



# HIGHLIGHTS OF GOVERNOR'S PROPOSED 2026-2027 BUDGET

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## OVERVIEW

*“California’s budget calls for caution. With Trump targeting our state, we must defend vulnerable communities and protect essential programs that help families put food on the table and see a doctor. Today’s roaring tax revenues may not last, so this moment also should be used to strengthen schools and accelerate much-needed housing construction. Building more reserves now is key for the future, along with doubling-down on budget oversight to ensure responsible spending. That is Assembly Democrats’ commitment: affordability, equity, and accountability.”*

**-Speaker Robert Rivas and Assembly Budget Committee Chair Jesse Gabriel, January 9, 2026**

Governor Newsom submitted his eighth January budget proposal to the California Legislature on Friday, January 9, 2026—one day earlier than required by the California Constitution.

**2026-27 Budget Essentially in Balance: Schools and Reserves Benefit.** The proposal benefits from soaring state revenue collections due to California’s dominance of the artificial intelligence (AI) technology sector. Recent months’ state tax collections suggest that near-term revenue trends will be far more robust than anticipated in the November 2025 fiscal outlook of the Legislative Analyst’s Office (LAO). The Department of Finance (Finance) estimates that General Fund revenues in the three-year “budget window” (2024-25, 2025-26, and 2026-27) will be up about \$40 billion from the forecast that accompanied the June 2025 state budget. The California Constitution requires that schools and community colleges (Proposition 98) and budget reserves (Proposition 2 [2014]) both receive funding boosts due to this revenue windfall. After accounting for changes in estimated costs for existing programs, creation of some “settle up” obligations in Proposition 98, required rainy day fund deposits, and a discretionary \$4.5 billion allocation for the General Fund’s main budget reserve (the Special Fund for Economic Uncertainties, or SFEU), the 2026-27 budget is essentially in balance under existing laws and policies.

**Significant Deficits Projected for Future Years.** Despite the good news for the 2026 budget process, the Governor’s plan—like the LAO’s outlook in November—identifies worrying potential budget deficits for future fiscal years due to rising state costs and cruel federal cuts in health and social services, alongside the obvious risk that the current AI bubble will subside or burst. The administration projects more than \$20 billion annual deficits for fiscal years 2027-28 through 2029-30, while the LAO projected \$35 billion annual deficits during that period. A downturn in AI corporate valuations could cause even larger deficits. After 2030, Proposition 30 and 55 taxes on California’s highest-income

earners are scheduled to expire, which would hurt school funding and expand deficits by billions more each year.

**Governor Wants to Work on Balancing 2027-28 Budget Too.** In the administration's budget summary, Finance notes the Governor's plan to present a revised budget proposal in May 2026 that keeps 2026-27 in balance and also addresses the more than \$20 billion projected deficit for 2027-28. This is similar to the approach that Governor Newsom and the Legislature took in 2024: balancing the budget for a two-year period, not just one year as required by the California Constitution.

**Plan Includes Required Rainy Day Fund Deposits for 2026-27.** The Governor's plan estimates that state budget reserves related to the General Fund will total \$23 billion at the end of 2026-27, including around \$7 billion of new required deposits to Proposition 2 general and school rainy day funds. In addition to these reserves, the state benefits from massive cash balances across all funds in the state treasury, which collectively now total about \$100 billion—managed by the State Treasurer in liquid, generally stable investments as required by law. Benefiting from Proposition 2 reserve deposits, careful management of state resources, and the recent AI boom, these cash and “cash equivalent” balances represent what may be the strongest cash position of any subnational government in history. The failure to manage state cash worsened the 2008-2009 cash crisis significantly. Recent cash strength has helped the state manage budget challenges of the last few years.

**Significant School Funding.** The administration estimates the Proposition 98 school and community college funding guarantee at \$125.5 billion for 2026-27, with the strongest school funding ever. The Governor's plan includes some significant new one-time funding proposals, such as a \$2.8 billion discretionary block grant, and a 2.41% Local Control Funding Formula cost-of-living adjustment for schools, as well as other ongoing funds. Prior-year Proposition 98 “settle up” is retired in the Governor's plan, while settle up is created for the 2025-26 fiscal year. (If the Proposition 98 funding guarantee rises after enactment of the annual budget, the state must settle up to the higher guarantee by appropriating additional funding attributable to that year at a later date.) The Legislature will determine if Governor Newsom's proposal to change the role of the State Board of Education—a body appointed by governors—is handled in the budget process or the policy committee process.

**H.R. 1 Begins to Affect State and Local Budgets.** H.R. 1, the federal Republicans' cruel bill to cut support for vulnerable communities in order to reduce taxes for the wealthy, hurts the state budget by about \$1.4 billion in 2026-27, according to the administration. In general, the Governor's plan does not envision additional state spending to mitigate H.R. 1 reductions of health coverage and food assistance benefits to millions of Californians. The Governor's proposal begins to apply H.R. 1 work requirements in health and social services programs and to move some populations from full-scope to limited-scope Medi-Cal benefits. The state's managed care organization (MCO) tax declines in

the administration's outlook. Other health and social services budget items include some proposed reductions in the In-Home Supportive Services Program, including limits on state share of costs to take effect in 2027-28, and \$60 million of one-time grant funding for reproductive health services in 2025-26.

**Major Budget Augmentations Relatively Few, Administration Says.** Legislative staff have just begun to review the Governor's proposal, but notes that the administration say that major new augmentations are rare in the Governor's proposal. About \$1.6 billion of "workload budget adjustments" (added costs under current law and policy) are reported. Most prior commitments, such as base increases for the university systems and a one-time \$500 million amount programmed for the state's main local homelessness funding program in 2026-27 under last year's budget plan, reportedly are included. Proposals include a new Zero Emission Vehicle incentive, funding for improvements at Exposition Park in Los Angeles, and funding for child care infrastructure affected by recent fires. The budget summary suggests possible adjustments to the Subsequent Injuries Benefits Trust Fund (SIBTF), a program that has expanded significantly and results in employer assessments. The administration also reportedly continues negotiations with Bay Area transit entities for a fiscal loan contemplated in the 2025 budget and expresses its wish to work with the Legislature and other interested parties to bridge funding gaps not covered by insurance policies to facilitate rebuilding from the January 2024 Los Angeles wildfires.

**What's Next?** Legislative budget committee and subcommittee hearings will begin in the coming weeks. These are the key venues for public participation in the annual budget process. The Governor's proposed budget bill is expected to be posted at [leginfo.legislature.ca.gov](http://leginfo.legislature.ca.gov) on January 9, as the Constitution requires it to be introduced immediately in each house by the budget committee chairs. The public can review the administration's budget change proposals at [dof.ca.gov](http://dof.ca.gov), and "trailer bill" proposals from the administration—proposals to change statutory law related to the budget—are due to be posted on or before February 1.

## HEALTH

### Department of Health Care Services

- Provides \$196.7 billion (\$46.4 billion General Fund) in 2025-26 and \$222.4 billion (\$48.8 billion General Fund) in 2026-27 for the Medi-Cal program. Projects enrollment of 14.5 million members in 2025-26 and 14 million members in 2026-27, representing a decline from the nearly 15 million enrolled members.
- Projects an increase in Medi-Cal expenditures of approximately \$2.4 billion General Fund compared to the revised 2025-26 expenditures, driven by the Medical Provider Interim Payment loan ending in 2025-26 and a decrease in Managed Care Organization (MCO) Tax revenue available for Medi-Cal support.
- Accounts for a reduction of \$373 million (\$102 million General Fund) in 2026-27 and \$13.1 billion (\$3.6 billion General Fund) by 2029-30, resulting from the new federal work and community engagement requirements established by H.R.1.
- Accounts for a reduction of \$463 million (\$74 million General Fund) in 2026-27 and \$3 billion (\$474 million General Fund) by 2029-30 for decreased caseload resulting from the required federal eligibility redetermination frequency changing from once per year to every six months as established by H.R.1.
- Estimates \$658 million General Fund in 2026-27 and \$872 million by 2029-30 in General Fund costs due to the federal match reduction from 90 percent to 50 percent for emergency services for Affordable Care Act adult expansion population members with unsatisfactory immigration status.
- Includes \$4.5 billion in 2025-26 and \$2.5 billion in 2026-27 MCO Tax revenue to support the Medi-Cal program and \$1.6 billion across 2025-26 and 2026-27 to support increases in managed care payments relative to calendar year 2024 in certain categories. Of note, the current MCO tax is not consistent with H.R.1 requirements, however the state will receive a transition period through June 30, 2026. This partial transition would result in additional General Fund costs of approximately \$1.1 billion in 2026-27. The Governor's budget assumes that California would be able to receive a transition period through December 31, 2026.
- Provides \$65 million in 2025-26 and \$95.5 million in 2026-27 MCO Tax revenue for qualifying community-based mobile crisis services, transitional rent, and behavioral health rates from the calendar year 2025 behavioral health facility throughputs domain allocation.

- Assumes \$1.3 billion General Fund to support children's coverage through the Hospital Quality Assurance Fee, a decrease of approximately \$652 million General Fund compared to the 2025 Budget Act. This assumption is based on the federal government's notification that California's waiver request would not be approved as submitted.

**California Department of Health Care Access and Information**

- Includes \$233.6 million federal funds in federal fiscal year 2026 provided by the federal Rural Health Transformation Program which aims to expand workforce, infrastructure, and access to care in rural communities.
- Provides for a "placeholder" of \$150 million Behavioral Health Services Fund in lieu of General Fund for workforce and prevention programming at the Department of Health Care Access and Information and the California Department of Public Health with the "specific proposal to be updated at the May Revision."
- Includes \$60 million one-time General Fund in 2025-26 for the Department of Health Care Access and Information to provide grants to reproductive health care providers.

**California of Managed Health Care**

- Includes \$3.4 million (up to \$3 million General Fund) in 2026-27 and \$391,000 Managed Care Fund ongoing, to support health care coverage for perimenopause and menopause, including enrollee access to care, provider education, and a statewide public awareness campaign.

## **HUMAN SERVICES**

### **Department of Social Services (DSS)**

#### **CalFresh**

- Includes an increase of \$382.9 million General Fund in 2026-27 to reflect the federal share of CalFresh administrative cost reduction changing from 50 percent to 25 percent beginning October 1, 2026, pursuant to the policy changes impacting CalFresh, or California's version of the federal Supplemental Nutrition Assistance Program (SNAP), in H.R. 1. The Budget assumes this General Fund increase and county share of cost increases.
- Reflects a reduction of \$66.2 million in General Fund resulting from CalFresh disenrollments in 2026-27 due to changes in federal law. Those federal policy changes include, but are not limited to, new ineligibility (i.e. disenrollment) for certain lawfully present non-citizens, new work requirements and resultant loss of food access for Able-Bodied Adults Without Dependents (ABAWDs), and disenrollment of people impacted by the State Utility Assistance Subsidy Limitations.
- Does not include additional resources to assist with managing and mitigating the worst impacts of implementation of H.R. 1.

#### **In-Home Supportive Services (IHSS)**

- Cuts \$86 million General Fund from the IHSS program to effectively eliminate the IHSS Residual Program's role for IHSS recipients who become ineligible for Medi-Cal. Losing Medi-Cal will mean a loss of their IHSS benefits in the absence of the IHSS Residual Program being a continuing coverage option, as it is today. The Residual Program has effectively served as a safety net to allow IHSS recipients to continue to receive services as they re-establish their eligibility for Medi-Cal. Disenrollment from Medi-Cal can occur at redetermination and be due to a paperwork error.
- Eliminates the IHSS Provider Backup System and reduces an associated \$3.5 million General Fund. The Administration has indicated that the proposed elimination is due to underutilization, but further details are pending.
- Cuts \$233.6 million General Fund from the state's share of cost for IHSS hours per case growth beginning in 2027-28. It is unclear if this is a shift of cost to the counties as details are pending.

**Department of Developmental Services (DDS)**

- Reflects an increase in Medicaid reimbursements of \$265.2 million in prior years and \$154.6 million beginning in 2025-26 and ongoing. This increase is due to updating federal matching claims for the Affordable Care Act adult expansion population receiving regional center services.
- Includes a plan for \$206.9 million (\$14.5 million General Fund and \$192.4 million Public Buildings Construction Fund) over the next five years for the design and construction of three projects to address space and infrastructure deficiencies at the Porterville Developmental Center.

**Department of Aging**

- Includes \$3.5 million in additional funding for the Health Information and Counseling Advocacy Program (HICAP) program.



## **PK-12 PUBLIC EDUCATION AND EARLY EDUCATION**

### **Proposition 98 Funding: Early Education, TK-12, and Community Colleges**

- Estimates a Proposition 98 funding level of \$123.8 billion in 2024-25, \$121.4 billion in 2025-26, and \$125.5 billion in the 2026-27 Budget Year.
- Estimates \$125.5 billion for Proposition 98 funding for 2026-27, which meets the Test One guarantee level, for state preschool, TK-12 public education, and community colleges.
- Proposes the creation of approximately \$5.6 billion in one-time, 2025-26 Proposition 98 settle-up funding due to revenue estimate uncertainties.
- Estimates an increase in Proposition 98 guarantee by \$6.8 billion in the 2025-26 Current Year compared to the enacted Budget, and an increase of the guarantee by \$3.9 billion in the 2024-25 Prior Year.
- Increases the 2024-25 Maintenance Factor payment to a total of \$7.8 billion, and projects a \$584.6 million remainder at the end of the Budget Year.
- Increases the projected Proposition 98 “Rainy Day” fund, the Public School System Stabilization Account, to a total of \$4.1 billion through the Budget year. Projects a revised \$3.8 billion in mandatory 2024-25 contributions, \$424.3 million in required 2025-26 contributions, and estimates a \$407.1 million mandatory withdrawal in 2026-27. Proposes a discretionary \$240 million deposit in the 2025-26 fiscal year. This level of Prop 98 Rainy Day funding triggers the statutory 10% cap on local school district reserves in the current and 2026-27 fiscal years.
- Pays off all Proposition 98 funding deferrals in the Budget Year.

### **Major Budget Act PreK-12 Education Proposals**

- For the 2026-27 Budget Year, projects TK-12 per-pupil spending to be \$149.1 Billion from all funding sources.
- Per-pupil funding grows in the Governor’s Budget to a funding rate of \$27,418 per student. Proposition 98 TK-12 funding per student is proposed to grow to \$20,427 in 2026-27.
- Increases Proposition 98 funding for the Local Control Funding Formula (LCFF) by \$2 billion, reflecting declining enrollment, Universal Transitional Kindergarten

(UTK) and a 2.41% percent cost-of-living adjustment (COLA) in 2026-27. Provides a decrease of \$15.6 million for County Office of Education LCFF costs, adjusted for average daily attendance rates and COLA.

- Provides \$228.2 million for a 2.41% COLA to statutorily-required TK-12 programs, including preschool.
- Proposes \$2.8 billion, for an additional one-time Student Support and Discretionary Block Grant, that includes support for dual enrollment, career pathways approaches, and professional development for educators in UTK, English Language Arts and Development, and mathematics.
- Proposes an ongoing \$1 billion investment to expand the California Community Schools Partnership Program.
- Proposes to increase Special Education base rates by an ongoing total of \$509 million.
- Allocates \$1.5 billion in Proposition 2 school facility bond funds for 2026-27 construction projects.
- Adjusts the Home to School Transportation funding with \$322 million one-time and \$239.2 million ongoing to reflect costs.
- Increases the Expanded Learning Opportunities Program by \$62.4 million ongoing, for the projected cost of a new \$1,800 per unduplicated pupil rate for local education agencies with less than 55% total unduplicated pupils.
- Increases the Necessary Small Schools funding by 20 percent in the Local Control Funding Formula, with \$30.7 million ongoing Proposition 98.
- Expands existing funding for County Offices of Education to provide universal and targeted assistance in the System of Support for struggling schools, by \$13.3 million ongoing Proposition 98. Includes statutory proposals for updated performance criteria and timelines for support.
- Expands the existing Learning Recovery Emergency Block Grant with \$757.3 million one-time funding through 2027-28, to a restored total of \$7.2 billion.
- Extends the Teacher Residency programs through 2029-30 with an increase of \$250 million, one-time.

- Proposes \$100 million, one-time for expanding high school career and college pathway programs.
- Proposes an additional \$100 million one-time for the Kitchen, Infrastructure and Training program.
- Provides a reappropriation of \$14.4 million one-time General Fund to the Golden State Teachers Grant program, for program applicants in 2026-27.
- Maintains the California universal meals commitment with a decrease of \$67.9 million in annual Proposition 98 funding, to reflect meal service estimates and a proposed meal reimbursement rate increase.
- Provides an additional \$40 million one-time Proposition 98 for the implementation costs in 2026-27 for the new reading difficulties screener and proposes statutory changes for screen administration.
- Proposes an additional \$22.9 million one-time Proposition 98 support for LEAs recovering from the 2025 wildfires.
- Increases the Fiscal Crisis and Management Assistance Team funding by \$994,000 ongoing Proposition 98.
- Increases the California School Information System funding by \$966,000 ongoing Proposition 98.
- Increases the K-12 High Speed Network funding by \$629,000 ongoing Proposition 98.
- Proposes \$890,000 ongoing Proposition 98 funding for the Los Angeles County Office of Education science performance task resources.
- Proposes to restructure state education governance, to move authority for the administration of the California Department of Education programs, school funding, and education regulatory authority from the State Superintendent of Public Instruction to the State Board of Education.
- Proposes new requirements for charter schools to address verified data, fraud, and accountability.

**Major Early Education and Child Care Proposals**

- Continues the state's ongoing \$7.5 billion commitment in funding to state-subsidized child care programs, including a total of \$5.1 billion in general fund, serving an estimated 487,000 children across all child care programs.
- Maintains the prior year commitments to 146,000 new child care slots, compared to the 2021-22 Budget Act, but does not propose any new child care services outside CalWORKS caseload adjustments, in the 2026-27 Budget Year.
- Provides child care, state preschool, and child care nutrition programs a 2.41 percent COLA.
- Proposes a \$11.5 million one-time Proposition 64 funding infusion in the child care infrastructure grant program, for child care providers impacted by wildfires.

## HIGHER EDUCATION

### University of California

- Includes \$254.3 million General Fund to provide the UC an ongoing 5 percent increase, as the fifth and final payment of the Governor's compact plan.
- Extends the repayment of a one-time 3 percent funding reduction of \$129.7 million included in the 2025 budget by one year from 2026-27 until 2027-28.
- Maintains a 2025 Budget Act agreement to defer \$240.8 million ongoing General Fund to support a 5% base increase until 2027-28.
- Maintains a 20245 Budget Act agreement to defer \$31 million ongoing General Fund to continue the 5-year program to replace nonresident students with California students at the Berkeley, Los Angeles and San Diego campuses until 2027-28.

### California State University

- Includes \$264.8 million General Fund to provide the CSU an ongoing 5 percent increase, as the fifth and final payment of the Governor's compact plan.
- Provides \$100.9 million General fund for the partial funding of the 2025 fourth compact payment, as projected in the 2025 budget package.
- Extends the repayment of a one-time 3 percent funding reduction of \$143.8 million included in the 2025 budget by one year from 2026-27 until 2027-28.
- Maintains a 2025 Budget Act agreement to defer \$252.3 million ongoing General Fund to support a 5% base increase until 2027-28.

### California Community Colleges

- Provides \$240.6 million ongoing Proposition 98 General Fund to support a 2.41% cost-of-living adjustment for Student Centered Funding Formula apportionments.
- Provides \$87.2 million ongoing Proposition 98 General Fund to support 1 percent enrollment growth in 2025-26 and an additional 0.5% enrollment growth in 2026-27.

- Includes \$408.3 million to fully repay deferrals to the Student-Centered Funding Formula in 2026-27.
- Increases the Student-Centered Funding Formula by \$88.7 million due to increase costs.
- Withdraws \$44.5 million from the Proposition 98 Rainy Day fund to support Student-Centered Funding Formula costs.
- Includes \$100 million Proposition 98 General Fund for a flexible block grant for Student Support.
- Increases by \$38.1 million Proposition 98 General Fund for the base operations of Calbright College.
- Provides \$41 million Proposition 98 General Fund, of which \$5 million is ongoing, for scaling of a common cloud data platform across the system.
- Provides \$739.9 million one-time Proposition 2 bond funds to support 10 new and 29 continuing 28 community college facilities projects.
- Includes \$120.7 million Proposition 98 General Fund for deferred maintenance needs.
- Adds \$37 million Proposition 98 General Fund for support for the Credit for Prior Learning Initiative.
- Provides an increase of \$14.3 million Proposition 98 General Fund to support the California Healthy School Food Pathways Program.
- Provides \$30.6 million ongoing Proposition 98 General Fund to support a 2.41% cost-of-living adjustment for select categorical programs, including adult education.
- Includes \$13.4 million Proposition 98 General Fund for the Apprenticeship Related and Supplemental Instruction Costs Backfill to address costs from 2024-25 and 2025-26.
- Reflects a decrease of \$346.4 million Proposition 98 General Fund for property tax offsets due to increasing local property tax levels.

- Provides, to TK-12 schools, \$100 million Proposition 98 General Fund to increase career pathways for high school students, including expanding dual enrollment at community colleges.

**California Student Aid Commission**

- Does not propose any changes to the Cal Grant program.
- Includes \$513 million for the Middle Class Scholarship Award for 2026-27, which is expected to meet 17.5 percent of student need for the 300,000 students that receive the awards. For 2025-26 the budget includes \$1.1 billion for this purpose and covers 30 percent of student need.
- Reappropriates \$14.1 million General Fund from the 2021 Budget Act to support the Golden State Teacher Grant Program in 2026-27.

## **CLIMATE CHANGE AND ENVIRONMENT**

### **Energy**

- Appropriates \$326 million of Proposition 4 bond funds for clean air and energy with \$322.5 million for the IBank to support the California Transmission Accelerator Revolving Fund.
- Appropriates \$15.2 million of Proposition 4 bond funds for fuel reduction around powerlines.
- Provides \$1.9 million ongoing and eight positions to the California Energy Commission to continue implementation of petroleum market oversight.
- Funds \$5.7 million ongoing and 18 positions across multiple energy agencies to support new workload related to wildfire mitigation plans, transmission development and financing, and environmental regulation and reporting requirements per SB 254 (2025).
- Provides \$1.9 million ongoing from the Public Utilities Reimbursement Account and 8 positions to implement AB 825 (2025).
- Funds \$952,000 Special Fund and four positions to strengthen oversight of political and promotional advertising per AB 1167 (2025).
- Provides \$668,000 Special Funds and 3 positions to implement SB 57 (2025) regarding data centers.

### **Cap and Invest/ Greenhouse Gas Reduction Fund**

- Maintains the 2025 Budget Act agreement to fund shift the following amounts from General Fund to the Greenhouse Gas Reduction Fund (GGRF) for baseline CalFIRE operations: \$1.25 billion in 2026-27, \$500 million in 2027-28, \$500 million in 2028-29. This includes \$750 million from the Tier 2 Legislature Discretionary pot and \$500 million in 2027-28 and 2028-29.
- Reserves \$250 million for expenditures in SB 840 (2025) including: \$125 million for free transit passes, \$25 million for seed funding for a University of California Climate Research Center, \$15 million for rebuilding Topanga Park, and \$85 million



for an entity chosen by the Legislature to support climate-focused technological innovation, related research, and the deployment of climate solutions identified in the scoping plan.

- Proposes statutory changes to separate the Affordable Housing and Sustainable Communities and agricultural land conservation programs by directing up to \$560 million and \$240 million respectively.
- Appropriates \$5.7 million ongoing and authorizes 17 positions to implement SB 840 and AB 1207 (2025).
- Provides \$1.6 million ongoing GGRF for 5.2 positions to update the statewide air monitoring plan every five years to implement SB 352 (2025).

### **Zero Emission Vehicles**

- Appropriates \$200 million one-time special funds and statutory language to create a new light duty Zero Emission Vehicle incentive program. This includes \$166 million that was fund shifted last year from the Greenhouse Gas Reduction Fund and Air Pollution Control Fund (APCF) to the Motor Vehicle Account.
- Provides \$1.7 million ongoing APCF and 10 positions to implement the state and local government elements of the Advanced Clean Fleets regulation.
- Appropriates \$95.6 million one-time Air Pollution Control Fund (APCF) over three years to implement the Hino Settlement, including certification, testing, enforcement, and other efforts to address air pollution, consistent with the terms of the settlement. The Hino Motors Settlement is a \$1.6 billion settlement that the state and federal government reached with Hino Motors, a subsidiary of Toyota, for violations of the Clean Air Act related to the submission of false and fraudulent engine emission testing data. Of the \$1.6 billion, the state directly received \$236.5 million, of which \$132.2 million was appropriated in the 2025 Budget.

**Climate Bond/ Proposition 4**

- Includes \$2.1 billion from the Climate Bond, Proposition 4, across all investment categories.

**Governor's Proposed Climate Bond Expenditure Plan**

Investment Category	Total Bond Allocation	2026-27 Proposed Spending
Safe Drinking Water, Drought, Flood, and Water Resilience	\$3.8 billion	\$792 million
Wildfire and Forest Resilience	\$1.5 billion	\$314 million
Coastal Resilience	\$1.2 billion	\$107 million
Biodiversity and Nature Based Solutions	\$1.2 billion	\$199 million
Extreme Heat and Community Resilience	\$450 million	\$241 million
Sustainable Agriculture	\$300 million	\$89 million
Outdoor Access	\$700 million	\$35 million
Clean Air & Energy	\$850 million	\$326 million

Below are expenditure details within the Climate Bond's investment categories.

**Safe Drinking Water, Drought, Flood, and Water Resilience**

- Includes \$232 million of Proposition 4 bond funds for flood control projects a part of the State Plan of Flood Control, Projects in the Sacramento-San Joaquin Delta, and projects funded through the Flood Control Subventions Program.
- Includes \$173 million of Proposition 4 bond funds for drinking water projects; funding will also support wastewater projects.
- Includes \$68.8 million of Proposition 4 bond funds to support repairs to existing or new water conveyance projects.

**Wildfire and Forest Resilience**

- Appropriates \$58 million of Proposition 4 bond funds for Local Fire Prevention Grants.

- Appropriates \$19.6 million of Proposition 4 bond funds for technical and financial assistance to help homeowners in wildfire-vulnerable areas implement defensible space mitigations (known as Zone 0).
- Appropriates \$15.2 million of Proposition 4 bond funds for grants to reduce wildfire risk around transmission lines.

**Coastal Resilience**

- Appropriates \$107 million of Proposition 4 bond funds to protect coastal communities against sea level rise, storm surges, flooding, coastal erosion, and habitat loss.

**Biodiversity and Nature Based Solutions**

- Appropriates \$123.3 million of Proposition 4 bond funds for projects that conserve, restore, and connect California's ecosystems through land conservation acquisitions and easements, habitat enhancement and restoration, floodplain reactivation, wetland restoration, and wildlife connectivity.
- Appropriates \$30 million of Proposition 4 bond funds for habitat restoration projects at the Salton Sea.

**Extreme Heat and Community Resilience**

- Appropriates \$137.4 million of Proposition 4 bond funds for the Transformative Climate Communities Program.
- Appropriates \$55.3 million of Proposition 4 bond funds for the Community Resilience Centers Program.
- Appropriates \$22.8 million of Proposition 4 bond funds for CalFire's Urban Forestry Program.

**Sustainable Agriculture**

- Appropriates \$14 million of Proposition 4 bond funds for the newly established Tribal Food Sovereignty Program.
- Appropriates \$14 million of Proposition 4 bond funds for the Regional Farm Equipment Sharing Program.

**Outdoor Access**

- Appropriates \$35 million of Proposition 4 bond funds to expand and enhance parks and outdoor access.

## **NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION**

### **Landfill Support, Response, and Enforcement**

The Governor's proposed budget includes funding across departments to address Subsurface Elevated Temperature (SET) events and other emerging issues at California's landfills. These augmentations include:

- \$606,000 ongoing special funds and 2 positions within the California Environmental Protection Agency to address the diffuse and complex regulatory environment surrounding landfills and promote inter-agency coordination.
- \$2.1 million ongoing special funds and 4 positions within the Department of Toxic Substances Control to address SET events at Class III Landfills, including the Chiquita Canyon Landfill and other Class III Permitted landfills to control the emergency threat to public health.
- \$1.95 million ongoing special funds and 4 positions to address the workload at CalRecycle concerning oversight and cost recover of landfills experience SET events, in addition to assisting local governments and landowners on mitigating illegal disposal as a result of landfills experiencing early closures or reduced operations.
- \$463,000 ongoing special funds and 2 positions at the State Water Resources Control Board to strengthen the Los Angeles Regional Water Quality Control Board's technical and operational capacity to prevent, investigate, and respond to landfill SET events and other landfill-related threats to water quality and public health that go beyond day-to-day landfill regulation activities.

### **Department of Forestry and Fire Protection**

- Appropriates \$66.5 million ongoing General Fund to support contract cost increases for fixed wing pilots and mechanics.
- Appropriates \$6.2 million General Fund and 31 positions ongoing for CalFire to continue to meet the state's goal of 250,000 annual defensible space parcel inspections within the SRA.
- Appropriates \$294.6 million (\$47.1 million General Fund and \$247.5 million Public Buildings Construction Fund) for the continuation and addition of capital projects, including the replacement of various fire stations, unit headquarters, helitack bases, and air attack bases.

**California Conservation Corps**

- Appropriates \$11.7 million General Fund, 49 positions, and 47 full-time equivalent Corpsmembers and Special Corpsmember positions ongoing to implement a seven-day operational schedule year-round for wildfire readiness.
- Appropriates \$12.3 million (\$6.8 million General Fund), 24 positions, 100 Corpsmembers, and 6 Special Corpsmembers ongoing to fully staff and operate the new Greenwood Residential Center in El Dorado County, scheduled for occupancy in July 2026.

**Department of Water Resources**

- Appropriates \$9.5 million ongoing General Fund to support DWR's efforts to provide 24-hour river forecasts and collect snow course measurements for water supply forecasting, offsetting the vulnerabilities created by recent federal reductions in these areas.
- Appropriates \$14 million one-time General Fund for DWR's Delta Levees Program.
- Appropriates \$25 million (\$9.5 million Proposition 1 and \$15.5 million Proposition 4) one-time for DWR to implement the Eastside Bypass Control Structure Fish Passage Rock Ramp project.

**Department of Parks and Recreation**

- Appropriates \$6.8 million ongoing General Fund for the California State Parks Library Pass Program.
- Appropriates \$2.1 million one-time General Fund for the construction of a public use area a part of the California Indian Heritage Center; the budget also includes \$842,000 General Fund and 3 permanent positions ongoing for tribal and non-tribal access to portions of the property that are developed under this project.
- Appropriates \$11 million (\$2.1 million General Fund, \$2 million General Obligation bond funds and \$6.9 million other funds) for projects at Hollister Hills State Vehicular Recreation Area, R.H. Meyer Memorial State Beach, Boarder Field State Park, Candlestick Point State Recreation Area, and the California Indian Heritage Center.

**Department of Fish and Wildfire**

- Appropriates \$5 million ongoing General Fund and 3 permanent positions for the operation of the newly constructed San Joaquin Research and Conservation Hatchery Facility, to continue the San Joaquin River Restoration Program, and the Merced River Hatchery.
- Appropriates \$8.2 million ongoing General Fund and 1 permanent position to support the continued and expanded operations of the Nutria Eradication Program.

**Exposition Park**

- Appropriates \$96.5 million one-time (\$76 million General Fund and \$20.5 million Exposition Park Improvement Fund) to complete deferred maintenance projects to meet code compliance and accessibility requirements prior to increased patronage events, such as the Los Angeles 2028 Olympic and Paralympic Games.
- Appropriates \$9.3 million ongoing General Fund and 31 positions to support the fall 2026 public opening of the Air and Space Center and ongoing operations of the Phase III facility.

**California Tahoe Conservancy**

- Appropriates \$8.4 million (\$3.9 million General Obligation bond funds and \$4.5 million other funds) for the initial phases of the Van Sickle Bi-State Park Safety and Equitable Access Improvements project, Greenway Shared Use Trail Phase III project, and other opportunity acquisitions.

**State Water Exposition Park**

- Appropriates \$96.5 million one-time (\$76 million General Fund and \$20.5 million Exposition Park Improvement Fund) to complete deferred maintenance projects to meet code compliance and accessibility requirements prior to increased patronage events, such as the Los Angeles 2028 Olympic and Paralympic Games.

**State Water Resources Control Board**

- Appropriates \$2.6 million ongoing special funds and 12 positions to expand essential water quality permitting and enforcement work in light of workload adjustments resulting from the U.S. Supreme Court's decision in *Sackett v. Environmental Protection Agency*.

**Department of Toxic Substances Control**

- Appropriates \$70 million (\$50 million General Fund) in 2026-27 and 2027-28 to continue the clean-up of residential properties contaminated by the former Exide battery recycling facility in Vernon.
- Appropriates \$40.2 million one-time special funds to clean up contaminated brownfields and Superfund sites.

**Department of Pesticide Regulation**

- Appropriates \$809,000 ongoing special fund for the continued operations, maintenance, and outreach for SprayDays.
- Appropriates \$394,000 ongoing special fund and two positions to expand evaluation, mitigation, and regulations related to fumigant exposure.



## TRANSPORTATION

### Department of Motor Vehicles

- Appropriates \$94.1 million from the Motor Vehicle Account in 2026-27 to continue the DXP data system project to modernize DMV databases.
- Provides \$56 million from the Motor Vehicle Account to implement the Real ID Act of 2005 by implementing the State to State (S2S) data system.
- Funds \$9.8 million from the Motor Vehicle Account to enter into a lease for the San Francisco Field Office. This includes one-time and ongoing costs through 2029-30.

### California Highway Patrol

- Provides \$44.4 million one-time from the Motor Vehicle Account for equipment and operating costs.
- Proposes \$6.9 million one-time from the Motor Vehicle Account to continue providing security at the State Capitol swing space building, consistent with prior year funding.

### Bay Area Transit Loans

- Proposes statutory language to implement intent provided in the Budget Act of 2025 to authorize the Metropolitan Transportation Commission to provide short term loans to transit agencies with budgetary shortfalls.

## GENERAL GOVERNMENT

### Housing

- Proposes no additional General Fund investments in housing programs.
- Continues to implement the California Housing and Homelessness Agency (CHHA) and the Housing Development and Finance Committee (HDFC) by doing the following:
  - Coordinated Financing – proposes statutory changes to improve the alignment of affordable housing programs under HDFC with financing tools including the Low-Income Housing Tax Credits (LIHTC) and a dedicated bonds to be allocated by HDFC.
  - Prioritizing Efficiency – proposes to codify a long-term allocation of private activity bonds for affordable housing.
  - Modernizing the Affordable Housing and Sustainable Communities (AHSC) Program – proposes programmatic changes to modernize the AHSC program.
  - Provides that up to \$560 million annually of the Cap-and-Invest proceeds will be shifted to HDFC to administer affordable housing programs.
- Proposes to advance efforts to leverage preservation opportunities within the LIHTC and support sponsors in accessing and redeploying resources within the existing Department of Housing and Community Development portfolio. Does not include an additional allocation for the LIHTC.
- Promises a May Revision proposal to explore creative financing mechanisms to address the residential rebuild funding gap to rebuild after the Los Angeles fires.

### Homelessness

- Maintains \$500 million for Homeless Housing Assistance and Prevention program (HHAP) contingent on enhanced accountability and performance requirements.
- Notes that recent federal actions have created significant volatility and will continue to explore way to provide programmatic flexibility in response to the changes at the federal level.

**Civil Rights Department**

- Provides permanent position authority for the Bureau of Descendents of American Slavery of \$991,000 (General Fund) in 2028-29, and \$2 million in 2029-30 and ongoing to maintain funding at existing operational levels.
- Extends the sunset date from January 1, 2027, to January 1, 2031, and maintains funding at existing operational levels for the Commission on the State of Hate. Includes \$900,000 in 2026-27, \$1.8 million in 2027-28 through 2029-30, and \$900,000 in 2030-31.

**Franchise Tax Board**

- Provides \$60 million General Fund and 14 positions in 2026-27, \$24 million and 19 positions in 2027-28, and \$17.6 million General Fund ongoing to complete the Enterprise Data to Revenue Project 2 (EDR2) information technology project.

**Governor's Office of Business and Economic Development**

- Proposes \$1.3 million General Fund in 2026-27 and ongoing to support international trade and to provide export promotion services.
- Includes \$400,000 General Fund in 2026-27 and ongoing to grow emerging business sectors such as artificial intelligence, quantum, and cloud/data platforms.

**Department of Financial Protection and Innovation**

- Includes \$15.3 million (Financial Protection Fund) annually through 2029-30 to continue to implement AB 1864, which expanded DFPI's authority to oversee financial products and services.
- Provides \$13.5 million (Financial Protection Fund) annually through 2029-30 to continue implementing SB 908, the Debt Collection Licensing Act, which requires DFPI to license, regulate and examine debt collectors.

**California Consumer Protection Agency**

- Provides \$1.6 million (split across the Data Brokers' Registry Fund and the Consumer Privacy Fund) in 2026-27 and \$1.5 million in 2027-25 and ongoing to address increased consumer complaints and open investigations related to CCPA violations, and to begin enforcing the California Delete Act.

Business and Consumer Services Agency

- The Governor's Budget Summary highlights the recent creation of the Business and Consumer Services Agency, beginning July 1, 2026. The Agency will oversee the following agencies:
  - Department of Alcoholic Beverage Control
  - Alcoholic Beverage Control Appeals Board
  - Department of Cannabis Control
  - Department of Consumer Affairs
  - Department of Financial Protection and Innovation
  - California Horse Racing Board
  - Department of Real Estate

**Government Operations Agency**

- Transfers the California Education Learning Lab (Learning Lab) from the Governor's Office of Land Use and Climate Innovation (LCI) to GovOps to further streamline efforts and enable LCI to focus on its core responsibilities. Specifically, the Budget proposes a net-zero transfer of resources totaling \$4 million General Fund in 2026-27, and ongoing, and one position.
- Provides \$3.6 million General Fund in 2026-27, and \$2.8 million General Fund in 2027-28, and ongoing, to establish the Office of Civil Rights (OCR) within GovOps. The OCR will provide educational resources, training, and technical assistance to local educational agencies to prevent and address discrimination and bias within California's TK-12 education system.
- Provides five positions and \$1.3 million in reimbursement authority to the Data and Innovation Services Revolving Fund to scale the state's design, development, data, and digital service capabilities. The Governor's proposal will create a new team to help generate efficiencies, streamline government and to find way to reduce state costs.

**California Department of Technology**

- Proposes to extend the encumbrance period for \$550 million in General Fund allocated to CDT in the 2022 Budget Act for 2023-24 and 2024-25, until December 31, 2028, to allow CDT to continue to pay staff salaries and provide flexibility in contracting to complete the Middle Mile Broadband Network (MMBN).
- Provides \$1 million in General Fund in 2026-27 that was appropriated to CDT in the 2025 Budget Act to continue project development and support for emergency Digital ID integration. In addition, the Governor proposes an additional \$3.1 million from the Technology Services Revolving Fund to expand the Digital ID as a service.
- Provides limited-term funding of \$408, 000 General Fund in 2026-27 and \$286,000 General Fund in 2027-28, for the Office of Information Security at CDT to assist in Cal-CSIC's California AI Cybersecurity Playbook Development, to further prepare the state for emerging AI cyberthreats.

**Labor and Workforce Development Agency****Public Employment Relations Board**

- Provides 8.5 million in General fund and 30 positions in 2026-27, \$9.3 million and 39 positions in 2027-28, and \$2.3 million and 39 positions in 2028-29 and ongoing for the Public Employment Relations Board (PERB) to implement the Transportation Network Company Drivers Labor Relations Act pursuant to Chapter 335, Statutes of 2025 (AB 1340) and to adjudicate National Labor Relations Board unfair practice charges and determinations of union elections and union certifications under specified circumstances pursuant to Chapter 139, Statutes of 2025 (AB 288).

**Employment Development Department**

- Proposes \$662.2 million in one-time General Fund to pay the annual interest payment on the state's Unemployment Insurance loan balance.
- Proposes \$145.5 million in one-time, of which \$60.9 million is General Fund, to continue the planning and development of EDDNext, for the fifth year of a multi-year plan to modernize benefit systems and enhance customer service at the Employment Development Department (EDD).

**Department of Industrial Relations**

- Proposes \$18.2 million one-time from the Apprenticeship Training Contribution Fund in 2026-27. \$18.1 million one-time in 2027-28 and \$17.8 million one-time in 2028-29 and 2029-30 for DIR for grants to approved apprenticeship programs in construction and related trades.
- Provides \$8.9 million one-time from the Labor and Workforce Development Fund for DIR to continue enhancements to the Public Works Information Technology Systems.
- Proposes \$7.7 million from the Occupational Safety and Health Fund in 2026-27, \$7.1 million in 2027-28 and ongoing, including 34 permanent positions for DIR to continue targeted outreach and education for employers and workers and strategic enforcement efforts to protect workers from heat-related illnesses and wildfire smoke hazards.
- Provides \$12.7 million from the Workers' Compensation Administration Revolving Fund and 57 positions in 2026-27, growing to \$36.5 million and 177 positions and ongoing, for the DIR to address the backlog of cases resulting from years of substantial growth in the Subsequent Injuries Benefits Trust Fund (SIBTF) program.
- Provides \$5.9 million from the Occupational Safety and Health Fund in 2026-27, \$5.3 million in 2027-28 and ongoing, including 35 permanent positions for DIR to create a centralized complaint and report intake unit with Cal/OSHA to help increase its response capacity.

**Employee Compensation and Collective Bargaining**

- Includes \$260.7 million of which \$116.9 million is General Fund, for increased employee compensation, health care costs for active state employees, and retiree health care prefunding contributions for active employees in 2026-27. Included in these costs are collectively bargained salary and benefit increases resulting from contracts and side letter negotiations. The Budget also includes funding for the 2027 calendar year projected increases in health care and dental premiums and enrollment.
- The administration is negotiations with 7 bargaining units represented by the Service Employees International Union, whose contracts or side letters agreements are set to expire in the summer of 2026.

**California Public Employees' Retirement System and California State Teachers' Retirement System**

- Provides \$9.8 Billion (\$5.3 billion General Fund) for the state's contribution to CalPERS. Included in the total contributions is \$731 million one-time General Fund for CSU retirements.
- Provides \$4.8 billion general fund for state contributions to CalSTRS.
- Includes a \$2.5 billion supplemental pension payment to help reduce CalPERS state plans' unfunded liabilities.

**Government Efficiency and Cost Saving Measures**

- Reflects \$478.1 million (\$182.3 million General Fund) in savings in 2025-26 and \$487.1 million (\$191.3 million General Fund) in 2026-27 from the elimination of 6,002 vacant positions.
- Reduces state operations expenditures by up to 7.95 percent across all state funds totaling \$1.55 billion (\$1.2 billion General Fund) in 2025-26, and \$1.56 billion (\$1.18 billion General Fund) in 2026-27, and ongoing.

**Department of General Services**

- Includes \$202.6 million (\$52.2 million from General Fund and \$150.4 million from the Public Building Construction Fund) over the next five years as part of the Governor's proposed 5-year \$58.5 billion State Infrastructure Plan. The proposed funding is for projects in the Sacramento Region.

**Cannabis**

- Provides \$7.3 million (\$5.6 million Cannabis Control Fund and \$1.7 million Cannabis Tax Fund in 2026-27 and \$5 million (\$4.1 million Cannabis Control Fund and \$852,000 Cannabis Tax Fund) in 2027-28 to integrate hemp into the cannabis regulatory framework, as required by Chapter 248, Statutes of 2025 (AB 8, Aguiar-Curry). Additionally, \$3.3 million (\$2.8 million Cannabis Tax Fund and \$500,000 Cigarette and Tobacco Products Compliance Fund) in 2026-27, and \$2.6 million Cannabis Tax Fund and \$700,000 Cigarette and Tobacco Compliance Fund ongoing, is proposed for the Department of Tax and Fee Administration to support AB 8 enforcement activities.
- Provides \$7.6 million (\$1.2 million Cannabis Control Fund and \$6.4 million Cannabis Tax Fund) in 2026-27 and \$6 million (\$2.1 million Cannabis Control Fund

and \$3.9 million Cannabis Tax Fund) in 2027-28 and ongoing to support a dedicated sworn officer presence in Northern California to strengthen enforcement efforts against illegal cannabis market, and to meet the Department of Cannabis Control's growing legal workload related to licensing, compliance, legislation, and public records.

- Includes \$7.2 million Cannabis Control Fund to begin the consolidation of two cannabis systems into one single system to improve data collection and streamline services for cannabis consumers and licensees.
- Includes a one-time shift of \$11.5 million in 2026-27, within the youth, education, prevention, early intervention, and treatment account, from the California Natural Resources Agency to the Department of Social Services (DSS). This one-time shift to DSS will be invested in childcare infrastructure, specifically targeted toward communities impacted by recent fires.

**Department of Veterans Affairs**

- Proposes \$209.3 million federal funds for the design-build phase of the Yountville Skilled Nursing Facility. The facility will be completed in early 2026 and the federal government will reimburse the state costs.

**Department of Food and Agriculture**

- Appropriates \$24.6 million General Fund in 2026-27 (\$25.2 million ongoing) and statutory changes to provide ongoing funding for the Farm to School Incubator Grant program.



## REVENUS AND TAXATION

### Tax Proposals

- Proposes three tax proposals as follows:
  - **Requires Delivery Network Companies to Register as Marketplace Facilitators** – proposes that California align with most other states by removing the election and instead requires Delivery Network Companies (DNC) with at least \$500,000 in annual sales within California through their platform to register as marketplace facilitators beginning in January 1, 2027. The proposal is estimated to increase General Fund sales tax revenues by \$10 million in 2026-27 and by \$20.1 million per year beginning in 2027-28 due to improved taxpayer compliance.
  - **Sustainable Aviation Fuel** – includes a tax credit against diesel tax liability to incentivize the in-state production of sustainable aviation fuel, a lower-carbon alternative to petroleum-based jet fuel.
  - **Extension of California Competes Tax Credit** – Proposes to extend the CalCompetes Tax Credit program at its current level of \$180 million in annual allocations for five years through 2032-33.

### Revenues from the Big Three

- Forecasts that the Big three revenue sources are projected to be higher by \$40 billion over the budget window due to a \$16.4 billion upward revision to the PIT, a \$24.6 billion upward revision to the corporation tax forecast, and a \$1.1 billion downward revision to the sales tax forecast.

#### *Personal Income Tax*

- Forecasts the PIT to be \$16.4 billion higher through the budget window compared to the 2025 Budget Act forecast, even as the extension of the PTET results in \$20.2 billion in additional PTET credits being utilized against the personal income tax.

#### *Corporation Tax*

- Forecasts the Corporation Tax to be higher by \$24.6 billion in the budget window, with the extension of the PTET accounting for \$22.9 billion of the upgrade. Excluding the impact of the PTET, the corporation tax is upgraded

by just \$1.7 billion. The primary driver of higher corporation tax revenue, contributing \$1.2 billion, is higher projected growth in corporate taxable profits from 2025 to 2027 because of improved economic forecast.

***Sales and Use Tax***

- Forecasts the sales tax to be \$1.1 billion, or 1 percent, lower in the budget window relative to the 2025 Budget Act forecast, driven by cash receipts that were \$355 million, or 1.5 percent, lower than projected through November.

## **PUBLIC SAFETY**

### **Department of Corrections and Rehabilitation**

- Provides \$14.2 billion (\$13.8 billion General Fund and \$400 million other funds) for CDCR in 2026-27, of which \$4.1 billion is for healthcare services for incarcerated individuals.
- Projects the average daily incarcerated population for 2025-26 to be 89,162 and 87,613 in 2026-27. In the longer term, the population is projected to decline to 84,664 by June 30, 2030. Last year's analysis indicated that Proposition 36 was expected to increase CDCR's population by 1,878 in 2025-26 and 3,597 upon broader implementation. More recent projections indicate that the impacts will be lower: 562 in 2025-26 and 1,200 upon full implementation.
- Projects the average parolee population to be 33,816 in 2025-26 and is expected to decline to 32,432 in 2026-27. The parole population is projected to decline further to 30,785 by June 30, 2030.
- Excludes any new proposed reductions or consolidations of prison facilities or beds despite projected population reductions.
- Includes \$90.1 million ongoing General Fund to pay accrued leave balances to employees upon retirement or separation from state services which historically the department has absorbed.
- Includes \$23.1 million one-time General Fund in 2026-27 to complete accessibility improvements at eight prisons.
- Includes \$15.2 million one-time General Fund in 2026-27 for overtime payments for staff to patrol for fires and reappropriation of prior year funding to complete various fire alarm projects.
- Provides \$31.6 million General Fund in 2025-26 and \$28.7 million in 2026-27 to provide free phone calls pursuant to Chapter 827, Statutes of 2022 (SB 1008).
- Includes \$5.3 million General Fund in 2026-27, increasing to \$14.3 million in 2030-31 to increase contract rates for post-release reentry programs.
- Includes \$78.5 million General Fund over the next five years for seven projects to address fire and life safety upgrades and \$9.2 million General Fund for potable

water projects at the California Health Care Facility, Valley State Prison, and the Correctional Training Facility.

- Provides \$1.2 million General Fund in 2026-27, growing to \$1.5 million in 2029-30 and ongoing to support the Board of Parole Hearings' information technology system (BITS) contract.
- Includes an adjusted \$121.6 million in court-ordered fines related to violations of the *Coleman* court order that was deposited into a Special Deposit Fund (SDF) in 2025. These monetary sanctions were related to CDCR's inability to meet staffing rates related to mental health care services. A mental health Receiver was appointed in 2025 to develop a plan to implement court ordered remedies. The submitted plan included implementation costs of \$41.5 million and the court directed the Receiver to expend the balance of the SDF to implement the plan. The Budget assumes \$33.9 million from the SDF will be spent to support staffing costs at the Receiver's office and continue paying clinical staff bonuses in place since August of 2024.

### **Local Public Safety and Board of State and Community Corrections**

- Includes \$56.4 million for the Gun Violence and Prevention and School Safety Fund in 2025-26 and \$51.9 million in 2026-27 for CalVIP, pursuant to Chapter 231, Statutes of 2023 (AB 28).
- Estimates \$81.3 million in Proposition 47 savings for 2026-27 for grants to support recidivism reduction, mental health, substance use disorder, truancy and dropout prevention, and victims' programs.
- Includes \$127.9 million General Fund for the Community Corrections Performance Incentive Grant (SB 678).

### **Judicial Branch**

- Provides \$5.3 billion (\$3.3 billion General Fund and \$2 billion other funds) in 2026-27 for Judicial Branch operations, of which \$3 billion will support trial court operations.
- Includes \$350.9 million (\$30.6 million General Fund and \$320.3 million Public Buildings Construction Fund) to build new courthouses in San Luis Obispo in San Luis Obispo County, Nevada City in Nevada County, and Quincy in Plumas County, as well as three courtrooms to be added for Stockton in San Joaquin County, Hanford in Kings County, and Yuba City in Sutter County to accommodate

new judgeships. Also includes a new courthouse project for Chatsworth in Los Angeles County.

- Includes \$41 million General Fund in 2026-27 and \$56 million in 2027-28 and ongoing to backfill a projected shortfall in the State Court Facilities and Construction Fund to maintain existing service levels.
- Includes \$36 million General Fund in 2026-27 and \$35 million in 2027-28 to complete the ongoing facility modification for Fire, Life, Safety upgrades at the Central Justice Center in Orange County.
- Includes \$21.7 million General Fund in 2026-27 and ongoing for trial court employee health benefit and retirement costs.
- Includes \$11 million General Fund in 2026-27 and ongoing to increase the hourly rate of appointed counsel by \$25 at the Supreme Court and Courts of Appeal to represent indigent appellants. This is in addition to the \$6.3 million ongoing General Fund that was included in the 2025 Budget Act for this same purpose.
- Includes \$5.2 million Appellate Court Trust Fund in 2026-27 and \$4.9 million in 2027-28 and ongoing to continue supporting Courts of Appeal workload.
- Includes \$4.6 million one-time General Fund in 2026-27 to support the relocation of 17 courtrooms and operations from the Spring Street Courthouse in Los Angeles, as a result of divestment by the federal government

### **Department of Justice**

- Provides \$1.3 billion, including \$508 million General Fund, to support the Department of Justice.
- Includes an additional \$10 million one-time General Fund (from the one-time funds appropriated in the 2024 Budget Act) in 2025-26 and \$10 million new General Fund in 2026-27 and \$10 million in 2027-28 for increased workload related to defending the state against unlawful federal actions. Adjusts ongoing funds previously authorized in the 2025 Budget Act to limited term through 2028-29.
- Includes \$11.2 million one-time General Fund in 2026-27 for DOJ to continue the Firearms IT Systems Modernization Project.
- Provides \$8 million General Fund in 2026-27 through 2028-29 to maintain the current service level for activities funded by the Dealers' Record of Sale Special Account.

- Includes \$1.1 million Unfair Competition Law Fund and 3 positions in 2026-27 and ongoing to conduct investigations against illegal online and app-based gambling operations.

**Military Department**

- Includes \$15 million General Fund in 2026-27 and \$15 million in 2027-28 to further expand the Military's existing drug interdiction efforts to address drug trafficking by transnational criminal organizations.
- Includes \$68.6 million (\$15.9 million General Fund, \$9.2 million Armory Fund and \$43.5 million federal funds) over the next five years to support the Military Department's infrastructure projects.

**Office of Emergency Services**

- Although the proposed budget does not include any new funding for the state Nonprofit Security Grant Program, the Administration plans to work with the Legislature on a funding proposal for the May Revision to protect this important program. The program provides funding support for target hardening and other security enhancements to nonprofit organizations that are at high risk for violent attacks and hate crimes due to ideology, beliefs, or mission.

## SUMMARY OF CHARTS

### 2026-27 Governor's Budget General Fund Budget Summary

(Dollars in millions)

	2025-26	2026-27
<b>Prior Year Balance</b>	\$55,951	\$53,451
Revenues and Transfers	\$235,162	\$227,385
<b>Total Resources Available</b>	<b>\$291,113</b>	<b>\$280,836</b>
Non-Proposition 98 Expenditures	\$155,749	\$158,453
Proposition 98 Expenditures	\$81,913	\$89,877
<b>Total Expenditures</b>	<b>\$237,662</b>	<b>\$248,330</b>
<b>Fund Balance</b>	<b>\$53,451</b>	<b>\$32,506</b>
Reserve for Liquidation of Encumbrances	\$27,998	\$27,998
Special Fund for Economic Uncertainties	\$25,453	\$4,508
<b>Public School System Stabilization Account</b>	<b>\$4,509</b>	<b>\$4,102</b>
<b>Safety Net Reserve</b>	-	-
<b>Budget Stabilization Account / Rainy Day Fund</b>	<b>\$11,327</b>	<b>\$14,350</b>

**General Fund Expenditures by Agency**

(Dollars in millions)

	2025-26	2026-27	Dollar Change From 2025-26
Legislative, Judicial, Executive	\$10,460	\$7,364	-\$3,096
Business and Consumer Services	239	-	-239
Housing and Homelessness	2,393	1,038	-1,355
Transportation	764	455	-309
Natural Resources	6,400	4,895	-1,505
Environmental Protection	274	122	-152
Health and Human Services	89,144	93,709	4,565
Corrections and Rehabilitation	14,268	13,955	-313
K-12 Education	81,286	88,557	7,271
Higher Education	22,444	25,974	3,530
Labor and Workforce Development	1,127	983	-144
Governmental Operations	3,169	4,683	1,514
General Government:			
Non-Agency Departments	1,664	1,291	-373
Tax Relief/Local Government	757	480	-277
Statewide Expenditures	3,273	4,824	1,551
<b>Total</b>	<b>\$237,662</b>	<b>\$248,330</b>	<b>\$10,669</b>



**General Fund Revenue Sources**

(Dollars in millions)

	2025-26	2026-27	Change from 2025-26	
			Dollar Change	Percent Change
Personal Income Tax	\$137,840	\$142,202	\$4,362	3.2%
Sales and Use Tax	34,401	35,095	694	2.0%
Corporation Tax	41,702	43,528	1,826	4.4%
Insurance Tax	4,370	4,612	242	5.5%
Alcoholic Beverage Taxes and Fees	417	419	2	0.5%
Cigarette Tax	35	34	-1	-2.9%
Motor Vehicle Fees	46	46	0	0.0%
Other	9,251	4,472	-4,779	-51.7%
<b>Subtotal</b>	<b>\$228,062</b>	<b>\$230,408</b>	<b>\$2,346</b>	<b>1.0%</b>
Transfer to the Budget Stabilization Account/Rainy Day Fund	7,100	-3,023	-10,123	-142.6%
<b>Total</b>	<b>\$235,162</b>	<b>\$227,385</b>	<b>-\$7,777</b>	<b>-3.3%</b>