

GENERAL GOVERNMENT AND STATEWIDE ISSUES

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

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, small business assistance, permitting support, innovation, and entrepreneurship.

GO-Biz administers multiple programs promoting inclusive economic growth in California. Through its leadership role in the California Jobs First initiative and associated Jobs First Council, GO-Biz continues to advance sustainable economic growth across California, awarding grants to businesses and regional economic development coalitions, providing capital access and financing to small businesses while investing in underserved communities up and down the state.

SIGNIFICANT BUDGET ADJUSTMENT

- **California 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 investments in this program to \$30 million General Fund.

OFFICE OF LAND USE AND CLIMATE INNOVATION—STATE CLEARINGHOUSE

The May Revision proposes statutory changes to authorize the Governor's Office of Land Use and Climate Innovation to assess a fee on documents submitted 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. 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.

CANNABIS

The Department of Cannabis Control licenses and regulates commercial cannabis activity and facilitates a legal cannabis market that protects public health, safety, the environment, and local communities in California.

UPDATED ALLOCATION OF CANNABIS TAX FUND

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

programs—youth education, prevention, early intervention, and treatment; environmental protection; and public safety-related activities.

The May Revision 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)

Consistent with the Governor's Budget, the May Revision maintains 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 (an increase of \$308,000 from the Governor's Budget). This one-time shift will be invested in child care infrastructure, specifically targeted toward communities impacted by recent fires.

BUSINESS AND CONSUMER SERVICES

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. Absent this General Fund backfill, future adjustments to educational institution fees will need to account for costs associated with the litigation, resulting in higher fee levels than would otherwise be necessary.

- **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.

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 ADJUSTMENT

- **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.

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

- **Plant Health and Pest Prevention Programs**—An increase of \$10.5 million General Fund to maintain critical pest detection activities. Invasive fruit flies are a threat to California's natural and working lands. CDFA runs a statewide program in partnership with the U.S. Department of Agriculture (USDA) and County Agricultural Commissioners to rapidly detect, identify, and eradicate these invasive pests before they can irreparably harm valuable state resources. Although the needs of the program continue to increase, the USDA has notified CDFA that the federal contribution to this program is being reduced annually by \$10.5 million.
- **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 May Revision proposes statutory changes to shift industrial hemp from a state-managed program to the federal hemp program established by the USDA.
- **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.

MUSEUM OF TOLERANCE

SIGNIFICANT BUDGET ADJUSTMENT

The May Revision includes \$12 million one-time General Fund to support the Museum of Tolerance, which supports educational programs that challenge visitors to confront bigotry, antisemitism, and hate, and encourages a deeper understanding of the Holocaust within both historical and contemporary contexts. This funding will enable the Museum to complete critical infrastructure improvements as well as create a second

Mobile Museum of Tolerance, focused on serving schools and communities in Central and Northern California. It will also support the full modernization and integration of advanced, AI-enhanced learning across the Museum's three core permanent exhibits, incorporating multilingual access, cutting-edge educational programming, and ongoing impacts measurement tools.

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The May Revision includes \$307.2 million (\$138.1 million General Fund), an increase of \$40.4 million (\$15.2 million General Fund) in 2026-27 as compared to the Governor's Budget to reflect updated 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 will expire in summer 2026.

PAYING DOWN UNFUNDED RETIREMENT LIABILITIES

The Administration remains committed to the security of state retiree benefits and the long-term sustainability of state pension systems. 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).

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 \$13.1 billion in Proposition 2 (2014) debt repayment funding is estimated to be available for the next four fiscal years. The May Revision reflects \$3.6 billion in available Proposition 2 funding, including a \$3 billion supplemental pension payment to help reduce the state plans' unfunded liabilities.

STATE RETIREMENT CONTRIBUTIONS

- **CalPERS Contributions**—The May Revision includes \$9.6 billion (\$5.2 billion General Fund) for the state's contribution to CalPERS. This is a decrease of \$107.2 million (\$66.8 million General Fund) from the Governor's Budget. Included in the total contributions is \$737.4 million one-time General Fund for the California State University retirement costs.
- **CalSTRS Contributions**—The May Revision includes \$4.8 billion General Fund for state contributions to CalSTRS. This is roughly \$6.5 million more than the contributions included in the Governor's Budget, due to revised creditable compensation increases to the Defined Benefits Program and Supplemental Benefits Maintenance Account.

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, Statutes of 2023 (AB 130), Chapter 52, Statutes of 2024 (AB 171), and Proposition 2 payments to CalPERS proposed in the 2026-27 May Revision.

^{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 May Revision 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 2026-27 May Revision, 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

- **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**—An 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.
- **Department of General Services: 10th and O Street State Office Building Reconfiguration**—\$14.3 million one-time Public Buildings Construction Fund in 2026-27 for the preconstruction phase of the reconfiguration of the State Office Building located at 10th and O Streets in Sacramento. This funding will allow the construction phase for this project to commence shortly after the Legislature relocates to the new Capitol Annex in 2027.

STATE APPROPRIATIONS LIMIT CALCULATION

Pursuant to Article XIII B of the California Constitution, the 2026-27 limit is estimated to be \$182 billion. The revised limit is the result of applying the growth factor of 4.73 percent to the prior year limit. The revised 2026-27 limit is \$1.4 billion above the \$180.6 billion estimated in January. A substantial portion of the increase is attributable to changes in the following factors:

- Per Capita Personal Income
 - January Percentage Growth: 4.36%
 - May Revision Percentage Growth: 4.95%
- State Civilian Population
 - January Percentage Growth: 0.03%
 - May Revision Percentage Growth: -0.14%
- K-14 Average Daily Attendance
 - January Percentage Growth: -0.18%
 - May Revision Percentage Growth: -0.34%

PROTECTING AND STRENGTHENING ELECTION INTEGRITY

As part of the budget process, the Administration, working collaboratively with the Legislature, will identify ways to continue to protect democracy in the state of California.