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The 2025-26 Budget: Analysis of the School and Community College Funding Split



LEGISLATIVE ANALYST'S OFFICE

Overview of Proposition 98 Funding Split

Background

- The State Constitution is silent on the distribution of funding to schools and community colleges.
- The state historically has allocated about 89 percent of the Proposition 98 guarantee to schools and 11 percent to community colleges. These percentages are known colloquially as “the split” and reflect the actual allocation in 1989-90.
- The split calculation is uncoded and includes a growing list of exceptions. Specifically, some Proposition 98 programs are excluded from the calculation as an indirect way to allocate more or less funding to schools or community colleges.

Changes in the May Revision

- The administration modifies its split calculation across the budget window to shift \$492 million in Proposition 98 funding from community colleges to schools. Of this shift, \$233 million is ongoing.
- The modification is related to a new exclusion for transitional kindergarten (TK).
- No formal proposal exists because the entire calculation is uncoded.



LAO Assessment and Recommendations for Building the Budget

Assessment

- Allocating Proposition 98 funding based on spending decisions in 1989-90 is poor budgeting practice. It produces outcomes that are disconnected from (1) trends in school and community college enrollment, (2) the evolving responsibilities and cost pressures facing each segment, and (3) the Legislature's priorities.
- All of those downsides would remain regardless of how the administration treats the TK program in its split calculation.

Recommendations

- Discontinue using the split as a budgeting tool.
- Build a Proposition 98 budget that funds the statutory cost-of-living adjustment, enrollment changes, and the most compelling school and community college proposals instead of making allocations based on historical percentages. The LAO alternative budget plan described in our companion publication takes this approach.

