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To Budget and Finance Committee

From Rachel Latta, Director

Meeting Date March 5th, 2026

Subject Calling on the Governor and the California State Legislature to Fully Appropriate the \$5.6 Billion Proposition 98 Settle-Up Obligation and to Protect the Constitutional Minimum Guarantee for Public Education in the 2026-27 State Budget

Ask of the Committee

Favorable recommendation for adoption from the Budget and Finance Committee to the Board of Education for Resolution No. 2526-0198 - Calling on the Governor and the California State Legislature to Fully Appropriate the \$5.6 Billion Proposition 98 Settle-Up Obligation and to Protect the Constitutional Minimum Guarantee for Public Education in the 2026-27 State Budget

Background

The voters of California enacted Proposition 98 to establish a constitutionally protected minimum funding guarantee for K-14 public education, ensuring stable, predictable, and adequate funding each year. The Proposition 98 minimum guarantee is calculated annually, and when actual revenues exceed budget-year estimates, a "settle-up" obligation is created, requiring the state to provide the additional, constitutionally guaranteed funding owed to schools and community colleges.

The Governor's Proposed 2026-27 Budget, released on January 9, 2026, estimates the 2025-26 Proposition 98 guarantee at \$121.4 billion, which is an increase of \$6.9 billion above the level previously appropriated. However, the budget plan proposes to appropriate only \$115.9 billion, which deliberately withholds \$5.6 billion that is constitutionally guaranteed to California's public schools and community colleges. This marks the third consecutive year the state budget has included a manipulation of the Proposition 98 minimum guarantee, establishing a dangerous pattern that undermines the constitutional guarantee.

Discussion

The deliberate withholding of \$5.6 billion in Proposition 98 funds forces school districts to build their budgets on the lower appropriated amount rather than the full constitutional guarantee, resulting in unnecessary layoff notices and program reductions. This impact disproportionately harms the highest-need students in the highest-need communities.

The Oakland Unified School District (OUSD) serves approximately 34,000 students, of whom about 82 percent are unduplicated pupils (low-income students, English learners, and foster youth), making the District's students among the most dependent on adequate state funding. Despite achieving the milestone of exiting state receivership in 2025, OUSD faces a structural deficit in base funding projected at approximately \$74 million for the 2026-27 fiscal year. This withholding creates uncertainty regarding the 2026-2027 budget, causing too severe financial reductions, increasing layoffs which destabilizes our community and workforce, thus undermining our current work to restructure the district operations and disproportionately impacting the most marginalized students.

The Resolution is a call to action on the Governor and the California State Legislature to:

- Fully appropriate the \$5.6 billion in Proposition 98 settle-up funds owed for the 2025-26 fiscal year as part of the 2026-27 Budget Act and allocate those funds in a timely manner.
- Adopt the Legislative Analyst's Office recommendation to deposit any amounts attributable to revenue forecasting uncertainty into the Proposition 98 Reserve, rather than withholding funds.
- Reject any budget proposal, trailer bill provision, or statutory amendment that would defer, reduce, condition the payment of settle-up obligations, exclude prior-year spending from future calculations, or otherwise circumvent the constitutional minimum guarantee.
- Support the California School Boards Association's and others efforts to fully fund education in California.

Fiscal Impact

None.

Attachment: Resolution No. 2526-0198

**BOARD OF EDUCATION
OF THE
OAKLAND UNIFIED SCHOOL DISTRICT**

Resolution No. 2526-0198

Calling on the Governor and the California State Legislature to Fully Appropriate the \$5.6 Billion Proposition 98 Settle-Up Obligation and to Protect the Constitutional Minimum Guarantee for Public Education in the 2026-27 State Budget

WHEREAS the voters of California enacted Proposition 98 to establish a constitutionally protected minimum funding guarantee for K-14 public education under Article XVI, Section 8 of the California Constitution, to ensure that California's public schools receive stable, predictable, and adequate funding each year; and

WHEREAS, the Proposition 98 minimum guarantee is calculated annually under three constitutional tests that set funding for public education as a percentage of General Fund revenues; and

WHEREAS, when actual revenues exceed budget-year estimates and the recalculated Proposition 98 guarantee is higher than what the state appropriated, a "settle-up" obligation is created, requiring the state to provide the additional funding owed to schools and community colleges, as implemented through Education Code sections 41202, 41203, and the certification process established by Education Code section 41206.01; and

WHEREAS, in the Governor's Proposed 2026-27 Budget, released January 9, 2026, the Administration estimates the 2025-26 Proposition 98 guarantee at \$121.4 billion, an increase of \$6.9 billion above the level appropriated in the 2025-26 Budget Act; and

WHEREAS, the budget plan proposes to appropriate only \$115.9 billion, deliberately withholding \$5.6 billion that is constitutionally guaranteed to California's public schools and community colleges; and

WHEREAS, the \$5.6 billion withholding marks the third consecutive year the state budget has included a manipulation of the Proposition 98 minimum guarantee, following the \$1.9 billion settle-up obligation created in the 2024-25 budget and the \$1.3 billion withholding proposed in the May 2025 Revision, establishing a dangerous pattern that undermines the constitutional guarantee voters enacted to protect public education from precisely this kind of fiscal maneuvering; and

WHEREAS, the Legislative Analyst's Office, in its February 2026 analysis of the Governor's Proposition 98 proposal, recommended that the Legislature fully fund the guarantee and deposit surplus amounts into the Proposition 98 Reserve (Public School System Stabilization Account) established under Article XVI,

Section 8.5 of the California Constitution, thereby protecting schools without creating a deferred payment obligation; and

WHEREAS, the Oakland Unified School District ("OUSD" or "the District") endured approximately 22 years of state receivership and fiscal oversight, making OUSD's return to full local governance in 2025 a hard-won milestone that depends on fiscal stability the state has a constitutional obligation to provide; and

WHEREAS, despite achieving the milestone of exiting receivership, OUSD faces a structural deficit in base funding projected at approximately \$74 million for the 2026-27 fiscal year; and

WHEREAS, OUSD serves approximately 34,000 students in district-run schools, of whom approximately 82 percent are unduplicated pupils, making the District's students among the most dependent on adequate state funding in the entire state; and

WHEREAS, the deliberate withholding of \$5.6 billion in Proposition 98 funds forces school districts, including OUSD, to build their budgets on the lower appropriated amount rather than the full constitutional guarantee, resulting in unnecessary layoff notices, program reductions, and other impacts that disproportionately harm the highest-need students in the highest-need communities; and

WHEREAS, OUSD's Board of Education has approved significant reductions in staffing and programming for 2026-2027, including the elimination of over 381 FTE and drastic cuts to both centralized and student-facing services, cuts that could be substantially mitigated in the short term if the state honored its constitutional obligation to fully fund the Proposition 98 guarantee; and

WHEREAS, the state's pattern of withholding constitutionally guaranteed education funds is particularly harmful to districts like OUSD that are working to implement responsible, sustainable fiscal Restructuring, as the uncertainty created by deferred settle-up obligations makes multi-year planning nearly impossible and forces districts into short-term austerity measures that undermine long-term educational quality; and

WHEREAS, the repeated practice of withholding settle-up funds establishes a precedent under which the Proposition 98 guarantee functions not as a constitutional floor but as a discretionary ceiling, contrary to the express will of California's voters;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Education of the Oakland Unified School District calls upon the Governor and the California State Legislature to fully appropriate the \$5.6 billion in Proposition 98 settle-up funds owed for the 2025-26 fiscal year as part of the 2026-27 Budget Act, and to allocate those funds to school districts and community college districts in a timely manner that allows for their inclusion in local budget planning for the 2026-27 school year; and

BE IT FURTHER RESOLVED, that the Board urges the Legislature to adopt the Legislative Analyst's Office recommendation to deposit any amounts reasonably attributable to revenue forecasting uncertainty into the Proposition 98 Reserve (Public School System Stabilization Account) rather than withholding funds from the constitutional guarantee, thereby providing a responsible hedge against revenue volatility without shortchanging schools; and

BE IT FURTHER RESOLVED, that the Board calls upon the Legislature to reject any budget proposal, trailer bill provision, or statutory amendment that would (a) defer, reduce, or condition the payment of Proposition 98 settle-up obligations; (b) exclude prior-year education spending from future Proposition 98 calculations; or (c) otherwise circumvent the constitutional minimum guarantee through accounting maneuvers or definitional changes; and

BE IT FURTHER RESOLVED, that the Board expresses its support for the California School Boards Association's ongoing litigation challenging Education Code section 41206.04 and any future legal action necessary to defend the constitutional integrity of the Proposition 98 minimum guarantee against state budget manipulations; and

BE IT FURTHER RESOLVED, that the Board reaffirms its commitment to the principles set forth in the December 17, 2025 joint letter of California's eight largest urban school districts, including the call to fully fund Proposition 98, provide an adequate cost-of-living adjustment, modernize the Local Control Funding Formula, deliver flexible funding for local priorities, and increase funding for special education; and

BE IT FURTHER RESOLVED, that the Board emphasizes that Oakland Unified serves a student population of whom approximately 82 percent are unduplicated pupils—low-income students, English learners, and foster youth—one of the highest concentrations of any large district in the state, and that the withholding of constitutionally guaranteed Proposition 98 funds falls hardest on districts like OUSD whose students have the fewest resources outside the public school system to compensate for reductions in state funding; and

BE IT FURTHER RESOLVED, that the Board affirms that OUSD is actively undertaking the difficult structural decisions necessary to achieve long-term fiscal solvency, and that the full and timely release of Proposition 98 settle-up funds would not relieve the District of its obligation to right-size its operations, but would provide the short-term fiscal stability necessary to implement those reforms thoughtfully and in genuine partnership with students, families, educators, and communities, rather than under the duress of preventable insolvency; and

BE IT FURTHER RESOLVED, that the Board directs the Interim Superintendent or designee to transmit this Resolution to Governor Gavin Newsom; Assemblymember Mia Bonta; Senator Jesse Arreguín; Assembly Budget Committee Chair Jesse Gabriel; Senate Budget and Fiscal Review Committee Chair

Scott Wiener; all members of the Assembly and Senate Education Committees; the California School Boards Association; the California Teachers Association; and the superintendents of the seven other districts that co-signed the December 17, 2025 coalition letter; and

BE IT FURTHER RESOLVED, that the Board directs the Interim Superintendent or designee to coordinate with other school districts, CSBA, and education advocacy organizations to advance the objectives of this Resolution through joint advocacy, testimony at legislative budget hearings, and such other means as may be appropriate; and

BE IT FURTHER RESOLVED, that this Resolution shall take effect immediately upon adoption.

Passed by the following vote:

PREFERENTIAL AYE:

PREFERENTIAL NOE:

PREFERENTIAL ABSTENTION:

PREFERENTIAL RECUSED:

AYES:

NOES:

ABSTAINED:

RECUSED:

ABSENT:

CERTIFICATION

We hereby certify that the foregoing is a full, true and correct copy of a Resolution passed at a Regular Meeting of the Board of Education of the Oakland Unified School District held on March 11, 2026.

Legislative File	
File ID Number:	26-0533
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OAKLAND UNIFIED SCHOOL DISTRICT

Jennifer Brouhard
President, Board of Education

Denise G. Saddler, Ed.D.
Interim Superintendent and Secretary, Board of Education