CALIFORNIA STATE BUDGET

2026-27

Gavin Newsom, Governor

STATE OF CALIFORNIA

175 YEARS OF STATEHOOD

(1850-2025)

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INTRODUCTION

The 2026 Budget Act largely maintains the May Revision framework, which balances the budget in both the 2026-27 and 2027-28 fiscal years, and significantly reduces the projected structural deficits in 2028-29 and 2029-30. These actions strengthen California's fiscal position in the budget year and beyond, providing a solid foundation to support critical priorities enacted over the past seven years by the Administration and the Legislature. Further, the Budget includes a number of strategic investments, mostly one-time, that are possible in large part because of increased revenue since the 2025 Budget Act.

Over the last seven years, the people of California have endured some of the most difficult challenges in the state's modern history. The global pandemic, severe drought, numerous devastating wildfires, and other extreme weather events; and the Federal Administration's assault on families, affordability, the climate and critical programs; resulted in major impacts on the state budget. After the 2023 winter storms, the tax filing and payment deadline for 99 percent of California taxpayers was delayed until November of 2023, which significantly hindered the state's ability to accurately forecast revenue and make budget decisions that year.

While managing through these events, the Administration and the Legislature made transformative investments in education (both TK-12 and higher education), housing and homelessness, combating the impacts of climate change, increasing access to health care and expanding the state's safety net, bolstering workforce programs, and protecting public safety. The Budget secures these investments while also setting the stage for continued success well into the future.

BALANCING THE BUDGET FOR TWO YEARS

California is required to adopt a balanced budget for the 2026-27 fiscal year, measured by maintaining a positive balance in the state's Special Fund for Economic Uncertainties (SFEU). The 2026 Budget Act goes beyond this requirement, projecting a positive balance in 2026-27 and a positive balance in the SFEU in 2027-28. By doing so, the state is better positioned to manage any changes that may occur, whether in revenues or expenditures.

In responsibly balancing the budget over the next two fiscal years, the 2026 Budget Act includes SFEU balances of $4.5 billion in 2026-27 and $403 million in 2027-28. In addition, the Budget projects ongoing structural deficits in the outyears that are less than half those projected in the Governor's Budget, indicating significant progress in rightsizing the state's fiscal position.

To assist in providing for a positive SFEU in 2027-28 and more prudently manage the state's resources, the Budget includes a transfer of $6.4 billion into the Projected Surplus Temporary Holding Account (Surplus Holding Account) in 2026-27. The Budget allocates these funds from the Surplus Holding Account in the following fiscal year, 2027-28.

Established in 2024, the Surplus Holding Account allows the state to set aside a portion of anticipated surplus funds for allocation in a subsequent fiscal year. The Surplus Holding Account was created to provide fiscal protection against overcommitting projected resources until revenues are realized and expenditures are finalized.

SUPPORTING A SOUND FISCAL STRUCTURE

The 2025 Budget Act included numerous spending reductions that, at the time of enactment, were estimated to result in almost $12 billion in ongoing savings. Building on this significant action to address ongoing cost pressures, the Budget includes three key revenue proposals that help solidify the state's fiscal structure. These include:

- **Managed Care Organization (MCO) Tax**—The Budget reflects the renewal of a House of Representatives (H.R.) 1 compliant MCO Tax, effective January 1, 2027, increasing revenue by a projected $575 million in 2026-27, $2.3 billion in 2027-28 and 2028-29, and $1.7 billion in 2029-30, to support the Medi-Cal program and maintain targeted rate increases for primary, maternal, and non-specialty mental health care.

- **Business Tax Credit Limitation**—Extends the existing temporary business tax credit limitation of $5 million per year—initially in place for 2024 through 2026—for an additional three years, from 2027 through 2029. This extension continues to allow elective refundability for 2027 through 2029. Beginning in 2030, the Budget permanently limits the use of business tax credits to the greater of $5 million or 70 percent of liability. The limitation is projected to increase General Fund revenue by $1 billion in 2026-27, $3.3 billion in 2027-28, $4.7 billion in 2028-29, and $4.2 billion in 2029-30.
- **Prewritten Software Tax**—Extends the existing sales tax on prewritten software delivered on a tangible medium to electronically delivered prewritten software. This is projected to increase General Fund revenue by $450 million in 2026-27 and $900 million in 2027-28 and annually thereafter. Additionally, it is expected to increase local sales tax revenue by $560 million in 2026-27 and $1.1 billion in 2027-28 and annually thereafter.

MAINTAINING AND ENHANCING RESERVES

Since the 2014 approval of Proposition 2, the Budget Stabilization Account (BSA), also known as the Rainy Day Fund, has been a key component of budget resiliency, a buffer against revenue volatility, and an insurance policy that has protected core state programs. The Rainy Day Fund receives a deposit of 1.5 percent of General Fund revenue annually, as well as a portion of General Fund revenue derived from capital gains.

Over the last two fiscal years, the state has withdrawn approximately $12.2 billion from the BSA and suspended deposits into the BSA for the 2024-25 and 2025-26 fiscal years. These actions have allowed the state to take a balanced approach by using a portion of these reserves as one component in closing prior budget shortfalls. Consistent with these actions, the budget continues the suspension of the 2025-26 "true-up."

As a result of the increase in revenue, the total suspension in 2025-26 is $5.4 billion. However, the budget includes a $3.6 billion deposit into the BSA in 2026-27 and a minor "true-up" for the 2024-25 fiscal year. After accounting for these actions, the BSA balance in 2026-27 is $15.1 billion—an increase of $3.9 billion compared to the 2025 Budget Act level of $11.2 billion. In addition, the budget includes $4.5 billion in the SFEU and $9.2 billion in the Public School System Stabilization Account—bringing the combined reserves in 2026-27 to $28.8 billion. When accounting for the balance in the

Surplus Holding Account, the budget sets aside approximately $35.2 billion for future funding obligations in the 2026-27 fiscal year.

Lastly, the Legislature passed ACA 20, which places an initiative on the November ballot that, if passed by voters, would strengthen the BSA and provide the state with tools to better manage revenue volatility in the future. Specifically, the cap on required deposits into the BSA would rise from 10 percent to 20 percent, additional deposits would be required when revenue from capital gains as a percent of General Fund revenue is above 10 percent, and withdrawals from the BSA and the Surplus Holding Account would count against the Gann limit instead of deposits, which will allow the state to set aside more money during times of significant revenue growth. Provisions requiring certain funds to be used to pay down state debts would be updated to allow for payments against debts, such as the federal Unemployment Insurance loan.

ACCOMPLISHMENTS

Over the past seven years, the state has made unprecedented investments and funded transformational policies through various Budget Acts that will benefit Californians for generations to come. These budget investments and accomplishments are described by policy area below:

CLIMATE CHANGE, NATURAL RESOURCES, ENVIRONMENTAL PROTECTION, AND ENERGY

CLIMATE AND OPPORTUNITY BUDGET

California's Climate and Opportunity Budget investments underscore the state's steadfast commitment to cutting pollution and reducing climate risks, with historic investments in the expansion of ZEVs, climate innovation, and opportunities for fostering high-quality jobs. Despite federal headwinds and challenging fiscal conditions, California will continue to build the future with cleaner air, good jobs, and economic growth.

Since 2021, $39.1 billion ($23.9 billion General Fund) has been dedicated to a portfolio of climate action across multiple sectors including water, energy, lands, transportation, and more. Some key outcomes from this funding include:

- Investing $1 billion one-time General Fund in grants for 382 drinking water and wastewater projects to provide immediate and near-term financial and technical assistance to communities facing water supply challenges because of drought, providing 1 million more people access to clean drinking water. Small community projects included providing emergency water system repairs, consolidation of smaller systems into larger neighboring systems, and delivering bottled and hauled water to California residents whose wells have gone dry. Larger, urban projects included infrastructure upgrades, portable water hauling systems, and new water storage tanks.
- Setting forth and funding a commitment to conserve 30 percent of lands and coastal waters by 2030 (30x30). As of July 2025, 26.1 percent of lands and 21.9 percent of coastal waters are conserved, protecting California's unique biodiversity, delivering climate benefits, and increasing outdoor access for all.
- Supporting over 2,400 wildfire resilience and forest health projects, including fuel breaks around communities, beneficial fire projects, and landscape-scale forest health projects. These projects demonstrate effective methods to protect communities, keep wildfires from growing larger and more dangerous, and aid firefighters in combating wildfires.
- Supporting 35 communities along the coast and San Francisco Bay to begin sea level rise adaptation planning through the state's Sea Level Rise Adaptation Grant Program.
- Funding nearly 3,000 climate smart agriculture projects across 300,000 acres resulting in the reduction of approximately 27.7 million metric tons of carbon dioxide—the equivalent of taking 6.4 million cars off the road and saving 1.5 million acre-feet of water.
- Awarding $100 million from the Tribal Nature-Based Solutions grant program to support approximately 49,000 acres of ancestral land returned to California Native American tribes.
- Investing $215 million in the Transformative Climate Communities Program, supporting ten disadvantaged, unincorporated, and tribal communities in planning and implementing neighborhood-level capital projects that improve public health, enhance environmental quality, and expand economic opportunity. These investments are expected to reduce greenhouse gas emissions by more than 64,000 metric tons.

- Advancing organic waste recycling efforts, including dedicating nearly $425 million ($105.8 million General Fund) to bolster organic waste infrastructure and to implement new programs. In 2023, CalRecycle awarded $130.6 million to 23 projects that are projected to divert 7.7 million tons of green waste and food material from landfills and reduce over 2 million metric tons of greenhouse gas emissions.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

Since 2019, California has made historic, sustained investments to expand the California Department of Forestry and Fire Protection's (CAL FIRE) workforce, modernize equipment, and transition to near year-round peak fire protection. Collectively, these investments represent a sustained transformation of CAL FIRE into a larger, year-round firefighting force equipped to meet the increasing scale and complexity of wildfires in California.

- **Additional Engines with Year-Round Staffing**—$32.6 million General Fund and 131 positions ongoing to add 13 year-round engines. This investment expanded the fleet to a total of 356 engines and increased to 65 the number of engines resourced for baseline year-round staffing. This enhancement helps meet the increased demand for wildland fire response, more equitably meet the intent of the state's Master Mutual Aid System, address the need for additional resources earlier and later in the calendar year, and better position the state to respond to larger and more frequent fires. The funding also includes proportional ongoing contract county funding.
- **66-Hour Workweek**—Since 2019, California has doubled peak staffing coverage from 4–5 months to 9 months and increased base-period engine staffing by 135 percent (from 65 to 153 engines), significantly enhancing year-round readiness. At full implementation, in 2028-29, the budget includes $770.4 million ($756.3 million General Fund) and 2,457 positions ongoing. Resources are phased in over five years beginning in 2024-25, to reflect the 2022 Memorandum of Understanding between CAL FIRE Local 2881 (Bargaining Unit 8) and the State of California that committed to the reduction of the 72-hour workweek to a 66-hour workweek beginning on November 1, 2024. In 2025, CAL FIRE graduated a record 658 new Fire Apparatus Engineers through the Company Officer Academy. These personnel now begin a three-year apprenticeship that prepares them for promotion to Fire Captain, aligning with projected leadership needs in 2028-29 and 2029-30. More than 600 additional Company Officers are projected to graduate in 2026, contributing to

the more than 1,350 new Fire Apparatus Engineers funded over the five-year plan. As staffing levels rise, units across the state are moving to a three-platoon schedule, improving coverage and reducing reliance on extended duty.

- **Relief Staffing**—$175.3 million General Fund and 576 positions ongoing to strengthen and enhance statewide fire protection capacity by adding key leadership, operational, and administrative staff. This investment includes expanded training capacity through new positions at the CAL FIRE Training Centers to meet the initial and ongoing training demands associated with the growing number of uniformed positions. It also includes, one-time investments such as the purchase of fire engines, engine covers, training props, furnishings, and specialized equipment needed to support increased student throughput. Additionally, this funding includes proportional ongoing contract county funding, providing consistent fire protection coverage across state-funded county operations.
- **Hand Crews (CAL FIRE, CCC, and CMD)**—$497.1 million General Fund and 2,071 positions ongoing within CAL FIRE, the California Conservation Corps (CCC), and the California Military Department (CMD) to augment the number and increase the availability of non-incarcerated hand crews in response to decreases in the number of incarcerated individuals available to staff hand crews. Since 2019, California has added 60 new state hand crews, 12 contract county fire crews, and converted 16 existing state hand crews from seasonal to year-round. These significant investments over the past eight years have resulted in a total of 180 state hand crews (95 incarcerated, 38 CAL FIRE, 33 CCC, and 14 CMD) and 12 fire crews in the six contract counties, as of January 2026.
- **Aviation Resources**—$123.9 million one-time General Fund and $61.4 million General Fund and 51 positions ongoing for enhanced aviation resources, building the largest aerial firefighting fleet in the world. This funding supports C-130 airtankers, expanding CAL FIRE's capabilities and extending the life of the existing S2-T airtankers, as well as the purchase of four additional S-70i FIREHAWK helicopters, providing aircraft availability to help maintain continuous flight operations during critical fire weather conditions when frontline helicopters are due for maintenance. During the Governor's term, the state's aviation resources within CAL FIRE have grown to include seven C-130's and 16 FIREHAWK helicopters.
- **Surge Equipment**—$35.8 million one-time and $5.8 million ongoing General Fund to purchase 42 fire engines and 10 bulldozers that increase surge capacity for wildland fire emergency response. Since 2023, this additional equipment has been staffed during periods of elevated fire weather or to provide coverage for extended assignments of other engines.

DEPARTMENT OF WATER RESOURCES

- **Urban Flood Risk Reduction Program**—California has some of the highest flood risk in the nation. Accordingly, urban flood risk reduction was identified as a priority in the 2022 Central Valley Flood Protection Plan. Since 2019, $608.8 million ($569.9 million General Fund) has been appropriated to leverage $2.9 billion in federal funding for projects that reduce urban flood risk. These projects were accomplished through partnerships with local, state, and federal agencies that are currently implementing $11.9 billion of flood infrastructure improvements in the Central Valley.
- **Sustainable Groundwater Management Act (SGMA) Implementation**—$422.7 million General Fund in state operations and grants to Groundwater Sustainability Agencies (GSAs) to advance the development and implementation of Groundwater Sustainability Plans. This targeted funding accelerated sustainable groundwater implementation in high and medium priority basins to help GSAs stay on track to meet SGMA's sustainability goals by 2040. These investments improved groundwater management, strengthened data and planning, and expanded recharge, addressing the state's water supply challenges while strengthening long-term climate resilience for vulnerable communities, agriculture, and the environment.
- **Salton Sea**—The Administration has overseen a critical shift from planning to implementation at the Salton Sea to confront public health and environmental risks, translating years of research and analysis into massive dust suppression and habitat restoration projects that span miles across previously exposed lakebed. With approximately $750 million ($94.2 million General Fund) one-time in state and partner funding currently advancing over 16,000 acres of projects that are either complete or in progress, the state continues to accelerate the pace and scale of its work to bring plants, water, and wildlife back to the Salton Sea. These projects will deliver lasting benefits to Salton Sea communities, improving local air quality, advancing opportunities for outdoor recreation, and restoring ecosystem health.

DEPARTMENT OF PARKS AND RECREATION

- **Statewide Park Development and Community Revitalization Program**—This program creates new parks and recreation opportunities in underserved communities across California. Since 2019, State Parks has awarded approximately $852.3 million in grants to 183 projects. Funding has come from bond funds (Proposition 40, Proposition 84, and Proposition 68), and the General Fund. As a result, hundreds of new and improved parks now provide walkable, safe recreation opportunities for thousands of Californians in previously park-poor areas. In addition, the 2025 Budget Act included $188.5 million from the Climate Bond for further investments through this program.

- **Dos Rios State Park**—In 2023, State Parks opened Dos Rios State Park—California's first new state park in ten years—restoring a former agricultural site at the confluence of the Tuolumne and San Joaquin Rivers to provide floodplain habitat, climate resilience, and new public recreation.
- **Outdoor Access Programs**—Beginning in 2021–22, these programs have significantly reduced cost barriers and expanded equitable park access statewide, including:
  - The California State Library Parks Pass, which offers free vehicle day-use entry to state parks through partnerships with public libraries statewide. State Parks partnered with the California State Library to provide 33,000 State Library Parks Passes to more than 1,100 library branch locations, including tribal libraries, throughout the state. This program was made ongoing beginning in 2026-27 through a $6.8 million annual General Fund investment.
  - The Adventure Pass, which offers free day-use entry to over 50 state parks for fourth-grade public school students and their families. This program was made ongoing beginning in 2024-25 through a $2.1 million annual investment of Proposition 98 General Fund to continue the Adventure Pass program for fourth graders attending public schools.
  - The Golden Bear Pass, which provides year-round, free access at over 200 state parks for families who receive CalWORKs, individuals who receive supplemental security income, income-eligible Californians over age 62, and participants of California's Tribal Temporary Assistance for Needy Families program. Through an innovative partnership with the Department of Social Services, pass usage has increased by over 4,000 percent since 2021.
- **Arts in California Parks**—Through a partnership with the California Arts Council and Parks California, the state invested $13.9 million one-time General Fund in 61 grantees and over 200 events to uplift artists, culture bearers, California Native American tribes, and communities in creating artwork at local and state parks that offer unique perspectives on California's past and present. Approximately 40 percent of projects are led by California Native American tribes or tribal-serving organizations.

- **Tribal Lands Acknowledgement**—With an investment of $9.8 million one-time General Fund in 2022-23, 80 tribes partnered with State Parks to create land acknowledgement content for 200 state parks to be added into new entry signage, orally at events, and on parks' websites and educational materials. Funding was also provided for 35 projects to co-create exhibits and interpretive content with California Native American tribes.
- **California Indian Heritage Center (CIHC)**—With the tribally-led CIHC Task Force, State Parks has engaged in outreach to tribal communities for the design of the California Indian Heritage Center. The CIHC Outreach Initiative report has been finalized and the design team and the CIHC Task Force, with input from tribal leaders and community, are developing the Overall Site Master Plan for CIHC, including immediate public use areas, buildings, native gardens, and outdoor spaces. The immediate public use project started construction in April 2026, with an anticipated opening in Fall of 2026 and includes an outdoor gathering circle, shade ramada, parking and restrooms.
- **Deferred Maintenance**—Since 2019, approximately $271.1 million has been appropriated for deferred maintenance projects from various funding sources, including General Fund, Proposition 40, Proposition 68, and the Climate Bond. These investments strengthen safety, sustainability, and long-term access across the State Park System. Investments have addressed high-priority projects to enable improved access and enhanced visitor experience across the state.

DEPARTMENT OF FISH AND WILDLIFE

- **Salmon Strategy for a Hotter, Drier Future**—Salmon are a keystone species in California—vital to the health of river ecosystems, Native American communities, and the economic sustainability of commercial and recreational fishing communities across the state. Salmon are particularly vulnerable to the impacts of drought and its effect on water temperatures and availability. In January 2024, the Administration launched the "California Salmon Strategy for a Hotter, Drier Future," which charts important priorities and actions needed to support California's struggling salmon populations. Since 2021, the state has invested over $171 million General Fund in projects that enhance river ecosystem resiliency to drought and climate change. These projects directly benefit salmon populations through restoration and protection of riparian and aquatic habitat and river channels, reconnection of historical floodplains, and improvements to ecological function. The projects included the Klamath Dam Removal Project, the largest river restoration project in American history, which was completed in 2024. A primary goal of the Klamath River dam removal was the reestablishment of viable, wild, self-sustaining populations of salmon and other anadromous fish species for their ecological benefits, conservation, and to enhance tribal, commercial, and recreational fisheries. A little more than a year after the dam removal, California Department of Fish and Wildlife (CDFW) scientists are observing salmon reoccupy just about every corner of their historic habitat, not seen in over 100 years. CDFW has invested more than $30 million General Fund to support fish habitat restoration projects within the Klamath Basin.

CALIFORNIA ENERGY COMMISSION

- **Clean Transportation Program**—Since 2019, the state has invested $1.5 billion ($657 million General Fund) for the California Energy Commission (CEC) to provide grants to create over 23,000 public and shared private Level 2 charging ports and over 7,000 public and shared private direct current, fast charging ports, with over 70 percent of ports in disadvantaged and low-income communities. Additionally, this program has funded the completed or planned installation of over 140 hydrogen refueling stations supporting light- and medium/heavy-duty zero emission vehicles, supported more than a dozen workforce training projects to help prepare workers for the clean transportation economy, and supported in-state manufacturing, emerging technologies and vehicle-grid integration initiatives.
- **California Automated Permit Processing Program**—The 2021 Budget Act included $20 million one-time General Fund to assist local governments to establish online, automated solar permitting to streamline the solar permitting process. This program has provided awards to 346 jurisdictions in California, and 311 awardees have already adopted an online, automated solar permitting platform. More than 89 percent of California's population now live in jurisdictions that provide instant permit approval online, and more than 67 percent of California’s population live in jurisdictions where this instant permit approval was facilitated by awards from this program.
- **Long-Duration Energy Storage Program**—Since 2019, the state has provided approximately $247 million ($34 million General Fund), including $95 million in grants to tribes, to support 10 Long-Duration Energy Storage projects resulting in

364 Megawatt-hours of utility scale energy storage and 84 Megawatts of co-located solar photovoltaic integrated with energy storage.

- **Equitable Building Decarbonization Program**—Since 2019, the state has provided $433 million ($3 million General Fund) for the Equitable Building Decarbonization Program, including $30 million for the Tribal Direct Install Program. This program has identified 49 initial community focus areas, and begun to sign up homeowners for initial retrofits, with the initial retrofit of 60 homes completed as of June 2026 as part of a rapid start project and two additional rapid start projects located in initial community focus areas underway in Summer 2026.
- **Energy Reliability Programs**—Since 2019, the state has provided nearly $262 million ($187 million General Fund) for several distributed energy resource grid contingency programs that have provided access to customer-sited existing battery storage capacity for dispatch during extreme events that jeopardize grid reliability. Additionally, these programs have supported three energy storage projects and four conventional resource efficiency projects that will bring additional incremental capacity online.

AIR RESOURCES BOARD

- **Zero-Emission Cars, Trucks, and Off-Road Equipment**—California Air Resources Board (CARB) advanced several statewide requirements and delivered key investments to accelerate a transition to a cleaner transportation system. Since 2019, the state has invested over $6 billion to CARB, CEC, CalSTA, and GO-Biz to accelerate ZEV deployment and supporting infrastructure, as well as other activities to promote consumer awareness and general ZEV technological innovation. This includes approximately $4 billion ($1.6 billion General Fund) in zero-emission cars, trucks, and off-road equipment. These investments, through CARB's incentive programs, have been critical to support the ZEV market and its resiliency during times of uncertainty and have helped bring cleaner technology and emissions reductions to communities across the state, including those most impacted by poor air quality. As a result, California now has the largest ZEV market in the country.
- **Methane Satellite Program**—Supported by a one-time $105 million Greenhouse Gas Reduction Fund (GGRF) investment, CARB launched and operationalized satellite-based methane monitoring to detect large methane plumes, resolve major leaks, and drive emissions reductions. This initiative was among the world's first successful large-scale demonstrations of methane plume detection technologies

and is now one of the first programs globally to operationalize satellite-based methane plume imaging. Since May 2025, the program has been receiving actionable satellite data, publicly posting methane plume detections, issuing operator notifications, and progressing toward future results. In the oil and gas sector, the program is projected to yield 431,235 metric tons of carbon dioxide equivalent in avoided emissions (equal to emissions from 93,700 passenger vehicles for one year) in 2026, and more in subsequent years as additional satellites are launched.

- **Community Air Protection Program (CAPP)**—CAPP, co-implemented by CARB and local air districts, improves air quality and protects public health in the most impacted areas of California. Since 2019, the state has invested approximately $1.85 billion ($240 million General Fund) for CAPP. Beginning in 2026-27, there is now ongoing funding for CAPP from the GGRF, which will allow CARB and local air districts to focus on air quality improvement for almost half of California's disadvantaged population. Community air protection is improving air quality and is one of the most cost-effective programs, ranking third in Nitrogen Oxides and fifth in fine Particulate Matter reductions per million spent, based on an assessment of 86 California Climate Investment Programs. To date, CAPP has supported over 6,200 projects, achieving lifetime reductions in emissions of 10,200 tons of Nitrogen Oxides, 590 tons of Reactive Organic Gases, 390 tons of Particulate Matter, and 129,800 metric tons of greenhouse gases.
- **Statewide Mobile Monitoring Initiative**—As a commitment in CARB's CAPP Statewide Strategy, CARB launched a first-ever program to measure street-level emissions in 62 disadvantaged communities around the state using mobile monitoring platforms. The 2022 Budget Act included $30 million one-time GGRF for mobile monitoring to fund a comprehensive, publicly-accessible dataset of criteria pollutants, toxic air contaminants and greenhouse gases—data that will help communities better understand their air quality and address community concerns. This new data will fill air monitoring gaps and support additional actions to reduce emissions and exposure. Mobile monitoring launched in June 2025, and data will be made available to the public.
- **Defense of Clean Air and Public Health**—CARB is challenging federal regulatory rollbacks by coordinating closely with California's Attorney General's Office in filing new litigation challenges of final U.S. EPA actions that negatively impact air quality, submitting multiple comment letters, including from multistate coalitions, and challenging the U.S. Environmental Protection Agency's proposed actions, and coordinating closely with California's Attorney General's Office. These efforts position

the state for current and future litigation and reinforces its national climate leadership.

STATE WATER RESOURCES CONTROL BOARD

- **Water Infrastructure**—The state has invested approximately $12 billion ($1.5 billion General Fund) in loans and grants for drinking water, wastewater, water recycling, stormwater and ground water projects since 2019.
- **Clean Water Projects**—The State Water Board has provided more than $6.3 billion ($754 million General Fund) toward clean water projects, including approximately $2 billion of financing for 85 water recycling projects since 2019. These water recycling investments will deliver approximately 353,000 acre-feet per year of recycled water by 2030, generally equal to the annual water usage of over 670,000 households, helping California become more drought resilient.
- **Safe and Affordable Funding for Equity and Resilience (SAFER) Program**—Since the SAFER Program's inception in 2019, the State Water Board has distributed over $2.3 billion in grants from various funding sources ($593 million General Fund) for projects in disadvantaged communities, returning 411 water systems serving over 3.3 million people to compliance with drinking water standards. Additional SAFER accomplishments include:
  - Planning/design funding benefiting 110 water systems and approximately 2 million people.
  - Technical assistance benefiting 688 water systems and approximately 1 million people.
  - Interim assistance benefiting 361 communities, and approximately 186,000 people.
  - 215 consolidations completed, serving over 372,000 people.
- **Updating Water Rights Data for California (UPWARD)**—The State Water Board's UPWARD project represents a significant achievement by directly addressing critical needs in water management. With this $61.2 million investment, the State Water Board will continue to modernize the state's water rights data collection and management systems, a vital step for ensuring efficient and effective decision-making, especially during periods of hydrological stress, like droughts.

- **Per and Polyfluoroalkyl Substances (PFAS)**—The State Water Board has committed approximately $420 million ($21 million General Fund) to projects that address PFAS contamination, benefiting over 6.3 million people.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

- **Cleanup in Vulnerable Communities Initiative**—This initiative provides funding to incentivize the cleanup and beneficial reuse of contaminated land in vulnerable communities in California, investigate former dry-cleaning sites for contamination, help communities engage in cleanup activities, and more. One program—the Equitable Community Revitalization Grant—provided $131 million ($86 million General Fund) to support investigation, assessment, and land remediation in disadvantaged communities. These grants support redevelopment of over 9,000 homes, of which nearly 5,000 are affordable housing units.
- **Cleanup of Residential Properties Surrounding Exide Facility**—The Department of Toxic Substances Control (DTSC) has overseen the cleanup of residential and other sensitive properties that were contaminated by the Exide battery recycling facility in Vernon. These efforts will reduce residents' exposure to lead and other dangerous metals. To date, DTSC has cleaned up 6,270 properties, exceeding the target of 5,940 set in 2021.
- **Permitting Reform**—DTSC has incorporated a number of accountability measures into the permitting process to reduce the number of hazardous waste facilities operating on continued permits (i.e., permits that continue beyond their expiration date). The total number of continued permits has decreased from 31 in 2020-21 to 10 in 2024-25.
- **Safer Consumer Products (SCP)**—This program addresses pollution at the source by promoting product innovation and preventing regrettable substitutions through research, rulemaking, and upstream prevention. In response, manufacturers are reformulating their products with safer alternatives, including a shift away from ortho-phthalates in vinyl flooring, and PFAS in carpets, rugs, and textile and leather treatments. SCP's actions prevent up to a quarter million pounds of PFAS from reaching California homes and workplaces, and up to 2 million pounds of nonylphenol ethoxylates from being discharged into California's waters and impacting aquatic ecosystems each year.

DEPARTMENT OF PESTICIDE REGULATION

- **Safer Alternatives**—The Department of Pesticide Regulation (DPR) accelerated the availability and adoption of a broad range of alternative approaches to pest management by investing over $19 million of special funds in 63 projects since 2019. These include projects that address pest management impacts from extreme heat and demonstrate sustainable pest management in practice. DPR also launched CalPEST, a streamlined, electronic system that modernizes the pesticide registration process to move safer alternatives and other pest management tools more swiftly through the Department's rigorous evaluation process.
- **Mitigating Risks**—DPR took action to mitigate high-risk pesticides, including ending virtually all uses of chlorpyrifos as of December 31, 2020; adopting crop-specific mitigations for neonicotinoid insecticides, which are expected to reduce use by 40 percent.
- **Expanding Transparency**—In 2025, DPR launched SprayDays, a first of its kind notification system for restricted material pesticides, which pose the highest risk to public health and the environment. SprayDays provides the public with timely notification about nearby pesticide applications before they occur, connecting thousands of Californians with real-time pesticide information.

CRIMINAL JUSTICE AND JUDICIAL BRANCH

- **Prison Capacity**—The adult prison population has declined steadily since the beginning of the administration, which has provided opportunities for the California Department of Corrections and Rehabilitation (CDCR) to eliminate its reliance on contract prison capacity. CDCR terminated its final remaining contract to house incarcerated persons out-of-state in June 2019, and its final in-state contract community correctional facility in May 2021. Additionally, CDCR terminated the lease of the California City Correctional Facility (California City), its last privately owned prison contract in March 2024. In total, the termination of these contracts has saved the state hundreds of millions of dollars in annual expenditures. CDCR has also closed three adult institutions: (1) Deuel Vocational Institution in September 2021, (2) California Correctional Center in June 2023, (3) Chuckawalla Valley State Prison in March 2025, with a fourth (Correctional Rehabilitation Center) scheduled to close by October 2026. These four closures will save approximately $594 million annually by 2027-28. Apart from the four full prison closures, the Administration closed the Folsom Women's Facility within Folsom State Prison and closed facilities in six other male institutions. These facility closures save $273.8 million annually. The cumulative savings from full prison closures, facility closures, facility deactivations, and contract terminations will be approximately $4.9 billion by 2027-28.

- **San Quentin Rehabilitation Center and the California Model**—In March 2023, the Administration announced a plan to transform San Quentin State Prison—the oldest correctional facility in the state, into the San Quentin Rehabilitation Center, focused on providing every incarcerated person access to rehabilitation and education programs, as well as the opportunity to gain resources and skills to improve their outcomes upon reentering their communities. Through the CDCR Executive Steering Committee and Planning and Implementation Team, the Department has implemented California Model initiatives that expand rehabilitative programs and provide professional development focused on behavior change while focusing on the principles of dynamic security, normalization, peer support, and becoming a trauma-informed organization. These initiatives promote the health and well-being of those who work and live within the prison environment.
- **San Quentin Rehabilitation Center, East Block Honor Dorm**—Recognizing that California's rehabilitation-focused approach improves public safety, the area that formerly housed the incarcerated population sentenced to death has been converted to an Honor Dorm. The East Block Honor Dorm, formerly referred to as "death row," was transformed to house incarcerated individuals who demonstrate exemplary behavior, accountability, and commitment to rehabilitation in single-occupancy living spaces where residents will have opportunities to demonstrate leadership, responsibility, and readiness for successful reintegration into their communities.
- **Pre-Release Community Correctional Reentry Centers**—Recognizing the important role reentry facilities play in rehabilitation and successful reentry into the community, the state has funded the establishment of two new community reentry program sites, with six more planned to activate by 2028. Upon full activation, these programs will concurrently serve approximately 1,890 participants. Since 2020, more than 10,000 incarcerated persons have participated in reentry programs. As shown in the Recidivism Rates for Enhanced Alternative Custody Program Participants Released in Fiscal Year 2019-20, participation in these programs led to substantially lower recidivism rates. The three-year conviction rate for male participants is 26.5 percent, which is 13.8 percentage points lower than the rate for all other males released from CDCR in 2019-20, and the three-year conviction rate for female participants is

18.3 percent, which is 14.6 percentage points lower than all other females in the cohort.

- **Post-Release Community Reentry Programs**—CDCR operates a wide range of rehabilitative programs with the goal of supporting individuals in successfully reintegrating into their communities following their release from prison. Additionally, the Administration established the Returning Home Well Housing program in 2020, which serves an average of more than 500 people daily by providing housing and services to formerly incarcerated and supervised persons. These programs serve an average of 15,000 participants annually, with $129 million General Fund and $44.6 million in reimbursement funding included in the 2026 Budget Act to support these services. Methodologies implemented to support these services will increase funding in future years to support the costs of these programs. Since 2020, more than 55,000 supervised persons have participated in post-release community reentry programs. The Recidivism Report for Participants of Specialized Treatment for Optimized Programming Released from CDCR in Fiscal Year 2018-19 includes data on the Recovery and Reentry Housing (RRH) modality and shows that individuals who complete the RRH module have a three-year conviction rate of 13.0 percent.
- **Delancey Street Program**—Recognizing the importance of reducing recidivism, CDCR has continued its partnership with The Delancey Street Foundation via the Delancey Street Program at California State Prison, Solano. The program opened its incarcerated-person operated restaurant within the walls of the institution in August 2024. Participants learn culinary skills, customer service, and interpersonal communication while operating a restaurant that serves institution staff, visitors, and state officials, equipping them with the skills necessary to pursue jobs in the food and service industry upon their reintegration into society.
- **Post-Secondary Education**—The Administration has supported an increased presence of education in CDCR settings. California Community Colleges partner with CDCR to serve more than 10,000 incarcerated students every year who take lower division college classes. In 2022, ongoing funding was included in the Budget to support California State University and University of California bachelor's degree programs. Since 2022, 357 incarcerated students have received a bachelor's degree. The 2026 Budget Act includes $255.9 million ($247.4 million General Fund) ongoing for the academic and vocational education of the incarcerated population. CDCR uses the three-year conviction rate for recidivism. For individuals released in 2019-20, the most recent data available by type of program, the recidivism rate was 5.6 percent for those with an associate degree and 0 for those with bachelor's degree.

- **Free Voice Calling for Incarcerated Individuals**—Chapter 827, Statutes of 2022 (SB 1008) authorized the Department of Finance to determine funding for voice calling services for incarcerated individuals. The Budget includes $27.3 million ongoing to continue providing free voice calling for the incarcerated population. Additionally, the distribution of tablets to all incarcerated persons facilitates greater connection with support systems in the community.
- **Youth Offender Program (YOP) at Conservation Camps**—In August 2023, CDCR launched an innovative Youth Offender Program (YOP) Camp Pilot Program at Growlersburg Conservation Camp in Georgetown, which expanded opportunities for the incarcerated youth, connecting them with rehabilitative and educational resources and encouraging self-improvement prior to reentry in their community. Camp participants receive wildland firefighter training, enhancing their opportunities for future firefighting careers while also providing additional hand crew members for statewide emergency responses to fires, floods, and other disasters. Following the success of the pilot program at Growlersburg, in August 2024, the program expanded to Pine Grove Conservation Camp. Due to its success, Chapter 718, Statutes of 2025 (AB 952) was signed into law, permanently establishing the YOP. The program continues its success at Growlersburg and Pine Grove Conservation camps through the firefighting crews and Peer Mentorship, maintaining a total of nine camps between the two locations.

HEALTH CARE SERVICES FOR INCARCERATED INDIVIDUALS

- **Delegation of Institutions**—In 2015, the *Plata* Receiver began transitioning institutional medical care back to the state's control. In 2019, 15 institutions remained under control of the Receiver and, as of June 30, 2026, 12 of these institutions have been delegated back to the state. There are currently only three institutions remaining to be transitioned back from the Receiver.
- **Integrated Substance Use Disorder Treatment Program (ISUDT)**—The ISUDT Program was implemented in 2019 to combat alcohol and opioid addiction-related issues within state prisons. This program includes the use of medication-assisted treatment for incarcerated individuals with opioid and alcohol use disorders, cognitive behavioral treatment curriculum, development and management of patient treatment plans, as well as substance use disorder-specific pre-release transition planning. The Budget includes $275.7 million ongoing General Fund to maintain this program.

- **California Advancing and Innovating Medi-Cal (CalAIM) Justice-Involved Initiative**—In February 2025 CDCR, in partnership with the Department of Health Care Services, launched the CalAIM initiative, over a year ahead of schedule. Through this initiative, California became the first state prison system in the nation to provide pre-release services and enhanced care management 90 days prior to an individual's release. CDCR developed an information technology system to support the Medi-Cal billing process and enabled the state to draw down federal reimbursements for specified health-related services. The Budget includes $18.2 million in anticipated federal reimbursements for CalAIM services in CDCR.
- **Tele-Mental Health**—Since 2019, the Administration has greatly expanded the Tele-Mental Health Program, which includes psychiatry, psychology, and social work disciplines. The use of telehealth services has proven successful in enhancing CDCR's ability to effectively and efficiently deliver medical and mental health care services to patients, while also supporting staff recruitment and retention for clinical positions that have historically been hard to fill. The Budget includes an augmentation of $8.9 million General Fund and 69 positions in 2026-27, and $13.5 million and 119 positions in 2027-28 and ongoing, to support the expanded use of telemental health services, bringing the total ongoing Mental Health operations budget to $126.1 million General Fund.

JUVENILE JUSTICE REALIGNMENT

In 2020, California held approximately 800 youth in state juvenile detention facilities. The care for justice-involved youth was realigned to county probation departments. The transition of youth from the Division of Juvenile Justice began in 2021 and all state juvenile facilities were closed by June 30, 2023. In addition, the state created the Office of Youth and Community Restoration within the Health and Human Services Agency to help improve outcomes and support counties in serving justice-involved youth. The Office promotes trauma-responsive and developmentally appropriate services for youth involved in the juvenile justice system that support their successful transition into adulthood.

PUBLIC SAFETY INVESTMENTS

Public safety is a top priority in California, as demonstrated by the multifaceted criminal justice investments made in recent years to increase the safety of our communities. The state has made substantial investments in strategies focused on positive policing and addressing peace officer misconduct, as well as targeted investments to reduce violence, combat illicit drugs, and support victims.

California has invested approximately $2.4 billion ($2.05 billion General Fund) in various public safety efforts since 2021-22—including $395.4 million ($293.2 million General Fund) in 2026-27—in recognition of the importance of keeping Californians safe. This includes spending in the following areas carried out by the California Governor's Office of Emergency Services (Cal OES), the California Highway Patrol, the Department of Justice, and the Board of State and Community Corrections, among others:

- $719.8 million ($585.1 million General Fund) for community public safety, including $380 million General Fund for Nonprofit Security Grants, $85 million General Fund for Law Enforcement Mutual Aid, and $39 million to protect children against crimes, including an ongoing General Fund commitment of $7 million for the California Internet Crimes Against Children Task Force and $5 million for child sexual abuse investigations.
- $399.8 million General Fund to target organized retail theft, including $255 million in local law enforcement grants, $26 million for vertical prosecution grants, and over $115 million to permanently expand retail theft task forces.
- $511.5 million ($295.3 million General Fund) to combat gun violence, including $375 million ($200 million General Fund) for the California Violence Intervention and Prevention Grant Program (CalVIP).
- $659.3 million General Fund for victim services, including $111 million for Human Trafficking Victim Assistance, $353 million to backfill federal Victims of Crime Act Supplemental Funding, and $62 million for Missing and Murdered Indigenous Persons.
- $109.7 million General Fund to combat illicit drugs, including $75 million for drug interdiction efforts and $35 million for fentanyl enforcement.

As noted above, the state had invested $380 million in support of the Nonprofit Security Grant Program. Beginning in 2026-27, the program is funded at $80 million ongoing. In addition, the state has received $159.6 million from the federal Nonprofit Security Grant Program since 2020-21, including $15.6 million in Nonprofit Security Grant Program National Security Supplemental funding.

OFFICE OF EMERGENCY SERVICES

Disasters in California have become more frequent and complex, often with simultaneous emergencies and disasters occurring across the state. Since 2019, the state has made significant investments in emergency response.

- **Strengthening Cal OES' Emergency Capacity and Capabilities**—$178 million in ongoing General Fund for the following investments:
  - $16.5 million to establish a permanent and dedicated Incident Support Team, a deployable Incident Management Assistance Team, and permanent staff to operate California's State Operations Center to respond to all-hazard events, providing continuity for disaster response efforts.
  - $37.8 million to increase permanent resources for California's recovery efforts, including resources to maximize eligible federal disaster cost reimbursements for state and local governments, and to maximize the hazard mitigation program to mitigate the impacts of future disasters on the state and local jurisdictions.
  - $5.1 million to strengthen the state's regional response capacity and key partnerships with local governments and other local stakeholders to increase disaster resilience capacity.
  - $5.2 million to expand the California State Warning Center to better analyze, monitor, coordinate, and inform decisionmakers on critical or emerging incidents and disasters.
  - $46.6 million to implement a statewide disaster warehousing system to increase commodity supplies and capacity for an all-hazard event, ensuring appropriate resources are available across the state for all emergencies.
  - $28.7 million across multiple agencies to maintain and enhance the capabilities of the California Cybersecurity Integration Center to lead state efforts to identify and mitigate current and ever-evolving cyber threats, including providing enhanced (1) threat detection, assessment, and research; (2) gap testing and remediation; and (3) incident analysis and response.
  - $17.4 million to establish an Office of Equity and making permanent the Listos grant program to further strengthen connections and build resiliency between California's diverse communities.

- $20.7 million to modernize Cal OES' technology and data capabilities to provide reliable data analytics for data-informed decisions related to the state emergency response and overall recovery strategy.

- **California Earthquake Early Warning System (CEEWS)**—$50.9 million one-time General Fund and $17.1 million General Fund and 3 positions ongoing to enhance the infrastructure of the CEEWS, governed by Cal OES through partnerships with the California Geological Survey, U.S. Geological Survey, University of California at Berkeley, and the California Institute of Technology. In 2019, through the CEEWS investments, the free MyShake application, a cellphone based alerting tool, was launched and has since been downloaded more than 4.3 million times. Through a partnership initiated by California, an Android alert system has been created that leverages CEEWS to distribute earthquake early warning alerts to Android users. CEEWS also partners with critical sectors, including the Bay Area Rapid Transit (BART), Metrolink, school districts, hospitals, and fire stations to integrate automated actions to protect lives and property before, during, and after a seismic event.

JUDICIAL BRANCH

REDUCING FINES AND FEES FOR ALL CALIFORNIANS

In prior decades, the state substantially increased fines, fees, assessments, and surcharges levied on individuals convicted of criminal offenses to generate funding for specific state and local programs and services. The Judicial Council estimated these fines and fees generated nearly $1 billion in revenue in 2020-21.

Recognizing the financial hardship these increased fines and fees have created for Californians, the Legislature and Administration worked to implement various statutory and budget changes. For example, the 2018 Budget Act included resources to implement an Ability-to-Pay program to allow indigent and low-income individuals to apply online to have their fines and fees from traffic infractions reduced in accordance with their ability to pay. The 2021 Budget Act expanded this program statewide and incorporated both traffic and non-traffic infractions. Furthermore, the 2020 and 2021 Budget Acts included resources and statutory changes to eliminate the ability of state and local agencies to impose certain administrative fees for criminal offenses, such as fees imposed to recover costs related to public defense and probation supervision and to collect restitution, among others. In continuation of these efforts to provide financial relief for individuals from the imposition of fines and fees, the

2022 Budget Act included statutory changes to reduce civil assessment fees from a maximum of $300 to $100 and included $67 million ongoing General Fund to backfill the resulting loss in revenue for trial courts.

TRIAL COURT INVESTMENTS TO EXPAND ACCESS TO JUSTICE

In recent years, the state has sought to expand access to justice with several key investments. Since 2019, the Administration has committed ongoing spending of $126.3 million General Fund to support the addition of 61 judgeships based on the Judicial Needs Assessments. Additional technology investments have been made to modernize court operations. These investments include the creation of the Judicial Branch Information Security Office to improve cyber security; modernization of the appellate and Supreme Court information technology systems, including updating electronic filing and case management systems to enable timely and accurate data collection; and enhancements to support remote access to courtroom proceedings by providing a publicly accessible audio stream in California trial courts.

The Administration has also made significant investments in the trial courts to support access to justice. Since 2021, trial court operations have cumulatively received over $2.5 billion General Fund to promote fiscal equity among the trial courts and improve existing service levels. The Budget continues the Administration's commitment to expanding access to justice by investing an additional $70 million ongoing General Fund to support trial court operations.

COMMUNITY ASSISTANCE, RECOVERY, AND EMPOWERMENT (CARE COURT)

Chapter 319, Statutes of 2022 (SB 1338), the Community Assistance, Recovery, and Empowerment Act (CARE Act), established a first-in-the-nation framework to support individuals suffering from untreated schizophrenia and other psychotic disorders. It created CARE Court, a court process to provide individuals with clinically appropriate, community-based and court-ordered CARE Plans.

In total, the Judicial Branch received $29.5 million General Fund in 2023-24, $26.5 million in 2024-25, and $32.9 million in 2025-26 and ongoing for the CARE Act. In addition, the Budget included $17.4 million ongoing General Fund beginning in 2025-26 to support public defender and legal services organizations who provide legal counsel to CARE participants. The Budget also includes $22.5 million General Fund in 2026-27 and ongoing for county behavioral health departments.

GOVERNMENT OPERATIONS AND EFFICIENCIES

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

- **Civil Service Improvements**—The Administration is committed to developing and maintaining an effective, efficient, and engaged workforce in state government. Since 2019, $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 staff time, but also improve the state's ability to recruit, hire, and retain the best qualified 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. These reforms save hundreds of thousands of hours of staff time each year.

- **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 in operating equipment and expenses across all state departments. Ultimately, the state has realized 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, such as:
  - **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**—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**—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.

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.

- **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 (primarily) 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 has made significant progress in developing the Middle Mile Broadband Network (MMBN), consisting of more than 8,000 miles, as it continues to move from construction to operational. CDT anticipates completing construction of two-thirds of the network by the end of 2026. In the months to come, CDT anticipates finalizing Master Service Agreements with FFA awardees planning to use the MMBN to operate their last mile services. Network operability will allow for revenue generation and self-sustainability.

- **Generative Artificial Intelligence (GenAI)**—Led by the Government Operations Agency, 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 in response to Governor Newsom's 2023 GenAI Executive Order. 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 established a deliberate and responsible process for utilizing this emerging technology. Furthermore, California entered into partnerships with AI developers to help state agencies responsibly use artificial intelligence to improve services to Californians. CDT deployed new AI productivity tools, available to all state agencies, cities, and counties, for safe, reliable, and context-aware problem solving across writing, coding, research, and analytic tasks.
- **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. Since 2021, 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. The state of California plans to launch CalSecure 2.0, the updated California Security Roadmap, the second half of 2026.

- **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.

TAX RELIEF

- **California Earned Income Tax Credit (CalEITC), Young Child Tax Credit (YCTC), and Foster Youth Tax Credit (FYTC)**—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 FYTC in 2022. In 2025, over 3.4 million CalEITCs were issued for a total value of more than $1.4 billion. Of this amount, 405,000 taxpayers claimed the YCTC for a total value of nearly $430 million. In addition, about 5,600 California FYTCs were issued for a total value of approximately $6.2 million. Through May 2026, a total of $10 billion has been paid to Californians over the lifetime of these three programs.
- **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.
- **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.
- **Small Business Tax Relief**—To encourage the formation of new small businesses, which are a major engine of economic growth in California, the 2020 Budget Act eliminated the $800 annual tax paid by limited liability companies (LLCs), limited

liability partnerships (LLPs), and limited partnerships (LPs) in their first year for tax years 2021, 2022, and 2023, providing around $240 million in tax relief to 300,000 new businesses each year. The 2026 Budget Act reduced the $800 tax by half for these businesses in their first year to $400 for tax years 2027, 2028, and 2029, providing an estimated $100 million in tax relief per year for 250,000 businesses.

GOVERNOR'S OFFICE OF SERVICE AND COMMUNITY ENGAGEMENT

COLLEGE CORPS CREATION AND EXPANSION

California Volunteers is a force larger than the Peace Corps and is the largest service force in the nation. California Service Corps members are engaging in service, volunteering, civic action, and building career pathways.

#CaliforniansForAll College Corps was a first-of-its-kind initiative and 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 providing them with an opportunity to earn $10,000 for committing to one year of service focused on K-12 education, climate action, and food insecurity. 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 54 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 fellows.

Since inception, College Corps has provided 126 grants worth $299.6 million to support 13,370 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

Since 2019, GO-Biz has administered various programs promoting inclusive economic growth in California, including by co-chairing 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.

- **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, which has produced the first statewide economic development strategy in 20 years, supported the development of 13 regional economic development strategies, driven investments into 333 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 since January 2019 to fund 15 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 support 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 training, confidential advice, and support 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 912,000 small business clients, including more than 19,800 business starts. These businesses created over 112,000 jobs, secured more than $4 billion in equity, were awarded more than $14 billion in new contracts, and received more than $3.2 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 have supported over 34,000 small businesses and start-ups, which created more than 4,000 jobs. Businesses incubated within the Hubs also filed 159 separate patents and secured nearly $420 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 (CalCompetes) Program**—Over $1.8 billion General Fund in tax credits were awarded since January 2019 to 271 businesses through the CalCompetes Tax Credit program in exchange for their commitment to make $37.6 billion in capital investments and create over 75,000 new, full-time jobs in California. Additionally, $333.2 million General Fund in grants were awarded to 23 businesses between 2021-22 and 2023-24 through the CalCompetes Grant program, 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 helps 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 $34.2 billion in economic output and supported the employment of more than 243,000 cast and crew members, along with 2.2 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's Small Business Loan Guarantee Program focused on helping small businesses, who may not otherwise qualify, increase their access to loans.
  - $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 closed over $366 million in loans in support of 28 projects.

BUSINESS AND CONSUMER SERVICES AGENCY

The Governor's Reorganization Plan established the Business and Consumer Services Agency to strengthen the state's ability to protect consumers by providing dedicated leadership and oversight across a wide range of industries. The new agency directly oversees eight entities plus dozens of boards, bureaus, and commissions within the Department of Consumer Affairs.

CANNABIS

- **Strengthening and Modernizing Licensing and Compliance Systems**—The state has transformed a fragmented regulatory landscape into a functioning statewide system. Since 2021, the Department of Cannabis Control (DCC) has issued nearly 4,000 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 14,800 inspections, 44,900 complaint reviews, 224 revocations, 424 suspensions, and 183 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 $23.4 billion in retail sales. DCC has continued to support an increase in local jurisdiction participation with local commercial cannabis activity growing 24 percent since 2019, and access to regulated cannabis expanding to almost 60 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 25 local equity programs with an additional 10 in development and approximately 2,350 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 1,850 search warrants, seizing more than 2.1 million pounds of illicit cannabis, $4 billion in illegal products, nearly $19.5 million in cash, and removing 721 firearms and arresting 852 individuals engaged in criminal activity. DCC and the Taskforce have participated in more

than 758 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 met specified criteria for an equity fee waiver to retain 20 percent of the excise tax they collected until December 31, 2025. More than $13 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.

DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

- **Implementation of the California Consumer Financial Protection Law (CCFPL)**—In 2021, the Department of Financial Protection and Innovation (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 are required to apply for a license with DFPI as of July 1, 2026.

DEPARTMENT OF CONSUMER AFFAIRS

- **Business Modernization**—The Department of Consumer Affairs completed two cohort efforts to modernize several boards and bureaus' online license and payment systems and enhance public facing application and consumer complaint portals. As of June 2026, four boards and bureaus included in Cohort 1 have been able to accept over 414,900 online applications and processed over $107.7 million in revenue transactions, and the five Cohort 2 entities have accepted over 88,200 applications and processed over $20.4 million in revenue transactions.

CALIFORNIA PRIVACY PROTECTION AGENCY

- **Nation's First Dedicated Privacy Enforcement Agency**—The establishment of the California Privacy Protection Agency (CalPrivacy) 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. CalPrivacy assumed enforcement authority over the California Consumer Privacy Act on July 1, 2023, and in 2025, secured its largest settlement to date ($1.4 million) for violations of the law. In November 2025, CalPrivacy 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, CalPrivacy 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.

DEPARTMENT OF FOOD AND AGRICULTURE

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

- **Climate Smart, Sustainable Agriculture**—Building on California's leadership in reducing greenhouse gas emissions and protecting nature and California's food system 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 deployed the largest invasive fruit fly response in state history, utilizing integrated resource management approaches, including increased trapping, rapid response mating disruption treatments, fruit stripping, and the release of over 440 million sterile insects. The state leveraged $132 million one-time ($47 million General Fund) with other resources to support this swift, comprehensive response allowing national and international markets to remain open.
- **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. The California Department of Food and Agriculture (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.

PAYING DOWN UNFUNDED RETIREMENT LIABILITIES

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.

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 $13 billion in Proposition 2 (2014) debt repayment funding is estimated to be available in 2026-27 to 2029-30. In 2026-27, the Budget reflects $3.6 billion in available Proposition 2 funding, including a $3 billion supplemental pension payment to help reduce CalPERS state plans' unfunded liabilities.

HEALTH AND HUMAN SERVICES

Since 2019, the state has made unprecedented investments to improve the lives of all Californians, with a focus on building a more resilient state. Through strategic investments and a commitment to innovation, California has improved access to health care, advanced health care affordability, strengthened the behavioral health continuum and health care workforce, enhanced public health infrastructure, advanced the well-being of children and youth, and continued building an age- and disability-friendly state where people of all abilities can live with dignity, independence, and opportunity. The Budget maintains significant investments to advance core health and human services programs and these accomplishments reflect the state's commitment to all Californians.

HEALTH CARE

- **California Advancing and Innovating Medi-Cal (CalAIM)**—CalAIM, effective January 2022, improves the health care delivery system by providing whole person care for those with the most acute needs, including transitional housing assistance to prevent homelessness, and prioritizes prevention and health-related social needs. Please see the Criminal Justice and Judicial Branch section for more information on the Justice-Involved Reentry Initiative. Since 2022, nearly 453,000 Medi-Cal members have received Enhanced Care Management services, and more than 528,000 members have accessed over 1.5 million Community Supports services.
- **Health Care Workforce**—The state has invested approximately $2 billion ($1.7 billion General Fund) for various initiatives within the Department of Health Care Access and Information, Department of Public Health, and Department of Health Care Services, to support health workforce development with a focus on nursing, primary care, public health, and behavioral health workforce. In addition, there is a $1.9 billion investment, over five years through 2029, for the BH-CONNECT Behavioral Health Workforce Initiative administered by the Department of Health Care Access and Information.
- **Public Health**—Since 2022, the state has invested nearly $1.2 billion General Fund, including $276.1 million General Fund annually, to strengthen California's public health system by supporting early outbreak detection, staff training, and technology enhancements. This funding has supported nearly 1,100 new local public health workers statewide—including nurses, epidemiologists, and lab staff—infectious disease response, mobile vaccination teams, outbreak investigation, and community outreach. Moreover, in response to federal actions, California has partnered with global health organizations and other states, forming the West Coast Health Alliance, as well as implemented state legislation to maintain access to vaccines to strengthen and maintain public health.
- **Opioid Response**—Since 2019, the state has invested over $1 billion total funds to support opioid remediation and response efforts including prevention, treatment, and recovery supports with a focus on underserved communities, including youth, rural areas, and American Indian and Alaska Native tribal communities. Through the

Naloxone Distribution Project, California has reported more than 400,000 overdose reversals.

- **Reproductive Health Care**—Since 2022, the state has invested over $700 million total funds to maintain and expand access to reproductive health care services and capacity, including funding to maintain critical services in response to federal actions, grants to enable patients to overcome barriers to care, and support for uncompensated care and abortion medications.
- **Covered California Premium Subsidies**—The state implemented the California Premium Subsidy Program in 2020 to reduce the cost of health insurance premiums for income-eligible Covered California enrollees. The 2026 Budget includes $300 million ongoing Health Care Affordability Reserve Fund to provide no-cost and low-cost health insurance coverage for enrollees up to 200 percent of the federal poverty level. The state has subsidized approximately 370,000 people to help reduce the cost of health insurance through Covered California.
- **Office of Health Care Affordability**—The Office of Health Care Affordability addresses the rising cost of health care by analyzing the health care market for cost trends and drivers of spending and setting and enforcing spending cost targets. In April 2024, the Office of Health Care Affordability Board approved a statewide health care spending target of 3.5 percent in 2025, decreasing to 3 percent by 2029. In 2025, the Board adopted a stricter spending target for hospitals with significantly higher costs, limiting their annual cost growth to 1.8 percent in 2026 and decreasing to 1.6 percent by 2029.
- **CalRx**—The state developed a generic drug program, making California the first state with its own generic drug label, to make medications more affordable. Since its inception, CalRx has developed low-cost biosimilar insulin and naloxone nasal spray products, with the prices of CalRx insulin and naloxone more than 50 percent lower than the comparative market prices at the time of program implementation. In under two years, CalRx has saved the state more than $49.9 million, and overall generic naloxone prices declined by 22 percent in the quarter immediately following CalRx's entry into the market. The 2026 Budget includes $15.5 million one-time General Fund for CalRx to improve access to low-cost options for epinephrine and tuberculosis drugs.
- **Diaper Access Initiative**—Through CalRx, the state is improving access to affordable diapers for families with young children, regardless of income, by providing a supply of free diapers to every newborn delivered at a participating hospital. California will

continue efforts to implement a direct-to-consumer purchasing portal for families to purchase low-cost diapers and wipes.

BEHAVIORAL HEALTH

- **Behavioral Health Services Act (Proposition 1)**—The state is improving accountability, increasing transparency, and expanding the capacity of behavioral health care facilities. Proposition 1 authorized $6.4 billion in General Obligation bonds, $4.4 billion administered by the Department of Health Care Services for behavioral health treatment sites and $2 billion administered by the California Department of Housing and Community Development in collaboration with the California Department of Veterans Affairs for supportive housing. In addition, in 2026-27, counties are estimated to receive over $3.9 billion Behavioral Health Services Fund for behavioral health treatment and supports. The Bond will result in the creation of 6,919 residential treatment beds, 27,561 outpatient treatment slots, and more than 4,000 new permanent housing units.
- **Behavioral Health Capacity**—The state has invested approximately $4.3 billion total funds across various Health and Human Services departments to expand the continuum of behavioral health treatment and infrastructure capacity. This includes $2.9 billion total funds for the Behavioral Health Bridge Housing Program and the Behavioral Health Continuum Infrastructure Program (BHCIP), and $1.4 billion total funds for mobile crisis services. In addition to Proposition 1, BHCIP investments will result in the creation of over 2,000 new treatment beds and more than 100 outpatient facilities. As part of these efforts California has, so far, supported the development of 459 new or enhanced mobile crisis teams.
- **Children and Youth Behavioral Health Initiative**—The Children and Youth Behavioral Health Initiative was implemented in 2022 as a statewide effort to provide behavioral health services and supports to children and youth aged 25 and younger through a whole-child approach. Since its inception, over $4 billion ($3 billion General Fund) has supported investments such as the wellness coach workforce initiative, which has certified more than 4,000 wellness coaches, and the fee-schedule program, which provides children and youth with access to school-linked behavioral health resources. The Initiative has also supported more than 70,000 people pursuing behavioral health careers, provided digital services to more than 500,000 children, youth, and families, and financed more than 300,000 behavioral health service claims through the fee schedule.

- **Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Initiative**—The BH-CONNECT Initiative aims to expand the continuum of community-based services and evidence-based practices available for children, youth, and adults living with behavioral health conditions through an investment of nearly $6.9 billion total funds over five years through 2031.
- **Community Assistance, Recovery, and Empowerment (CARE) Act**—California has created a statewide framework for structured interventions for people living with schizophrenia and other psychotic disorders. Through May 2026, nearly 10,000 Californians have been reached through CARE Act pathways, with over 5,000 CARE petitions resulting in more than 1,300 voluntary CARE agreements and court-ordered plans designed to provide necessary services and supports for Californians with significant mental and behavioral health needs. The 2026 Budget includes $81.2 million General Fund in 2026-27 and ongoing for this program in the Department of Health Care Services and the Judicial Branch.
- **988 and the Crisis Care Continuum**—Through the implementation of Chapter 747, Statutes of 2022 (AB 988), the state is strengthening the 988 Suicide and Crisis Lifeline to provide support for people experiencing a crisis via call, text, and online chat. Since 2022, over $125 million total funds have been invested to increase 988 call center capacity and oversight.
- **Incompetent to Stand Trial Waitlist**—The state has invested approximately $2 billion General Fund since the 2021 Budget Act to reduce the waitlist of Incompetent to Stand Trial patients awaiting placement in Department of State Hospitals' facilities from almost 2,000 individuals to less than 300 and to expand the number of state and community-based treatment beds from approximately 1,400 to over 2,300.

DEPARTMENT OF SOCIAL SERVICES

CHILD CARE AND DEVELOPMENT

DSS assumed responsibility for administering child care from the California Department of Education on July 1, 2021. Since 2020-21, the state has invested over $3.6 billion in additional General Fund to increase access to child care and development services, improve affordability for families, support the child care workforce, and strengthen capacity, including funding approximately 149,000 new subsidized child care slots, and awarding 3,800 grants to providers to improve infrastructure.

In 2019, legislation was signed that set the stage for approximately 40,000 family child care providers to unionize as the Child Care Providers United (CCPU) - California. More recently, the state and CCPU reached a new three-year agreement on August 7, 2025. The agreement includes $38.2 million General Fund for increases to monthly payments to CCPU providers and an additional $157.9 million General Fund for one-time stabilization payments for all child care providers, including California State Preschool Providers. The agreement with CCPU also includes a commitment to invest up to $585 million General Fund over the next three years for health benefits, retirement benefits, and training for represented child care providers.

FOOD AND NUTRITION

In recent years, CalFresh and nutrition programs have expanded, increasing the number of individuals served. According to the most recently available data from the U.S. Department of Agriculture, about 80 percent of eligible Californians receive CalFresh, a 20-percent increase over the previous two years.

Since summer 2024, California has participated in the SUN Bucks program, which provides $120 per child ($40 per month for June, July, and August) in federally funded food benefits to approximately 5.4 million children who lose access to free and reduced-price meals during the summer school closure period. The Budget includes $73.4 million ($36.7 million General Fund) in 2026-27 for transaction costs and outreach to allow the state to provide an estimated $642.8 million in federal food assistance to children.

IN-HOME SUPPORTIVE SERVICES

Since 2019, California has invested over $8.2 billion General Fund to restore and support service hours, improve administration, and support provider career pathways and systems. The IHSS program has continued to expand and serve a growing number of individuals, with over 800,000 recipients and over 800,000 providers statewide.

BUILDING AN AGE AND DISABILITY-FRIENDLY CALIFORNIA

In recent years, the state has undertaken historic reforms elevating the needs of older adults and individuals with intellectual and development disabilities, focused on stabilizing the service delivery system, promoting equity and consistency, and improving outcomes for individuals served.

- **Service Provider Rate Reform**—The state continues to invest in developmental services by improving provider rates, expanding quality improvement efforts, and strengthening the system that supports individuals with developmental disabilities. A key component of these efforts has been the multi-year investment in, and implementation of, new service provider rates, and an associated quality incentives program, estimated at approximately $3.5 billion ($2.1 billion General Fund) annually.
- **Master Plan for Developmental Services**—The state developed a community-driven vision for a more accessible, coordinated, and person-centered system for individuals and families receiving developmental services. It specifically focuses on improving equity, accountability, service quality, workforce stability, and lifelong supports, while improving regional center accountability, performance, and service provider quality.
- **Master Plan for Aging**—The state developed and continues to make progress on its 10-year blueprint to advance the longevity, well-being, and inclusion of people of all ages and abilities and build age-friendly communities statewide, backed up with historic investments, groundbreaking new initiatives, and collaborative public-private partnerships.

TK-12 EDUCATION

CALIFORNIA FOR ALL KIDS

Key accomplishments include:

- **Pre-K for All**—Universal access to free Transitional Kindergarten (TK) for all four-year-olds (over 400,000 children, 300,000 more than in 2021-22), with increased access to the California State Preschool Program for two-, three-, and four-year-olds. TK reached full implementation in 2025-26, with a total investment of $1.9 billion ongoing non-Proposition 98 General Fund.
- **Community Schools**—Statewide expansion of the community schools model, which is a whole-child approach that focuses on school engagement with families and community organizations, shared decision-making, and coordination of services. Implementation of the model results in better home-school connections, academic supports, access to nutritious meals, after-school and summer school enrichment and care, trauma-informed behavioral and physical health services, and access to

social services. Data indicates that the first cohort of schools that benefited from this investment are showing significant reductions in chronic absenteeism, reduced suspensions, and improved test scores and academic achievement, with the largest gains for historically underserved students. The state has invested $4.1 billion one-time Proposition 98 General Fund in community schools and achieved full deployment of planning and implementation grants to support nearly 2,500 schools (1 in every 4 schools in the state) in adopting the community schools model. The 2026 Budget Act includes $1 billion ongoing Proposition 98 General Fund to provide ongoing funding for existing community schools and expand the model to 3,700 additional school sites that have large concentrations of students from low-income families, English learners, and youth in foster care.

- **Before, After, and Summer School**—Year-round access to enrichment activities and before, after, and summer school supplemental education programs for all TK-6th grade children in low-income communities, English learners, and youth in foster care. This program reached full implementation in 2025-26 with an investment of $4.6 billion ongoing Proposition 98 General Fund. As a result, more than 1 million children gained access to free before, after, and summer school programming, which provides nine hours of developmentally appropriate academic and enrichment activities each school day and six weeks each summer—an important benefit for those students and their families.
- **Universal School Meals**—Access to two high-quality, free school meals per school day for all TK-12th grade students. This program reached full implementation in 2022-23, with a total investment of approximately $1.8 billion ongoing Proposition 98 General Fund. As a result, nearly 1 billion meals are served through state and federal meal programs in California public schools every year. This investment improves children's health and learning, reduces stigma around free meals, and combats childhood hunger.
- **Educator Preparation and Support**—Well-prepared and well-supported teachers and school counselors accelerate learning for students. To address persistent educator shortages and improve instructional quality, the state has invested more than $4 billion combined Proposition 98 and non-Proposition 98 General Fund for educator recruitment, retention, and training programs. As a result, the number of well-prepared public-school teachers in the state has increased, bringing stronger knowledge and skills to California classrooms. In addition, since 2019-20, the number of school staff has grown, despite a decline in student enrollment, reducing staff-to-student ratios statewide. During this time, the share of teachers of color increased by 5 percent. Further, since 2018-19, there has been a 10 percent

statewide increase in school employees with pupil personnel services credentials, which includes credentials for school counselors, school psychologists, and school social workers.

- **Improved Services for Students with Disabilities**—More intervention-focused special education programs and increased funding for special education services; specifically, $4.6 billion increased ongoing Proposition 98 General Fund since 2018-19 (a 139-percent increase), including early intervention funds for pre-K and kindergarten students to improve student outcomes.
- **School-Based Behavioral Health Services**—Beginning with the 2021 Budget Act, approximately $4.2 billion non-Proposition 98 General Fund has been provided for the Children and Youth Behavioral Health Initiative, which supports integration between schools, health care plans, and county health and social services to address the needs of children and youth. This includes the implementation of the behavioral health fee schedule effective January 1, 2025, which requires private health plans to reimburse participating local educational agencies (LEAs) for school-based behavioral health services.
- **Improving Literacy for All Students**—The state's multifaceted strategy to improve literacy outcomes statewide is grounded in a comprehensive, research-driven approach, reflecting the diverse and multilingual learners in California's schools. The Golden State Literacy Plan outlines the key initiatives implemented in the last several years to improve reading achievement for California's students, including the TK-12 Literacy Roadmap and Preschool through Grade 3 Learning Progressions, Literacy Coaches and Reading Specialists grant program, instructional materials aligned with the latest research on literacy and high-quality professional development for teachers. As of the 2025-26 school year, these efforts are reaching 2.6 million students in grades TK-5, including at over 800 high-need elementary schools that are now supported by literacy coaches and reading specialists. Additionally, as of fall 2025, all K-2nd grade students are being screened annually for risk of reading difficulties, including dyslexia, to provide early intervention and reading support for all children who need them.
- **Education Governance Reform**—Legislation proposed by the Administration and enacted in conjunction with the 2026 Budget Act made structural reforms to increase state accountability and strengthen California's education system by moving responsibility for managing the Department of Education into the Executive Branch. This shift, which was recommended by policymakers and academia alike consistently for over a century, aligns the Department with the State Board of Education, which is the governing and policy determining body for the Department.

The language also empowers the State Superintendent of Public Instruction to foster needed alignment and coordination of state education policies from early childhood through postsecondary education by providing new roles and authority on state education governing bodies.

HIGHER EDUCATION

Since 2019, and with the support of the Administration and the Legislature, the higher education segments have been successful in improving student outcomes. Additionally, in spring 2022, the Administration entered into multi-year agreements known as the Compacts with the University of California (UC) and the California State University (CSU) and the Roadmap with the California Community Colleges (CCC). The 2026 Budget Act includes the fifth and final payments to UC and CSU promised by these multi-year agreements. The Compacts focus on shared student-focused priorities, especially for resident students, such as increasing access to the UC and CSU, enhancing student success and advancing equity, making higher education more affordable, increasing intersegmental collaboration to benefit students, and supporting workforce preparedness and high-demand career pathways. Each segment identified goals that were mutually agreed upon to work toward, alongside commitments for year-over-year funding increases with the state. Examples of progress towards these outcomes are outlined below.

UNIVERSITY OF CALIFORNIA

- The UC has increased the number of undergraduate students graduating without any student loan debt, from 54 percent to 68 percent. For the 2018-19 academic year, 30,200 students graduated debt free out of 56,300 students graduating that year. By the 2024-25 academic year, that figure had grown to about 42,900 debt-free students out of 63,000 graduates—an increase of nearly 13,000 students graduating without loan debt.
- The UC enrolled its largest cohort of California resident undergraduates in academic year 2024-25, with an increase of 14,774 between 2022-23 and 2024-25. Additionally, from fall 2018 to fall 2024, total enrollment at all UC campuses increased from 280,380 to 299,407—the equivalent of adding an additional campus.

- Since 2016-17, UC increased the number of degrees awarded in science, technology, engineering, and mathematics (STEM) and educational fields by 38 percent, representing 80 percent of the overall growth in degrees awarded.

CALIFORNIA STATE UNIVERSITY

- The CSU has increased the number of students graduating without any student loan debt, from 53 percent to 65 percent. For the 2018-19 academic year, 57,600 students graduated debt-free out of a total of 107,300 undergraduates. By the 2023-24 academic year, that figure had grown to about 67,300 debt-free students out of 103,800—an increase of almost 10,000 students graduating without loan debt.
- Following two years of pandemic-related enrollment declines, the CSU increased total and undergraduate enrollment in both 2024-25 and 2025-26, with total fall enrollment of 471,451 and undergraduate enrollment of 416,531.
- In January 2022, CSU transitioned its Humboldt campus to become the state's third polytechnic institution and the first in Northern California. The transition was supported by more than $458 million General Fund—of which $433 million was one-time and $25 million was ongoing—which expands access to postsecondary Natural Sciences, Applied Sciences, Technology, and Engineering Programs at Cal Poly Humboldt. All programs are projected to be implemented by 2027.

CALIFORNIA COMMUNITY COLLEGES

- Following two years of pandemic-related enrollment declines, the CCCs enrollment levels have recovered to 2.2 million students in 2024-25, and further growth is anticipated in 2025-26 and 2026-27.
- In addition to the CCC's overall enrollment recovery, the CCC's saw:
  - Increased number of dual enrollment students to roughly 285,000—an increase of 55 percent since 2018-19.
  - Increased number of students completing degrees and certificates to approximately 156,000 in 2024-25, which is an increase of 10 percent from 2018-19.
  - Increased number of students earning associate degrees for transfer to roughly 60,000—an increase of nearly 18 percent since 2018-19.

- A reduction in the average number of student excess units for associate degrees for transfer to 81 units in 2023-24, which is a decrease of 8 percent from 2018-19.

OTHER NOTABLE HIGHLIGHTS

- The number of students receiving state financial aid more than doubled from 429,304 in 2018-19 to 848,879 estimated in 2025-26.
- As a result of recent state investments, it is estimated that by the time all approved projects have completed construction, the number of students in state-funded affordable student housing will grow by nearly 12,000 low-income students annually—with heavily subsidized rent across 40 campuses at the UC, CSU, and CCCs. Students benefiting from affordable rent will be required to take a full-time courseload at their respective colleges, with the goal of educational outcomes such as improved time to completion for these students.

MASTER PLAN FOR CAREER EDUCATION

In April 2025, after extensive statewide stakeholder engagement, the Administration released the state's first Master Plan for Career Education, with the goals of: (1) aligning state education and workforce development programs with the needs of the future economy, (2) better coordinating and streamlining programs regionally and across state agencies, and (3) ensuring that the state's students and adult learners have affordable access to the educational and career preparation opportunities needed to navigate to and obtain good paying jobs that lead to sustained career pathways.

The 2025 and 2026 Budget Acts included several investments to begin implementation of the Master Plan including:

- $100 million one-time Proposition 98 General Fund to increase access to college and career pathways for high school students, including expanding access to dual enrollment.
- $50 million one-time and $7 million ongoing Proposition 98 General Fund for the Credit for Prior Learning Initiative, which builds upon, expands, and embeds processes for awarding credit for prior learning across the community college system. Information on validated skills from credit for prior learning initiatives would be documented in a Career Passport.

- $25 million one-time Proposition 98 General Fund for the development of a Career Passport—a secure digital public infrastructure tool that displays an individual's validated skills, credentials, and academic achievements, which is intended to be shared with employers and institutions of higher education to present a skills-based portrait of an individual's education, career, and experience.
- $10 million one-time Proposition 98 General Fund to support the California Early College Demonstration Initiative, a regional pilot program focused on implementing and scaling dual enrollment and early college systems through partnerships between community college districts and local educational agencies.
- $1.5 million ongoing General Fund for the Government Operations Agency to establish the California Education Interagency Council (CEIC)to improve planning and coordination between elementary, secondary, and postsecondary education agencies and workforce development agencies and related entities aligned with recommendations of the Master Plan. The Governor appointed CEIC's first Executive Director in April 2026. CEIC conducted its first meeting in June 2026.
- $1 million one-time General Fund for the Labor and Workforce Development Agency to evaluate how regional coordination models can be expanded to create sustainable forums where educators, workforce training providers, and employers can work to align programs with employer needs.

HOUSING AND HOMELESSNESS

- **Housing Delivery Improvements**—California has improved its housing delivery and finance systems while scaling investments to expand access to affordable housing statewide. From 2019 to 2025, nearly 1.6 million housing permit applications have been submitted, with nearly 700,000 homes built, and approximately 44 percent of permitted multifamily rental units affordable to low-income households. Through its core multifamily programs, the state has funded 81,000 affordable homes, supported by reforms such as the Multifamily Finance Super Notice of Funding Availability (Super NOFA). In partnership with the State Treasurer, the Administration has advanced the largest sustained investment in housing in California's history by strategically leveraging bonds and tax credits to maximize federal and private capital.
- **Investments in Housing Stability and Homelessness Response**—California has also made historic investments in housing stability and addressing homelessness. Investments since 2019 have included:

- Over $3.6 billion over three rounds for the launch of the first-in-the-nation Homekey program that will serve nearly 16,000 homes across 250 projects, and is projected to serve over 172,000 Californians.
- $2.25 billion through Homekey+ to serve veterans as well as individuals with mental health or substance use challenges.
- $5.85 billion appropriated for Homeless Housing, Assistance and Prevention (HHAP) to support local jurisdictions in promoting housing stability and reducing homelessness.
- $1 billion appropriated in Encampment Resolution Funds, of which $900 million has been awarded and will provide services and housing to help 23,000 individuals across 120 encampment sites transition from homelessness, and $100 million in the 2025-26 Budget, with awards anticipated in September 2026.
- Since 2019, state funding has supported 174 awards totaling $330.3 million to tribal governments.

These efforts, along with down payment assistance and mortgage relief programs that have supported more than 45,000 first-time homebuyers, have helped stabilize households during periods of disruption.

- **Regulatory Improvements**—The state has advanced historic land-use and regulatory reforms that are accelerating housing delivery and strengthening accountability. Streamlining measures have reduced multifamily entitlement timelines and enabled applications for nearly 55,000 homes between 2018 and 2025 that would otherwise have faced discretionary review, contributing to improved production outcomes, including a nearly 58 percent increase in residential construction over the same period.
- **Prohousing Results**—Jurisdictions that have embraced regulatory reforms have seen significant results, with Prohousing cities and counties experiencing a 62 percent growth in residential construction from 2018 to 2025, outpacing the statewide average and exceeding jurisdictions without the Prohousing Designation.
- **Housing Element Compliance and Land Availability**—Expanded housing element technical assistance has resulted in approximately 94 percent statewide compliance, with local governments identifying land capacity for 3.6 million homes, including 1.4 million affordable units. Record Accessory Dwelling Unit permitting—31,751 in 2025—and implementation of the Surplus Land Act have

further expanded housing opportunities, creating a pipeline of more than 42,000 homes, including approximately 5,000 on state excess sites.

- **Housing and Homelessness Agency Framework**—Central to the state's long-term efforts is the implementation of the Governor's Reorganization Plan, which establishes a dedicated California Housing and Homelessness Agency on July 1, 2026, to oversee the coordination, accountability, and effective program delivery across state programs. The Budget advances that framework by supporting programmatic consolidations, streamlined processes, and stronger alignment among the state's major housing programs to improve efficiency and maximize the impact of available resources.
- **California Interagency Council on Homelessness (Cal ICH)**—A cornerstone of Cal ICH's work is statewide data and transparency, including stewardship of the Homeless Data Integration System—the nation's largest statewide aggregation of local Homeless Management Information System data—and implementing public dashboards that improve accountability and align funding with outcomes. Cal ICH has also led the design and early implementation of major homelessness programs and provided statewide policy leadership through California's first three-year Statewide Action Plan for Preventing and Ending Homelessness, as well as the Recovery Housing Guidance.

  In addition, Cal ICH has advanced equity, tribal partnership, and lived-experience governance by issuing the state's first Tribal Homelessness Policy Brief, establishing a Lived Experience Advisory Board, and launching the HELP Act dashboard to track outcomes for historically underserved populations. Through the Governor's Reorganization Plan, Cal ICH will be established as a stand-alone department, institutionalizing coordination, accountability, and data-driven leadership to provide California with a fully integrated and durable statewide homelessness response over the long term.

CIVIL RIGHTS DEPARTMENT

- **Community Conciliations**—The Civil Rights Department (CRD) Community Conflict Resolution Unit is a dedicated team focused on helping entire communities resolve conflicts. In its first two years of operations, the unit has assisted communities in California in preventing violence, reducing tension, and finding mutually agreeable solutions to issues related to discrimination and hate by facilitating over 120 community engagement sessions.

- **Commission on the State of Hate**—The Commission on the State of Hate works to advance the state's efforts to stop hate by conducting research, developing policy and programmatic recommendations, and engaging with California's diverse communities. The Commission hosted 12 community forums from 2023 to 2025, and the Commission's latest published report includes 19 interim policy recommendations and three sets of tools to help communities and governments combat hate.
- **Pay Data Reporting**—CRD collects and analyzes pay and demographic data annually from large California employers under the Pay Data Reporting program and releases new estimates on pay disparities following each reporting cycle. This program encourages employers' compliance with equal pay and anti-discrimination laws.
- **Outreach and Education**—The CRD Outreach and Education Unit engages in extensive efforts to reach Californians across the state to share information about the protections that exist and how to get support. In 2024, CRD visited 66 cities at nearly 200 in-person events, sent over 700 compliance letters addressing online housing and employment advertisements that violated the law, and oversaw nearly 200 fair housing tests for discrimination.

INFRASTRUCTURE

Key achievements in the state's infrastructure development since 2019 include the successful completion of new and renovated facilities supporting the state's diverse programmatic needs. These include:

- Eight new courthouse buildings, including the Tani Cantil-Sakauye Sacramento Courthouse, the Sonoma County New Hall of Justice, and two courthouse renovations, to support access to justice,
- A new Educational and Vocational Center at San Quentin Rehabilitation Center in Marin County,
- Numerous county adult jails and juvenile facilities statewide, to improve public safety by effectively managing criminal justice populations,

- Various projects related to health care facility improvements, medical distribution capacity expansion, and mechanical system upgrades at correctional facilities statewide, to address various facility deficiencies and to bolster delivery of care,
- The new Dos Rios State Park in San Joaquin County, expanding access to parks in underserved communities,
- Five new fire stations and one new helitack base for CAL FIRE, for support of fire protection and resource-management efforts statewide,
- A new California Air Resources Board Southern California Headquarters campus, known as the Mary D. Nichols Campus, to support the state's climate initiatives,
- Three new and three renovated state office buildings in the Sacramento Region, including the restoration of the historic Jesse Unruh building, which houses the California State Treasurer's Office, to address structural and functional deficiencies,
- A new Animal Health Program laboratory jointly operated by the California Department of Food and Agriculture and UC Davis in Stanislaus County,
- New affordable student housing facilities for Lake Tahoe Community College and Sierra Community College, and
- A new Skilled Nursing Facility at the Yountville Veterans Home in Napa County.

In addition, numerous impactful infrastructure projects are underway, including:

- Sixteen new courthouse projects throughout the state,
- Over 40 projects for CAL FIRE, including new construction and renovations of fire stations, air attack and helitack bases and unit headquarter facilities,
- A new Emergency Operations Center in Southern California for the Governor's Office of Emergency Services,
- Twelve California Highway Patrol Area Office Replacements statewide,
- A new Readiness Center for the California National Guard in Orange County,
- A new Athletic Complex at the Riverside School for the Deaf and Blind in Riverside County, and
- Nine affordable student housing projects for community college students.

In addition to advancing state capital projects, the Administration has also taken steps to accelerate critical infrastructure projects that deliver broad public benefits—such as clean energy, water reliability, housing, and climate resilience—by streamlining the California Environmental Quality Act (CEQA), while maintaining strong environmental and public review standards. Expediting court timelines for select CEQA challenges reduces uncertainty and delays that can disproportionately impact communities waiting for essential infrastructure and services.

California's infrastructure accomplishments reflect its commitment to meeting the needs of its diverse population while ensuring economic vitality, environmental sustainability, and enhanced quality of life for all Californians. Through bold investments and strategic planning, the state has positioned itself as a leader in infrastructure development, creating lasting benefits for future generations.

LABOR AND WORKFORCE DEVELOPMENT

Since 2019, the state has made significant investments in workforce training—with a particular focus on young people and those who face significant barriers to employment. Recent budgets have included $3.8 billion to expand workforce and training programs that lead to good jobs. In addition, education-related workforce investments have totaled $16.5 billion. Since 2019, Labor Agency departments have also allocated $2.3 billion in federal funding available through the Workforce Innovation and Opportunity Act (WIOA) and other federal grant programs to support these efforts.

These investments have created apprenticeships in key sectors, such as advanced manufacturing, utilities, and transportation; provided job training and other assistance to the justice-involved population, including justice-involved youth; and created more opportunities to support the development of a health and human services and education workforce representative of the state's diversity.

California has supported more than 674,000 earn-and-learn training opportunities, including over 250,000 registered apprenticeships statewide, since 2019. The state is on track to meet the goal of serving 500,000 registered apprentices by 2029, and has already surpassed the goal of serving 500,000 participants through earn-and-learn and other workforce development programs.

SUPPORTING APPRENTICESHIPS AND WORKFORCE TRAINING

Below are recent investments that have supported apprenticeship programs and other workforce training opportunities:

- **High Road Training Partnerships**—Ranging from transportation to health care to hospitality, this model embodies a sector-based approach through the establishment of industry partnerships that deliver equity, sustainability, and job quality. Key examples include:
  - **Health Care**—A total of $120 million one-time General Fund over three years ($45 million in 2022-23 and 2023-24 and $30 million in 2024-25) has been invested in health care projects statewide. These projects will serve a projected 17,412 participants, helping them gain valuable skills and accreditation to secure well-paying jobs in health care fields.
  - **Oil Well Capping Pilot**—$20 million one-time General Fund included in the 2022 Budget Act has been allocated to support a partnership for on-the-job training in well capping in Kern and Los Angeles Counties.
- **Support for Youth Entering the Workforce**—California has invested in education and workforce training programs to meet the needs of Opportunity Youth who are disconnected or at risk of becoming disconnected from systems such as education, employment, training, housing, and more. Programs include:
  - **California Opportunity Youth Apprenticeship Grants**—A total of $65 million General Fund over three years ($20 million in 2022-23 and 2023-24 and $25 million in 2024-25) for grants to develop and test innovative practices to increase the participation of Opportunity Youth in pre-apprenticeship and apprenticeship programs and demonstrate the impact of apprenticeship on employment and earnings outcomes for Opportunity Youth. These funds will enable grantees to serve approximately 3,300 participants in pre-apprenticeship and apprenticeship programs.
  - **Workforce Pathways for Youth**—$45 million in federal funds for grants administered by the Employment Development Department (EDD) to design and implement projects to empower young adults from underserved communities to obtain high-quality, well-paying jobs that offer opportunities for advancement. Participants have access to certification programs, on-the-job training, work-based learning opportunities, personalized career planning, and mentorships. This program aims to serve approximately 4,600 participants and more than 4,015 participants have been enrolled to date.
- **Apprenticeship Innovation Fund**—A total of $95 million one-time General Fund over two years ($55 million in 2022-23 and $40 million in 2023-24) for the Division of Apprenticeship Standards within DIR for grants to help grow and scale new and existing registered apprenticeship programs to meet job market needs within

high-demand sectors, such as technology, advanced manufacturing and healthcare. More than 29,000 registered apprentices have been trained through this program since 2022, with an additional 11,000 apprentices served in the 2025-26 fiscal year.

- **Farmworker Advancement Program**—$25 million in WIOA funds for California-based organizations to create programs that will help more than 2,855 farmworkers adjust to the changing demands of the farming industry by offering essential skills and upskilling training to either advance in the agricultural industry or prepare for advancement outside of the agricultural sector. This program has served 1,848 workers to date.
- **Displaced Oil and Gas Workers**—$30 million one-time General Fund included in the 2022 Budget Act, of which $27.7 million has been awarded, for grants to organizations that will assist 1,725 workers impacted by California's gradual transition from oil and gas towards renewable energy. Awardees will guide displaced oil and gas industry workers into high-quality careers that offer economic stability and clear pathways for advancement. The program has served 646 individuals to date.

HEALTH CARE AND EDUCATION WORKFORCE INVESTMENTS

Since 2019, $18.5 billion ($2.9 billion General Fund, $15.3 billion Proposition 98 General Fund, and $317.2 million other funds) has been invested to create more opportunities to recruit, train, hire, and advance the health and human services and education workforce; support workforce planning; and enhance high-demand career pipelines. This includes:

- $2 billion ($1.7 billion General Fund and $276.9 million other funds) for initiatives within the Department of Health Care Access and Information, Department of Public Health, and Department of Health Care Services, with a focus on nursing, primary care, public health, and behavioral health workforce development. See the Health and Human Services Section for more information.
- $3.7 billion in Proposition 98 General Fund for programs operated by the California Community Colleges (CCCs), including the instructional component of apprenticeship and pre-apprenticeship programs and programs focusing on career technical education at the community colleges such as the CCC Strong Workforce Program.

- $2.3 billion in Proposition 98 General Fund for investments to support faculty and staff at the community colleges, including full-time faculty hiring, part-time faculty health insurance, and support for classified staff.
- $5.7 billion ($803.1 million General Fund and $4.9 billion Proposition 98 General Fund, and $40.3 million in federal funds) for various programs to help recruit, retain, and train TK-12 educators.
- $4.4 billion in Proposition 98 General Fund for college and career pathway focused TK-12 programs, including the Golden State Pathways Program, Dual Enrollment, and various career technical education grant programs.
- $260 million one-time General Fund for Regional K-16 Collaboratives to support partnerships between public higher-education institutions and the workforces in their region.
- $146.4 million General Fund for various initiatives operated by the University of California and California State University systems, with a focus on medical, science, and technology education.

OTHER WORKFORCE INVESTMENTS

- **California Jobs First**—A total of $450 million General Fund between 2021-22 to 2026-27 has been allocated for California Jobs First, which is managed jointly by the Governor's Office of Economic Development and the Labor and Workforce Development Agency. See the Governor's Office of Business and Economic Development Section for more information.
- **California AI-Unemployment Tracker**—The state launched a first-in-the-nation tool in June 2026 to proactively track artificial intelligence-related job loss trends through the state's unemployment claims, serving as an early warning system to help the state track and anticipate job loss.

TRANSPORTATION

Since 2021, the largest one-time investments in transportation have been from a multi-year $14.6 billion transportation package. Although the package has been refined since it was first introduced in 2021, the Budget maintains the entirety of the transportation package reflected in the 2025 Budget Act. The following describes the major accomplishments funded through the funding package.

TRANSIT AND INTERCITY RAIL CAPITAL PROGRAM

The Transit and Intercity Rail Capital Program (TIRCP) provides grants to fund transformative capital improvements that modernize California's intercity, commuter and urban rail systems, and bus and ferry transit systems to significantly reduce emissions of greenhouse gases, vehicle miles traveled, and congestion.

Since 2019, CalSTA has committed more than $9.5 billion through competitive and formula-based TIRCP investments. These investments are expanding service, increasing ridership, reducing congestion, and are projected to reduce greenhouse gas emissions by an estimated 15.7 million metric tons.

PORT AND FREIGHT INFRASTRUCTURE PROGRAM

The Port and Freight Infrastructure Program (PFIP) was established in 2022 with $1.2 billion to invest in port, freight, and goods movement infrastructure. Investments in the PFIP program improve the capacity, safety, efficiency, and resilience of goods movement to, from, and through California's ports while reducing greenhouse gas emissions and air pollution in communities historically burdened by freight corridors.

PFIP has funded 15 major projects that will modernize ports and freight corridors, cut more than 637,000 tons of greenhouse gas emissions annually, and create over 48,000 jobs. These investments are making California's supply chains safer, cleaner, and more resilient while delivering tangible economic benefits statewide.

ACTIVE TRANSPORTATION PROGRAM

In addition to nearly $300 million in annual funding, an additional $650 million was provided to the Active Transportation Program between 2021-22 and 2025-26 for projects that encourage increased use of active modes of transportation, such as walking and biking, and increase the safety and mobility of non-motorized users. These funds have supported over 240 projects that improve and increase walking and biking infrastructure across the state. Of these projects, 227 benefited disadvantaged communities, including 133 "safe routes to school" projects.

CLIMATE ADAPTATION PROGRAMS

Between 2021-22 and 2023-24, $400 million was provided to identify transportation-related climate vulnerabilities throughout the state and assist in developing and implementing projects to improve the transportation system's climate resiliency. Of the total funding, $200 million was dedicated to resilience projects within the State Highway Operation and Protections Program, and $200 million was awarded to local agencies for local adaptation plans and projects.

SAFETY GRADE SEPARATION PROJECTS

Through various programs, the state dedicated $350 million to support critical high-priority grade separation safety improvements throughout California. This funding supported 13 grade separation projects across the state. These improvements are expected to significantly reduce collisions and delays at grade crossings and create at least 23,000 jobs statewide.

DEPARTMENT OF TRANSPORTATION

CLEAN CALIFORNIA

The Clean California program began in July 2021 with $1.2 billion in one-time General Fund as a transformative initiative to remove litter, create jobs, and beautify California. Since its implementation, along with clearing more than 3.4 million cubic yards of litter (the equivalent of nearly 136,000 garbage trucks), Clean California has also supported local art installations, new or upgraded recreational venues, and aesthetic improvements to shared public spaces.

The Clean California program also received an additional $25 million in the 2025 Budget Act to establish a new Clean California Community Cleanup and Employment Pathways Grant Program. Caltrans awarded the $25 million as match funding to communities with a Clean California Community designation for 90 local projects to improve lives and communities by supporting litter and graffiti removal efforts across California, with an emphasis on prioritizing grant proposals that integrate workforce development initiatives and target underserved and vulnerable populations.

The 2026 Budget includes $40 million General Fund to continue these efforts.

CALIFORNIA HIGHWAY PATROL

- **Hiring Initiative**—The "Join the CHP 1,000" campaign was a multi-year initiative beginning on June 9, 2022, by the California Highway Patrol (CHP) aimed at recruiting 1,000 new officers to address the need for law enforcement services in the state. This campaign focused on attracting individuals from diverse communities to fill vacancies created during the COVID-19 Pandemic. A three-year augmentation of $2 million per year from the Motor Vehicle Account supported CHP recruitment efforts for the increased cost of advertising campaigns, expansion of the scope of recruitment efforts, and improved diversity and inclusiveness when advertising. The CHP met its recruitment goal and hired the 1,000th officer in November 2024.
- **Body-Worn Camera Statewide Implementation**—The CHP received budget augmentations of $9.8 million in 2023-24; $9.9 million in 2024-25; and $4.9 million in 2025-26 and ongoing and 11 positions to implement body-worn cameras statewide. The CHP deployed more than 5,390 body-worn cameras to 6 of 8 divisions and will deploy approximately 600 devices to the remaining two divisions at the beginning of 2026.
- **Organized Retail Crimes Task Force**—Chapter 803, Statutes of 2018 (AB 1065) required the CHP to create a task force to enhance and improve California's response to organized retail crimes in the most heavily impacted regions of the state. The 2019 and 2021 Budget Acts included one-time funding to create the new Organized Retail Crimes Task Force, and the 2022 Budget Act expanded the Task Force and made it permanent. Through coordinated CHP operations with local law enforcement and retailers, the Task Force has now conducted more than 4,500 investigations, arrested more than 5,100 suspects, and recovered more than 1.6 million stolen items valued at over $74.6 million since 2019.
- **Highway Violence Task Force**—Prior budgets included a total of $15.5 million in one-time funding for the Highway Violence Task Force to address violent crimes occurring on state highways. The 2026 Budget includes $885,000 and 7 permanent positions to analyze crime data and conduct criminal research in support of the Task Force.

DEPARTMENT OF MOTOR VEHICLES

Since 2019, the Department of Motor Vehicles (DMV) has undertaken a comprehensive modernization effort to improve customer service, reduce wait times, expand digital services, strengthen identity protection, and replace aging legacy systems. These efforts reflect California's position as a national leader in secure, customer-focused government services.

DIGITAL SERVICE EXPANSION AND MODERNIZATION EFFORTS

The department's digital service expansion and modernization efforts have resulted in the following:

- A reduced need for in-person visits by offering more than 90 percent of DMV transactions online, resulting in improved customer convenience.
- A decrease in field office workload through expanded online services, virtual transactions, online driver license (DL) knowledge testing, and other self-service options.
- A modernization of Contact Center operations, allowing team members to resolve more customer issues during their first interaction and improve service efficiency.
- Successful deployment of major components of the Digital eXperience Platform (DXP) supporting Occupational Licensing, Vehicle Registration, Control Cashiering, and Inventory Management and continues work to replace decades-old legacy systems supporting driver licensing, occupational licensing, and other core business functions.
- A modernization of vehicle registration efforts, which have continued to shift customers to online, kiosk, and virtual channels, reducing field office dependency and improving service accessibility.
- An expansion of online driver licensing services, including online knowledge testing and commercial driver license renewal options, providing customers with greater flexibility and reducing office visits.
- Introduction of a redesigned driver license and identification card with enhanced physical and digital security features to strengthen identity protection.
- A modernization of customer interactions through digital notifications, paperless options, and enhanced online account services that improve convenience while reducing administrative costs.
- Implementation of a digital Driver's Handbook, reducing printing costs and improving access to educational materials.

REAL ID AND DIGITAL CREDENTIAL LEADERSHIP

- Since 2018, the DMV has issued more than 22 million REAL ID cards and successfully supported increased customer demand leading up to the start of federal enforcement.
- California's mobile driver's license (mDL) program is among the largest in the nation and is the first REAL ID-compliant mobile credential in the U.S. Since its initial development and pilot implementation in 2021-22, DMV has issued approximately 3.8 million mobile credentials, with approximately 2 million active mobile credentials currently provisioned on customer devices. California's mDL is accepted by the Transportation Security Administration at participating airport checkpoints and by select public and private partners.
- The DMV advanced innovative digital vehicle title technologies to improve transaction security, efficiency, and interoperability.

ROAD SAFETY ENHANCEMENTS

- In partnership with the CHP, DMV implemented streamlined processes to ensure drivers cited for traveling faster than 100 mph are rapidly referred to DMV Driver Safety for review, strengthening public safety. Between January and May 2026, the CHP submitted more than 3,200 Forwarded Actions for Speeding Tickets (FAST) Program referrals to DMV for drivers engaging in excessive speeding and other high-risk driving behaviors.

IMPROVED ACCESS FOR VULNERABLE POPULATIONS

- Since 2016, the DMV has issued approximately 1.2 million no-fee identification cards to individuals experiencing homelessness, which improved their access to employment, public benefits, and essential services.
- The DMV implemented Instant ID solutions to assist disaster survivors and vulnerable populations by providing timely proof of identity when needed.

HIGH-SPEED RAIL AUTHORITY

California's high-speed rail project has obtained full environmental clearance from San Francisco to Los Angeles. Construction progress on the 119-mile Central Valley Segment includes:

- 100 percent of parcels delivered (2,288 parcel acquired)
- 94 percent of utilities relocated (1,720 out of 1,826)
- 71 percent of guideway completed (84 of 119 miles)
- 66 percent of structures built (61 of 92)
- Awarded the Track & Systems to install track, overhead contact system, train control, and communications infrastructure.

The project's impact includes creating over nearly 122,000 job-years, generating $9.5 billion in labor income and contributing $24.6 billion in total economic output for the state. Of the $14.6 billion invested, 98.6 percent has gone directly to California firms and workers.

The project continues to advance statewide, and the Authority has supported completion of the more than 50 miles of electrification on Caltrain's corridor between San Jose and San Francisco, which is necessary for future high-speed rail service.

STATE TRANSIT ASSISTANCE

Since 2019, more than $4.6 billion in funding has been collected and disbursed from the State Transit Assistance (STA) program. This funding has been used by transit agencies to fund operations and capital projects. Regional agencies have also used this funding for administration and regional planning.

In addition to the baseline STA program, and as noted above, transit agencies have also received additional state resources through formula-based TIRCP grants for local transit capital infrastructure, zero emission vehicle projects, and to address operational shortfalls, as authorized by Chapter 54, Statutes of 2023 (SB 125). This funding supported transit agencies statewide, as many operators have struggled to regain ridership to pre-pandemic levels.

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SUMMARY CHARTS

This section provides various statewide budget charts and tables.

2026 Budget Act
General Fund Budget Summary
(Dollars in Millions)

	2025-26	2026-27
Prior Year Balance	$56,707	$57,221
Revenues and Transfers	$245,817	$226,754
Total Resources Available	**$302,524**	**$283,975**
Non-Proposition 98 Expenditures	$157,557	$158,546
Proposition 98 Expenditures	$87,746	$92,931
Total Expenditures	**$245,303**	**$251,477**
Fund Balance	**$57,221**	**$32,498**
Reserve for Liquidation of Encumbrances	$27,998	$27,998
Special Fund for Economic Uncertainties	$29,223	$4,500
Public School System Stabilization Account	**$9,195**	**$9,195**
Safety Net Reserve	**-**	**-**
Budget Stabilization Account/Rainy Day Fund	**$11,496**	**$15,070**

Note: Numbers may not add due to rounding.

General Fund Expenditures by Agency

(Dollars in Millions)

	2025-26	2026-27	Change from 2025-26 Dollar Change
Legislative, Judicial, Executive	$10,820	$8,181	-$2,639
Business and Consumer Services	226	16	-210
Housing and Homelessness	2,392	1,685	-707
Transportation	816	554	-262
Natural Resources	6,711	4,888	-1,823
Environmental Protection	277	268	-9
Health and Human Services	90,808	93,394	2,586
Corrections and Rehabilitation	14,483	14,448	-35
K-12 Education	83,419	90,903	7,484
Higher Education	22,691	26,691	4,000
Labor and Workforce Development	1,127	1,020	-107
Government Operations	3,303	5,110	1,807
General Government:			
Non-Agency Departments	1,672	1,401	-271
Tax Relief/Local Government	757	593	-164
Statewide Expenditures	5,802	2,326	-3,476
Total	**245,303**	**$251,477**	**$6,174**

Note: Numbers may not add due to rounding.

2026-27 Total State Expenditures by Agency

(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	$8,181	$3,802	$203	$12,186
Business and Consumer Services	16	1,309	-	1,325
Housing and Homelessness	1,685	152	401	2,239
Transportation	554	16,992	490	18,036
Natural Resources	4,888	3,144	630	8,661
Environmental Protection	268	4,568	46	4,882
Health and Human Services	93,394	51,313	450	145,158
Corrections and Rehabilitation	14,448	4,139	-	18,586
K-12 Education	90,903	134	1,591	92,628
Higher Education	26,691	164	1,280	28,136
Labor and Workforce Development	1,020	1,280	-	2,299
Government Operations	5,110	280	11	5,401
General Government:				
Non-Agency Departments	1,401	2,214	2	3,617
Tax Relief/Local Government	593	3,866	-	4,459
Statewide Expenditures	2,326	1,771	1	4,098
Total	**$251,477**	**$95,129**	**$5,104**	**$351,710**

Note: Numbers may not add due to rounding.

General Fund Revenue Sources
(Dollars in Millions)

	2025-26	2026-27	Change from 2025-26: Dollar Change	Change from 2025-26: Percent Change
Personal Income Tax	$146,847	$145,609	-$1,238	-0.8%
Sales and Use Tax	34,588	35,598	1,010	2.9%
Corporation Tax	43,662	45,167	1,505	3.4%
Insurance Tax	4,510	4,728	218	4.8%
Alcoholic Beverage Taxes and Fees	413	415	2	0.5%
Cigarette Tax	35	34	-1	-2.9%
Motor Vehicle Fees	46	46	0	0.0%
Other	8,616	-1,269	-9,885	-114.7%
Subtotal	**$238,717**	**$230,328**	**-$8,389**	**-3.5%**
Transfer from/to the Budget Stabilization Account/Rainy Day Fund	7,100	-3,574	-10,674	-150.3%
Total	**$245,817**	**$226,754**	**-$19,063**	**-7.8%**

Note: Numbers may not add due to rounding.

2026-27 Revenue Sources
(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2025-26
Personal Income Tax	$145,609	$4,371	$149,980	-$1,310
Sales and Use Tax	35,598	16,240	51,838	1,693
Corporation Tax	45,167	-	45,167	1,505
Highway Users Taxes	-	9,688	9,688	223
Insurance Tax	4,728	-	4,728	217
Alcoholic Beverage Taxes and Fees	415	-	415	2
Cigarette Tax	34	1,066	1,100	-46
Motor Vehicle Fees	46	13,132	13,178	408
Other	-1,269	53,599	52,330	2,157
Subtotal	**$230,328**	**$98,096**	**$328,424**	**$4,849**
Transfer to the Budget Stabilization Account/Rainy Day Fund	-3,574	3,574	-	-
Total	**$226,754**	**$101,670**	**$328,424**	**$4,849**

Note: Numbers may not add due to rounding.

TK-12 EDUCATION

California provides instruction and support services to roughly 5.7 million students in grades transitional kindergarten (TK) through twelve in nearly 10,000 schools throughout the state. A system of 58 county offices of education, almost 1,000 local school districts, and more than 1,200 charter schools provide instruction in English, mathematics, history, science, and other core competencies to provide students with the skills they will need upon graduation to enter the workforce and pursue higher education.

The Budget includes total funding of $151.4 billion ($91.1 billion General Fund and $60.3 billion other funds) for all TK-12 education programs. The Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the Local Control Funding Formula (LCFF), special education, educator workforce, and preschool.

PROPOSITION 98

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for TK-12 schools and community colleges (collectively referred to as TK-14 schools). The Proposition 98 minimum guarantee (Guarantee), which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The LCFF is the primary mechanism for distributing these funds to support students attending TK-12 public schools in California.

At budget enactment, the revised Guarantee for TK-14 schools is calculated to be $124.9 billion in 2024-25, $125.3 billion in 2025-26, and $128.1 billion in 2026-27. These revised Proposition 98 levels represent an increase of approximately $29.2 billion over the three-year period relative to the 2025 Budget Act, and an increase of approximately $1.2 billion from May Revision.

The Guarantee is in a Test 1 for all years 2024-25 through 2026-27. This means that the funding level of the Guarantee in these years is equal to roughly 40 percent of General Fund revenues, plus local property tax revenues. Pursuant to the Proposition 98 formula, this percentage of General Fund revenues is not reduced to reflect enrollment adjustments, which further increases per pupil funding.

In addition, the Proposition 98 formula requires an $8.3 billion maintenance factor payment in 2024-25, which will be paid in addition to the Guarantee level and accounts for much of the increase in the Guarantee in that fiscal year. This payment will fully retire the Proposition 98 maintenance factor balance.

To mitigate against potential future reductions in revenues and manage General Fund resources, the Budget maintains a $3.9 billion settle-up amount in the 2025-26 fiscal year. In spring 2027, if revenues remain at the same or higher levels for the 2025-26 fiscal year, the Legislature is statutorily required to pay this amount back to TK-14 schools and will need to schedule its payment in the 2027 Budget Act, either from funds available in that budget or scheduled across multiple budget years. To augment this statutory requirement, the Budget includes language that allocates 33 percent of new General Fund revenues over 2026 Budget Act projections, as calculated at the 2027 May Revision, to pay down any settle-up balance that remains for the 2025-26 fiscal year.

Finally, the Budget also maintains a settle-up payment of $1.9 billion in 2024-25—completely paying off the settle-up owed to the Guarantee in that fiscal year.

PROPOSITION 98 RAINY DAY FUND

The Budget projects mandatory Proposition 98 Rainy Day Fund deposits across the three-year budget window totaling $8.7 billion. To provide additional long-term budget stability, the Budget includes a discretionary deposit of $500 million in 2025-26, leaving the final balance in the Fund at $9.2 billion. The balance of $9.2 billion in 2025-26 triggers school district reserve caps beginning in 2026-27.

REBENCH FOR NON-LOCAL EDUCATIONAL AGENCY STATE PRESCHOOL PROGRAM

Historically, California State Preschool Program contractors that are not local educational agencies have received non-Proposition 98 General Fund and local educational agency contractors have received Proposition 98 General Fund. To reduce programmatic complexity, the Budget changes the funding source for non-local educational agency State Preschool providers to Proposition 98 General Fund.

To allow for this transition without negatively impacting Proposition 98 General Fund supported programs, the Budget "rebenches" Proposition 98 by expanding it in proportion to the size of the incoming program. Specifically, the Budget shifts $813 million from the General Fund to the Proposition 98 General Fund and increases the Proposition 98 Guarantee Test 1 percentage from 39.3 percent to 39.6 percent.

LOCAL CONTROL FUNDING FORMULA

The Budget includes a statutory LCFF cost-of-living adjustment (COLA) of 2.87 percent, which, when combined with population growth adjustments, will result in an increase of approximately $1.1 billion in discretionary funds for local educational agencies as compared to the 2025 Budget Act.

Additionally, the Budget includes $1.1 billion to further increase funding for the LCFF. This discretionary investment, commonly referred to as a "super COLA," results in a total (statutory plus discretionary) COLA of 4.31 percent. These additional funds will help local educational agencies manage rising costs and help offset funding reductions related to declining enrollment, as well as fund a new requirement to provide paid pregnancy disability leave (see below).

Finally, the Budget includes an ongoing increase of $31.3 million Proposition 98 General Fund to provide a 20-percent increase in LCFF funding for Necessary Small Schools, which is the funding formula for the smallest schools in the state. These schools are the most heavily impacted by enrollment declines and attendance fluctuations; this additional funding will help them maintain instructional programming when student population fluctuates.

STATE EDUCATION GOVERNANCE

For over 100 years, every major study and legislative review of California's governance system has regularly identified the same structural flaw in the governance of California's TK-12 education system. According to the Legislature's 2002 report, California’s Master Plan for Education, "California’s TK-12 education system is governed by a fragmented set of entities with overlapping roles that sometimes operate in conflict with one another, to the detriment of educational services offered to students.” This concern was reinforced in a December 2025 report, "TK-12 Education Governance in California," from Policy Analysis for California Education (PACE), an independent, non-partisan research center led by faculty directors at Stanford University, the University of California Berkeley, the University of California, Davis, the University of California, Los Angeles, and the University of Southern California.

The Budget implements the 2002 Master Plan recommendation to move oversight authority of the management of the California Department of Education and support of local educational agencies under the State Board of Education. The Budget further provides the State Superintendent of Public Instruction the ability to strengthen coordination and alignment among the bodies setting policy from early childhood through postsecondary education. These changes will strengthen governance of California’s education system to provide coherence and meaningful accountability to address the needs of students, parents, teachers, school staff, and administrators.

Further, the Budget reflects the addition of two new State Board of Education appointees, one appointed by each house of the Legislature, as well as the replacement of one gubernatorial appointee with the Superintendent of Public Instruction, bringing the total number of State Board members to 13. The Budget also requires the new Education Commissioner, who will be appointed by the Governor, to oversee the Department of Education, to be confirmed by the State Senate.

SPECIAL EDUCATION

The Budget reflects the state’s ongoing commitment to invest in and improve instruction and services for students with disabilities, providing an unprecedented increase of $2.4 billion in special education funding, or 43 percent over the 2025 Budget Act. These new funds will allow all local educational agencies in the state to receive special education funding at the same rate and will increase the per-student rate to $1,340.

Additionally, the Budget includes an ongoing allocation of $80 million for the special education extraordinary cost pool, which provides reimbursements to special education local plan areas for students with specified high-cost service needs, and the low-incidence disabilities add-on, which provides additional funding to support students with rare, highly specialized needs. The Budget also provides a one-time increase of $30 million for the Supporting Inclusive Practices Project, which provides resources to schools and educators to expand access to the general education environment for students with disabilities.

Further, the Budget includes a one-time increase of $25 million for the Inclusive College Technical Assistance Center. The Center facilitates collaboration between local educational agencies and institutions of higher education to expand inclusive college opportunities for students with intellectual and developmental disabilities, help those students develop life skills, and model inclusive postsecondary education communities.

Finally, the Budget provides a one-time investment of $10 million to develop resources and provide technical assistance to support the implementation of alternative pathways and alternative means to a high school diploma for students with disabilities.

Student Support and Professional Development Discretionary Block Grant

The Budget provides $5 billion one-time Proposition 98 General Fund for the Student Support and Professional Development Discretionary Block. These funds will provide local educational agencies with additional fiscal support to address rising costs, as well as fund statewide priorities including:

- Professional development for teachers on the English Language Arts/English Language Development (ELA/ELD) Framework and the Literacy Roadmap, with a focus on strategies to support literacy for English learners;
- Professional development for teachers on the Mathematics Framework;
- Professional development for TK-3 teachers and elementary school site administrators on the principles and guidelines of developmentally appropriate instruction;
- Teacher recruitment and retention strategies;

- Career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education;
- Community school and promising neighborhood partnerships; and
- Deferred maintenance of school facilities.

PAID PREGNANCY DISABILITY LEAVE

Comprehensive benefits, including paid pregnancy disability leave, can improve recruitment and retention of employees while prioritizing the health and well-being of workers and their families during pregnancy. To this end, the Budget requires all TK-14 local educational agencies, to provide all employees with up to 14 weeks of paid pregnancy disability leave beginning on January 1, 2027. This new benefit will support educators who want to start or expand their families and provide protections when pregnancy results in temporary disability. Costs of the benefit are absorbable within the funding allocated to local educational agencies for the discretionary LCFF "super COLA."

COMMUNITY SCHOOLS

Community schools partner with education, county, and nonprofit entities to provide integrated health, trauma-informed mental health, social services, and academic supports alongside high-quality, supportive instruction. In addition to these integrated student supports, community schools offer expanded learning time, active family and community engagement, and collaborative leadership practices.

The Budget includes $1 billion ongoing Proposition 98 General Fund to expand the community school model to more school sites that have large concentrations of students from low-income families, English learners, and youth in foster care. Community schools receiving these funds will partner with community-based organizations and Promise Neighborhood lead agencies to provide whole child services in the school setting. The Budget also supports the following investments intended to complement the new ongoing community schools program:

- $50 million to expand on the state's recent work to redesign middle and high schools, in the context of community schools, to better serve the needs of secondary students, improve student outcomes, and better integrate postsecondary college and career opportunities.

- $15 million to the State Transformational Assistance Center and Regional Transformational Assistance Centers to support the statewide transformation of new community schools.
- $13 million to the State Transformational Assistance Center to develop and implement: (1) the ongoing process to certify that community schools are implemented with fidelity and, (2) the long-term accountability structure.
- $6 million for the continued implementation of Transforming Together, an initiative supported by the Children and Youth Behavioral Health Initiative and California Community Schools Partnership Program that aims to strengthen collaboration between county offices of education and community partners to better meet the behavioral health needs of students and families.

Additionally, the Budget includes intent language to provide $20 million ongoing beginning in 2030-31 for county offices of education to continue regional community schools coordination services, extending existing one-time multi-year funding after it concludes.

LITERACY AND MATH INSTRUCTION

Over the past seven years, the state has made many high-leverage investments in evidence-based literacy instruction and professional learning to support the implementation of the ELA/ELD Framework. Of these investments, $715 million has been invested in the Literacy Coaches and Reading Specialists Grant Program. Using evidence-based practices, this program funds high-poverty schools to train and hire literacy and reading specialists and coaches; to support educators in developing their practices; strengthen and expand school literacy programs, including comprehensive English language development and dual language immersion programs, and other programs for multilingual learners; and to design interventions for students with disabilities, including dyslexia, through one-on-one and small group tutoring.

Depending on when participating local educational agencies first received a grant, funding for this program expires on either June 30, 2027, June 30, 2028, or June 30, 2029. To continue this critical support for literacy instruction in the state's neediest communities, the Budget includes a one-time increase of $350 million to extend funding for Literacy Coaches and Reading Specialists Grant Program for all grantees until June 30, 2031.

The state has also made several important investments in mathematics instructional supports in recent years to support the implementation of the new Mathematics Framework. For example, the 2025 Budget Act included $30 million for the Mathematics Professional Learning Partnership. This initiative, administered by the Kern County Superintendent of Schools, supports educator training and mathematics coaching across the state, with a prioritization for rural and high-need schools.

The Budget builds on this investment by providing an additional $50 million one-time Proposition 98 General Fund to allow the work of the Mathematics Professional Learning Partnership to expand its reach to more local educational agencies and extend its impact beyond its current expiration date of June 30, 2029.

TEACHER PREPARATION AND PROFESSIONAL DEVELOPMENT

Staffing shortages in TK-12 education have persisted for many years in California. However, promising gains to offset those shortages have been made in recent years due to billions of dollars of investments in educator recruitment and training. In order to continue making progress, it is imperative that barriers to teaching are removed for qualified teacher candidates, and that existing teachers are provided with the training they need to be successful.

The Budget includes nearly three-quarters of a billion dollars in new investments to accelerate the state's progress in addressing teacher shortages, including:

- An additional $408 million one-time Proposition 98 General Fund for the Student Teacher Stipend Program to extend the program and provide an additional $5,000 stipend for student teachers pursuing a credential in a high-need field.
- $250 million one-time Proposition 98 General Fund to continue educator residency programs through 2029-30. Educator residencies provide high-quality, clinically rich preparation for teachers and school counselors, with residency program participants having higher program completion and workforce retention rates than non-residency prepared teachers.
- $30 million one-time Proposition 98 General Fund for the statewide teacher residency technical assistance center, extending its ability to support local

educational agencies in implementing, expanding, and sustaining teacher residency programs and other teacher recruitment and retention through 2034.

- $16.2 million ongoing federal special education (IDEA) funds and $1.6 million one-time federal Title II funds to continue the Golden State Teacher Grant Program (GSTG). See the Higher Education Chapter for more information. Additionally, the Budget provides $10 million one-time General Fund for GSTG to support awards for students applying in the 2027-28 year to prepare to teach in shortage fields.
- $15 million one-time Proposition 98 General Fund to expand and enhance offerings through the 21st Century California School Leadership Academy (21CSLA) program for school leaders. 21CSLA provides no-cost, high-quality professional learning to support California's education leaders and administrators in improving student outcomes and implementing initiatives like universal transitional kindergarten.
- $10 million one-time Proposition 98 General Fund for the Pathways to Bilingual Teaching Program to provide competitive grants up to $600,000 to local educational agencies to create pathways that will increase the number of teachers qualified to teach in bilingual settings.
- $10 million one-time Proposition 98 General Fund for the Classified School Employee Teacher Credentialing Program to provide grants up to $24,000 to local educational agencies to support classified employees pursuing teaching credentials.

The Budget also provides $5 million one-time Proposition 98 General Fund to build and validate a system for statewide college transcript review by the California Commission on Teacher Credentialing. Transcript review allows teacher candidates to use their college coursework to prove their subject matter competency. By creating a free, statewide system for reviewing the college transcripts of teacher candidates, the Budget creates a viable alternative to examinations, saving teacher candidates hundreds of dollars in examination fees.

Additionally, to support the expansion in transcript review, the Budget includes a modest increase of $25 in the fee that teachers pay to renew their clear teaching credential. Currently, California teachers pay $100 every 5 years to renew their clear credential, so this change represents an increase of $5 per year. Revenues from this fee increase will support costs to the Commission on Teacher Credentialing related to establishing and maintaining the statewide transcript review process.

SUPPORTS FOR IMMIGRANT STUDENTS

The Budget provides several new investments to support the state's TK-12 immigrant and newcomer students. These investments include:

- $100 million one-time Proposition 98 General Fund for the Department of Education, in consultation with the Department of Social Services, to establish the California's New Americans in Schools (CalNAS) program to provide supportive services for newcomer pupils, English learners, and immigrant families. This program will supplement the existing California Newcomer Education and Well-Being program administered through the Department of Social Services. Allowable uses of funds include: (1) professional development and resources for staff to effectively support immigrant pupils and families; (2) academic and social services supports for newcomer pupils; and (3) contracting with immigration legal service providers to support outreach or immigration-related legal and other support services. Of the amount allocated, $10 million will be available for one or more local educational agencies to provide statewide technical assistance for CalNAS.
- $75 million one-time Proposition 98 General Fund to establish Dream Resource Centers at high schools serving grades 9-12. Funds are intended to support pupils with social services, state-funded immigration legal services, academic opportunities, and parent and family workshops.

EARLY EDUCATION

To strengthen the state's early education programs, the Budget includes the following investments:

- $250 million one-time Proposition 98 General Fund for the Universal Prekindergarten Planning & Implementation Grant, which supports the expansion of high-quality State Preschool and Transitional Kindergarten programs for two-, three-, and four-year-old students throughout the state.
- $51.4 million ongoing Proposition 98 General Fund to provide increased monthly cost of care plus payments for California State Preschool Program (CSPP) contractors in 2026-27.
- $33.6 million ongoing Proposition 98 General Fund to increase the number of CSPP professional development days from 2 days to 5 days in 2026-27.

- $20 million in additional ongoing Proposition 98 General Fund for the state's Quality Rating and Improvement System, which provides assessment, technical assistance, and fiscal support for improving the quality of early care and education programs.

OTHER TK-12 EDUCATION ISSUES

SIGNIFICANT BUDGET ADJUSTMENTS

- **Learning Recovery Emergency Block Grant**—$757.3 million one-time Proposition 98 General Fund to support the Learning Recovery Emergency Block Grant, which provides funds to local educational agencies to establish learning recovery initiatives through the 2027-28 school year. This investment is the final payment to this program, which has received multi-year investments totaling $7.2 billion in past budgets to support schools in learning recovery efforts related to the COVID-19 Pandemic.
- **Kitchen Infrastructure and Training**—$500 million one-time Proposition 98 General Fund for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.
- **Support for Students Experiencing Homelessness**—$116 million one-time Proposition 98 General Fund to provide three-year grants to local educational agencies to increase identification of and improve educational outcomes for students experiencing homelessness. These funds will supplement existing federal McKinney Vento Children and Youth grant program funds to expand access to the program.
- **Dual Enrollment**—$100 million one-time Proposition 98 General Fund to increase access to college and career pathways for high school students, including expanding access to dual enrollment and dual credit opportunities.
- **Reading Difficulties Risk Screening**—$40 million one-time Proposition 98 General Fund to support continued implementation of student reading difficulties screenings. The 2023 Budget Act required local educational agencies to begin screening students in kindergarten through second grade, for risk of reading difficulties, including dyslexia, beginning in the 2025-2026 school year.
- **Holocaust and Genocide Education**—$10 million one-time Proposition 98 General Fund for the Holocaust and Genocide Education Grant Program to support

professional development and provide resources on Holocaust and genocide education.

- **Charter School Accountability**—The Budget includes new requirements for charter schools to ensure that public funds are properly utilized, address fraud and malfeasance, and improve accountability and oversight. It also provides for the use of verified data in the charter school renewal process until June 30, 2028.

HIGHER EDUCATION

The Budget reflects a continued focus on achieving the goals of the multiyear compacts with the University of California (UC) and the California State University (CSU), and the multiyear roadmap with the California Community Colleges (CCCs), which outline shared goals to increase access to the UC and CSU, improve student success while advancing equity, increase the affordability of higher education, increase intersegmental collaboration, and support workforce preparedness and high-demand career pipelines.

The Budget proposes total funding of $50.1 billion ($31.6 billion General Fund and local property tax and $18.5 billion other funds) for the higher education segments and the California Student Aid Commission.

UNIVERSITY OF CALIFORNIA

The UC offers formal undergraduate and graduate education. The UC is authorized to independently award doctoral degrees and is designated as the state's primary academic agency for research. The UC's 10 campuses enroll approximately 300,000 students and the UC extension centers additionally register more than 332,000 participants in continuing education programs. In 2024-25, the UC awarded more than 89,000 degrees, including nearly 66,000 undergraduate degrees.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Base Funding Adjustment**—$254.3 million ongoing General Fund, representing a 5-percent base increase for the fifth and final year payment of the Compact. The Budget also provides $96.3 million ongoing General Fund to partially fund the fourth year Compact payment as scheduled in the 2025 Budget Act.
- **Compact Funding Deferral**—Maintains a $240.8 million one-time General Fund deferral of the 2025-26 Compact payment, representing a 5-percent base increase in the fourth year of the Compact, to 2027-28.
- **Extends One-Time Base Deferral**—Extends the deferral of a $129.7 million one-time General Fund repayment of a one-time 3-percent base decrease included in the 2025 Budget Act from 2026-27 to 2027-28. To mitigate the impacts of this delay, the Budget provides UC with the authority for a cash flow loan in 2026-27, which will allow UC to repay and retire its existing 2025-26 cash flow loan.
- **Nonresident Student Replacement Deferral**—Maintains a planned $31 million one-time General Fund deferral to offset revenue reductions associated with the replacement of the 902 nonresident undergraduate students enrolled at three campuses with an equivalent number of California resident undergraduate students from 2025-26 to 2027-28.
- **One-Time Support for Targeted Programs**—$110.9 million one-time General Fund to support 21 programs and activities across the UC. Notable programs receiving funding include:
  - $20 million to support Student Basic Needs, Housing, and Disability Services
  - $15 million to support Journalism Fellowships
  - $10 million to support the Climate Change Research Institute
  - $9 million to support the Cal-Bridge Program
  - $5 million to support UC Degree Plus
  - $1.5 million to support First Star Academy Youth Cohorts at UC campuses

CALIFORNIA STATE UNIVERSITY

The CSU provides undergraduate and graduate instruction generally up to the master's degree. The CSU's 22 campuses enroll more than 471,000 undergraduate and graduate students. In 2024-25, the CSU awarded more than 123,000 degrees. The CSU also provides opportunities for residents to enroll in professional and continuing education programs.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Base Funding Adjustment**—$264.8 million ongoing General Fund, representing a 5-percent base increase for the fifth and final year payment of the Compact. The Budget also provides $100.9 million ongoing General Fund to partially fund the fourth year Compact payment as scheduled in the 2025 Budget Act.
- **Compact Funding Deferral**—Maintains a $252.3 million one-time General Fund deferral of the 2025-26 Compact payment, representing a 5-percent base increase in the fourth year of the Compact, to 2027-28.
- **Extends One-Time Base Deferral**—Extends the deferral of a $143.8 million one-time General Fund repayment of a one-time 3-percent base decrease included in the 2025 Budget Act from 2026-27 to 2027-28. To mitigate the impacts of this delay, the Budget provides CSU with the authority for a cash flow loan in 2026-27, which will allow CSU to repay and retire its existing 2025-26 cash flow loan.
- **California-Mexican Initiative for New Opportunities (CAMINO) Program**—$5.4 million one-time General Fund for the CAMINO Program, which facilitates student and faculty exchanges and other partnerships between California and Mexico.

CALIFORNIA COMMUNITY COLLEGES

The CCCs are the largest system of higher education in the country, serving roughly one out of every four of the nation's community college students, or approximately 2.2 million students. The CCCs provide basic skills, vocational, undergraduate-transfer education, and several independent bachelor's degrees with 73 districts, 116 campuses, and 83 educational centers. In 2024-25, the CCCs awarded over 154,000 certificates and 209,000 degrees.

SIGNIFICANT STUDENT-CENTERED FUNDING FORMULA (SCFF) BUDGET ADJUSTMENTS

- **Payment of 2025 Budget Act Deferrals**—$408.4 million one-time Proposition 98 General Fund to fully repay deferrals for the SCFF.
- **SCFF Cost-of-Living Adjustment (COLA)**—$440.5 million ongoing Proposition 98 General Fund to support a 4.31-percent COLA, of which 1.44 percent is discretionary. The Budget also includes $13.3 million ongoing Proposition 98 General

Fund to adjust hold harmless funding levels by 1.44 percent. This discretionary COLA is available to support any costs related to providing all employees with up to 14 weeks of paid pregnancy disability leave beginning January 2027.

- **SCFF Base Adjustment**—$141 million one-time Proposition 98 General Fund to fully fund the SCFF in 2025-26.
- **SCFF Growth Adjustment**—$97.8 million ongoing Proposition 98 General Fund to fund 1.5 percent enrollment growth in the SCFF in 2026-27. The Budget also includes $55.3 million ongoing Proposition 98 General Fund to fund an additional 1 percent enrollment growth in 2025-26. It is the Administration's expectation that the net effect of these two enrollment growth investments support a combined growth percentage of 2.5 percent in 2026-27.
- **SCFF Calculation: Use of Current Year Full-Time Equivalent Students**—$47.7 million ongoing Proposition 98 General Fund to allow the greater of the three-year rolling average or the current year full-time equivalent students to be incorporated into SCFF apportionment calculations.

OTHER SIGNIFICANT BUDGET ADJUSTMENTS

- **Community College Facilities**—$736.9 million one-time Proposition 2 bond funds to finance 10 new projects and 29 continuing projects at the community colleges.
- **Local Property Tax Adjustments**—$120.6 million ongoing Proposition 98 General Fund as a result of decreasing offsetting local property tax revenues.
- **Student Support Block Grant**—$147.2 million one-time Proposition 98 General Fund for a flexible Student Support Block Grant for the community college system.
- **Deferred Maintenance**—$120.7 million one-time Proposition 98 General Fund to address deferred maintenance needs.
- **Dreamer Resource Grant Program**—$71.1 million one-time Proposition 98 General Fund for community colleges to support Dreamer Resource Centers.
- **Calbright College**—$53.1 million ongoing Proposition 98 General Fund to support Calbright College base operations as it transitions out of its startup capacity.
- **Common Cloud Data Platform**—$41 million Proposition 98 General Fund, of which $5 million is ongoing, for further scaling of the Common Cloud Data Platform across the community college system. This platform will leverage existing local districts' student data systems to provide near real-time data reporting.

- **Credit for Prior Learning**—$37 million Proposition 98 General Fund, of which $2 million is ongoing, to support and build upon the Credit for Prior Learning Initiative. This initiative is part of the Administration's investments in the Master Plan for Career Education.
- **Categorical Programs COLA**—$36.9 million ongoing Proposition 98 General Fund to provide a 2.87-percent COLA to select categorical programs and the Adult Education Program.
- **California Indian Nations College**—$42.6 million one-time Proposition 98 General Fund available over three years to support the California Indian Nations College.
- **Student Equity and Achievement Program**—$30.1 million ongoing Proposition 98 General Fund for the Student Equity and Achievement Program.
- **LGBTQ+ Resource Centers**—$30 million one-time Proposition 98 General Fund to support LGBTQ+ Resource Centers.
- **Strong Workforce Program**—$15.8 million one-time Proposition 98 General Fund to support the Strong Workforce Program.
- **Future of Creative Industries Pilot Project**—$15 million one-time Proposition 98 General Fund to support the Future of Creative Industries Pilot Project.
- **California Healthy School Food Pathways Program**—$14.3 million ongoing Proposition 98 General Fund to support the California Healthy School Food Pathway program, which strengthens the school food service workforce through apprenticeship and training programs.
- **California Early College Demonstration Initiative**—$10 million one-time Proposition 98 General Fund to establish and support the California Early College Demonstration Initiative. This initiative is a regional pilot focused on developing partnerships between local educational agencies and community college districts to expand and sustain equitable dual enrollment and early college opportunities.
- **Financial Aid Administration Support**—$10 million one-time Proposition 98 General Fund for Community College Financial Aid Administration Offices.
- **Adult Learner Demonstration Project**—$9.7 million one-time Proposition 98 General Fund, available for use over three years, to support the Adult Learner Demonstration Project. This program provides comprehensive services to assist low-income adult workers to move into stable and higher-paying jobs.

- **College Family Resource Centers**—$5 million one-time Proposition 98 General Fund to support the Pierce College Family Resource Center.
- **Southwestern Community College Pharmacy Tech and UCSD Transfer Pathways**—$3 million one-time Proposition 98 General Fund to support the Southwestern Community College Pharmacy Tech and UCSD Transfer Pathways Program.
- **Cal-Bridge First Academic Scholar Training Program**—$1.2 million one-time Proposition 98 General Fund to support the Cal-Bridge First Academic Scholar Training Program.

CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission administers California's state-funded postsecondary financial aid programs, primarily the Cal Grant program. The Cal Grant program is estimated to provide nearly 584,000 new and renewed financial aid awards to students who meet specified eligibility criteria in fiscal year 2026-27.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Cal Grant Program Caseload Adjustments**—Estimates Cal Grant expenditures of approximately $2.5 billion in 2024-25, $2.9 billion in 2025-26, and $3.2 billion in 2026-27 based on the latest estimates of enrollment of Cal Grant-eligible students. These estimates reflect an increase of $4.8 million one-time General Fund in 2025-26 and $31.5 million ongoing General Fund in 2026-27.
- **Middle Class Scholarship Program (MCS)**—$41 million one-time General Fund for the remaining payment to support the 2025-26 MCS awards, which reimburses up to 35 percent of a student's remaining financial need as authorized in the 2025 Budget Act. This brings the total General Fund cost for 2025-26 MCS awards to $959 million. The Budget also increases the 2026-27 MCS award coverage amount from 17.5 percent to 23 percent of a student's remaining financial need. As MCS awards are paid in arrears, the Budget includes $166.9 million one-time General Fund to pay for the higher award coverage percentage in 2027-28.
- **Cal Grant Transfer Entitlement Program**—A total of $100.6 million in one-time General Fund over five years to expand the state Cal Grant Transfer Entitlement program to students aged 29 to 30 for new and renewal awards for five years. As awards are paid one-year in arrears, the total amount provided is allocated as follows:

$13.5 million for 2027-28, $22.2 million in 2028-29, $23.5 million in 2029-30, $25 million in 2030-31, and $26.5 million in 2031-32.

- **Golden State Teacher Grant (GSTG) Program**—$16.2 million in ongoing federal special education (IDEA) funds for grant awards to prospective special education teachers of up to $20,000. The Budget also provides $1.6 million one-time federal Title II funds for 2026-27 grant awards and $10 million one-time General Fund for 2027-28 grant awards of up to $10,000 to prospective teachers in high-need fields of study.
- **Workforce Pell Grant Program Implementation**—$644,000 one-time General Fund to support Commission implementation activities to enable California to participate in the new federal Workforce Pell Grant Program as authorized under the House of Representatives (H.R.) 1 of 2025.

COLLEGE OF THE LAW, SAN FRANCISCO

College of the Law, San Francisco is affiliated with the UC system but is governed by its own Board of Directors. Located in San Francisco, it primarily serves students seeking a Juris Doctor degree but also offers programs leading to Master of Laws; Master of Studies in Law; and Master of Science, Health Policy and Law degrees. In 2025-26, College of the Law, San Francisco enrolled 1,138 full-time equivalent students. Of these, 1,064 were Juris Doctor students.

SIGNIFICANT BUDGET ADJUSTMENT

- **Campus Safety and Security Resources**—$1 million ongoing General Fund to support campus public safety and security programs.

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NATURAL RESOURCES AND ENVIRONMENT

The Natural Resources Agency consists of 29 departments, boards, commissions, and conservancies responsible for administering programs to conserve, restore, and enhance the natural, historical, and cultural resources of California. The Budget includes $9.3 billion ($4.9 billion General Fund, $3.2 billion special funds, $668.5 million bond funds, and $530.4 million federal funds) for the programs included in this Agency.

The California Environmental Protection Agency consists of six departments and boards responsible for implementing the state's climate priorities, enhancing air and water quality, achieving the state's waste reduction goals, and protecting public health. The Secretary coordinates the state's regulatory programs and provides fair and consistent enforcement of environmental law. The Budget includes $5.6 billion ($268 million General Fund, $4.7 billion special funds, $634 million federal funds, and $45.3 million bond funds) for programs included in this Agency.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

The California Department of Forestry and Fire Protection (CAL FIRE) provides natural resource management and wildland fire protection services to 31 million acres of State Responsibility Area (SRA)—and supports federal and local efforts in non-SRA areas. It operates 237 fire stations, 13 air attack bases, 1 air tanker base, 11 helitack bases, 25 conservation camps, 31 fire centers, 14 state forests, 1 nursery, and 1 statewide seed bank. Of the 56 counties with SRA, CAL FIRE contracts with 6 counties to provide wildland fire protection services. The Budget includes $5 billion ($2.8 billion General Fund) and 14,044 positions for CAL FIRE.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Fixed-Wing Pilot and Mechanics Contract Increase**—The Budget includes $66.5 million General Fund in 2026-27 through 2028-29, $69.6 million in 2029-30, and $74.1 million ongoing to support contract cost increases for fixed wing pilots and mechanics. CAL FIRE operates the largest civil aerial wildfire suppression fleet in the world, and uninterrupted maintenance is critical to keeping aircraft mission ready. These resources ensure continued access to skilled aviation personnel, allow the Aviation Management Unit to maintain the fleet to required standards, and support safe, reliable aircraft operations throughout the fire year.
- **Permanent Resources for Enhanced Defensible Space Inspections**—The Budget includes $6.2 million General Fund in 2026-27 and 2027-28, $6.4 million in 2028-29, $5.7 million in 2029-30, $5.6 million in 2030-31 and ongoing, and 31 positions to continue meeting the state's goal of 250,000 annual parcel inspections within the SRA. The additional resources will continue a portion of the previous one-time Wildfire and Forest Resilience funding as well as provide additional year-round inspectors and associated support.

CALIFORNIA CONSERVATION CORPS

The California Conservation Corps (CCC) has long served as a cornerstone of workforce development in California, offering young people and veterans meaningful opportunities to serve their state while gaining valuable life, work, and educational experiences. Through hands-on service in environmental conservation, fire prevention and protection, disaster response, habitat restoration, and clean energy projects, Corpsmembers develop the skills needed to become empowered workers and engaged citizens. The Budget includes $202.7 million ($125.6 million General Fund) and 574 positions for CCC.

In addition to the CCC, California supports 14 certified local conservation corps and 5 tribal corps programs located in communities across the state. These corps provide similar workforce development and training opportunities, engaging young people in conservation, recycling, education, and community service activities that improve local environments and promote civic engagement.

Through these programs, the state is making a strategic investment in its future workforce—empowering young Californians with the skills, experience, and values needed to contribute meaningfully to their communities and the broader economy.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Wildfire Readiness Seven-Day-Per-Week Schedule - CCC Hand Crews**—The Budget includes $11.7 million General Fund in 2026-27, $10.8 million in 2027-28 and ongoing, 49 positions, and 47 full-time equivalent Corpsmember and Special Corpsmember positions to implement a seven-day operational schedule year-round, enhancing wildfire readiness, rapid response, and workforce development. The proposal supports CAL FIRE's goals by increasing crew capacity, improving safety and resilience, and aligning with statewide climate and conservation initiatives.
- **Staffing and Operations for the Greenwood Residential Center**—The Budget includes $12.3 million ($6.8 million General Fund and $5.5 million Collins-Dugan California Conservation Corps Reimbursement Account) in 2026-27, $9.4 million ($5.2 million General Fund and $4.2 million Collins-Dugan California Conservation Corps Reimbursement Account) in 2027-28 and ongoing, 24 positions, 100 Corpsmembers, and 6 Special Corpsmembers to fully staff and operate the new Greenwood Residential Center in El Dorado County, scheduled for occupancy in July 2026. This proposal expands CCC's emergency response capacity, conservation work, and youth development programs in a strategically vital region.

DEPARTMENT OF WATER RESOURCES

California continues to experience weather extremes as droughts, floods, and temperatures become more severe. Building systems resilient to these weather extremes is a core pillar of the state's climate strategy.

In August 2022, the Administration launched California's Water Supply Strategy, "Adapting to a Hotter, Drier Future," to increase water supply and adapt to more extreme weather patterns caused by climate change. This strategy builds on the broader Water Resilience Portfolio released in 2020 as a blueprint to equip California with the tools to address more extreme droughts and floods, a lack of safe drinking water in many communities, rising temperatures, declining fish populations, and an over-reliance on groundwater.

The Department of Water Resources (DWR) continues to play a key role in the implementation of both the Water Resilience Portfolio and the Water Supply Strategy, setting a course for managing water supplies in the face of an ever–changing climate. Historic levels of one-time state support have provided the opportunity to make generational investments across program areas tasked with bolstering the state's resilience to these weather extremes. While rising temperatures continue to introduce new challenges for managing water in California, DWR has implemented a broad, diversified approach to address long-standing challenges while preparing for the future.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Healthy Rivers and Landscapes Program**—The Budget includes $25 million one-time General Fund to deliver environmental flows, habitat restoration, science, and monitoring to support the requirements of the soon to be updated Bay-Delta Water Quality Control Plan. The State Water Board is expected to adopt an updated Bay Delta Plan by the end of 2026 with the Healthy Rivers and Landscapes Program as a compliance pathway for participating water agencies. This funding supports both flow commitments and the habitat and scientific investments necessary to achieve measurable ecosystem improvements in the Bay Delta.
- **River Forecast and Snow Survey Resources**—The Budget includes $9.5 million ongoing General Fund to support DWR's efforts to provide 24-hour river forecasts and collect snow course measurements that are critical for water supply forecasting, offsetting the vulnerabilities created by recent federal reductions in these areas.
- **San Joaquin River Settlement State Obligations - Eastside Bypass Control Structure Fish Passage Rock Ramp**—The Budget includes $9.5 million one-time Proposition 1 for DWR to implement the Eastside Bypass Control Structure Fish Passage Rock Ramp project. This project includes modification of a control structure and construction of a rock ramp to improve fish passage for adult salmon and other native fish within the San Joaquin River system to further the work towards the state-obligated San Joaquin River Restoration Program.
- **Delta Levees Program Mitigation**—The Budget includes $7.9 million one-time General Fund for DWR's Delta Levees Program. This funding will support the mitigation required for implementing levee safety projects in the Delta. This compensatory mitigation is required by state and federal law when levee improvement projects adversely impact habitat.

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation (California State Parks) consists of 280 parks, beaches, trails, wildlife areas, open spaces, off-highway vehicle areas, and historic sites totaling approximately 1.6 million acres of land, including over 340 miles of coastline; 970 miles of lake and river frontage; more than 15,000 campsites and alternative camping facilities; and more than 5,200 miles of motorized and non–motorized trails. The Budget includes $1.1 billion ($250.7 million General Fund) and 4,766 positions for California State Parks.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Will Rogers and Dockweiler State Beaches Operations Transition**—The Budget includes $24.4 million ($19.2 million General Fund and $5.2 million State Parks and Recreation Fund) and 13 positions in 2026-27, $12.1 million ($3.5 million General Fund and $8.6 million State Parks and Recreation Fund) and 23 positions in 2027-28, and $12.4 million ($3.8 million General Fund and $8.6 million State Parks and Recreation Fund) and 31 positions in 2028-29 and ongoing to transition the operation of Will Rogers State Beach and Dockweiler State Beach from the County and City of Los Angeles back to California State Parks.
- **California State Parks Library Pass Program**—The Budget includes $6.8 million ongoing General Fund (transferred annually into the State Parks and Recreation Fund) to support the California State Parks Library Pass program. Library card holders can borrow a pass from their local library to access select state parks, beaches and monuments for free, helping to remove cost barriers to visit these treasured spaces.
- **Fort Ord Dunes**—The Budget includes $3.6 million General Fund in 2026-27, $3.3 million ($2 million General Fund and $1.3 million State Parks and Recreation Fund) in 2027-28, $3.3 million ($1.1 million General Fund and $2.2 million State Parks and Recreation Fund) in 2028-29 and ongoing, and 14 positions to support operations at the new Fort Ord Dunes State Park campground. The new campground will provide accessible, low-cost, coastal overnight accommodations along the Monterey coast where camping opportunities have historically been limited. The campground will also provide new beach access, aquatic recreation opportunities, and important natural and cultural resource stewardship along a relatively remote stretch of coastline.
- **California Indian Heritage Center (CIHC)**—The Budget includes $2.1 million one-time General Fund in 2026-27 and $83.7 million one-time General Fund in 2029-30

(transferred into the Natural Resources and Parks Preservation Fund) for the construction of an immediate public use area to further the state's commitment to make significant progress in the construction of the tribally-led CIHC. The Budget also includes $842,000 General Fund in 2026-27, $805,000 in 2027-28 and ongoing, and 3 positions to provide immediate support to ensure tribal and non-tribal community members have access to portions of the property and develop community programming to advance the tribally-led goals of the CIHC.

EXPOSITION PARK

Exposition Park is a 160-acre campus located in the heart of Los Angeles that includes three state entities: the Office of Exposition Park Management, the California African American Museum, and the California Science Center. The Park currently attracts up to eight million visitors per year to the state entities listed above and the Natural History Museum of Los Angeles County, the City of Los Angeles Rose Garden, the Los Angeles Memorial Coliseum, and the BMO Stadium. The Budget includes $159.8 million ($122.6 million General Fund) and 203 positions for Exposition Park.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Utility Replacement and Site Improvements**—The Budget includes $96.5 million one-time ($76 million General Fund and $20.5 million Exposition Park Improvement Fund) to complete critical deferred maintenance projects necessary to meet code compliance and accessibility requirements prior to increased patronage from notable Park developments and events, such as the Los Angeles 2028 Olympic and Paralympic Games.
- **California Science Center: Phase III Air and Space Center Facility Operations and Opening**—The Budget includes $9.3 million General Fund in 2026-27, phasing up annually to $10.6 million in 2030-31 and ongoing, and 31 positions to support the fall 2026 public opening of the Air and Space Center and ongoing operations of the Phase III facility.

AIR RESOURCES BOARD

California is making significant strides in achieving federal and state air quality targets and reducing greenhouse gas emissions required by state climate targets. These efforts cross transportation, industrial, natural working lands, and other economic sectors.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Community Air Protection Program**—The Budget includes $150 million one-time General Fund to reduce exposure in communities most impacted by air pollution. This funding is in addition to any continuously appropriated amounts from the Greenhouse Gas Reduction Fund.
- **Light-Duty Zero Emission Vehicle Incentives**—The Budget includes $135.5 million one-time special funds and statutory language to establish a new light-duty Zero-Emission Vehicle (ZEV) incentive program for first-time ZEV buyers. This funding will be paired with matching contributions from Original Equipment Manufacturers to provide on-the-hood incentives for qualifying new and used ZEVs.
- **Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project**—The Budget includes $135.5 million one-time from various special funds for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project. This funding is partially supported from the Volvo Settlement and will be allocated by the California Air Resources Board to reduce NOx emissions, consistent with the settlement.
- **Hino Motors Settlement**—The Budget includes $95.6 million one-time APCF over three years to implement the Hino Settlement reached in January 2025, including certification, testing, enforcement, and other efforts to address air pollution, consistent with the terms of the settlement. The Hino 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 the mitigation portion of the settlement appropriated in the 2025 Budget to reduce NOx emissions, consistent with the settlement.
- **Advanced Clean Fleets**—The Budget includes $1.7 million ongoing APCF and 10 positions to implement the state and local government elements of the Advanced Clean Fleets regulation.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

The Department of Toxic Substances Control (DTSC) protects California's people, communities, and environment from toxic substances, enhances economic vitality by restoring contaminated land, and compels manufacturers to make safer consumer products. DTSC regulates more than 100,000 entities to prevent the release of hazardous waste, cleans up contamination, and enforces the safe handling of hazardous waste across the state.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Exide Residential Cleanup**—The Budget includes $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. This funding will support the remediation of an additional 1,000 properties.
- **National Priorities and Orphan Sites**—The Budget includes $40.2 million one-time special funds to clean up contaminated brownfields and Superfund sites to protect public health and encourage revitalization. Over half of these sites are located in disadvantaged communities.

DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

The Department of Resources Recycling and Recovery (CalRecycle) protects California's environment, climate, and public health through the reduction, reuse, and recycling of California's resources to build a circular economy. CalRecycle achieves these goals through implementing programs, providing funding, and partnering with stakeholders to recycle materials, develop markets, issue permits, conduct compliance assistance and enforcement, and provide outreach and education throughout the state.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Enhancing Market Conditions for In-State Remanufacturing**—The Budget includes an increase of $105 million Beverage Container Recycling Fund over three years to expand in-state manufacturing for recycling products. This proposal includes $90 million over three years for the Plastic Market Development Payment Program to extend and strengthen market development incentives and support investments in recycling capacity to sustain recycling infrastructure and well-paying manufacturing jobs. Additionally, this proposal includes $5 million annually for three years for the Plastic Reclaimers and Manufacturers Grant program to invest in new or improved plastic processing infrastructure and equipment.
- **Improving Material Quality and Program Efficiency**—The Budget includes $100 million one-time Beverage Container Recycling Fund for the Beverage

Container Quality Infrastructure Grant Program to upgrade sorting and processing infrastructure and produce cleaner, higher-quality material streams.

- **Expanding Redemption Access in Underserved Areas**—The Budget includes $50 million one-time Beverage Container Recycling Fund for the Rural Recycling Incentive Payments Program to support locally driven solutions that increase participation and promote equitable access to California Redemption Value refunds.

ENERGY

California is building the clean, reliable, affordable, and safe energy system of the future that will continue to power our economy while meeting our climate and clean energy goals. Meeting the state's clean energy goals requires a diverse portfolio of existing and emerging clean energy technologies and projects to be developed and deployed as quickly as possible. California has pursued a range of solutions to meet the increased electricity demand from electrification of its transportation and building sectors, while also improving grid reliability and resilience, and supporting customer bill affordability.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Energy Modernization and Affordability (SB 254)**—The Budget includes $5.7 million and 18 positions from various special funds for the Office of Energy Infrastructure Safety, California Public Utilities Commission (CPUC), Public Advocate's Office, and California Energy Commission (CEC) to support new workload related to utility wildfire mitigation plan review, oversight of transmission development and financing mechanisms, and various environmental regulation and reporting activities.
- **Ongoing Petroleum Market Oversight and Analysis Workload**—The Budget includes $1.9 million ongoing Energy Resources Programs Account and 7 positions for CEC's Energy Assessments Division and 1 position for the Division of Petroleum Market Oversight to support the state's transition away from petroleum-based fuels while protecting California consumers from gasoline price spikes, consistent with Chapter 1, Statutes of 2024 (AB X2-1).
- **Supporting Affordability through Expanded Power Markets (AB 825)**—The Budget includes $1.9 million ongoing Public Utilities Commission Utilities Reimbursement Account (PUCURA) and 8 positions to support oversight of voluntary participation in expanded regional power markets to ensure compliance with statutory

requirements and ensure these markets lower energy costs for California customers, support grid reliability and resiliency during extreme events, and optimize the use of renewable and zero-carbon energy resources.

- **California Ratepayer Protection Act (AB 1167)**—The Budget includes $952,000 ongoing PUCURA and 4 positions to strengthen CPUC enforcement and oversight of political and promotional advertising to protect ratepayers from unreasonable utility costs and ensure accountability in utility practices.

SOLIDIFYING STRUCTURAL BALANCE

The Budget includes an adjustment to ease General Fund pressures.

- **Ongoing Shift of General Fund Expenditures to Special Funds**—A shift of $9.6 million of various ongoing General Fund appropriations for boards, departments, and offices within the California Environmental Protection Agency to alternative fund sources. These shifts will include emergency response for the Department of Toxic Substances Control, various operational costs for the Office of the Secretary for Environmental Protection, and various administrative activities at the California Air Resources Board.

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency includes departments and state entities that provide health and social services to the most vulnerable and at-risk Californians while providing public health services to Californians. Given recent significant growth in Health and Human Services programs, the Budget includes adjustments and statutory changes to align program expenditures with available revenue to responsibly support California's core programs. The Budget includes $337.7 billion ($93.4 billion General Fund) for health and human services programs in 2026-27.

DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services. Medi-Cal is a public health care coverage program that provides comprehensive health care services at no or low cost for low-income individuals. The Department also administers programs for special populations and several other non-Medi-Cal programs, as well as county-operated community mental health and substance use disorder programs. The Medi-Cal budget includes $219.7 billion ($46.9 billion General Fund) in 2026-27. Medi-Cal is projected to cover approximately 13.9 million Californians in 2026-27—approximately one-third of the state's population.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Managed Care Organization Tax**—The Budget includes $575 million in 2026-27, $2.3 billion each in 2027-28 and 2028-29, and $1.7 billion in 2029-30 from the renewal of a House of Representatives (H.R.) 1 compliant Managed Care Organization (MCO) Tax to support the Medi-Cal program and maintain targeted rate increases for primary, maternal, and non-specialty mental health care, effective January 1, 2027. Recent federal changes pursuant to H.R. 1 prohibit taxes that assess higher tax rates on Medi-Cal plans than commercial plans, or otherwise place a disproportionately high tax burden on Medi-Cal plans.

From the existing MCO Tax that expires on December 31, 2026, the Budget reflects MCO Tax revenue of $4.5 billion in 2025-26 and $2.5 billion in 2026-27 to support the Medi-Cal program. The Budget also includes $1.3 billion in 2025-26, $2.4 billion in 2026-27, and $216 million in 2027-28 to support increases in managed care and other payments relative to calendar year 2024, for hospital, community clinic, behavioral health, and other services for provider payments. This includes an increase of $1.9 billion from MCO Tax revenues from calendar years 2025 and 2026, after fulfilling the provider payment increases as required in Proposition 35.

- **Transition of Individuals with Unsatisfactory Immigration Status to Fee-for-Service**—A reduction of $637.1 million ($524.9 million General Fund) in 2026-27 and $1.6 billion ($1.3 billion General Fund) ongoing due to the new federal policy that prohibits states from covering federally eligible emergency Medicaid services for individuals with unsatisfactory immigration status in risk-based managed care delivery systems. To comply with this new federal requirement, Medi-Cal members with unsatisfactory immigration status will receive all covered Medi-Cal services through the fee-for-service delivery system, effective January 1, 2027. The Budget includes $39 million General Fund in 2026-27 to provide care coordination and navigation services to this population.
- **H.R. 1 of 2025**—The Budget reflects costs of approximately $1.3 billion General Fund in 2026-27. The Budget projects total H.R. 1 disenrollment of 44,000 in 2026-27 and 1.3 million by 2029-30.
  - **Work and Community Engagement Requirement**—An estimated reduction of $357.6 million ($90.3 million General Fund) in 2026-27 and $9.6 billion ($2.4 billion General Fund) by 2029-30, resulting from the new work and community engagement requirements for the Affordable Care Act adult expansion population, effective January 1, 2027. Projected disenrollments are 43,000 in 2026-27 and 1.1 million by 2029-30. Under this federal policy, these individuals must comply with federal work or community engagement requirements as a condition of Medi-Cal eligibility unless they meet an allowable exception.

- **Medical Assistance Percentage for Emergency Services**—A General Fund cost of approximately $669 million General Fund in 2026-27 and $718 million by 2029-30 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, effective October 1, 2026.
- **Restrictions on Immigrant Eligibility**—A General Fund cost of $364.9 million in 2026-27 and a General Fund reduction of $381.8 million by 2029-30 for a July 1, 2027 transition to restricted-scope Medi-Cal for individuals impacted by the federal eligibility change for qualified non-citizens. This population will also be transitioning to the fee-for-service delivery system effective January 1, 2027. Effective October 1, 2026, federal policy will exclude individuals with certain immigration statuses from being federally funded for full-scope Medi-Cal, which significantly reduces federal funding for this population.
- **Affordable Care Act Adult Expansion Six-Month Redeterminations**—A reduction of $747.3 million ($186.4 million General Fund) in 2027-28 and $2.5 billion ($633 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 for this population beginning in 2027-28. Projected disenrollments are estimated to be zero in 2026-27 and approximately 278,600 in 2029-30.
- **Reduced Retroactive Medi-Cal Timeframes**—A reduction of $34.6 million ($14.7 million General Fund) in 2026-27 and $75.5 million ($32.1 million General Fund) in 2029-30 and ongoing from the reduction of retroactive Medi-Cal coverage changes from three months before an individual's application date to one month for the Affordable Care Act adult expansion population and two months for all other members, effective no sooner than January 1, 2027.
- **Hospital Quality Assurance Fee**—$84.7 million in 2025-26 and $1.7 billion in 2026-27 to support children's coverage. In June 2026, the federal government approved California's tax waiver request, which is expected to provide hospital net-benefit payments of $5.5 billion.
- **County Medi-Cal Administration**—$709 million ($196.8 million General Fund) one-time to support county workload for the implementation of Medi-Cal eligibility changes pursuant to H.R. 1. The Budget includes a total of $3.3 billion ($828.2 million General Fund) for Medi-Cal county administration in 2026-27.

- **Designated Public Hospitals**—$250 million one-time General Fund in 2026-27 for grants to designated public hospitals to support health care expenditures.
- **Medi-Cal Efficiencies**—A General Fund reduction of $68 million in 2026-27 increasing to approximately $552 million in 2029-30 from implementing various efficiencies in the Medi-Cal program such as establishing utilization management for applied behavioral analysis and transportation services and eliminating the quality withhold incentive component of the quality withhold and incentive program for Medi-Cal managed care. The Administration is continuing to identify efficiencies in select areas of Medi-Cal to achieve these savings in future years.
- **Mobile Crisis Response Services**—$42.2 million one-time General Fund to extend community-based mobile crisis response services through June 30, 2027.
- **Private Duty Nursing**—$30 million one-time General Fund for private duty nursing payment increases.
- **Proposition 36**—$20 million General Fund one-time over three years to provide grants to county behavioral health departments. See the Criminal Justice and Judicial Branch Chapter for more information.
- **Provider Oversight**—$10.4 million ($5.2 million General Fund) one-time to support Medi-Cal provider enrollment, revalidation, and recertification operations.

SOLIDIFYING STRUCTURAL BALANCE

- **Delayed Prospective Payment System Payments to Federally Qualified Health Centers and Rural Health Clinics**—A General Fund cost of $1 billion in 2026-27 to delay the elimination of Prospective Payment System rates to clinics for state-only funded services provided to individuals with unsatisfactory immigration status to July 1, 2027. The Budget includes a General Fund reduction of $1 billion in 2027-28 and annually thereafter for the elimination of these payments. Clinics would receive reimbursement at the applicable Medi-Cal fee-for-service rate.
- **Increase Monthly Premium for Adults with Unsatisfactory Immigration Status (Aged 19–59) from $30 to $50**—A General Fund reduction of approximately $427.3 million in 2027-28, decreasing to approximately $314.3 million annually in 2029-30 to increase monthly premiums for adults with unsatisfactory immigration status to $50, effective July 1, 2027, and subject to a determination in the 2027-28 May Revision.
- **Delayed Elimination of Dental Benefits for Adults with Unsatisfactory Immigration Status, Ages 19 and Older**—A General Fund cost of $360.8 million in 2026-27 to delay

the elimination of full-scope dental coverage for Medi-Cal members with unsatisfactory immigration status to July 1, 2027. The Budget includes a General Fund reduction of $360.8 million in 2027-28 and annually thereafter for the elimination of this benefit. This population will continue to have access to restricted-scope, emergency dental coverage.

- **Delayed Elimination of Dental Supplemental Payments**—A General Fund cost of $258.2 million in 2026-27, and $28.4 million in 2027-28 to delay the elimination of dental supplemental payments to July 1, 2027. The Budget includes a General Fund reduction of $258.2 million in 2027-28 and $289 million ongoing to eliminate these payments.
- **Medi-Cal Asset Test Limits**—A General Fund reduction of $348.5 million in 2027-28 and $407 million ongoing, inclusive of IHSS impacts, to reinstate the Medi-Cal asset limit for seniors and disabled adults to $21,000 for an individual or $31,000 for a couple, effective no sooner than July 1, 2027. The 2025 Budget Act included a partial reinstatement of the Medi-Cal asset limit that went into effect January 1, 2026.
- **Enhanced Care Management**—A General Fund reduction of $41.4 million in 2026-27, and $99.2 million ongoing to refine eligibility criteria, service definitions, utilization management criteria, and payment adjustments for the Medi-Cal enhanced care management benefit, effective January 1, 2027.
- **Community Supports**—A General Fund reduction of $26.9 million in 2026-27, $58.8 million in 2027-28, and $51 million ongoing to refine referral pathways, eligibility criteria, service definitions, and utilization management criteria for select Medi-Cal community supports services, effective January 1, 2027.
- **Medical Loss Ratio Remittances**—A General Fund reduction of $25 million ongoing beginning in 2027-28 to redirect medical loss ratio remittances to the General Fund.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) serves, protects, and supports the people of California experiencing need in ways that empower wellbeing and disrupt systemic inequities. The Department's major programs include the California Work Opportunity and Responsibility to Kids (CalWORKs), CalFresh and Nutrition Programs, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment (SSI/SSP), Child Welfare and Adult Protective Services, Community Care

Licensing, Disability Determination Services, and Child Care. The Budget includes $60.1 billion ($26.9 billion General Fund) for DSS programs in 2026-27.

CHILD CARE AND DEVELOPMENT

DSS administers child care and development programs including CalWORKs Stages One, Two, and Three; the Emergency Child Care Bridge Program; Alternative Payment Programs; Migrant Child Care; General Child Care; Family and Child Care Home Education Networks; Child Care for Children with Severe Disabilities; and a variety of local supports for these programs, such as Resource and Referral Programs and Local Child Care Planning Councils, in addition to quality improvement projects. Families can access child care subsidies through centers that contract directly with DSS or through vouchers administered by county welfare departments and Alternative Payment Programs. The Budget includes $7.7 billion ($5.2 billion General Fund) for DSS administered child care and development programs.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Child Care Slots**—An increase of $269.2 million ongoing General Fund in 2026-27 to restore 3,430 and expand 22,770 additional subsidized child care slots.
- **Child Care Cost-of-Living Adjustment**—An increase of $112 million ongoing General Fund to provide a 2.01 percent cost-of-living adjustment for DSS administered child care programs.
- **Infrastructure**—An increase of $36.4 million in one-time federal and Proposition 64 funds for child care facilities affected by the 2023, 2024, and 2025 natural disasters.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS

The CalWORKs program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, provides temporary cash assistance to low-income families with children to meet basic needs. It also provides welfare-to-work services to support economic mobility. Eligibility requirements and benefit levels are established by the state. Counties have flexibility in program design, services, and funding to meet local needs. The Budget includes $3.8 billion ($1.3 billion General Fund) for CalWORKs program expenditures, excluding Stage One child care.

SIGNIFICANT BUDGET ADJUSTMENT

- **Maximum Aid Payment**—An increase of $59.5 million in 2026-27 for a 1.8-percent increase to CalWORKs Maximum Aid Payment levels, effective October 1, 2026. These increased grant costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the Local Revenue Fund.

SOLIDIFYING STRUCTURAL BALANCE

- **Mental Health Services**—A reduction of $26 million one-time General Fund in 2026-27 to align CalWORKs mental health services funds to the projected services levels.

FOOD AND NUTRITION

The CalFresh program, California's version of the federal Supplemental Nutrition Assistance Program (SNAP), provides federally funded benefits for eligible families to purchase food needed to maintain adequate nutrition.

The Budget includes $4.6 billion ($1.9 billion General Fund) in total CalFresh and nutrition expenditures. In addition, $11.6 billion in food benefits is provided directly to recipients by the federal government.

SIGNIFICANT BUDGET ADJUSTMENTS

- **County Administration**—An increase of $223 million one-time General Fund to assist counties with the CalFresh workload for the impacts of H.R. 1 on able-bodied adults without dependents.
- **CalFood**—An increase of $100 million one-time General Fund for food banks in 2025-26. The one-time appropriation augments $8 million ongoing General Fund for this purpose.
- **Fruit and Vegetable Program**—An increase of $20 million one-time General Fund for the CalFresh Fruit and Vegetable Electronic Benefit Transfer Pilot.
- **CalFresh Outreach**—An increase of $14 million one-time General Fund for the CalFresh Outreach Program.

IN-HOME SUPPORTIVE SERVICES

The IHSS program provides domestic and related services such as housework, meal preparation, and personal care services to eligible low-income individuals with disabilities, including children and adults, as well as low-income individuals who are ages 65 and over. These services are provided to assist individuals to remain safely in their homes and prevent more costly institutionalization.

The Budget includes $33.9 billion ($12.9 billion General Fund) for the IHSS program in 2026-27.

SOLIDIFYING STRUCTURAL BALANCE

- **Medi-Cal Asset Test Limits**—A reduction of $112.9 million General Fund in 2027-28 to conform IHSS eligibility with the reinstatement of the Medi-Cal asset limit of $21,000 for individuals and $31,000 for couples.

CHILDREN'S PROGRAMS

Child Welfare Services include family support and maltreatment prevention services, child protective services, foster care services, and adoptions. California's child welfare system provides a continuum of services to children who are either at risk of, or have suffered, abuse and neglect. Program success is measured in terms of improving the safety, permanence, and well-being of children and families served.

The Budget includes $1.1 billion General Fund in 2026-27 for services to children and families in these programs. When federal and 1991 and 2011 Realignment funds are included, total funding for children's programs is in excess of $10.6 billion in 2026-27.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Child Welfare Services – California Automated Response and Engagement System**—An increase of $357.3 million ($179.8 million General Fund) in 2026-27 for the continued development and implementation of the Child Welfare Services – California Automated Response and Engagement System.
- **Child Protective Services Emergency Response**—An increase of $20 million one-time General Fund to maintain and increase the number of child welfare social workers in emergency response services.

OTHER DEPARTMENT OF SOCIAL SERVICES PROGRAMS

- **Immigration Services**—An increase of $111.5 million one-time General Fund for the various immigration service efforts.
- **Housing Support Programs**—An increase of $100 million one-time General Fund for the Bringing Families Home ($15 million), Housing Support Program ($10 million), Home Safe ($50 million), and Housing and Disability Advocacy Programs ($25 million).
- **Stop the Hate**—An increase of $30 million one-time General Fund for the Stop the Hate program.
- **Diaper Bank**—An increase of $16.5 million one-time General Fund for various organizations to provide diaper and wipe distributions to low-income families with infants or toddlers.
- **Holocaust Survivors Assistance Program**—An increase of $12 million one-time General Fund for assistance to Holocaust survivors.

DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION

The Department of Health Care Access and Information is committed to expanding equitable access to health care for all Californians—supporting the health workforce, promoting safe and reliable health care facilities, and providing health information that can help make care more effective and affordable. The Budget includes $1.3 billion ($457.4 million General Fund) for the Department of Health Care Access and Information.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Distressed Hospitals**—$90 million one-time General Fund for grants to distressed hospitals, and authority to allow for an augmentation of $50 million General Fund for this purpose. The Budget also includes $10 million one-time General Fund to evaluate hospital services by region, assist distressed hospitals to plan for maintaining critical services, and provide technical assistance for distressed hospitals to return to fiscal sustainability.
- **Uncompensated Care Program**—$30 million one-time General Fund, over three years, to support reproductive health services and gender-affirming care services.

- **CalRx**—$15.5 million one-time General Fund for CalRx to support low-cost options for epinephrine and tuberculosis drugs.
- **Workforce Training**—$15 million one-time General Fund to support workforce training and expansion for community health care workers.
- **Gender-Affirming Care Provider Network and Capacity**—$10 million General Fund in 2026-27 and $8 million General Fund each in 2027-28 and 2028-29 to provide capacity grants to gender-affirming care services providers.
- **Abortion Practical Support Program**—$10 million one-time General Fund, over three years, for grants to non-profit organizations and reproductive health care providers to improve access to reproductive care.

OTHER HEALTH AND HUMAN SERVICES

SIGNIFICANT BUDGET ADJUSTMENTS

- **AIDS Drug Assistance Program Investments**—An increase of $526 million AIDS Drug Assistance Program Rebate Fund, over four years, for services for those living with and at risk of HIV, including screening, prevention, resource distribution, and harm reduction initiatives. The Budget also includes $50 million one-time AIDS Drug Assistance Program Rebate Fund for the Department of Public Health to support services for those living with or at risk of HIV impacted by loss or delay of federal funds.
- **Covered California State Subsidy Program**—$300 million ongoing Health Care Affordability Reserve Fund to support the state premium subsidy program for enrollees up to 200 percent of the Federal Poverty Level.
- **Proposition 1 Behavioral Health Investments**—$174.8 million Behavioral Health Services Fund for the Department of Public Health, $131.1 million Behavioral Health Services Fund for the Department of Health Care Access and Information, and $20 million Behavioral Health Services Fund for the Commission for Behavioral Health in 2026-27 for the allocations for these purposes in Proposition 1. Of these amounts, $107.6 million is for the Department of Public Health and $79.5 million for the Department of Health Care Access and Information to implement new behavioral health population-based prevention and workforce programs in 2026-27 and continue the BH-CONNECT Workforce Initiative. The Budget includes $212.2 million

Behavioral Health Services Fund in lieu of General Fund in 2026-27 and $163.8 million in 2027-28 increasing to $226.4 million in 2029-30.

- **LQBTQ+ Community Centers**—$10 million one-time General Fund in 2026-27 for grants to LGBTQ+ community centers to sustain existing programs and expand services.
- **Sickle Cell Centers of Excellence**—$30 million General Fund available over five years, for Sickle Cell Centers of Excellence to provide treatment and health care for individuals with sickle cell disease.

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HOUSING AND HOMELESSNESS

California has implemented a comprehensive set of housing and homelessness reforms that have accelerated housing production, reduced development timelines and costs, and strengthened accountability. Through streamlined approvals, modernized review processes, and targeted enforcement of state housing laws, the state is enabling faster housing delivery, while enabling efforts to address homelessness. Collectively, these efforts have resulted in increased planning, permitting, and production across the state, helping more Californians access stable, affordable homes.

Building on this progress, the Budget includes policies that reduce development costs and accelerate construction over the long term—an approach that is critical to maximizing the use of both existing and future resources for affordable housing.

Housing is paramount to the lives of all Californians. Through the Governor's Reorganization Plan (2025), the state continues to build a structure for a more streamlined, responsive housing finance system to more efficiently and effectively use state dollars.

HOUSING

CALIFORNIA HOUSING AND HOMELESSNESS AGENCY IMPLEMENTATION

In furtherance of the Governor's Reorganization Plan, the Administration continues to make housing more affordable by streamlining and aligning state housing finance programs through a new "one-stop shop" for affordable housing production under the new Housing Development and Finance Committee (HDFC). Streamlining access to state financing and reducing development costs will support the state's efforts to improve efficiency and accelerate affordable housing construction.

INVESTING IN AND MODERNIZING AFFORDABLE HOUSING FINANCE PROGRAMS

The Budget modernizes and brings greater coherence to the multifamily affordable housing finance system by securing a predictable share of tax-exempt bonds for affordable housing, with a portion of those bonds reserved for HDFC to pair with its subsidies under its one-stop shop. The Budget also expands membership on the HDFC Executive Committee to strengthen oversight and accountability.

The Budget also creates the Affordable Housing and Sustainable Communities (AHSC)—Housing Allocation, which moves AHSC housing capital funding into HDFC's one-stop shop to better combine subsidies, reduce administrative steps, and speed up project delivery while maintaining climate standards. The AHSC—Sustainable Communities Allocation will continue to be administered by the Strategic Growth Council (SGC) for transportation, community infrastructure investments, and agricultural land preservation. HDFC and SGC are required to coordinate to align housing, land use, transportation, and climate goals. The current AHSC round will conclude under SGC, and funding available after July 1, 2026, will transition to HDFC's consolidated process.

ALIGNING LOCAL POLICIES TO LOWER COSTS FOR STATE-FUNDED HOUSING PROGRAMS

To better leverage state dollars and promote the production of affordable housing, the Budget includes policies that align local actions with efforts to reduce development costs. Local governments are encouraged to waive some development fees—which can lower costs by $20,000–$30,000 per unit, on average—by allowing these waivers to count as local contributions in state housing programs. If a local government applies for state funding but does not provide a waiver, its award will be reduced by the same amount. This approach does not require changes to local fee structures but sets clear expectations for how state funds are used, ensuring that investments support housing construction rather than covering locally imposed costs, which will ultimately lower overall development costs.

RESOURCES IN SUPPORT OF THE GOVERNOR'S REORGANIZATION PLAN (2025)

The establishment of the California Housing and Homelessness Agency (CHHA) under the Governor's Reorganization Plan requires strategic alignment across multiple departments to maintain continuity of operations and strengthen statewide coordination. The Budget reflects the transfer of additional necessary positions and associated resources to support that realignment, including information technology, administrative support for the Department of Housing and Community Development (HCD), and leadership for HDFC.

DISASTER REBUILDING ASSISTANCE

Consistent with actions taken over the past year to clear debris at a record pace, expedite permitting, and support the development of affordable housing, the state continues to prioritize helping homeowners affected by wildfires to recover and rebuild as quickly as possible, including in communities impacted by the 2025 Los Angeles wildfires.

To further help stabilize finances for impacted homeowners, the state has provided mortgage payment assistance through the CalAssist program, which has already delivered relief to more than 1,300 homeowners. Despite these efforts, many survivors continue to face a significant gap between insurance proceeds and the cost to rebuild, compounded by limited access to affordable financing.

To help address this challenge, the Budget includes the creation of a Disaster Rebuilding Assistance Program to expand access to construction and renovation financing for disaster-impacted homeowners. The Budget includes a $100 million investment, including $56 million General Fund and $44 million in existing National Mortgage Settlement funds. This investment will be used to reduce borrowing costs and facilitate access to private financing through a combination of a loan loss guarantee program, an interest rate buydown program, and additional mortgage assistance or lending programs, as may be appropriate. Together, these tools will lower monthly construction and mortgage loan costs and expand loan eligibility.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Low-Income Housing Tax Credit**—$500 million for an additional year of enhanced state low-income housing tax credits to support the financing of affordable rental housing. See the General Government and Statewide Issues Chapter for more information.
- **Multifamily Housing Program**—$200 million one-time General Fund in 2026-27 for the Multifamily Housing Program administered by HDFC, with ten percent set aside for California Tribes pursuant to Chapter 295, Statutes of 2024 (SB 1187).
- **Reappropriation of Infill Infrastructure Grant Program Funds**—The Budget includes a reappropriation that is estimated to make approximately $7 million of previously awarded and currently uncommitted funds available for HCD to assist in the construction of additional infill infrastructure and housing projects.

HOMELESSNESS

In 2021, the California Interagency Council on Homelessness (Cal ICH) was restructured to serve as the state's central coordinator for homelessness policy, data, and performance. Cal ICH has since developed a coordinated, equitable, and accountable response to homelessness. From 2024 to 2025, the number of people experiencing unsheltered homelessness in California decreased by 8,391 people, or 6.8 percent—more than any other state. In addition, California saw an overall decrease of 2.8 percent, significantly reducing veteran homelessness and making meaningful progress in reducing youth homelessness.

To date, the state has allocated $859 million to 2,471 affordable homes through Proposition 1 Homekey+ funds, with $1.4 billion expected to be made available over the coming year to support housing and services for people experiencing homelessness. Beginning in July 2026, implementation of the Behavioral Health Services Act will further strengthen this continuum by establishing a dedicated ongoing 30-percent allocation for housing intervention programs—providing counties with a significant and sustained infusion of resources to support housing stability for individuals experiencing homelessness or who are at risk of homelessness and have behavioral health needs. Together, these investments reflect the state's continued commitment to pairing scale with accountability, aligning housing and behavioral health systems, and demonstrating durable progress in addressing homelessness statewide.

HOMELESS HOUSING, ASSISTANCE AND PREVENTION ACCOUNTABILITY

The state continues to deploy significant resources to prevent and reduce homelessness. In addition to the fully awarded sixth round of Homeless Housing, Assistance and Prevention (HHAP) Program, available to grantees through June 30, 2029, the Budget establishes a seventh round of HHAP, totaling $900 million, available to eligible grantees beginning September 1, 2026, with final expenditures due by December 31, 2033.

As required by Chapter 650, Statutes of 2025 (SB 158), HHAP Round 7 includes strengthened accountability and performance measures. The 14 largest HHAP-eligible cities and the 11 counties in which these cities are located must provide at least a 35-percent match for both HHAP Round 7 first and second disbursements, for a total match requirement of at least 70 percent of overall HHAP Round 7 awards. HHAP Round 7 also requires the 14 largest HHAP-eligible cities and the counties in which they are located to obtain and maintain a Prohousing Designation. These conditions ensure state funds support jurisdictions aligning local housing policies with efforts to prevent homelessness, increase exits from homelessness, and expand permanent housing placements.

CIVIL RIGHTS DEPARTMENT

The Civil Rights Department (CRD) is the largest state civil rights agency in the country. It enforces many of California's civil rights laws, including in the areas of housing, employment, business and public accommodations, state-funded programs and activities, professional relationships, hate violence, and human trafficking.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Resources for Enforcement Investigation and Conciliation Workload**—The Budget includes permanent position authority for six positions and $838,000 in 2026-27, 2027-28, and 2028-29 for CRD to reduce complainant wait time and increase settlements of employment and housing complaints.
- **Permanent Support for Bureau for Descendants of American Slavery**—The 2025 Budget included $6 million one-time General Fund to establish the Bureau. The 2026 Budget includes permanent position authority, $991,000 General Fund in 2028-29, and $2 million in 2029-30 and ongoing, to maintain funding at existing operational levels.

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CRIMINAL JUSTICE AND JUDICIAL BRANCH

DEPARTMENT OF CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation (CDCR) incarcerates people convicted of the most serious and violent felonies, supervises those released to parole, and provides rehabilitation programs to help people reintegrate into the community. The Department strives to facilitate the successful reentry of the individuals in its care back to their communities, equipped with the tools to be drug-free, healthy, and employable members of society by providing education, treatment, and rehabilitative and restorative justice programs. The Budget includes total funding of approximately $14.6 billion ($14.2 billion General Fund) for CDCR. Of this amount, approximately $4.2 billion General Fund is for health care programs, which provide incarcerated individuals access to mental health, medical, nursing, and dental care services.

The adult incarcerated population is projected to continue its overall long-term downward trend over the next few years. Spring projections estimate the average daily adult incarcerated population for 2025-26 to be 90,126, an increase of 1.1 percent from the fall 2025 projections, and 87,611 in 2026-27, a decrease of less than 0.01 percent from the fall projections. Over the longer term, the population is projected to decline to 85,210 incarcerated individuals by June 30, 2030. As stated in CDCR's recent Alternatives to Incarceration report, while the overall population is projected to continue its decline, the number of adult incarcerated individuals age 55 and older has grown from 7 percent of the incarcerated population in 2010 to 21 percent—currently more than 19,000 incarcerated individuals. Older incarcerated individuals tend to have complex needs that drive higher costs. In 2024, individuals 60 and older represented 14 percent of the prison population but accounted for approximately 27 percent of health system expenses.

Based on spring projections, Proposition 36, passed in November 2024, is expected to increase CDCR's population by 592 in 2025-26 and 1,547 upon full implementation. The active supervised person average daily population is projected to be 33,785 in 2025-26, declining to 33,125 in 2026-27. This population is projected to decline further to 31,028 by June 30, 2030.

SIGNIFICANT BUDGET ADJUSTMENTS

The Budget includes resources to address essential CDCR workload and baseline costs:

- **Corcoran State Prison Honor Housing**—$9.7 million General Fund and 49 positions in 2026-27, and $12.6 million and 65 positions in 2027-28 and ongoing, for the reactivation of two housing units within Corcoran State Prison Facility 3C to be used as honor housing units utilizing a single-cell setting with a focus on normalization and dynamic security, which helps create a physically and socially safe space where the incarcerated population can focus on programming, education, and rebuilding family connections without the fear of violence, bullying, or other negative pressures. The reactivation of Corcoran 3C as an honor housing unit is being done in conjunction with the deactivation of facilities at California State Prison, Solano and Avenal State Prison, while also reactivating different housing units at Avenal State Prison and a facility at the California Institution for Men. Combined, this results in a systemwide reduction of 75 beds. The net effect of these reactivations and deactivations is a decrease of $2.4 million General Fund and 14 positions in 2026-27 and an increase of $0.6 million General Fund and 2 positions in 2027-28 and ongoing.
- **Incarcerated Firefighter Pay**—$15.8 million ($5.2 million General Fund) in 2026-27, and $13.3 million ($2.6 million General Fund) in 2027-28 and ongoing to implement Chapter 681, Statutes of 2025 (AB 247). The General Fund portion is to develop a payroll system capable of tracking and paying an increased wage to incarcerated firefighting hand crews, and the reimbursement authority will enable CDCR to pay incarcerated firefighters the federal minimum wage of $7.25 per hour, while on an active fire incident, through CALFIRE's E-Fund.

- **Statewide Fire Alarm Replacements and Fire Watch**—$15.2 million one-time General Fund in 2026-27 for overtime for staff to patrol for fires, as mandated by the Office of the State Fire Marshal, and reappropriation of prior year funding to complete fire alarm replacement projects.
- **Tattoo Removal**—$1.2 million General Fund in 2026-27 and ongoing to continue the success of the Tattoo Removal Program, which helps incarcerated people remove unwanted tattoos to prepare for reentry.
- **ADA Facility Improvements**—$23.1 million one-time General Fund in 2026-27 to complete accessibility improvements at eight institutions.
- **Food Funding Adjustment**—$10.9 million ongoing General Fund to address projected increases in food costs for the incarcerated population resulting from recent statutory changes that require at least 60 percent of the agricultural food products the department purchases to have been grown or produced in California, and a change to the methodology of future food cost adjustments that incorporates the cost of statutory requirements and actual food costs.
- **Industrial Worker's Compensation – Institution Claims and Regional Staffing**—$7.2 million General Fund and 34 positions in 2026-27, decreasing to $5.6 million in 2030-31 and ongoing, to regionalize and augment CDCR's Return-to-Work Coordinator staffing, which will reduce industrial workers' compensation caseloads and costs over time.
- **Workers' Compensation Costs**—$100 million one-time General Fund to help address a major baseline cost pressure for the department.
- **Lump Sum Payments**—$90.9 million one-time General Fund to pay accrued leave balances to employees upon their retirement or separation from state service. While CDCR has historically absorbed these costs through salary savings, that flexibility has been greatly reduced due to lower vacancy rates, largely a result of prison closures in recent years.
- **Audio-Video Surveillance Systems**—$10 million one-time General Fund to complete the installation of audio-video surveillance systems, which completes the installation of these systems at all prisons.

SOLIDIFYING STRUCTURAL BALANCE

The Budget includes General Fund solutions to achieve a balanced budget. These include:

- **Operational Improvements**—In September 2025, the Department of Finance and the Boston Consulting Group entered a contract to identify and develop process improvements within CDCR to achieve ongoing savings. The Budget reflects General Fund savings of approximately $20 million in 2025-26, $43 million in 2026-27, $82 million in 2027-28, $100 million in 2028-29, and $116 million ongoing beginning in 2029-30. In addition, CDCR and Finance will continue to evaluate other areas that could present future savings opportunities. As such, the Budget also assumes additional ongoing annual savings of $100 million General Fund beginning in 2027-28.
- **Unallocated Reduction**—The Budget reflects additional unallocated General Fund savings of $75 million in 2027-28, growing to $150 million in 2028-29 and ongoing.

PRISON CAPACITY

The adult prison population has steadily declined in recent years, which has allowed CDCR to eliminate its reliance on contract prison capacity and terminate the lease of the California City Correctional Facility (California City). CDCR has also closed three adult institutions, including the Deuel Vocational Institution (Tracy), California Correctional Center (Susanville), and Chuckawalla Valley State Prison (Blythe), and will close a fourth institution, the Correctional Rehabilitation Center (Norco), by October 2026. These four closures will save approximately $594 million General Fund annually by 2027-28.

Apart from the four full prison closures, since 2021-22, CDCR has closed facilities in six other male institutions and the Folsom Women's Facility within Folsom State Prison. Since 2024-25, CDCR has also deactivated several other housing units and facilities. This approach has allowed CDCR to maintain the use of its programming space, supporting the continuation of rehabilitative programming while simultaneously reducing the number of available beds and achieving additional savings. The cumulative savings from all these measures will reach approximately $4.9 billion by 2027-28.

In assessing capacity, CDCR takes into consideration a variety of factors for the safety and security of its population, specialized bed needs, and available medical and mental health care, educational, and rehabilitation programming space, while also assessing the amount and type of space needed to provide services and a more normalized living environment to support the incarcerated population.

The Administration remains committed to meeting the needs of staff and the incarcerated population, while right-sizing California's prison system to address space needs as the state transforms the carceral system to one more focused on rehabilitation in preparation for reentry into communities. While the prison population continues to decline, the aging population represents a larger percentage of the overall population and continues to drive medical costs. The Administration's transformational efforts take these factors into consideration.

REHABILITATION, REENTRY, AND SUPPORTIVE SERVICES

Increasing access to rehabilitative and reentry programs is integral to improving post-release outcomes for incarcerated individuals and reducing recidivism. CDCR operates a wide range of rehabilitative programs with the goal of supporting individuals in successfully reintegrating into their communities following their release from prison.

The Budget reflects the following to support rehabilitation and reentry programming:

- **Pre-Release Community Correctional Reentry Centers**—$67 million General Fund to continue supporting seven male community reentry program sites, six female community reentry program sites, and one community reentry program for mothers of young children. In addition, CDCR has executed contracts for four additional sites to increase capacity by 397 beds and plans to pursue an additional 240 beds across three sites, all to be activated by 2028. Upon full implementation, CDCR will have 1,892 reentry beds at 21 sites.
- **Post-Release Community Reentry Programs**—$5.3 million General Fund in 2026-27, increasing to $14.3 million General Fund in 2030-31, to increase contract rates for post-release reentry programs. This completes the right sizing of all post-release reentry programs, a process that started in the 2024 Budget Act.
- **Free Voice Calling for Incarcerated Individuals**—$27.3 million ongoing General Fund to provide access to free voice calling services for incarcerated individuals.
- **Community-Based Organizations**—$37.6 million General Fund to support community-based organizations providing in-prison programming, including $20 million one-time for Rehabilitative Investment Grants for Healing and

Transportation (RIGHT) and $5 million ongoing for the Hope and Redemption Team (HART) program. In addition, the Budget includes $6 million one-time for the Sister Warriors Freedom Coalition, $5.5 million one-time for the Home After Harm program, and $1.1 million one-time for Impact Justice to support the Menopause Project, all of which are funded through the Board of State and Community Corrections.

Health Care Services for Incarcerated Individuals

The Budget continues the state's commitment to delivering quality health care services to incarcerated individuals. This includes approximately $4.2 billion General Fund in 2026-27 for CDCR health care programs, which provide incarcerated individuals access to medical, nursing, mental health, and dental care services that are consistent with the standards and scope of care appropriate within a custodial environment.

Significant Budget Adjustments

- **Subsistence and Personal Care Medical Funding**—$14.6 million General Fund in 2026-27, and $12.2 million in 2027-28 and ongoing, to fund one-time purchases of medical supplies and adjust the Subsistence and Personal Care budget to reflect actual costs.
- **Medical Classification Model Adjustment**—$8.9 million General Fund and 60.6 positions in 2026-27 and ongoing to address increased medical appointments and medication administration.
- **CalAIM Reimbursement Augmentation**—A net-zero shift of $11.8 million in 2026-27, and $7.2 million in 2027-28 and ongoing, from General Fund to reimbursement authority to allow the department to collect additional pharmaceutical reimbursements tied to the California Advancing and Innovating Medi-Cal Justice Involved Initiative.
- **Electronic Health Record System Enhancement**—$2.2 million General Fund in 2026-27, $2.2 million in 2027-28, and $4.5 million in 2028-29 and ongoing to provide resources to add artificial intelligence notetaking functionality within CDCR's electronic health record system.

MENTAL HEALTH RECEIVERSHIP

In August 2025, the *Coleman* Court appointed a Receiver over CDCR's Mental Health Program and granted the Mental Health Receiver all powers vested by law in the Secretary of CDCR, as related to the administration, control, management, operation, and financing of CDCR's Mental Health Services Delivery System and provision of mental health services to class members.

The Budget includes resources to support both the Office of the *Coleman* Receiver and the Mental Health Program and relies on the Mental Health Staffing Special Deposit Fund (SDF) for certain expenses relating to human resources, risk management, and centralizing and expanding the use of internships for clinical classifications. The SDF was established by the *Coleman* Court for the accumulation of fines imposed on CDCR for staffing vacancies above ten percent for specified clinical staff. In total, the state deposited $155.2 million into the SDF; however, the appeals court later adjusted accrued fines to approximately $113 million. Based on the proposals included in the Budget, the balance of the SDF will be exhausted by 2028-29. Specifically, the Budget includes:

- **Mental Health Receiver Staffing**—$40.3 million from the SDF, $5.2 million General Fund, $1 million Behavioral Health Services Act Funding, and 26 positions in 2026-27; $39.1 million SDF, $5.1 million General Fund, $2.6 million Behavioral Health Services Act Funding, and 26 positions in 2027-28; $9.9 million SDF, $26.8 million General Fund, $2.6 million Behavioral Health Services Act Funding, and 26 positions in 2028-29; and $40.2 million General Fund in 2029-30 and ongoing to support the staffing costs of the Receiver's Office, continue clinical staff bonuses ordered by the court, expand the use of internships and other training programs for mental health clinicians, and augment various mental health and administrative positions to promote the hiring and retention of mental health clinicians.
- **Mental Health Crisis Intervention Teams**—$7.4 million General Fund and 36 positions in 2026-27 and ongoing to pilot the use of Crisis Intervention Teams at three institutions, including two male and one female institution. This is a joint proposal between CDCR and the Mental Health Receiver's Office. The use of the Crisis Intervention Teams is intended to allow assessment of an emergency physically closer to the source of the stressor to allow staff to address concerns that could otherwise lead or have led to self-harm or suicidal behavior.
- **Mental Health Resource Teams**—$3.6 million General Fund, $1.2 million Behavioral Health Services Act Funding, and 18.9 positions in 2026-27, and $7.3 million General

Fund, $1.2 million Behavioral Health Services Act Funding, and 37.8 positions in 2027-28 and ongoing, to expand the use of Resource Teams. This is a joint proposal between CDCR and the Mental Health Receiver's Office. The goal of a Resource Team is to help Psychiatric Inpatient Program and other high-risk, high-needs mental health patients develop pro-social skills, avoid stagnation, and optimize their ability to advance under psychiatric care. CDCR currently has three Resource Teams at California State Prison, Sacramento; Salinas Valley State Prison; and the San Quentin Rehabilitation Center. This proposal will expand Resource Teams to three new institutions in 2026-27 and three additional institutions in 2027-28, for a total of nine Resource Teams statewide.

- **Tele-Mental Health Adjustments**—$8.9 million General Fund and 69 positions in 2026-27, and $13.5 million and 119 positions in 2027-28 and ongoing, to support expanded use of tele-mental health services.

PUBLIC SAFETY

PROPOSITION 47 SAVINGS

Proposition 47, passed in 2014, requires misdemeanor rather than felony sentencing for certain property and drug crimes. Proposition 47 invests savings from reduced prison utilization in prevention and supporting community programs; funds are allocated according to the formula specified in the ballot measure, which requires 65 percent be allocated for grants to public agencies to support various recidivism reduction programs (such as mental health and substance use treatment services), 25 percent for grants to support truancy and dropout prevention programs, and 10 percent for grants for victim services. The Budget estimates net General Fund savings of $89.1 million in 2026-27.

Proposition 36, passed in 2024, established a treatment-mandated felony for drug possession that can be charged under specified circumstances. Proposition 36 is projected to increase the state prison population and therefore decrease savings associated with Proposition 47 in future years. Remaining Proposition 47 monies may be used to fund court-ordered treatment programs to address the new treatment-mandated felony offense. Allowable uses may include expanding or enhancing court-ordered substance use disorder and/or mental health treatment or providing case management and wraparound services that facilitate successful reintegration into the community, including housing, employment support, and job training.

COMMUNITY CORRECTIONS PERFORMANCE INCENTIVE GRANT

The California Community Corrections Performance Incentive Act, Chapter 608, Statutes of 2009 (SB 678), was created to provide incentives for counties to reduce the number of felony probationers sent to state prison. Since its inception, the program has allocated more than $1.6 billion to counties for their role in reducing prison admissions. In recent years, annual funding was held constant due to the COVID-19 Pandemic's effect on probation populations, law enforcement practices, and court processes. The 2025 Budget Act included statutory changes to modify the formula to specify a fixed statewide annual allocation of $103.7 million General Fund. This amount may be reduced if counties exceed their baseline return-to-prison rates, and increased if counties exceed performance expectations, compared to performance in calendar years 2022 and 2023. The Budget estimates $132.2 million General Fund in 2026-27 for the program.

BOARD OF STATE AND COMMUNITY CORRECTIONS

The Board of State and Community Corrections (BSCC), in addition to responsibilities such as oversight of local detention facilities and review of in-custody death incidents, administers up to 20 state and federal grant programs, totaling approximately $400 million annually for more than 400 individual grant agreements. Some of these grants include Proposition 47, the Adult Reentry Grant, and the California Violence Intervention and Prevention Program (CalVIP).

SIGNIFICANT BUDGET ADJUSTMENTS

- **Missing and Murdered Indigenous People Grant Program**—$15 million ongoing General Fund to administer a competitive grant program for federally recognized tribes supporting efforts to identify, collect case-level data, publicize, and investigate and solve cases involving missing and murdered Indigenous people. To date, $37.3 million has been allocated to BSCC for these grants: $4 million in 2022-23, $16 million in 2023-24, and $17.3 million in 2024-25.
- **CalVIP**—$60 million Gun Violence Prevention and School Safety Fund in 2026-27 to support CalVIP. Funding for CalVIP is continuously appropriated based on revenue in the Gun Violence Prevention and School Safety Fund.

- **Gun Violence Prevention**—$3 million one-time General Fund in 2026-27 to support the Broken by Violence program, a community-based gun violence prevention program.
- **Youth Diversion**—$20,000 one-time General Fund in 2026-27 to support the Los Angeles County Sheriff's Department's Vital Intervention Directional Alternatives program.

DEPARTMENT OF JUSTICE

As the chief law officer of the state, the Attorney General has the responsibility to see that the laws of California are uniformly and adequately enforced. This responsibility is fulfilled through the diverse programs of the Department of Justice (DOJ). The Department provides litigation services on behalf of the people of California; serves as legal counsel to state agencies; provides oversight, enforcement, education, and regulation of California's firearms laws; provides evaluation and analysis of physical evidence; and supports the data needs of California's criminal justice community. The Budget includes total funding of approximately $1.4 billion, including $518.4 million General Fund, to support the DOJ.

FEDERAL ACCOUNTABILITY

The 2024 Budget Act included $25 million one-time General Fund to defend the state against enforcement and legal actions taken by the federal government, which was available through June 30, 2026. Of that amount, $21.8 million has been distributed to the DOJ and other state entities for litigation to defend California against federal actions.

Since January 2025, DOJ has filed 73 cases against the federal government to protect Californians' rights and interests, including the protection of federal funding that supports critical programs. This includes $107 billion in funding for California's Medicaid programs, $2 billion in National Institute of Health contracts and grants, billions more in public health funding, and $200 million in education stabilization funding, among others.

The 2025 Budget Act included $14.2 million ($12.3 million General Fund and $1.9 million Unfair Competition Law Fund) in 2025-26 and $13.9 million ($12 million General Fund and $1.9 million Unfair Competition Law Fund) in 2026-27 and ongoing for the DOJ to defend California against federal actions. This is in addition to baseline funding of $2.5 million

General Fund within DOJ's budget to defend California against federal actions that was first authorized in the 2018 Budget Act.

The Budget includes approximately $28 million General Fund in 2026-27, and $24 million General Fund annually in 2027-28 and 2028-29 to defend California against adverse federal actions. This includes an augmentation of $10 million General Fund annually through 2028-29, and a one-time augmentation of $4.2 million General Fund in 2026-27 from funds remaining in the initial appropriation in the 2024 Budget Act. This leaves a balance of $3.2 million from the 2024 Budget Act that is reappropriated through July 30, 2027, and is available to address statewide federal accountability workload.

ANTITRUST LITIGATION FUNDING

In response to the federal government's recent retreat from enforcing antitrust laws, the Budget includes $14.3 million special funds in 2026-27, declining to $10.5 million in 2029-30, to address an anticipated increase in antitrust workload. The lack of federal oversight in this area leaves California individuals and businesses vulnerable to predatory business practices that threaten affordability and consumer rights.

California has been a leader in this area, dedicating $8 million annually since the 2023 Budget Act, specifically to prosecute antitrust violations in the gas and oil, technology, and agricultural sectors. These resources allow DOJ to conduct independent investigations and litigation and to enforce California's antitrust laws in these sectors of the economy.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Firearms IT Systems Modernization (FITSM) Project**—$11.2 million one-time General Fund in 2026-27 for DOJ to continue to work on the Stage 3 and 4 in the Project Approval Lifecycle process in 2026-27.
- **Dealers' Record of Sale Authority Alignment**—$8 million annual General Fund to maintain the current service level for activities funded by the Dealers Record of Sale Special Account in 2026-27 through 2028-29.
- **Online and App-Based Illegal Gambling Enforcement**—$1.1 million Unfair Competition Law Fund and 3.0 positions in 2026-27 and ongoing to conduct investigations and litigation against illegal online and app-based gambling operations.

- **Completing Organized Retail Criminal Enterprise Investigations**—$2.2 million one-time General Fund to provide DOJ with resources to resolve 27 existing cases stemming from the original funding provided in 2022-23.
- **Medi-Cal Fraud and Elder Abuse: Federal Grant Authority**—$16.2 million ongoing ($4.1 million False Claims Act Fund and $12.1 million Federal Trust Fund) to accept a federal grant award from the Office of Inspector General to support expanded investigations, enforcement activities, and prosecutions related to Medi-Cal fraud and elder abuse.
- **Legal Services Revolving Fund Ongoing Workload**—$10.8 million ongoing Legal Services Revolving Fund to maintain current service levels and address increased demand for legal services from client agencies.
- **Fingerprint System Modernization**—$4.3 million Fingerprint Fees Account in 2026-27, $5.5 million in 2027-28, and $1.1 million in 2028-29 and ongoing to upgrade biometric identification systems to cloud-based infrastructure.
- **Registry of Charities and Fundraisers New Online System IT Support**—$260,000 Registry of Charities and Fundraisers Fund in 2026-27 and $251,000 in 2027-28 and ongoing to manage the Registry's upgraded infrastructure, provide technical support to end users, and assist with hardware, software, data management, and reporting.
- **Chaptered Legislation**—$13.5 million ($10.4 million General Fund) in 2026-27, reducing to $5.9 million ($2.5 million General Fund) ongoing in 2029-30, to implement various chaptered legislation related to improving public safety, adding protections related to artificial intelligence, and supporting consumer protection.

OFFICE OF EMERGENCY SERVICES

The California Office of Emergency Services (Cal OES) serves as the state's leadership hub during all major emergencies and disasters. This includes responding, directing, and coordinating local, state, and federal resources, and mutual aid assets across all regions to support the diverse communities across the state. Cal OES also builds disaster resilience by supporting local jurisdictions and communities through planning and preparedness activities, training, and facilitating the immediate response to an emergency through the longer-term recovery phase. During this process, Cal OES serves as the state's overall coordinator and agent to secure federal government resources through the Federal Emergency Management Agency. The Budget includes $3.3 billion ($653.3 million General Fund) and 1,927.8 positions for Cal OES.

SIGNIFICANT BUDGET ADJUSTMENTS

The Budget includes the following resources:

- **Next Generation 9-1-1 (NG 9-1-1) Transition**—$141.9 million one-time State Emergency Telephone Number Account to continue NG 9-1-1 deployment to create a cohesive network with public safety-grade resiliency, and significantly reduce operational complexity for Public Safety Answering Points (PSAPs). This funding will also be used to create a modern, reliable system for the greater Los Angeles region prior to the 2028 Olympic and Paralympic Games and a safer future for large-scale events and beyond. The Budget includes an additional $3 million to conduct an audit and a technical evaluation of the development and implementation of the system to facilitate a reliable long-term system.
- **Southern Emergency Operations Facility**—$12.5 million ongoing General Fund to hire and onboard staff and bring the Southern Emergency Operations facility online to full functionality to absorb Southern Region staff and operations once the facility is complete.
- **Nonprofit Security Grant Program**—$80 million ongoing General Fund to support physical security enhancements for nonprofit organizations that have historically been targets of hate-motivated violence.
- **Victims of Crime Act Supplemental Funding**—$50 million one-time General Fund to supplement decreasing federal funding supporting a variety of services for victims of crime. This one-time augmentation will alleviate the service level reductions that would otherwise be necessary.
- **Vertical Prosecution Grant Program to Combat Human Trafficking**—$10 million one-time General Fund for Cal OES to administer a competitive Vertical Prosecution Grant Program aimed at preventing human trafficking. Vertical prosecution, where a single prosecutor handles the case from beginning to end, is often favored for cases involving particularly sensitive crimes, like human trafficking, because that prosecutor can become more knowledgeable about the details of the case, develop a comprehensive legal strategy for the matter, and establish rapport with the victims.
- **Victims of Human Trafficking Grant Program**—An increase of $10 million one-time General Fund, for a total of $20 million, to provide services for victims of human trafficking.

- **Sexual Assault and Domestic Violence Forensic Examinations**—$3 million one-time General Fund to expand access to technology-driven solutions that support standardized sexual assault and domestic violence forensic examinations across California.

JUDICIAL BRANCH

The Judicial Branch consists of the Supreme Court, courts of appeal, trial courts, the Habeas Corpus Resource Center, and the Judicial Council. The Judicial Council is responsible for managing the resources of the Judicial Branch. The trial courts are funded with a combination of General Fund, county maintenance-of-effort requirements, fines, fees, and other charges. Other levels of the Judicial Branch receive most of their funding from the General Fund. The Budget includes total funding of $7.5 billion ($3.8 billion General Fund) in 2026-27 for the Judicial Branch, of which $3.1 billion is provided to support trial court operations.

TRIAL COURT INVESTMENTS TO EXPAND ACCESS TO JUSTICE

The Budget continues the Administration's commitment to expanding access to justice by investing an additional $70 million ongoing General Fund to address increasing trial court operation costs. Between the 2021 and 2026 Budget Acts, trial court operations have cumulatively received over $2.5 billion General Fund to promote fiscal equity among the trial courts and improve existing service levels.

The Budget also includes statutory changes to extend the sunset dates for remote proceedings for criminal and civil cases through January 1, 2032, to help preserve access to justice for court users by continuing to provide the option to participate remotely.

To further expand access to justice by addressing judicial workload needs, the Budget includes $100 million General Fund in 2026-27 and $44 million ongoing to add 13 superior court judgeships over the next five fiscal years, including associated security costs, support staff and facility modifications. Specifically, this funding adds three judgeships each year in the next four fiscal years, and an additional judgeship in the fifth year, for a total of 13 by 2030-31. This augmentation enables the Judicial Branch to fill 13 of the 26 judgeships authorized by Chapter 482, Statutes of 2023 (SB 75). With this funding, the Administration has committed to spending $126.3 million ongoing General

Fund to support the addition of 61 judgeships based on the Judicial Needs Assessments since 2019.

The Budget includes $20 million Trial Court Trust Fund (TCTF) annually in 2026-27 and 2027-28 to address rising court interpreter costs and support language access and interpreter services in all case types in the trial courts. These resources will draw down the accumulated balance in the TCTF resulting from savings of previous allocations to the Judicial Branch and provide increased flexibility for trial court operation costs. This is in addition to the baseline funding of $135 million ongoing for the Court Interpreters Program.

Maintaining Court Facilities

The Budget includes $150 million one-time General Fund for the most critical deferred maintenance in trial courts. The Judicial Council has accumulated a backlog of critical maintenance projects, which has resulted in essential infrastructure systems deteriorating to the point of failure. This is in addition to the $138.5 million one-time General Fund included in the 2021 and 2023 Budget Acts for the same purpose.

The Budget also includes $36 million General Fund in 2026-27 and $35 million General Fund in 2027-28 to complete the ongoing facility modification to provide Fire Life Safety upgrades at the Central Justice Center in Orange County. This is in addition to the one-time $64 million General Fund included in recent Budget Acts for the same purpose.

Construction Projects

The Budget includes $62 million one-time General Fund in 2026-27 for 11 new and continuing Capital Outlay courthouse projects in the counties of Nevada, Plumas, Kings, San Joaquin, Sutter, Los Angeles, Lake, Kern, and Placer and $1.7 billion Lease Revenue Bond authority for new and continuing Capital Outlay courthouse projects in the counties of San Luis Obispo, Solano, Nevada, Plumas, Los Angeles, Lake, San Joaquin, Kern, and Placer.

The Budget also includes Control Section 4.85, which authorizes, upon appropriation, up to $1.3 billion General Fund and Lease Revenue Bond authority in 2027-28 for new and continuing Capital Outlay courthouse projects in the counties of Fresno, Contra Costa, San Francisco, Orange, and Santa Barbara.

PROPOSITION 36

Proposition 36, approved by voters in November 2024, increased punishment for specified theft and drug crimes and created a new court process for specified drug crimes. The Budget provides $50 million one-time General Fund, available over three years, to continue implementing Proposition 36. This includes $20 million for pretrial services, $20 million for behavioral health services through the Department of Health Care Services (DHCS), and $10 million to address court workload.

This builds on the $100 million one-time General Fund included in the 2025 Budget Act for the implementation of Proposition 36, which is available for expenditure until June 30, 2028. Specifically, the $100 million is allocated as follows: $50 million to DHCS for county-based diversion programs and substance use disorder treatment for justice-involved individuals, $20 million to the Judicial Council to address increased court workload, $15 million to the Judicial Council for programs and services for individuals released pretrial, and $15 million to the Office of the State Public Defender for grants to indigent defense providers, including public defenders.

COMMUNITY ASSISTANCE, RECOVERY, AND EMPOWERMENT (CARE COURT)

To increase CARE Act petitions and referrals, the Budget includes $3.5 million one-time General Fund in 2026-27, to be distributed by the Judicial Council through the Legal Services Trust Fund Commission of the State Bar of California, for public defenders to help integrate CARE Court as the first intervention to be sought in lieu of criminal court options.

The Budget also includes $1.5 million one-time General Fund in the California Health and Human Services Agency budget to train and support first responders, homeless outreach workers, and street medicine teams to strengthen the CARE Act referral and petition timeline.

The Budget maintains $35 million ongoing General Fund for CARE Court, initially implemented in 2023, to continue providing individuals with clinically appropriate, community-based, and court-ordered CARE Plans, and $17.4 million ongoing General Fund to support public defender and legal services organizations who provide legal counsel to CARE participants.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Legal Aid Augmentation**—$30 million General Fund one-time in 2026-27 to the Equal Access Fund; including $750,000 to the Legal Aid Repayment Assistance Program.
- **Court Appointed Special Advocates (CASA)**—$20 million General Fund one-time in 2026-27 to expand the CASA program capacity, recruitment, and training.
- **Court-Appointed Counsel**—$11 million General Fund in 2026-27 and ongoing to further increase the hourly rate of court-appointed counsel by $25 at the Supreme Court (to $180 per hour) and Courts of Appeal (up to $165 per hour), which provides representation for indigent appellants. This is in addition to the $6.3 million ongoing General Fund in the 2025 Budget Act for the same purpose.
- **Continuation of Courts of Appeal Workload**—$3.9 million Appellate Court Trust Fund in 2026-27 and $4.9 million General Fund in 2027-28 and ongoing to continue to address the courts' existing workload, reduce backlogs, and prevent case delays in appellate districts.
- **Appellate Court Security**—$1.6 million Appellate Court Trust Fund annually in 2026-27 through 2029-30 to continue resources for appellate court security previously funded on a limited-term basis.
- **Incompetent to Stand Trial Procedures (SB 820)**—$4.3 million General Fund annually in 2026-27 through 2029-30 to support trial courts with the implementation of new Incompetency to Stand Trial and involuntary medication order procedures pursuant to Chapter 330, Statutes of 2025 (SB 820).
- **Los Angeles Spring Street Courtrooms Relocation**—$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, which is subject to divestment by the federal government.
- **State Court Facilities and Construction Fund (SCFCF) Backfill**—$31 million General Fund in 2026-27 and $46 million in 2027-28 and ongoing to continue to backfill a projected shortfall in the SCFCF and to maintain existing service levels.
- **Trial Court Employee Health Benefits**—$23.9 million General Fund in 2026-27 and ongoing for trial court employee health benefit and retirement costs. The state began consistently funding the increased retirement health benefit and retirement costs for the trial courts in 2014-15.

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LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency works to fulfill the Administration's commitment to supporting pathways to quality jobs and equity through workforce development strategies, enforcing California labor laws to ensure workers are protected and employers compete on a level playing field, and administering employment-related benefits that promote equity throughout the state.

The Budget continues to make investments to upgrade and modernize information technology systems to improve the operation and employee experience for unemployment, paid family leave, and worker health and safety programs. Additionally, the Budget includes resources to support the Department of Industrial Relations' (DIR) Division of Occupational Safety and Health (Cal/OSHA) in streamlining its complaint intake and referral process and performing targeted outreach and enforcement activities, and to address the backlog of cases and substantial growth of the Subsequent Injuries Benefits Trust Fund (SIBTF) program.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Unemployment Insurance Trust Fund Loan Interest**—$668.3 million one-time General Fund to pay the annual interest payment on the state's Unemployment Insurance loan balance.
- **EDDNext**—$165.5 million ($70.9 million General Fund) one-time to continue the modernization of the Employment Development Department (EDD) through the implementation of EDDNext. The effort includes enhancements to EDD's benefits

system—improving call centers, simplifying forms and notices, and data analysis tools to continue curbing fraudulent benefit claims.

- **DIR Information Technology Projects**—$81.4 million one-time Labor and Workforce Development Fund to continue implementation of projects to modernize DIR's Information Technology systems, including the Cal/OSHA Data Management System, the Electronic Adjudication Management System, and Public Works data systems.
- **California Workplace Outreach Project**—$35 million one-time Labor and Workforce Development Fund in 2026-27 and $30 million in 2027-28 and 2028-29 for DIR to continue the California Workplace Outreach Project, which promotes awareness and education for labor protections for California workers.
- **Cal/OSHA Outreach and Enforcement**—$19.3 million Occupational Safety and Health Fund in 2026-27 and $17.1 million in 2027-28 and ongoing to establish a centralized complaint intake unit; investigate all fatalities and more serious injury cases for criminal violations; work with employers and proactively address workplace hazards related to rapidly developing workplace technologies and equipment; and to continue targeted education and enforcement efforts in the agricultural sector and to protect workers from heat-related illnesses and wildfire smoke hazards.
- **DIR Apprenticeship Training Grant Augmentation**—$18.2 million one-time 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 grants to approved apprenticeship programs in construction and related trades.
- **Workforce Training and Development**—$18 million one-time General Fund to the California Workforce Development Board (CWDB) for various workforce training and development programs. This includes support for the Hospitality Training Academy, a high road training program administered by the United Food and Commercial Workers Western States Council, reentry support and programming through Creating Restorative Opportunities and Programs, and a new workforce training program for port workers.
- **Social Entrepreneurs for Economic Development**—$10.8 million one-time General Fund to CWDB for grants and training to support the entrepreneurship of immigrants and individuals with limited English proficiency who face barriers to employment through micro-grants, training, and technical assistance.

- **Workers' Rights Enforcement Grant**—$9 million ongoing Labor and Workforce Development Fund for the Workers' Rights Enforcement Grant program administered by the Labor Commissioner's Office, which supports grants to facilitate the enforcement of state labor laws.

SUBSEQUENT INJURIES BENEFITS TRUST FUND

The Budget includes $12.7 million Workers' Compensation Administration Revolving Fund and 57 positions in 2026-27, growing to $27.4 million and 133 positions in 2028-29 and ongoing, for DIR to address the backlog of cases resulting from years of substantial growth in the SIBTF program. The SIBTF program has expanded significantly beyond its original purpose due in part to recent court decisions that have expansively interpreted undefined terms in the 60-year-old statute, which has resulted in an increase in SIBTF claims and benefits that pose significant financial and operational challenges for SIBTF.

With the additional resources included in the Budget, DIR will be able to provide enhanced customer service and faster response times to applicants and service providers, reduce average caseload per claims examiner, and work towards resolving the existing backlog of pending applications.

The Budget also reflects comprehensive statutory reforms to the SIBTF program to protect the ongoing stability and availability of this benefit by returning the program to manageable levels, ensuring claims are processed timely for workers, stabilizing employer SIBTF assessments, and significantly reducing growth in program liabilities over the long term.

TRANSPORTATION

CALIFORNIA STATE TRANSPORTATION AGENCY

The California State Transportation Agency (CalSTA) is responsible for shaping California's transportation future, including the mobility, safety, equity, and environmental sustainability of the state's transportation system. CalSTA consists of the following eight entities working to advance a transportation system that delivers safety, equity, climate action, and economic prosperity for all Californians:

- Department of Transportation
- California Transportation Commission
- High-Speed Rail Authority
- Department of Motor Vehicles
- California Highway Patrol
- Board of Pilot Commissioners
- State Transit Assistance
- Office of Traffic Safety

DEPARTMENT OF TRANSPORTATION

The California Department of Transportation (Caltrans) employs over 22,000 people statewide across 12 geographical districts, with an annual budget of approximately $18 billion, and forms the backbone of California's transportation network. Caltrans manages more than 50,000 lane-miles of roadway and over 13,000 state-owned bridges and other structures, inspects over 400 public- and special-use airports and heliports, and funds the largest state-supported rail system in the nation.

The largest sources of funding for transportation projects are excise taxes paid on fuel consumption, federal funds also derived from fuel taxes, and various vehicle-based fees. Caltrans invests billions annually to rehabilitate highways, public transit, intercity rail, and bridges; expand the electric vehicle charging network; and enhance goods movement.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Clean California**—$40 million in one-time General Fund resources for litter abatement and clean-up on the State Highway System.
- **Homeless Encampment Liaisons**—$6.2 million in General Fund resources per year for two years for homeless encampment liaisons to sustain efforts addressing homelessness and encampments on the State Highway System.
- **Fleet Replacement**—$225 million one-time from the State Highway Account to continue replacing and modernizing the Caltrans fleet and to install supporting zero-emission charging infrastructure.
- **Advancing GenAI for Safer and Smarter Roads**—$7.2 million one-time from the State Highway Account for the deployment of new Generative AI solutions related to enhancing safety for vulnerable road users and to gain traffic mobility insights on the State Highway System.
- **LA 28 Games Route Network**—The Budget includes statutory changes to establish an automated enforcement on the State Highway System portion of the Games Route Network in advance of the 2028 Olympic and Paralympic games that will be held in the Los Angeles region.

CALIFORNIA HIGHWAY PATROL

The California Highway Patrol (CHP) promotes safe, convenient, and efficient transportation of people and goods across the state highway system and provides the highest level of safety, service, and security to state infrastructure and the people of the State of California.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Equipment and Operating Costs**—A one-time augmentation of $84.4 million in 2026-27 from the Motor Vehicle Account for equipment and operating costs. This augmentation will provide funding for additional duty weapons, vehicles, and other various operational cost increases.
- **Crash Data Systems**—$13.7 million in federal funds to begin executing the California Crash Data System Modernization Project, which will allow for insight into necessary roadway improvements, the implementation of proactive safety measures, and more effective traffic solutions.
- **Security at State Capitol Swing Space and Annex Building**—A one-time augmentation of $6.9 million in 2026-27 from the Motor Vehicle Account to continue providing protection and security at the State Capitol swing space building.
- **Wireless Camera Systems**—$3.1 million from the Motor Vehicle Account to upgrade wireless mobile video/audio systems and body camera systems to 5G.
- **Highway Violence Task Force**—$885,000 for 7 positions to continue analyzing data related to violent crimes committed on the State Highway System.

DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) promotes public safety by licensing drivers, issuing identification cards, regulating vehicle-related businesses and protecting consumers. The DMV serves more than 31 million licensed drivers and identification card holders and administers registration services for more than 36 million vehicles.

DMV collects approximately $15.5 billion in annual revenue on behalf of the state, which supports cities and counties, transportation programs, and the Motor Vehicle Account, which supports the operations of DMV and the CHP, as well as other myriad departments.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Digital eXperience Platform (DXP) Project**—$94.1 million Motor Vehicle Account in 2026-27 to continue a multi-year information technology project to modernize the Occupational Licensing, Disabled Persons Placard, Vehicle Registration, Control Cashiering and Inventory Management, and Driver Licensing programs.
- **State To State Verification Service Project**—$56 million Motor Vehicle Account to continue compliance with the federal Real ID Act of 2005.
- **Operating Costs and Efficiencies**—A one-time increase of $24.5 million from the Motor Vehicle Account for increased operating costs across DMV facilities. The Budget also includes statutory changes to reduce printing costs of materials by adopting efficiencies that digitize or reduce printing requirements related to Driver's License Courtesy Notices, Driver's License Handbooks, Digital Notice Opt-Out, Rushed Registration Documents, Digital Titles, and Disabled Person Parking Placard Enhancements.
- **Field Office Leases**—$13.9 million Motor Vehicle Account to enter into new leases for the San Francisco and San Clemente Field Offices. The estimated costs include one-time and ongoing costs for 2026-27 through 2029-30.
- **Mobile Driver's License**—$5 million Motor Vehicle Account to expand mobile app based identification cards and adopts statutory language to increase the existing participation cap from 15 percent to 60 percent of eligible driver license holders.

GENERAL GOVERNMENT AND STATEWIDE ISSUES

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

ENHANCING AND PROTECTING ELECTION INTEGRITY

The Budget includes $40 million one-time General Fund to enhance and protect the integrity of California's November 2026 General Election. Of this amount, $39.3 million is for the Secretary of State and counties to expedite the vote-counting process and provide voter outreach and education, and $750,000 is for the Office of Emergency Services. Specifically, the Budget includes:

- $29 million for counties to expedite the vote-counting process through increasing staff to tabulate votes, making technological upgrades, or acquiring more office space to accommodate additional staff or equipment.
- $10 million for voter outreach and education to encourage voter participation, with $5 million allocated to the Secretary of State and another $5 million provided to counties, with the overall aim to expedite the vote-counting process and to perform voter outreach and education.
- $750,000 for the Office of Emergency Services to track dis- and misinformation and for contingency planning.

- $250,000 for the Secretary of State for administrative costs associated with the above efforts.

TAX POLICY

SOLIDIFYING STRUCTURAL BALANCE

The Budget includes three tax revenue policy changes as part of a balanced approach to solidify the state's structural balance:

- **Managed Care Organization (MCO) Tax**—The Budget includes renewal of an MCO Tax effective January 1, 2027. This policy is projected to increase revenue by $575 million in 2026-27, $2.3 billion in 2027-28 and 2028-29, and $1.7 billion in 2029-30 to support the Medi-Cal program and maintain targeted rate increases for primary, maternal, and non-specialty mental health care implemented on January 1, 2024.
- **Business Tax Credit Limitation**—Extends the existing temporary business tax credit limitation of $5 million per year—initially in place for 2024 through 2026—for an additional three years, from 2027 through 2029. This extension continues to allow elective refundability for 2027 through 2029 so that taxpayers impacted by the temporary limitation can fully utilize their credits. Unlike the current limitation that is in effect for 2024 through 2026, the extended temporary limitation does not include a suspension of net operating losses (NOLs). Beginning in 2030, the Budget permanently limits business tax credit use to the greater of $5 million or 70 percent of liability, ensuring that large profitable corporations pay a reasonable minimum level of tax. The limitation is projected to increase General Fund revenue by $1 billion in 2026-27, $3.3 billion in 2027-28, $4.7 billion in 2028-29, and $4.2 billion in 2029-30.
- **Prewritten Software Tax**—Effective January 1, 2027, the existing sales tax on prewritten software delivered on a tangible medium is extended to electronically delivered prewritten software. This is projected to increase General Fund revenue by $450 million in 2026-27 and $900 million in 2027-28 and annually thereafter. Additionally, it is expected to increase local sales tax revenue by $560 million in 2026-27 and $1.1 billion in 2027-28 and annually thereafter.

OTHER TAX POLICY CHANGES

- **Reduce the $800 Annual Tax for New Businesses by Half**—To encourage the formation of new small businesses, which are a major engine of economic growth in

California, the Budget reduces the $800 annual tax paid by limited liability companies (LLCs), limited liability partnerships (LLPs), and limited partnerships (LPs) in their first year to $400 during the 2027, 2028, and 2029 tax years. This is estimated to benefit approximately 250,000 new businesses each year, providing $100 million in tax relief per year.

- **Low-Income Housing Tax Credit Allocation**—Provides $500 million for an additional year of enhanced state low-income housing tax credits. This change is projected to decrease General Fund revenues by $94 million in 2028-29, $306 million in 2029-30, and $100 million in subsequent years outside of the multiyear period.
- **California Competes Tax Credit**—Extends the California Competes Tax Credit program at its current level of $180 million in annual allocation for five years, from 2028-29 through 2032-33. The tax credit incentivizes businesses to locate or stay in California, and thus to invest, grow, and create quality full-time jobs in the state. Under current law, the program is scheduled to sunset after 2027-28. The extension is expected to decrease General Fund revenue by $8 million in 2029-30, with revenue losses growing in subsequent years.
- **Property Tax Postponement Program**—Effective July 1, 2026, the 1-percent cap on allocation for manufactured homes is replaced with a fixed annual allocation of up to $300,000 to cover all qualified applications from the manufactured homes program subset using the existing available balance in the Property Tax Postponement Fund.
- **Conform to Federal Tax Treatment of 530A Accounts**—Consistent with the state's general practice of conformity to federal law for tax-advantaged savings accounts, effective beginning in tax year 2026, the Budget conforms state law to federal tax treatment of 530A Accounts, ensuring that contributions to and investment growth within these new federal child savings accounts are not taxed. This is estimated to decrease General Fund revenue by $1 million in 2026-27, increasing to $3 million by 2029-30.
- **Taxation of the Anti-Weaponization Fund**—Imposes a 100-percent tax on any settlement payment from the federal "Anti-Weaponization Fund," or any subsequent fund, settlement, or agreement, received by a taxpayer in 2026 through 2029.

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 businesses and maintain investments made 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.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Civic Media Program**—$10 million General Fund annually in 2026-27 and 2027-28 for the California Civic Media Program, a public-private partnership, to support the work of California's newsrooms, increase access to information, and strengthen community engagement statewide. This funding is in addition to the $10 million General Fund provided in the 2025 Budget Act, increasing the total investment in this program to $30 million General Fund over three years.
- **California Export Promotion Program**—$1.4 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.

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 California Volunteers and the Youth Empowerment Commission (YEC). GO-Serve elevates paid service and volunteerism and promotes youth and community engagement to tackle our state's most pressing challenges.

The YEC is funded through June 30, 2027, 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.

SIGNIFICANT BUDGET ADJUSTMENTS

- **City Year and California Student Success Coach Grant Program**—$10 million one-time General Fund for City Year and $5 million one-time General Fund for the California Student Success Coach Grant Program to support and expand the presence of student success coaches in high-need schools. The 2024 and 2025 Budget Acts provided a total of $10 million one-time General Fund for the California Student Success Coach Grant program.
- **Reading Corps and Math Corps**—$5 million one-time General Fund for Reading Corps and Math Corps, which provide support and services to implement high-impact tutoring and supplemental instruction to students in preschools, elementary, and middle schools.
- **California Men's Service Challenge**—$5 million one-time General Fund to promote the participation of men and boys in service opportunities through the California Service Corps and partner organizations. The Challenge calls on 10,000 young men to step forward as mentors and coaches, offering the care and connection to combat isolation and build belonging.

GOVERNOR'S OFFICE OF LAND USE AND CLIMATE INNOVATION—STATE CLEARINGHOUSE

The Budget includes statutory changes to authorize the Governor's Office of Land Use and Climate Innovation (LCI) to establish and collect fees for the submission of documents to the State Clearinghouse to support the costs of the State Clearinghouse system. The State Clearinghouse is responsible for facilitating the submittal and public hosting of all California Environmental Quality Act (CEQA) documents submitted to the state. These changes also authorize LCI to include additional information in the database, including, but not limited to, information related to planning, permitting, grants, and procurement, for the purposes of facilitating efficient and informed decision making by public agencies and members of the public. This fee authority will support the modernization of the Clearinghouse's CEQAnet and CEQA Submit functions, and allow for faster, more efficient submittal of documentation as well as improved access to information that will streamline the environmental review process for all public agencies.

BUSINESS AND CONSUMER SERVICES

On July 1, 2026, California finalized a plan to reorganize state agencies to better address emerging challenges faced by families and businesses. The new Business and Consumer Services Agency will oversee dozens of boards, bureaus, and departments charged by the Legislature with administering and enforcing laws that protect families and businesses, while also promoting a fair and dynamic economy for all Californians. The Agency's work touches a broad range of sectors of California's economy, including financial services, health care, real estate, retail and hospitality, agriculture, professional services, higher education, and more. 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) licenses and regulates commercial cannabis activity and facilitates a legal cannabis market that protects public health, safety, the environment, and local communities in California.

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 $3.3 million ($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.

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 $414.1 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 ($248.5 million)
- **Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation**—20 percent ($82.8 million)
- **Public safety-related activities**—20 percent ($82.8 million)

The Budget includes a one-time shift within the youth, education, prevention, early intervention, and treatment account, from the California Natural Resources Agency to the Department of Social Services, of $11.8 million in 2026-27. This one-time shift will be invested in child care infrastructure, specifically targeted toward communities impacted by recent fires.

DEPARTMENT OF CONSUMER AFFAIRS

The Department of Consumer Affairs (DCA) is responsible for promoting and protecting the interests of millions of California consumers by serving as a guardian and advocate for their health, safety, and economic well-being and by promoting legal and ethical standards of professional conduct. DCA helps promote good business practices to ensure California's consumers receive quality services by establishing minimal competency standards for approximately 250 professions and occupations involving more than three million professionals.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Bureau of Private Postsecondary Education: Legal Costs**—$10 million one-time General Fund in 2026-27 to fully repay a loan from the High Polluter Repair or Removal Account to the Bureau's Private Postsecondary Education Administration Fund. The loan, executed in December 2025, was needed to cover legal expenses and settlement costs incurred by the Bureau resulting from a recent judgment.
- **California State Board of Pharmacy: Business Modernization**—$1.7 million one-time Pharmacy Board Contingent Fund, Professions and Vocations Fund in 2026-27 to support the Board of Pharmacy's initial business modernization activities, including updating outdated information technology systems. These resources will allow the Board to begin maintaining a more substantial online presence where applicants

and licensees can pay fees via credit card, submit application documents online, and allow for self-management of licensing information.

- **State Athletic Commission**—$1.7 million one-time General Fund to temporarily alleviate solvency concerns of the Athletic Commission Fund. Mixed-martial arts and boxing event fee revenues declined significantly during the pandemic and increased legal costs in recent years have put considerable strain on the Athletic Commission Fund, which has not recovered to pre-pandemic levels. One-time General Fund resources will allow the Commission to continue its oversight responsibilities while developing a long-term solvency plan prior to the Commission's January 1, 2029 sunset.
- **Board of Registered Nursing**—$1.4 million Board of Registered Nursing Fund, Professions and Vocations Fund in 2026-27 and ongoing to support eight special investigators that will address increased investigatory workload resulting from the increased number of consumer complaints against registered nurses.

DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

The Department of Financial Protection and Innovation (DFPI) serves Californians by effectively overseeing financial service providers; enforcing laws and regulations; promoting innovation and fair and honest business practices; enhancing consumer awareness; and protecting consumers by preventing potential marketplace risks, fraud, and abuse.

SIGNIFICANT BUDGET ADJUSTMENTS

- **California Consumer Financial Protection Law (CCFPL)**—$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.
- **Debt Collector Licensing and Regulation**—$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.

- **Franchise Brokers Registration System Enhancements**—$125,000 one-time Financial Protection Fund in 2026-27 for costs associated with modifying the Franchise Registration and Securities Electronic Submissions System. Pursuant to Chapter 518, Statutes of 2024 (SB 919), third-party franchise brokers are required to register with DFPI prior to affecting the sale of the franchise. System modifications will allow DFPI to collect applications for registration and point of contact information, registration documents for franchisees, and fee payments, beginning July 1, 2027.

California Horse Racing Board

The California Horse Racing Board regulates parimutuel wagering for the protection of the public and promotes the horse racing and breeding industries.

Significant Budget Adjustment

- **Fee Relief**—$8 million one-time General Fund over two years to provide partial fee relief to horse racing associations licensed by the Board. These temporary resources will partially offset reduced racing association revenues due to declining horse racing events across the state in recent years.

California Privacy Protection Agency

The California Privacy Protection Agency (CalPrivacy) implements and enforces the California Consumer Privacy Act of 2018 (CCPA), as amended, and has several responsibilities including rulemaking in a highly complicated, technical, sometimes contested, and nuanced area; supporting awareness across California's diverse population of issues related to privacy and data security, including the new rights provided to them by the law; and administrative enforcement of those rights.

Significant Budget Adjustments

- **Enforcement Resources**—$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 CalPrivacy's enforcement workload.

- **Delete Request and Opt-out Platform (DROP)**—$2.2 million one-time Data Brokers' Registry Fund in 2026-27 to address increased costs associated with the release of DROP, which has received higher than anticipated consumer interest since its launch in January 2026.

CALIFORNIA 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.

SIGNIFICANT BUDGET ADJUSTMENTS

- **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 nutritional education programs. Additionally, this proposal supports farmers in the adoption of climate smart agricultural practices and market development to ensure they can access their local school food procurement programs.
- **Plant Health and Pest Prevention Programs**—An increase of $10.5 million General Fund ongoing to maintain critical pest detection activities, offsetting a proposed reduction by the U.S. Department of Agriculture (USDA) of $10.5 million in federal funds for this program. Invasive fruit flies are a threat to California's natural and working lands. CDFA runs a statewide program in partnership with USDA and County Agricultural Commissioners to rapidly detect, identify, and eradicate these invasive pests before they can irreparably harm valuable state resources.

- **Industrial Hemp Program Transition**—An increase of $8.4 million General Fund one-time to offset lower than expected fee revenues in recent years for the implementation of the Industrial Hemp Program. The program was originally intended to be funded through fees. However, the industry is not large enough to support a state-managed program that is compliant with federal requirements. The Administration looks forward to working with the Legislature over the summer to shift industrial hemp from a state-managed program to the federal hemp program established by the USDA to lower costs for industrial hemp growers in California.
- **Animal Care Program (Proposition 12)**—An increase of $7.9 million General Fund, including $2.8 million ongoing, to implement the Animal Care Program and comply with Proposition 12. Passed by the voters in 2018, Proposition 12 established the Animal Care Program, and a portion of this program was intended to be supported by fees. However, in consideration of multiple, ongoing legal challenges to this law, including from the federal government, CDFA has held off from setting these fees.

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The Budget includes $307.2 million ($138.1 million General Fund) in 2026-27 for increased employee compensation and projected health care and dental premiums for active state employees for the 2027 plan year.

Collective bargaining negotiations are ongoing with nine bargaining units represented by the Service Employees International Union, whose contracts have expired.

STATE RETIREMENT CONTRIBUTIONS

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. Between fiscal years 2019-20 and 2025-26, the state contributed a total of $15.4 billion towards the state's unfunded retirement liabilities, and an additional $13 billion in Proposition 2 (2014) debt repayment funding is estimated to be available in 2026-27 to 2029-30. In 2026-27, the Budget reflects $3.6 billion in available Proposition 2 funding, including a $3 billion supplemental pension payment to help reduce the state plans' unfunded liabilities.

- **CalPERS Contributions**—The Budget includes $9.6 billion ($5.2 billion General Fund) for the state's contribution to CalPERS. Included in the total contributions is $737.4 million one-time General Fund for the California State University retirement costs. This contribution amount is a $634.7 million ($289.3 million General Fund) increase from 2025-26.
- **CalSTRS Contributions**—The Budget includes $4.8 billion General Fund for state contributions to CalSTRS. This is roughly $150.6 million more than the contributions included 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	0	4,986	2,861	539	32
2026-27[9/]	8,908	737	4,782	214	109	1	5,433	3,205	605	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, Statues of 2023 (AB 130), Chapter 52, Statues of 2024 (AB 171), Chapter 4, Statutes of 2025 (SB 101), and Proposition 2 payments to CalPERS approved in the 2026 Budget Act.

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 certain years, 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. The 2026 Budget Act includes $1.1 million in required contributions for 2024-25, 2025-26, and 2026-27 due to the negative impacts of investment losses and cost of living adjustments experienced by the fund in more recent years.

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 Budget Act, contributions sourced from the General Fund are estimated to be $4.5 billion for CalPERS, $737 million for CSU CalPERS, and $2.7 billion for Active Health and Dental. Fiscal year 2026-27 contributions to CalSTRS, LRS, JRS, JRS II, and Retiree Health & Dental (including CSU) are funded entirely by the General Fund.

VARIOUS DEPARTMENTS

SIGNIFICANT BUDGET ADJUSTMENTS

- **Vehicle License Fee Backfill**—$80 million one-time General Fund in 2026-27 to backfill 2024-25 insufficient Educational Revenue Augmentation Fund amounts for the counties of Alpine, Mono, and San Mateo.

- **Franchise Tax Board: CalFile Resources Realignment**—General Fund reductions of $921,000 in 2026-27, $2.3 million in 2027-28, and $2.7 million in 2028-29 and ongoing to reflect savings associated with ceasing efforts to link the Board's CalFile system to the recently discontinued federal Internal Revenue Service's Direct File system. Instead, the Board will retain a reduced level of resources to complete a modified upgrade of CalFile by implementing the ability to upload federal information, modernize the user experience, and allow first-time and CalEITC filers to utilize this service.
- **Department of Tax and Fee Administration: Operational Savings**—Ongoing reduction of $10 million General Fund beginning in 2026-27 to reflect anticipated operational savings. The department can absorb this reduction without impacts to its operations or ability to meet statutory requirements.
- **Poppy: California's Digital Assistant**—In response to Governor Newsom's 2023 Generative Artificial Intelligence (GenAI) Executive Order, the California Department of Technology built Poppy, a secure, state-built GenAI platform aimed at enhancing government operations while protecting state data. Poppy gives agencies access to a secure and trusted GenAI tool designed specifically to support the work of government employees. The Budget includes $1 million Technology Services Revolving Fund to scale Poppy more broadly across state departments.
- **Workforce Pell Grant Program Implementation**—$1.3 million one-time General Fund to the Government Operations Agency for the increased data collection activities required by the Cradle-to-Career Data System related to the federal Workforce Pell Grant Program, as authorized under the House of Representatives (H.R.) 1 of 2025.
- **Women's Wealth Working Group**—$1.5 million one-time General Fund for the Commission on the Status of Women and Girls to implement the Women's Wealth Working Group and Gender Equity Summits.
- **Arts Council**
  - **Cultural Programming**—$5 million one-time General Fund to support arts and cultural programming that showcases California artists and communities for the 2028 Olympic and Paralympic Games.
  - **Protagonist Black**—$5 million one-time General Fund for Protagonist Black to increase the number of books in homes in marginalized communities.
  - **Actors' Gang**—$1.8 million one-time General Fund for the Actors' Gang Prison project to provide theater arts programming in prisons and reentry facilities.

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