1.9 billion less than required by the calculated Proposition 98 Minimum Guarantee. The 2025 Enacted Budget calculated Proposition 98 Guarantee at $119.9 billion. However, the enacted budget appropriated only $118 billion to schools and community colleges.[1] By underfunding the calculated Guarantee by $1.9 billion, the Enacted Budget created an IOU that has no constitutional or statutory grounding. Although the 2026-27 May Revision proposes to repay the $1.9 billion owed to schools and community colleges, the State has not repaid it as of the date of this letter. Moreover, the Administration has incorrectly referred to the $1.9 billion withholding as "settle-up." But the Proposition 98 certification statute does not permit the State to underfund the calculated Minimum Guarantee during the fiscal year; it allows the creation of settle-up only after the fiscal year ends.

1. Proposition 98 Does Not Permit The State To Fund The Calculated Guarantee In A Fiscal Year Below The Minimum Guarantee Without Suspending The Guarantee.

Proposition 98 requires that each fiscal year, the moneys to be applied to schools and community colleges "shall be not less than the *greater* of the following [three] amounts": Tests 1, 2 and 3. Cal. Const. art. XVI, § 8(b) (emphasis added). This funding floor is referred to

[1] Governor Gavin Newsom, State Budget – 2025-26: TK-12 Education at 12 (June 27, 2025), https://ebudget.ca.gov/2025-26/pdf/Enacted/BudgetSummary/TK-12Education.pdf.

as the “Minimum Guarantee.” While the Legislature is free to fund schools and community colleges above the Minimum Guarantee, it cannot fund schools and community colleges below that amount except as permitted by the state Constitution. Article XVI, section 8 only permits the Legislature to fund schools and community colleges below the Minimum Guarantee in any fiscal year by suspending Proposition 98 with an urgency statute passed by a two-thirds vote in each house. *Id.* § 8(h).

Proposition 98 has always required schools and community colleges to be funded at the level of the calculated Minimum Guarantee throughout and during the fiscal year. Each budget proposal must include an estimate of the Guarantee and appropriations sufficient to meet the Guarantee based on the “best available estimate until actual data becomes available.” Educ. Code § 41206.01(a). Thus, the calculated Minimum Guarantee and appropriations to meet the Minimum Guarantee in the Governor’s Budget proposal must be based on the budget proposal’s revenue estimates — not the final revenue amount that has yet to be determined and will not be known until after the fiscal year ends. Gov’t Code § 13337(b) (Governor’s Budget must “specif[y] the percentages and amounts of General Fund revenues that *must* be set aside and applied” to schools and community colleges, “as *required* by [Proposition 98]” [emphasis added]). Further adjustments can occur at the May Revision but there is no constitutional authority for deliberately funding the Guarantee below the then-current estimate in the absence of suspension. *Id.* § 13308(e)(3).[2]

2. The Proposition 98 Certification Statute Does Not Allow The Underfunding Of The Guarantee During The Fiscal Year

The Administration has incorrectly characterized the $1.9 billion withheld during the 2024-25 fiscal year as “settle-up.” That characterization relies on procedures from the Proposition 98 certification statute that have no application to the constitutional requirement to fund the calculated Minimum Guarantee during the fiscal year.

The certification statute provides a process to specify the final Guarantee amount and the final expenditures counting toward the Guarantee after the fiscal year ends, taking into account final calculations that are not known until after the close of the fiscal year. Educ. Code §§ 41206-41206.03. The Legislature declared in the certification statute itself that the State through the budget process “can exceed the minimum funding level required by Proposition 98 but it cannot provide less funding than the California Constitution requires, unless the Legislature suspends the minimum funding level pursuant to a separately enacted statute, adopted with a two-thirds vote of the Legislature.” *Id.* § 41206(a).

The certification process starts after the close of the fiscal year. *Id.* § 41206.01. If, after the fiscal year ends, the final calculated Guarantee is higher than the funding appropriated, the statute provides a method for ensuring that the difference — called “settle-up” — is continuously appropriated to schools and community colleges. *Id.* § 41206.03(c). Every paragraph of section 41206.01 pertaining to data required for the calculation of settle-up references the *prior* fiscal year.

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[2] Importantly, the LCFF continuous appropriation is capped at the Minimum Guarantee level, ensuring the State does not inadvertently provide more funding than the minimum required. Educ. Code §§ 14002, 41206(d).

The certification statutes do not permit the State to preemptively underfund the Guarantee during the current year, and deem the remaining amount owed to be "settle-up." Such an interpretation of the certification statute violates the constitutional requirement to fund the calculated minimum guarantee during the fiscal year or suspend the guarantee.

The unlawful deliberate withholding of $1.9 billion of the calculated Proposition 98 Guarantee amounted to districts having $350 less per student in every California public school classroom during the 2024-25 school year. CTA therefore objects to the Proposed 2024-25 Proposition 98 Certification.

Sincerely,

Teri Holoman

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California Teachers Association

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