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To: Michael Cohen, Director of Finance
P98Certification@dof.ca.gov

From: Scott Day, Associate Executive Director



Date: August 1, 2018

Re: Proposition 98 Proposed Certifications for 2009-10 through 2015-16

We greatly appreciate the opportunity to review the proposed certifications and listing of certification factors for fiscal years 2009-10 through 2015-16, issued pursuant to AB 1825. This heightened transparency, based on renewed collaboration among the Department of Finance, Department of Education and California Community College Chancellor's Office, will benefit the entire education community by enabling all stakeholders to view and comment on the methodology used in calculating the Proposition 98 guarantee. We hope our comments in turn will assist the Department of Finance in completing this important task.

We have a number of comments, questions and suggestions, listed below.

1. **Display the calculation of all three tests for all years.** As you know, Proposition 98 requires a determination of whether Test 2 or Test 3 is in effect for a given year, and then a comparison of that applicable test with Test 1, to determine which provides the highest level of funding. The current charts identify which Test is in effect in the displayed year (Test 1, 2 or 3) and the calculation of that Test, but do not display the calculation of the other two Tests. We believe that a fuller display of the results of all three tests, either as part of the materials accompanying certification or upon request, will be very important.
2. **Publish the overall civilian population figures.** This will enable us to do our own more precise calculations going beyond the two decimal points displayed in the charts.

3. **Display the calculated guarantee and the actual appropriations.** It appears to us that the number listed in the top box of each chart for Total State and Local Prop 98 Guarantee is the final calculation of the minimum guarantee for those fiscal years. The number listed in the bottom box for Total P98 GF Appropriations and Property Taxes, however, is identical to the number in the top box for the calculated guarantee. This is true even in years like 2009-10 when settle up is created, which presumably occurred because the actual appropriations and allocations were less than the calculated guarantee. Please ensure that actual appropriations and allocations for each fiscal year are displayed for comparison with the calculated guarantee level.

4. **The amount of settle-up carried over from year to year should be publicly available.** It appears to us that the Settle-up Balance Owed amount in each year's chart displays only the amount created and/or paid within that particular fiscal year. For tracking purposes, it also will be important to display the carried over settle-up balance for each fiscal year either as part of the certification documents or as part of the multi-year projection.

5. **Methodology regarding the treatment of revenues, rounding and other elements should remain constant year-to-year.** In the past, there have sometimes been changes from year to year in the accrual of revenues, number of decimal points used in final calculations, use of rebenching, etc. As you know, consistency is a hallmark of Proposition 98, and changes, especially when not made in a transparent manner, make it extremely difficult to track the guarantee calculations. It is absolutely critical that such changes be minimized, if made at all. If any methodology changes are made, it is critical that they be flagged in these displays going forward so that the entire education community is aware of the change and aware of any one-time or ongoing impacts.

6. **The calculation for 2011-12 should reflect creation of a maintenance factor that year.** Although Test 1 was used to calculate the minimum guarantee, the Test 1 level was lower than Test 2 and a maintenance factor should have been created.

7. **Rebenching for child care in 2015-16 is appropriate.** We concur that the minimum guarantee for 2015-16 should be rebenched to account for the shift in payment of full-day preschool wrap around services.

Thank you for your consideration.