

GENERAL GOVERNMENT AND STATEWIDE ISSUES

This chapter describes items in the Governor's Budget that are statewide issues or related to various departments.

GOVERNMENT OPERATIONS AND EFFICIENCIES

The Administration continues to prioritize efforts to improve government services, streamline internal processes, and invest in state operations that promote equity and enhance services for California residents. Major achievements under this Administration include, but are not limited to, the following efforts.

MAJOR ACCOMPLISHMENTS

- **Civil Service Improvements**—The Administration is committed to developing and maintaining an effective, efficient, and engaged workforce in state government. From 2019-20 to 2025-26, \$44.6 million (\$33.3 million General Fund) was appropriated to support continued efforts in enhancing the state's recruitment system, outreach and education, statewide learning and development, human resources development, and technology modernization and security. These efforts uphold the state's principles and practices of merit, respect, dignity, and equity in the workforce; expand the state's ability to reach California's diverse communities; eliminate bias and protect privacy in the hiring process; and reduce data privacy

and cybersecurity risks on services provided to agencies, departments, and all future candidates seeking civil service employment with the State of California.

Additionally, the Administration continues to make significant civil service improvements through hiring reforms and class consolidations, allowing departments to find and quickly hire the best candidates through a fair and merit-based process. These efforts not only streamline processes, saving the state thousands of hours of staff time, but also improve the state's ability to recruit, hire, and retain the best qualified job candidates. Particularly, the California Department of Human Resources (CalHR) removed unnecessary hiring barriers for seven classification series, which impacted over 37,260 positions across health, transportation, public safety, labor, and public service fields. For instance, the recent changes to the peace officer job requirements remove unnecessary job barriers across 90 classifications, impacting over 26,000 positions. CalHR also completed the consolidation of three classifications, which impacted 32,900 positions. Most notably, the generalist class consolidation was approved in August 2025, which reduced 67 classifications to 8 and impacted over 32,000 positions.

- **Chief Equity Officer**—The Governor appointed the state's first Chief Equity Officer for leadership as it relates to state operations, procurement, information technology and human resources. Achievements include collaborating with various departments to develop and implement plain-language standards and training, establishing standards for improved data collection practices, improving hiring practices, and supporting guidance and best practices in language access and other efforts that advance equity.
- **Government Efficiencies**—Pursuant to the 2021 Budget Act, the Administration implemented a goal of a 5-percent expenditure reduction across all state departments. Ultimately, the state realized actual savings of \$229 million (\$45 million General Fund) across all budgeted office equipment and expenditures. By working with state agencies and departments, the Administration identified additional efficiencies pursuant to the 2025 Budget Act.
- **Office of Data and Innovation (ODI)**—The Administration established the ODI in 2019-20 to lead innovation efforts statewide using a human centered design approach for program, process, and digital service design. The state has successfully implemented projects to make the delivery of government services more efficient, including the following:

- **Using data to streamline housing development**—Developed in coordination with the California Housing and Community Development Department, the Optimized Data Tool for Housing Compliance project delivered a modern housing-production analytics tool processing data from more than 500 jurisdictions.
- **Using data to forecast drought in community water outages**—ODI worked with the California Division of Drinking Water to improve a model that forecasts which water systems will be affected by drought. This will allow communities to fix problems before they happen.
- **Unlocking state hiring insights**—ODI worked with CalHR to make it easier to retrieve data from a key hiring system. The Administration built a modern data pipeline to give staff self-service access to data. With ODI's help, what would have been a years-long improvement process took just four months.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Vacant Positions Funding Reduction and Elimination of Positions**—The Budget implements efficiencies across state government included in the 2025 Budget Act by proposing to eliminate 6,002 vacant positions beginning in 2025-26, and the associated expenditure authority totaling \$478.1 million (\$182.3 million General Fund) in 2025-26, and \$487.1 million (\$191.3 million General Fund) in 2026-27, and ongoing.
- **State Operations Ongoing Reductions**—The Budget implements efficiencies included in the 2025 Budget Act by reducing 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.
- **California Education Learning Lab**—The Budget transfers the California Education Learning Lab (Learning Lab) from the Governor's Office of Land Use and Climate Innovation to the Government Operations Agency (GovOps). Specifically, the Budget proposes \$4 million General Fund in 2026-27, and ongoing, and one position, as well as statutory changes to reinstate the Learning Lab, eliminated by the 2025 Budget Act. As the state continues to advance improved coordination and collaboration of initiatives and resources through the Master Plan for Career Education and drive public sector innovation to leverage technology to better serve Californians, this transfer will support GovOps collaboration and coordination on the goals of the Learning Lab.

- **Office of Civil Rights (OCR)**—The Budget includes \$3.6 million General Fund in 2026-27, and \$2.8 million General Fund in 2027-28, and ongoing, to establish the 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.
- **Scaling the State's Innovation Capacity**—The Budget includes 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. Establishing a team with digital services and solution capacity to build the Information Technology solutions defined by the Innovation Lab's pre-procurement process generates efficiencies, streamlines government, and has the potential to reduce state costs.

TECHNOLOGY MODERNIZATION

The Administration is committed to creating a government that is modern, effective, and provides exceptional service to all Californians through expanded efforts to improve state technology, providing Californians access to essential services, strengthening the state's cybersecurity posture, and creating efficiencies for departments and residents alike. The following demonstrates the state's accomplishments toward these goals.

MAJOR ACCOMPLISHMENTS

- **Broadband for All**—The state has invested \$5.9 billion to increase broadband infrastructure, access, and affordability—a critical step towards bringing communities together and improving educational outcomes. This includes \$3.9 billion General Fund for the California Department of Technology (CDT) for the Middle Mile Broadband Initiative (MMBI) and \$2 billion Federal Funding Account (FFA) for the California Public Utilities Commission (CPUC) Last Mile Program. In addition, the state plans to invest \$1.9 billion federal funds for the Broadband Equity, Access, and Deployment (BEAD) Program administered by the CPUC. CDT continues work on the MMBI, including efforts to host Tribal Broadband Bootcamps to spread information and awareness on how Indigenous communities can support their local networks. To date, the Middle Mile Broadband Network (MMBN) has completed construction on more than 3,200 miles of the roughly 5,000 permitted miles of the planned 8,137 total miles of fiber optic cables.

CDT anticipates the first segments of the MMBN will be operational and ready to connect to FFA grant awardees starting in the second half of calendar year 2026. Network operability will allow for revenue generation and self-sustainability.

- **Generative Artificial Intelligence (GenAI)**—Led by GovOps, CDT, ODI, the Department of General Services, and CalHR, the Administration successfully developed guidelines and processes for the use and deployment of GenAI technology by state departments. The processes include the implementation of the Project Delivery Lifecycle for Information Technology Projects that propose the use of GenAI. The collective efforts of these departments establish a deliberate and responsible process for utilizing this emerging technology.
- **Cradle-to-Career (C2C) Data System**—After years of intensive work on legal, technical, and governance issues, the Administration, through the C2C Data System, achieved a significant milestone by delivering the Student Pathways dashboard and Query Builder. These tools allow for a clearer understanding of educational outcomes, including insights into equity gaps among student populations by analyzing data on factors such as race, gender, foster youth status, homelessness, and more. C2C was implemented in 2025, and continues to develop enhancements, such as career passports and sourcing additional informative data sets, to generate further valuable insights.
- **Digital Identity (Digital ID)**—Since 2021, CDT has developed and expanded digital access to state benefits through the Digital ID Framework, making it easier for millions of California residents to access state programs, benefits, and discounts by providing a secure verification platform and reducing costs for state and local government entities. From 2021-22 through 2026-27, approximately \$1 million General Fund has been allocated to CDT to support the program's development. CDT is currently assessing how to launch this Digital ID as a full-scale service, providing California residents with online access to transit, the Supplemental Nutrition Assistance Program, veterans-related benefits, and other services.
- **Cal-Secure**—In 2021, CDT released Cal-Secure, the state's first five-year cybersecurity maturity roadmap for the Executive Branch. Developed collaboratively with the California Cybersecurity Integration Center (Cal-CSIC) and its four key partners: the California Governor's Office of Emergency Services, the California Highway Patrol, CDT, and the California Military Department, as well as the state government security community, the roadmap is based on industry-leading best practices and frameworks. It addresses critical gaps in the state's information and cybersecurity programs and aims to outline the capabilities the state must attain in a prioritized manner. The goal is to establish a world-class

cybersecurity workforce within California's Executive Branch, a well-structured and empowered cybersecurity oversight governance, and an effective defense for all technology, including critical infrastructure. Since 2019-20, the Administration has invested over \$1 billion (\$713 million General Fund) to enhance cybersecurity across state government. This investment has resulted in the Executive Branch Agencies and Departments reaching over 80 percent completion on all four Cal-Secure capability priorities, exceeding the minimum baseline set by the State Chief Information Security Officer.

- **Government Innovation Projects**—The Administration established a technology modernization and stabilization program within CDT for a limited duration and provided \$42.2 million one-time General Fund aimed at funding and implementing small technology improvements within departments to improve operational efficiency and ensure the stability of information technology systems. This investment has funded the modernization of 21 IT systems across 16 state entities, delivering measurable improvements that have generated cost savings and efficiency gains for the state.
- **Enterprise Data to Revenue 2 (EDR2)**—The Franchise Tax Board's EDR2 information technology project, which began development in 2021-22, will be complete by the end of 2026-27. The EDR2 project replaces the Board's aging Audit, Legal, Filing Enforcement, and Underpayment systems, thereby safeguarding over \$4 billion per year in compliance-related tax revenue for the state. During EDR2 implementation, efficiencies such as improved modeling and enforcement tools have generated additional tax revenue estimated at approximately \$2 billion to \$2.5 billion. Ongoing benefits in the form of additional tax revenue are expected.

SIGNIFICANT BUDGET ADJUSTMENTS

- **MMBI Encumbrance Extension**—Extends the encumbrance period for \$550 million 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 MMBN.
- **EDR2**—\$60 million General Fund and 14 positions in 2026-27, \$24 million General Fund and 19 positions in 2027-28, and \$17.6 million General Fund ongoing for the Franchise Tax Board to complete the EDR2 information technology project. EDR2, which began development in 2021-22, replaces the Board's aging Audit, Legal, Filing Enforcement, and Underpayment systems.

- **Digital ID**—\$1 million 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. An additional \$3.1 million Technology Services Revolving Fund is proposed to expand the Digital ID as a service.
- **Cal-CSIC: Artificial Intelligence**—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, further strengthening the state's preparedness to respond to emerging AI cyberthreats.

TAX RELIEF

MAJOR ACCOMPLISHMENTS

- **California Earned Income Tax Credit (CalEITC) and Young Child Tax Credit (YCTC)**—The state expanded CalEITC from \$400 million in 2019 to over \$1 billion beginning in 2020, which included the creation of the YCTC, expanded access to otherwise eligible filers with an Individual Taxpayer Identification Number (ITIN) in 2020, and the establishment of the Foster Youth Tax Credit in 2022. In 2024, over 3.5 million CalEITCs were issued for a total value of more than \$1.4 billion. Of this amount, 413,000 taxpayers claimed the YCTC for a total value of nearly \$430 million. In addition, about 5,700 California Foster Youth Tax Credits were issued for a total value of approximately \$6.1 million. Through November 2025, \$8.8 billion has been paid to Californians over the lifetime of these programs.
- **Middle Class Tax Refund Payments**—The state issued \$9.2 billion in Middle Class Tax Refund payments in 2022 and 2023. Nearly 17 million payments between \$200 and \$1,050 benefitted 32 million taxpayers and their dependents. Payments were issued to households with incomes up to \$250,000 for single filers and up to \$500,000 for joint filers.
- **Golden State Stimulus (GSS) I and II Payments**—GSS I and II payments in 2021 and 2022 provided a combined \$8.8 billion in COVID-19 relief payments to lower-income households. The state issued 4.6 million GSS I payments between \$600 and \$1,200 to households that qualified for the CalEITC or that filed tax returns with an ITIN. An additional 8.3 million GSS II payments between \$500 and \$1,100 were issued to households that did not qualify for GSS I and had adjusted gross incomes up to \$75,000.

GOVERNOR'S OFFICE OF SERVICE AND COMMUNITY ENGAGEMENT

The Governor's Office of Service and Community Engagement (GO-Serve) was created on July 1, 2024, and consists of the Office of Community Partnerships and Strategic Communications, California Volunteers, and the Youth Empowerment Commission (YEC). GO-Serve elevates paid service and volunteerism, promotes youth and community engagement, and advances public awareness and outreach campaigns to tackle our state's most pressing challenges.

The YEC is funded through June 30, 2030, and has been provided with \$1.5 million General Fund annually since 2024-25 to advise and make recommendations on various legislative and fiscal issues affecting youth. The YEC has held a series of statewide listening sessions to ensure that young Californians' voices shape the future of service.

MAJOR ACCOMPLISHMENTS

COLLEGE CORPS CREATION AND EXPANSION

#CaliforniansForAll College Corps was created in partnership with the University of California (UC), California State University (CSU), California Community Colleges, and private, non-profit California university systems to support debt-free college pathways for low-income students. The 2021 Budget Act included \$146.3 million one-time (\$127.5 million Coronavirus State Fiscal Recovery Funds and \$18.8 million General Fund) to pilot the program, which supported two cohorts of 3,250 students in 2022-23 and 2023-24.

Subsequent budgets expanded the program, providing overall funding of \$78.1 million General Fund in 2024-25, \$68.1 million in 2025-26, and \$83.6 million in 2026-27 and ongoing. These resources have expanded service opportunities to more than 4,000 undergraduate students annually, and facilitate partnerships with over 47 universities, including CSU and UC campuses, community colleges, and private universities. The program was also expanded to establish an alumni and workforce development program to support employment pathways for College Corps fellows.

Since inception, College Corps has provided 126 grants worth \$234.3 million to support 13,319 students.

California Volunteers recently launched a California Men's Service Challenge, calling on 10,000 men to mentor, coach, serve and lead their communities. This initiative is in

response to rising suicide rates, social disconnection, and declining college attendance among men, and intended to address the mental health crisis while creating new pathways to purpose, leadership and belonging.

California Volunteers has also coordinated volunteers and deployed California Service Corps members to support local food banks throughout the COVID-19 Pandemic, during wildfires and other natural disasters, and most recently during the federal shutdown where food benefits were temporarily paused or compromised for California's most vulnerable populations.

GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

The Governor's Office of Business and Economic Development (GO-Biz) serves as the state's lead entity for economic strategy on issues relating to business development, private sector investment, economic growth, export promotion, permit assistance, innovation, and entrepreneurship. The Budget continues the state's commitment to support business and maintain investments in recent years.

Since 2019, GO-Biz has administered various programs promoting inclusive economic growth in California by taking a leadership role with the Jobs First Council to advance economic growth across California, awarding grants to businesses and startups, providing capital access and financing to small businesses, and investing in underserved communities.

MAJOR ACCOMPLISHMENTS

- **Driving Historic, Regionally-Led Economic Growth Through the California Jobs First Initiative**—\$450 million General Fund from 2021-22 to 2026-27, jointly managed by GO-Biz and the California Labor and Workforce Development Agency, that has produced the first statewide economic development strategy in 20 years, supported the development of 13 regional economic development strategies, driven investments into 260 early stage projects, and funded 11 ready-to-go projects that are expected to create upwards of 23,000 jobs. In addition, these funds support broad agency coordination through the California Jobs First Council with the goal of accelerating economic, business and workforce projects across the state, building capacity, and promoting efficiencies.

- **Supporting Small Business and Nonprofit Resilience and Helping Entrepreneurs**

Thrive—Over \$4.8 billion General Fund to the California Office of the Small Business Advocate (CalOSBA) since January 2019 to fund 15 one-time and ongoing programs to support California's 4.3 million small businesses and the state's vibrant nonprofit ecosystem. Programs include:

- **Technical Assistance Program (TAP) and Capital Infusion Program**

(CIP)—\$23 million General Fund annually beginning in 2023-24 to permanently fund the statewide TAP, along with \$3 million General Fund to fund the CIP for California's five Small Business Development Center regional leads. This network of technical assistance centers provides free or low-cost one-on-one, confidential advising and training to help small businesses and entrepreneurs to start, scale and succeed. In 2024-25, TAP funding supported 118 technical assistance centers serving more than 112,000 small business clients. Since the inception of the pilot Technical Assistance Expansion Program in 2018-19, the programs have supported over 853,000 small business clients, including more than 17,600 business starts. These businesses created over 105,000 jobs, secured more than \$4 billion in equity, were awarded more than \$9.1 billion in new contracts, and received more than \$3.1 billion in loans and financing.

- **Accelerate California Program Expansion**—\$20 million one-time General Fund in 2022-23 to expand the number of Inclusive Innovation Hubs to align with the 13 regions of the California Jobs First Economic Blueprint. Accelerate California Hubs provide technical assistance, physical space, subject matter expertise, and access to capital and other resources to foster a more diverse pool of founders in a wide range of industries. Since the launch of the expanded network in 2023-24, the Hubs supported over 33,000 small businesses and start-ups, which created more than 3,200 jobs. Businesses incubated within the Hubs also filed 128 separate patents and secured nearly \$380 million in equity. In 2025, GO-Biz approved the first 39 Innovation Grants for entrepreneurs nominated through the Hubs, totaling almost \$2.2 million in commercialization support.

- **California Regional Initiative for Social Enterprises (CA RISE)**—\$25 million one-time General Fund in 2022-23 and \$17 million one-time General Fund in 2024-25 to create the nation's first statewide capital and capacity-building investment in employment social enterprises. In 2024-25, GO-Biz provided grants and technical assistance programming to 61 employment social enterprises supporting 13,800 full-time jobs for individuals facing employment barriers to entry such as homelessness, previous incarceration, or addiction.

- **Small Business COVID-19 Relief Grant Program**—\$500,000 in one-time funding in 2020-21 and an additional \$3.9 billion one-time General Fund in 2021-22 to provide small businesses and nonprofits impacted by the pandemic with grants ranging between \$5,000 to \$25,000. In total, GO-Biz awarded \$3.7 billion in grants to over 330,000 businesses across the state.
- **Driving Economic Growth and Spurring Job Creation through the California Competes Program**—Over \$1.4 billion General Fund since January 2019 to 248 businesses through the California Competes Tax Credit program (CalCompetes) in exchange for their commitment to make over \$35.2 billion in capital investments and create over 69,000 new, full-time jobs in California. Additionally, \$333.2 million General Fund between 2021-22 and 2023-24 for the CalCompetes Grant program, which awarded grants to 23 businesses in exchange for their commitment to make over \$6.5 billion in capital investments and create more than 18,500 new, full-time jobs in California.
- **Retaining and Growing the World's Preeminent Creative Workforce with California's Newly Expanded Film and Television Tax Credit Program**—The 2025 Budget Act expanded the Film and Television Tax Credit Program to \$750 million General Fund annually from 2025-26 through 2029-30. The expanded program will help California remain the top U.S. production location by retaining and increasing production jobs in the state while supporting an inclusive workforce. The latest program iteration builds upon a strong track record of success. Prior productions have generated more than \$30.7 billion in economic output and supported the employment of more than 230,000 cast and crew members, along with 2 million background players, measured in days worked.
- **Providing Financial Assistance, Supporting Infrastructure Development and Helping Small, Emerging and Inclusive Businesses Access Capital through the California Infrastructure and Economic Development Bank (IBank)**—
 - \$20 million one-time General Fund in 2021-22 for IBank programs focused on providing micro-loans to nearly 2,400 businesses recovering from the economic impacts of the pandemic.
 - \$25 million one-time General Fund in 2024-25 to recapitalize the California Infrastructure Revolving Fund. This program provides financing for local government infrastructure projects, including flood mitigation, water conservation, and protecting and preserving the California coastline. Since 2019, with this recapitalization, combined with its original General Fund investments in

1998 and 1999 totaling \$162 million, IBank has issued over \$350 million in loans in support of 23 projects.

SIGNIFICANT BUDGET ADJUSTMENTS

- **California Export Promotion Program**—\$1.3 million General Fund in 2026-27 and ongoing to support international trade and to provide export promotion services.
- **Innovation and Emerging Technologies**—\$400,000 General Fund in 2026-27 and ongoing to engage and grow emerging business sectors such as artificial intelligence, quantum, and cloud/data platforms, among others, by facilitating relationships between the private sector and R1 universities, national laboratories, and federal funding opportunities.

CREATION OF THE BUSINESS AND CONSUMER SERVICES AGENCY

Beginning July 1, 2026, the new Business and Consumer Services Agency will foster an equitable and inclusive California by licensing and regulating over four million professionals and businesses and protecting consumers. The Agency will strengthen the state's ability to protect consumers by providing dedicated leadership and oversight across a wide range of industries. This Agency will focus on best practices for licensing, enforcement, education, and professional conduct across its member departments. The Agency will also modernize operations, making license issuance and renewal, and other services more efficient for consumers and licensees. The Agency will oversee the following entities:

- Department of Alcoholic Beverage Control
- Alcoholic Beverage Control Appeals Board
- Department of Cannabis Control
- Cannabis Control Appeals Panel
- Department of Consumer Affairs
- Department of Financial Protection and Innovation
- California Horse Racing Board
- Department of Real Estate

CANNABIS

The Department of Cannabis Control (DCC) was created on July 1, 2021, by consolidating the Bureau of Cannabis Control within the Department of Consumer Affairs, along with programs from the California Department of Food and Agriculture and the Department of Public Health. This consolidation simplified participation in the legal market by reducing the number of regulatory entities that businesses, local governments, and others are required to engage with, supporting the safe and successful operation of cannabis businesses in compliance with state law. DCC licenses and regulates commercial cannabis activity to protect public health, safety, the environment, and local communities throughout the state.

MAJOR ACCOMPLISHMENTS

- **Strengthening and Modernizing Licensing and Compliance Systems**—The state has transformed a fragmented regulatory landscape into a functioning statewide system. Since 2021, DCC has issued more than 3,800 new active licenses, converted over 6,100 provisional licenses to annual status, and reduced provisional licenses from 76 percent to under 1 percent of all active licenses, an important step toward greater market stability. More than 13,700 inspections, 43,000 complaint reviews, 138 revocations, 262 suspensions, and 155 product recalls underscore a commitment to consumer safety. Modernization efforts, including consolidating licensing systems, deliver cost savings and a more reliable, accessible regulatory structure.
- **Supporting the Cannabis Economy**—The state has continued to facilitate the scale and growth of California's legal market while increasing consumer access and confidence. Since July 2021, California has seen more than \$20.7 billion in retail sales. DCC has continued to support an increase in local jurisdiction participation with local commercial cannabis activity growing 22 percent since 2019, and access to regulated cannabis expanding to almost 70 percent of California's population. To further support responsible expansion, DCC has awarded a combined \$103 million through the Cannabis Local Jurisdiction Retail Access Grant and Local Jurisdiction Assistance Grant programs to 32 cities and counties, providing funding to help communities establish legal pathways that support consumer safety and the displacement of the illicit market.
- **Advanced Equity and Legacy Communities**—The state has expanded economic opportunity in a sector long shaped by disproportionate enforcement through directly supporting 22 local equity programs and more than 2,250 equity licenses.

DCC has provided over \$30 million in direct capital back to Equity Entrepreneurs through licensing fee waivers and fee deferrals. DCC conducts extensive business interviews and site visits to ensure equity programs as well as department operations and policies consider and reflect the needs and experience of the communities they serve.

- **Protected Public Safety and Fair Competition Through Increased Enforcement**—DCC and California's Unified Cannabis Enforcement Taskforce have made significant strides in addressing illegal market activity, executing over 1,600 search warrants, seizing more than 2 million pounds of illicit cannabis, \$3.8 billion in illegal products, nearly \$25 million in cash, and removing 707 firearms and 889 individuals engaged in criminal activity. DCC and the Taskforce have participated in more than 350 multi-agency search warrants, strengthening statewide enforcement against the illegal market. Expanded enforcement through additional sworn positions, broader authority to enforce against illegal hemp, and stronger legal and enforcement staffing reinforces the state's commitment to protecting consumers, supporting licensed businesses, and holding bad actors accountable.
- **Cannabis Tax Reform**—Cannabis sales have been subject to additional taxation since 2018, with revenues funding state administration and regulatory costs; academic research; youth education, prevention, early intervention, and treatment; environmental protection; and public safety-related activities. Cannabis tax reform efforts are geared towards removing administrative burdens and costs, thereby reducing barriers to entry into the legal, regulated cannabis market. Significant tax reforms in recent years include:
 - Suspension of the cannabis cultivation tax and modification of cannabis excise tax remittance to the point of sale.
 - Tax credits for high-road commercial cannabis businesses of up to \$250,000 per business per year, and for cannabis equity operators of up to \$10,000 per business per year, available for tax years 2023 through 2027.
 - Additional tax credit for equity cannabis retailers who meet specified criteria for an equity fee waiver to retain 20 percent of the excise tax they collect until December 31, 2025. More than \$8 million was retained by equity retailers under this program.
 - Temporary reduction to the excise tax rate, from 19 percent to 15 percent of cannabis retailers' gross receipts, effective October 1, 2025, through June 30, 2028, which aligns with the tax rate that was effective until June 30, 2025. Reducing the tax rate helps to provide the legal industry an equitable chance to

compete against the untaxed and unregulated illegal market by allowing legal businesses to remain competitive and promote the industry's long-term growth.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Hemp Enforcement and Regulation**—\$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 and ongoing to integrate hemp into the cannabis regulatory framework, as required by Chapter 248, Statutes of 2025 (AB 8). 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.
- **Enforcement and Legal Affairs Workload**—\$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 the illegal cannabis market, and to meet the DCC's growing legal workload related to licensing, compliance, legislation, and public records.
- **Cannabis System Integration Project**—\$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.

UPDATED ALLOCATION OF CANNABIS TAX FUND

Proposition 64 specifies the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated. Pursuant to Proposition 64, expenditures are prioritized for regulatory and administrative workload necessary to implement, administer, and enforce the Cannabis Act, which is considered Allocation 1. Following this, resources are allocated to research and activities related to the legalization of cannabis and the past effects of its criminalization, which is Allocation 2. Once these priorities have been met, the remaining funds are directed to what are referred to as Allocation 3 programs—youth education, prevention, early intervention, and treatment; environmental protection; and public safety-related activities.

The Budget estimates \$403.9 million will be available for Allocation 3 programs in 2026-27 as follows:

- **Education, Prevention, and Treatment of Youth Substance Use Disorders and School Retention**—60 percent (\$242.3 million)
- **Clean-up, Remediation, and Enforcement of Environmental Impacts Created by Illegal Cannabis Cultivation**—20 percent (\$80.8 million)
- **Public Safety-related Activities**—20 percent (\$80.8 million)

The Budget 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). Historically, the Agency has received funding from cannabis tax revenues to administer competitive grants for youth programs that support access to natural and cultural resources. This one-time shift to DSS will be invested in child care infrastructure, specifically targeted toward communities impacted by recent fires.

DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

The Department of Financial Protection and Innovation (DFPI) was created on July 1, 2020, to expand the former Department of Business Oversight's authority and capacity to protect consumers and foster the responsible development of new financial products. The California Consumer Financial Protection Law expanded the Department's oversight over current and emerging abusive acts and practices that cause consumers' financial harm. The Department's Division of Consumer Financial Protection promotes consumer-focused research and outreach, and the Office of Financial Technology Innovation studies emerging technologies in financial services, including virtual currencies, to engage with California companies developing new financial products and services. The Department's Division of Corporations and Financial Institutions (CFI) provides safety and oversight of California chartered banks, credit unions, money transmitters, financing lenders, and escrow and mortgage lenders through regular examinations, risk monitoring, and supervision. CFI's oversight helps protect depositors and supports a stable environment for responsible innovation. DFPI serves as California's financial services regulator, responsible for licensing and overseeing traditional and emerging financial industries, enforcing consumer financial protection laws, and monitoring the rapidly evolving marketplace including fintech, digital financial assets, and digital consumer products.

MAJOR ACCOMPLISHMENTS

- **Implementation of the California Consumer Financial Protection Law (CCFPL)**—In 2021, DFPI began conducting market research and soliciting stakeholder feedback to assess whether previously unregulated industries should be subject to greater oversight through rulemaking and registration under the CCFPL. New regulations went into effect in 2025 to require registration of four types of products and services: income-based advances, debt settlement, student debt relief, and private postsecondary education financing.
- **Creation of the Digital Financial Assets Law**—The Digital Financial Assets Law was enacted to create a clear and comprehensive approach to regulating digital financial assets, with stronger consumer and investor protections to prevent fraud and ensure bad actors are held accountable. Providers of digital financial assets will be required to apply for a license with DFPI by July 1, 2026.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Continuation of CCFPL Funding**—\$15.3 million Financial Protection Fund annually through 2029-30 to continue implementing Chapter 157, Statutes of 2020 (AB 1864), which expanded DFPI's authority to oversee financial products and services previously not regulated by the department. These resources will sustain existing positions that are critical to support programs under the CCFPL, including the Consumer Financial Protection Program, the Office of Financial Technology Innovation, enforcement and legal efforts, and the Office of the Ombuds.
- **Continuation of Debt Collector Licensing and Regulation Funding**—\$13.5 million Financial Protection Fund annually through 2029-30 to continue implementing Chapter 163, Statutes of 2020 (SB 908), the Debt Collection Licensing Act, which requires DFPI to license, regulate, and examine debt collectors. These resources support existing positions across the department, including the Debt Collector Program, which reviews license applications and performs routine and targeted examinations of debt collectors and debt buyers operating in California.

CALIFORNIA PRIVACY PROTECTION AGENCY

In 2020, California voters approved Proposition 24, the California Privacy Rights Act, creating the California Privacy Protection Agency (CPPA) and amending the California Consumer Privacy Act of 2018 (CCPA) by adding consumer privacy rights and

obligations for businesses. CPPA is tasked with implementing and enforcing the CCPA, which is aimed at protecting the use of personal information and the promotion of public awareness and understanding of the risks, rules, and rights related to the collection, use, sale, and disclosure of personal information, including the rights of minors. CPPA also implements and enforces the Delete Act, which requires it to host the state's Data Broker Registry and establish an accessible deletion mechanism through which California consumers can direct registered data brokers to delete their non-exempt personal information.

MAJOR ACCOMPLISHMENTS

- **Nation's First Dedicated Privacy Enforcement Agency**—The establishment of CPPA in 2020 strengthens the state's ability to ensure consumers are informed of their rights, businesses understand their obligations, and privacy laws are enforced, including necessary legal or regulatory remedies for noncompliance or violations of Californians' privacy rights. CPPA assumed enforcement authority over the CCPA on July 1, 2023, and in 2025, secured its largest settlement to date (\$1.4 million) for violations of the law. In November 2025, CPPA issued regulations for automated decision technology, risk assessments, cybersecurity audits, and privacy compliance for insurance companies, which will help bolster consumer data protection.
- **Delete Act and Delete Request and Opt-out Platform (DROP)**—In partnership with the California Department of Technology, CPPA developed DROP, which launched January 1, 2026. The platform allows Californians to delete their personal information from registered data brokers in a single step. Data brokers will be required to process deletion requests within 45 days starting August 1, 2026.

SIGNIFICANT BUDGET ADJUSTMENT

- **Enforcement Resources**—The Budget includes \$1.6 million (split across the Data Brokers' Registry Fund and the Consumer Privacy Fund) in 2026-27 and \$1.5 million in 2027-28 and ongoing to address increased consumer complaints and open investigations related to CCPA violations, and to begin enforcing the California Delete Act, which is expected to increase CPPA's enforcement workload.

DEPARTMENT OF FOOD AND AGRICULTURE

California leads the nation in agricultural production with nearly 63,000 farms and ranches generating approximately \$61.2 billion in annual sales. Farmers and ranchers

play a key role in food security for Californians, the nation, and the world. The state leads national production both in variety and abundance, with over 400 different crops, some exclusive to California, making up nearly half of the vegetables and over three quarters of the fruits and nuts grown in the United States. The California Department of Food and Agriculture (CDFA) works diligently to safeguard this critical resource and support a resilient food system that is globally recognized for innovation, quality, and sustainability.

MAJOR ACCOMPLISHMENTS

Since 2019, the state has made strategic investments to enhance climate smart agricultural practices, combat diseases and pests that threaten California agriculture, and increase access to locally grown foods for California school children.

- **Sustainable and Climate Smart Agriculture**—Building on California's leadership in reducing greenhouse gas emissions and protecting California's food system and natural spaces from climate impacts, the state has invested \$590 million (\$312 million General Fund) since 2019 to advance climate smart agricultural practices resulting in the reduction of approximately 27.7 million metric tons of carbon dioxide equivalent (CO₂e). This includes \$167 million invested in the Healthy Soils Program for 1,500 on-farm projects sequestering an estimated 1.1 million metric tons of CO₂e over the lifetime of the projects.
- **Invasive Pest Response**—In 2023 and 2024, California addressed the largest invasive fruit fly response in state history. This swift, comprehensive action was achieved by leveraging \$132 million one-time (\$47 million General Fund) in addition to other resources. National and international markets remained open based upon the effective integrated resource management approach of increased trapping, rapid response mating disruption treatments, fruit stripping, and release of over 440 million sterile insects.
- **Animal and Human Health Emergency Infrastructure**—When bird flu was first detected in dairy cows in early 2024, it marked a troubling evolution of an already devastating animal disease in the poultry sector. CDFA immediately began working with experts throughout the state to develop a comprehensive response plan and robust screening tools. The state invested \$6.1 million ongoing General Fund to expand diagnostic and epidemiology capacity at CDFA and \$108 million one-time (\$7 million General Fund and \$101 million Public Building Construction Fund) to build a state-of-the-art veterinary laboratory to support future response efforts. These

investments are critical to protect California's food supply and human health by strengthening California's capacity to respond to future disease outbreaks.

- **Farm to School**—Since its inception in 2020, the state has invested over \$100 million General Fund to transform the California school food system through the Farm to School Incubator Grant Program, develop the California Farm to School Roadmap for Success, and support this work with dedicated experts in each region. In just five years, this program has grown to reach 49 percent of all California schoolchildren with projects that provide access to local, climate smart, and nutritious foods as well as lifelong nutrition and agricultural education. This program has also supported small-scale and historically underserved producers—ensuring that they have the technical and physical infrastructure to access the school purchasing system.

SIGNIFICANT BUDGET ADJUSTMENT

- **Farm to School**—An increase of \$24.6 million General Fund in 2026-27 (\$25.2 million ongoing) and statutory changes to provide ongoing funding for the Farm to School supply chain. The Farm to School Incubator Grant program increases the number of California schools offering children access to local, climate smart, and nutritious food, as well as nutrition educational programs. Additionally, this proposal supports farmers in the adoption of climate smart agricultural practices and market development to ensure they can access their local farm to school programs.

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The Budget includes \$260.7 million (\$116.9 million General Fund) in 2026-27 for increased employee compensation and health care costs for active state employees. Included in these costs are collectively bargained salary and benefit increases resulting from contract negotiations and funding for 2027 calendar year projected increases in health care and dental premiums and enrollment.

Collective bargaining negotiations will commence with 9 bargaining units represented by the Service Employees International Union, whose contracts or side letter agreements will expire in summer 2026.

PAYING DOWN UNFUNDED RETIREMENT LIABILITIES

MAJOR ACCOMPLISHMENTS

Over the last decade, the state implemented significant measures to address its retirement liabilities through public pension law reform, implementation of funding strategies to pay down unfunded pension and retiree health benefits, and the allocation of billions of dollars in supplemental funding beyond the required annual contributions to the California Public Employees' Retirement System (CalPERS), and California State Teachers' Retirement System (CalSTRS).

The Administration remains committed to the security of state retiree benefits and the long-term sustainability of state pension systems. Notably, the state contributed a total of \$15.4 billion, between fiscal years 2019-20 and 2025-26, to supplement the state's payments toward unfunded retirement liabilities, and an additional \$11.8 billion in Proposition 2 (2014) debt repayment funding is estimated to be available for the next four fiscal years. In 2026-27, the Budget reflects \$3 billion in available Proposition 2 funding, including a \$2.5 billion supplemental pension payment to help reduce CalPERS state plans' unfunded liabilities.

SIGNIFICANT BUDGET ADJUSTMENTS

- **CalPERS Contributions**—\$9.8 billion (\$5.3 billion General Fund) for the state's contribution to CalPERS. This is an increase of \$741.9 million (\$356.1 million General Fund) from 2025-26. Included in the total contributions is \$731 million one-time General Fund for CSU retirement costs.
- **CalSTRS Contributions**—\$4.8 billion General Fund for state contributions to CalSTRS. This is roughly \$144 million more than the contributions in 2025-26, due mainly to the growth in creditable compensation for state teachers from 2023-24 to 2024-25.

The State Retirement and Health Care Contributions figure below provides a historical overview of pension and health care benefit contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS).

State Retirement and Health Care Contributions^{1/ 2/ 3/}
(Dollars in Millions)

	CalPERS	CSU CalPERS	CalSTRS	JRS	JRS II	LRs ^{5/}	Active Health & Dental ^{6/}	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding ^{7/}
2017-18	\$5,188	\$661	\$2,790	\$199	\$80	\$1	\$3,192	\$1,695	\$285	\$189
2018-19	5,506	683	3,082	194	84	1	3,255	1,759	313	394
2019-20	5,946	716	3,323	242	91	1	3,371	1,844	326	562
2020-21	4,925	680	3,428 ^{4/}	225	84	1	3,398	1,938	339	600
2021-22	5,363	677	3,862	194	91	1	3,501	2,019	356	1,292 ^{8/}
2022-23	7,475	744	3,712	208	86	1	3,731	2,208	392	735
2023-24	7,728	744	3,939	211	89	0	4,139	2,417	428	711
2024-25	6,325	609	4,257	217	92	0	4,574	2,577	454	663
2025-26	8,700	731	4,632	181	95	1	4,986	2,861	539	32
2026-27 ^{9/}	9,021	731	4,776	211	105	0	5,433	3,188	602	0

^{1/} The chart does not include contributions for the University of California pension or retiree health care costs.

^{2/} The chart does not reflect the following pension payments: \$6 billion supplemental payment to CalPERS in 2017-18 authorized by Chapter 50, Statutes of 2017 (SB 84), additional payments to CalPERS and CalSTRS authorized in Chapter 33, Statutes of 2019 (SB 90), Chapter 859, Statutes of 2019 (AB 118), Chapter 78, Statutes of 2021 (AB 138), Chapter 67, Statutes of 2022 (SB 191), Chapter 39, Statutes of 2023 (AB 130), Chapter 52, Statutes of 2024 (AB 171), and Proposition 2 payments to CalPERS proposed in the 2026-27 Governor's Budget.

^{3/} In addition to the Executive Branch, this chart includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS. Amounts displayed in the CalPERS column include statewide contributions to the five CalPERS state plans, including contributions from employers that are not displayed in the annual Budget Act.

^{4/} As part of the 2020 Budget Act, the Teachers' Retirement Board's statutory authority to adjust the state contribution rate for fiscal year 2020-21 was suspended. The amount shown excludes the additional \$297 million in supplemental pension payment from Proposition 2 debt payment funding authorized in the 2021 Budget Act.

^{5/} In 2023-24, no state employer contributions to the Legislators' Retirement System are included as the fund was in a surplus position due to the termination of all active members. In 2024-25, a one-time contribution of \$75,085 was required due to negative impacts of investment losses and cost of living adjustments to the fund. In 2025-26, a one-time contribution of \$493,000 was required due to the fund still being below 100 percent funded, primarily due to higher than expected cost of living adjustments.

^{6/} These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and the California State University (CSU).

^{7/} Amount reflects the employer contribution to pay down the Other Post-Employment Benefits (OPEB) unfunded liability. The 2025-26 and 2026-27 employer contributions reflects suspension in OPEB contribution pursuant to labor agreements reached in 2025.

^{8/} Amount includes \$616 million to help ensure full funding by 2046, which is provided by the employer on behalf of the employees, based on the actuarial liability for each bargaining unit, as employee prefunding contributions were suspended in 2020-21 due to the Personal Leave Program 2020.

^{9/} Estimated as of the 2026-27 Governor's Budget, contributions sourced from the General Fund are estimated to be \$4.5 billion for CalPERS, \$731 million for CSU CalPERS, \$2.7 billion for Active Health and Dental, and \$32 million for OPEB Prefunding. Fiscal year 2026-27 contributions to CalSTRS, JRS, JRS II, and Retiree Health & Dental (including CSU) are funded entirely by the General Fund.