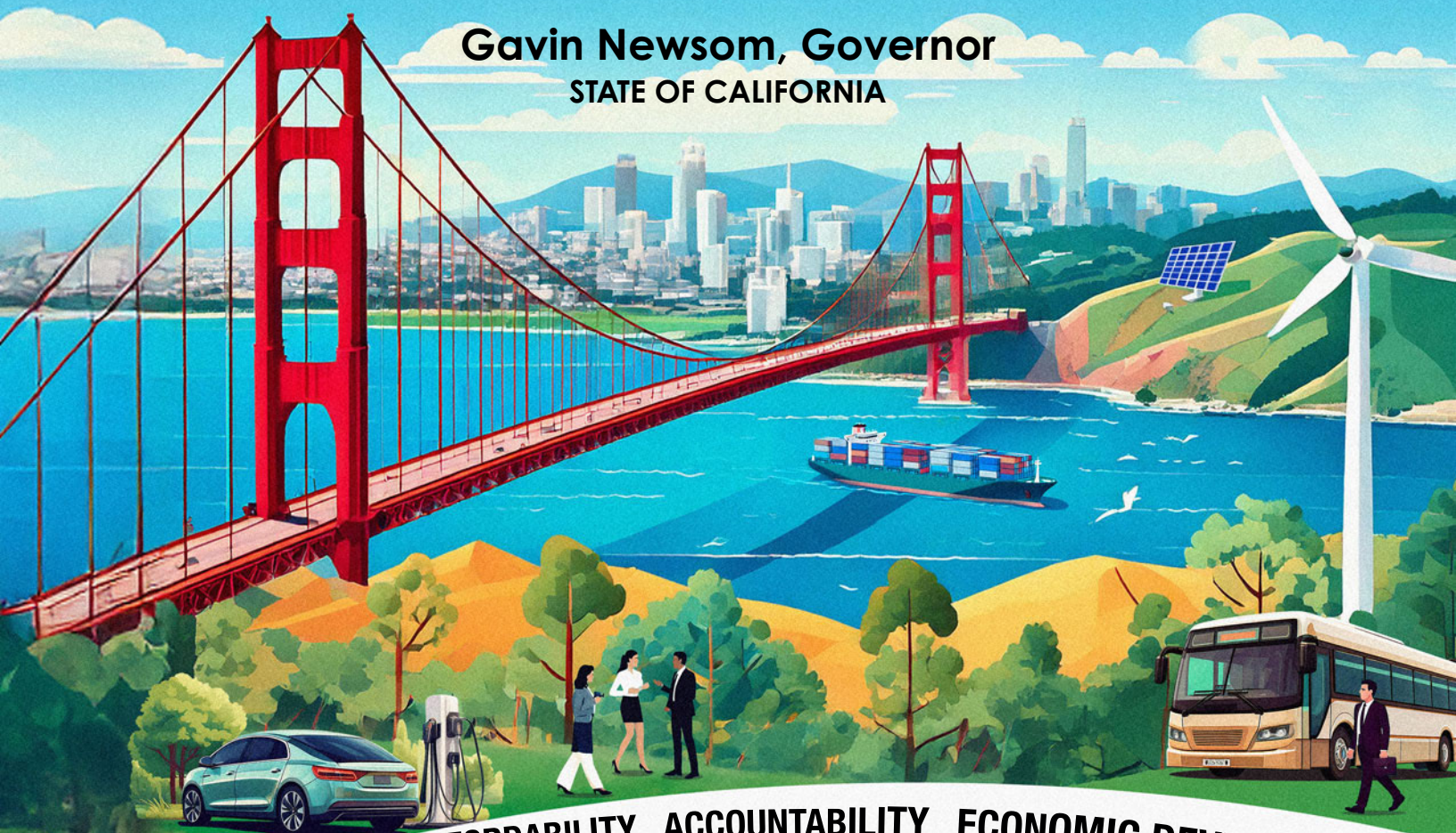


# CALIFORNIA STATE BUDGET

## 2025-26

Gavin Newsom, Governor  
STATE OF CALIFORNIA



**AFFORDABILITY ACCOUNTABILITY ECONOMIC DEVELOPMENT**





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# INTRODUCTION

Despite substantial, ongoing uncertainty created by recent federal policy changes, the 2025 Budget Act provides a balanced fiscal plan that maintains significant reserves. It reduces the growth in state spending while maintaining support for key programs—and it incorporates a comprehensive regulatory streamlining package that will advance more affordable housing and infrastructure.

In January, the 2025-26 Governor's Budget projected modest but slow economic growth with a slight surplus in the budget window. This was followed by continued positive signs early in the year, as revenues came in substantially higher than projected, reflecting strong performance in California's economy and the stock market in 2024 and early 2025.

The imposition of federal policy changes significantly slowed growth in the California economy. Most notably, broad-based tariffs blunted this growth and drove a downgrade to California's economic and revenue forecasts at the 2025-26 May Revision. At the same time, California also experienced substantial cost and caseload growth in several core state programs—most notably, in Medi-Cal—which combined to create a General Fund shortfall of \$11.8 billion.

The Budget closes this gap through a range of solutions—including difficult but necessary actions that reduce ongoing expenditure growth to maintain budget resilience and provide long-term stability for critical state programs. At the same time, the Budget maintains critical funding for multiple initiatives that continue to improve the lives of millions of Californians.

Because the Budget was approved in late June, it does not reflect the impact of the substantial cuts in federal spending included in the federal omnibus tax and spending bill signed in early July (otherwise known as “reconciliation”). The Administration continues to evaluate the impacts of this measure and will work with the Legislature if any changes to the Budget are necessary.

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## SOLUTIONS

The Budget solves an \$11.8 billion General Fund deficit for 2025-26 through the following categories of solutions. Similar to the 2025-26 May Revision, these solutions include a significant number of reductions to ongoing programs that will provide even greater fiscal stability in future years.

- **Reductions**—\$2.8 billion in total solutions in 2025-26—growing to \$11.9 billion by 2028-29.
  - **Enrollment Freeze for Full-Scope Medi-Cal Expansion for Undocumented Adults, Adults 19 and Older**—\$77.9 million in 2025-26, growing to \$3.3 billion in 2028-29.
  - **Medi-Cal Premiums, Adults Ages 19-59 with Unsatisfactory Immigration Status**—Implementation cost of \$30 million in 2026-27, growing to savings of \$675 million in 2028-29.
  - **Medi-Cal Asset Test Limits**—\$61.3 million in 2025-26, growing to \$827.4 million in 2028-29, inclusive of In-Home Supportive Services (IHSS) impacts.
  - **Elimination of Dental Benefits, Adults 19 and Older with Unsatisfactory Immigration Status**—\$308 million in 2026-27, growing to \$336 million in 2027-28.
  - **Prospective Payment System Payments to Federally Qualified Health Centers and Rural Health Clinics**—\$1.0 billion in 2026-27, growing to \$1.1 billion in 2027-28.
  - **Eliminate Specialty Drug Coverage for Weight Loss**—\$85 million in 2025-26, growing to \$790 million in 2028-29.
  - **Pharmacy Drug Rebates**—\$370 million in 2025-26, growing to \$600 million in 2027-28.
  - **Require Provider Mandates for Quality Incentive Payment Program Eligibility**—\$221.7 million ongoing beginning in 2026-27.

- **Revenue/Borrowing**—\$7.8 billion in total solutions in 2025-26.
  - **Proposition 35 Support for Medi-Cal Rate Increases**—\$1.3 billion in 2025-26 and \$263.7 million in 2026-27.
  - **Medical Providers Interim Payment Fund Loan**—\$4.4 billion across the budget window, of which \$1 billion is for a new loan in 2025-26.
  - **Unfair Competition Law Fund Loan**—\$150 million in 2025-26.
  - **Labor and Workforce Development Fund Loan**—\$400 million in 2025-26.
  - **Additional special fund and internal borrowing**—\$1.5 billion.
- **Fund Shifts**—\$1.2 billion total solutions in 2025-26.
  - **Greenhouse Gas Reduction Fund for Department of Forestry and Fire Protection (CAL FIRE) Operations**—\$1.0 billion in 2025-26, \$1.3 billion in 2026-27, and \$500 million in 2027-28 and in 2028-29.

In addition to these solution categories, the Budget makes two future commitments (subject to appropriation) totaling \$456.1 million in 2027-28:

- **California Food Assistance Program Expansion**—\$117.2 million in 2027-28, growing to \$163.2 million in 2028-29.
- **Foster Care Tiered Rate Structure Trigger**—\$338.9 million in 2027-28, growing to \$522.1 million in 2028-29.

## RESERVES

To provide a balanced budget over two fiscal years, the 2024 Budget Act authorized withdrawals from the Budget Stabilization Account (BSA) of \$5.1 billion in 2024-25 and \$7.1 billion in 2025-26. Spreading the allowable withdrawal for 2024-25 over two years instead of one enabled the state to take a more balanced approach to addressing last year's budget shortfall while prudently managing the use of the reserve.

The Budget continues the scheduled \$7.1 billion BSA withdrawal in 2025-26—while at the same time maintaining a combined reserve balance of \$15.7 billion in 2025-26, including \$11.2 billion in the BSA and an additional \$4.5 billion in the state's discretionary reserve account (the Special Fund for Economic Uncertainties).

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### HOUSING AND INFRASTRUCTURE

Building on recent progress, the Budget includes a series of statutory changes to significantly address the state's housing affordability challenges and facilitate and streamline housing and infrastructure production. The statutory changes (see additional detail in the Housing and Homelessness Chapter) will:

- Establish a statewide Vehicle Miles Traveled (VMT) mitigation bank to give developers a flexible option for meeting California Environmental Quality Act (CEQA) obligations. Under this program, developers can contribute funds to support affordable housing and infrastructure in location-efficient areas—such as those near transit, services, and amenities. This approach streamlines the use of an already established form of CEQA VMT mitigation by providing a flexible and efficient pathway for developers to meet their existing environmental obligations.
- Accelerate housing permitting in coastal areas by requiring the California Coastal Commission, when acting as a responsible agency under the Permit Streamlining Act, to meet the same permitting deadlines as other agencies.
- Establish new CEQA streamlining tools to accelerate the delivery of infill housing and critical infrastructure projects—such as high-speed rail facilities, utilities, broadband, community-serving facilities, wildfire prevention, and farmworker housing.
- Expand CEQA judicial streamlining for large housing developments exceeding \$100 million in value—an expansion of a process currently available only to smaller projects.
- Impose a six-year suspension on new residential building standards at both the state and local levels—through 2031—with limited exceptions, to help stabilize construction costs and provide regulatory certainty.
- Strengthen oversight of homeless shelters by requiring local jurisdictions to conduct annual inspections and enhancing enforcement of existing health and safety standards, and providing the Department of Housing and Community Development (HCD) enforcement authority over local non-compliance.
- Leverage existing equity from projects financed by HCD, giving developers the ability to access and reinvest those funds into the preservation, rehabilitation, or development of additional affordable housing.

In addition to these statutory changes, the Budget contains significant one-time investments, including \$500 million for the Low-Income Housing Tax Credit and



\$500 million in 2026-27 for the Homelessness Housing, Assistance, and Prevention Program.

## CONTINUING PRIORITIES

The Budget includes continued investments in the following programs:

- **Universal Transitional Kindergarten**—\$2.1 billion ongoing Proposition 98 General Fund (inclusive of all prior years' investments) to support the full implementation of universal Transitional Kindergarten (TK), so that all children who turn four years old by September 1 can enroll in TK in the 2025-26 school year.
- **Before, After, and Summer School Programs**—\$515 million ongoing Proposition 98 General Fund for the full implementation of the Expanded Learning Opportunities Program.
- **Learning Recovery Emergency Block Grant**—\$378.6 million one-time Proposition 98 General Fund to support the Learning Recovery Emergency Block Grant, which supports school districts in establishing learning recovery initiatives through the 2027-28 school year.
- **Universal School Meals Support Grant**—\$145 million one-time Proposition 98 General Fund for specialized kitchen equipment, infrastructure, and training.
- **Encampment Resolution Grants**—Continued \$100 million General Fund for Encampment Resolution Fund grants in 2025-26 as committed to in the 2024 Budget Act.
- **Los Angeles Fire Recovery**—Continued authority to spend from the previously approved \$2.5 billion to support ongoing recovery efforts in Los Angeles.
- **City of Fresno Infrastructure**—Accelerates \$100 million to support infrastructure in the City of Fresno by one year from 2026-27 to 2025-26.
- **Growth in CAL FIRE Personnel**—Continues the multiyear implementation of the 66-hr workweek with the addition of 564 new CAL FIRE positions as well as \$39 million General Fund in 2025-26 and \$78 million General Fund in 2026-27 and ongoing to begin transitioning a portion of Firefighter I positions within CAL FIRE to a permanent firefighter employment classification.

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# SUMMARY CHARTS

This section provides various statewide budget charts and tables.

**2025 Budget Act**  
**General Fund Budget Summary**  
(Dollars in Millions)

	<b>2024-25</b>	<b>2025-26</b>
<b>Prior Year Balance</b>	\$41,978	\$35,146
Revenues and Transfers	\$226,745	\$215,733
<b>Total Resources Available</b>	<b>\$268,723</b>	<b>\$250,879</b>
Non-Proposition 98 Expenditures	\$147,866	\$147,628
Proposition 98 Expenditures	\$85,711	\$80,738
<b>Total Expenditures</b>	<b>\$233,577</b>	<b>\$228,366</b>
<b>Fund Balance</b>	<b>\$35,146</b>	<b>\$22,513</b>
Reserve for Liquidation of Encumbrances	\$18,001	\$18,001
Special Fund for Economic Uncertainties	\$17,145	\$4,513
<b>Public School System Stabilization Account</b>	<b>\$455</b>	<b>-</b>
<b>Safety Net Reserve</b>	<b>-</b>	<b>-</b>
<b>Budget Stabilization Account/Rainy Day Fund</b>	<b>\$18,291</b>	<b>\$11,191</b>

Note: Numbers may not add due to rounding.



## General Fund Expenditures by Agency

(Dollars in Millions)

	2024-25	2025-26	Change from 2024-25
			Dollar Change
Legislative, Judicial, Executive	\$11,019	\$8,558	-\$2,461
Business, Consumer Services & Housing	3,917	924	-2,993
Transportation	721	728	7
Natural Resources	9,247	4,440	-4,807
Environmental Protection	647	136	-511
Health and Human Services	76,361	87,140	10,779
Corrections and Rehabilitation	14,010	13,427	-583
K-12 Education	85,090	80,334	-4,756
Higher Education	23,171	22,729	-442
Labor and Workforce Development	1,108	958	-150
Government Operations	3,770	2,715	-1,055
General Government:			
Non-Agency Departments	2,423	1,308	-1,115
Tax Relief/Local Government	653	635	-18
Statewide Expenditures	1,442	4,333	2,892
<b>Total</b>	<b>233,577</b>	<b>\$228,366</b>	<b>-\$5,213</b>

Note: Numbers may not add due to rounding.

## 2025-26 Total State Expenditures by Agency

(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$8,558	\$4,469	\$263	\$13,290
Business, Consumer Services & Housing	924	1,338	522	2,785
Transportation	728	17,141	97	17,966
Natural Resources	4,440	2,981	459	7,879
Environmental Protection	136	4,107	13	4,257
Health and Human Services	87,140	45,021	450	132,611
Corrections and Rehabilitation	13,427	4,089	-	17,516
K-12 Education	80,334	105	1,517	81,956
Higher Education	22,729	176	551	23,456
Labor and Workforce Development	958	1,221	-	2,179
Government Operations	2,715	185	12	2,912
General Government:				
Non-Agency Departments	1,308	2,128	2	3,437
Tax Relief/Local Government	635	3,727	-	4,362
Statewide Expenditures	4,333	2,111	1	6,445
<b>Total</b>	<b>\$228,366</b>	<b>\$88,799</b>	<b>\$3,886</b>	<b>\$321,050</b>

Note: Numbers may not add due to rounding.

### General Fund Revenue Sources

(Dollars in Millions)

	2024-25	2025-26	Change from 2024-25	
			Dollar Change	Percent Change
Personal Income Tax	\$126,277	\$125,962	-\$315	-0.2%
Sales and Use Tax	33,706	34,862	1,156	3.4%
Corporation Tax	41,696	35,613	-6,083	-14.6%
Insurance Tax	4,177	4,359	182	4.4%
Alcoholic Beverage Taxes and Fees	417	421	4	1.0%
Cigarette Tax	36	35	-1	-2.8%
Motor Vehicle Fees	46	46	0	0.0%
Other	15,487	7,335	-8,152	-52.6%
<b>Subtotal</b>	<b>\$221,842</b>	<b>\$208,633</b>	<b>-\$13,209</b>	<b>-6.0%</b>
Transfer from the Budget Stabilization Account/Rainy Day Fund	4,903	7,100	2,197	44.8%
<b>Total</b>	<b>\$226,745</b>	<b>\$215,733</b>	<b>-\$11,012</b>	<b>-4.9%</b>

Note: Numbers may not add due to rounding.

### 2025-26 Revenue Sources

(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2024-25
Personal Income Tax	\$125,962	\$3,634	\$129,596	-\$456
Sales and Use Tax	34,862	15,770	50,632	1,629
Corporation Tax	35,613	-	35,613	-6,083
Highway Users Taxes	-	9,571	9,571	60
Insurance Tax	4,359	-	4,359	182
Alcoholic Beverage Taxes and Fees	421	-	421	4
Cigarette Tax	35	1,131	1,166	-47
Motor Vehicle Fees	46	12,826	12,872	331
Other	7,335	45,136	52,471	-6,111
<b>Subtotal</b>	<b>\$208,633</b>	<b>\$88,068</b>	<b>\$296,701</b>	<b>-\$10,491</b>
Transfer from the Budget Stabilization Account/Rainy Day Fund	7,100	-7,100	-	-
<b>Total</b>	<b>\$215,733</b>	<b>\$80,968</b>	<b>\$296,701</b>	<b>-\$10,491</b>

Note: Numbers may not add due to rounding.

# TK-12 EDUCATION

California provides instruction and support services to roughly 5.8 million students in grades transitional kindergarten (TK) through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, more than 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 \$137.6 billion (\$80.5 billion General Fund and \$57.1 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, TK, nutrition, and preschool.

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## 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.

The Budget revised estimates of General Fund revenues result in notable adjustments to the Proposition 98 Guarantee. The revised Guarantee for TK-14 schools is calculated to be \$98.5 billion in 2023-24, \$119.9 billion in 2024-25, and \$114.6 billion in 2025-26. These revised Proposition 98 levels represent an increase of approximately \$3.9 billion over the three-year period relative to the 2024 Budget Act.

Due to the inherent risk in revenue projections, the Budget appropriates the 2024-25 Guarantee at \$118 billion, instead of the currently calculated level of \$119.9 billion. The difference between the appropriated and the calculated levels is \$1.9 billion, which is referred to as “settle-up.” This is intended to mitigate the risk of potentially appropriating more resources to the Guarantee than are ultimately available in the final calculation for 2024-25. The 2024-25 Guarantee level will not be finalized until that fiscal year is certified—a process that will occur throughout 2026.

The Budget includes intent language that allocates any settle-up funds that are realized to reduce ongoing deficits and protect core program funding for school districts and community colleges, including funding for growth and cost-of-living adjustments. This includes paying down TK-14 deferrals.

The Guarantee is in a Test 2 for 2023-24 (although suspended at \$98.5 billion) and continues to be in a Test 1 for 2024-25 and 2025-26. This means that the funding level of the Guarantee for 2024-25 and 2025-26 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.

The Proposition 98 Guarantee is “rebenched” to reflect the continued implementation of universal TK and property tax backfills related to the January 2025 fires in the County of Los Angeles. The resulting Test 1 percentage is then “rebenched” to increase the percentage of General Fund revenues due to the Guarantee, from 39.2 percent to 39.6 percent.

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## PROPOSITION 98 RAINY DAY FUND

The Budget maintains the withdrawal of the full \$8.4 billion balance in the Public School System Stabilization Account (Proposition 98 Rainy Day Fund) in 2023-24. The May Revision included a mandatory deposit into the Proposition 98 Rainy Day Fund of \$540 million in 2024-25.



Adjustments in capital gains revenues for the final Budget are projected to reduce the mandatory deposit in 2024-25 to \$455 million. Additionally, a year-over-year decrease in the Proposition 98 Guarantee triggers a mandatory withdrawal of \$455 million in 2025-26, exhausting the remaining Proposition 98 Rainy Fund balance.

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## PROPOSITION 98 FUNDING SPLIT

In prior years, consistent with the statutory Proposition 98 split, 10.93 percent of the amount of General Fund rebench into the Proposition 98 Guarantee for the cost of TK expansion was added to the community colleges budget. Over the three-year budget window, this resulted in \$492.4 million in increased resources for community colleges, and a like amount of funding that has not been available for TK-12 schools to implement the expansion of TK.

The Budget shifts the full TK expansion funding to the TK-12 education side of the Proposition 98 budget, beginning in the 2025-26 fiscal year. This shifts \$232.9 million in ongoing resources from community colleges to TK-12 schools. The purpose of rebenching Proposition 98 for the cost of TK expansion is to ensure that implementation of universal TK does not create a fiscal burden on existing TK-12 programs; therefore, this shift will align resources generated by the rebench.

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## LOCAL CONTROL FUNDING FORMULA

The Budget includes a LCFF cost-of-living adjustment of 2.3 percent. When combined with population growth adjustments, these baseline adjustments will increase discretionary funds for local educational agencies (LEAs) by \$2.1 billion compared to the 2024 Budget Act. To fully fund the LCFF, the Budget uses \$405.3 million from the Proposition 98 Rainy Day Fund to support LCFF costs in 2025-26.

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## DEFERRALS

Budgetary deferrals of \$246.6 million for TK-12 education from 2024-25 are fully repaid in 2025-26. However, to fully fund the LCFF and maintain the level of 2025-26 principal apportionments, the Budget defers \$1.9 billion in LCFF funding from June 2026 to July 2026.

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## UNIVERSAL TRANSITIONAL KINDERGARTEN

In the 2025-26 school year, the Budget provides a total of \$2.1 billion ongoing Proposition 98 General Fund (inclusive of all prior years' investments) to support the full implementation of universal TK, so that all children who turn four years old by September 1 can enroll in TK in the 2025-26 school year—providing access to roughly 51,000 additional children over the 2024-25 school year.

The Budget also provides an additional \$1.2 billion ongoing Proposition 98 General Fund to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.

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## BEFORE SCHOOL, AFTER SCHOOL, AND SUMMER SCHOOL

The Expanded Learning Opportunities Program is a multi-year investment plan to implement before, after, and summer school instruction and enrichment for students in grades TK-6. The program focuses on LEAs with the highest concentrations of low-income students, English learners, and youth in foster care, otherwise known as unduplicated pupils.

The Budget provides \$515.1 million ongoing for the full implementation of the program by increasing the number of elementary schools that offer universal access to students, from all those in LEAs with an unduplicated pupil percentage of 75 percent to all those in LEAs with 55 percent unduplicated students. Additionally, the Budget includes \$10.4 million to increase the minimum grant amount from \$50,000 to \$100,000 per LEA. This increase will allow small LEAs to maintain expanded learning programming without redirecting funding from other local programs.

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## LITERACY INSTRUCTION

California's research-based English Language Arts/English Language Development (ELA/ELD) Framework is the state's foundational document to guide literacy instruction. It emphasizes core foundational skills (print concepts/alphabetics, phonological/phonemic awareness, phonics and word recognition, and reading fluency), listening, speaking, writing, and comprehension, along with the vocabulary development and background knowledge needed to develop literacy for multilingual learners.

The Budget provides \$480 million to support literacy instruction aligned with the ELA/ELD Framework for all students, including the following investments:

- \$215 million one-time Proposition 98 General Fund to expand the existing Literacy Coaches and Reading Specialists Grant Program.
- \$200 million one-time Proposition 98 General Fund to support evidence-based professional learning for elementary school educators aligned with the ELA/ELD Framework.
- \$40 million one-time Proposition 98 General Fund to support necessary costs, including purchasing screening materials and training for educators, to administer screenings for risk of reading difficulties to all kindergarten through second grade students beginning in the 2025-26 school year.
- \$15 million one-time Proposition 98 General Fund for Literacy and Mathematics Networks, to convene literacy and mathematics lead agencies to support the implementation of evidence-based practices aligned to their respective curriculum frameworks.
- \$10 million one-time Proposition 98 General Fund for a county office of education to partner with the University of California, San Francisco Dyslexia Center to support the Multitudes screener for risk of reading difficulties, which is free to California public schools, and expand capacity for educator support for those schools using Multitudes.

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## TEACHER PREPARATION AND PROFESSIONAL DEVELOPMENT

Preparing, training, and recruiting a diverse, expert workforce of administrative, credentialed, and classified staff to work in public TK-12 schools continues to be critical to the success of the entire system. But persistent staffing shortages make it essential to remove barriers for qualified teacher candidates and ensure that current teachers receive the training they need to succeed.

The Budget includes multiple investments intended to support teachers and improve access to the educator pipeline:

- \$300 million one-time Proposition 98 General Fund to establish the Student Teacher Stipend Program, which will provide \$10,000 grants to teacher candidates completing the required student teaching hours beginning in the 2026-27 school

year, and available through the 2028-29 school year. Of this amount, \$5 million is available to support a public outreach campaign and a grant management system to facilitate uptake and access to student teacher stipends, teacher residency funds, and national board certification dollars.

- \$70 million one-time Proposition 98 General Fund to increase funding for high-quality teacher residency programs.
- \$30 million one-time Proposition 98 General Fund to extend the timeline of the existing National Board Certification Incentive Program to support National Board Certified teachers to teach in high poverty schools.

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## **STUDENT SUPPORT AND PROFESSIONAL DEVELOPMENT DISCRETIONARY BLOCK GRANT**

The Budget allocates \$1.7 billion one-time Proposition 98 General Fund for the Student Support and Professional Development Discretionary Block Grant, to provide LEAs with additional discretionary fiscal support in recognition of rising costs, as well as fund statewide priorities including: (1) professional development for teachers on the ELA/ELD Framework and the Literacy Roadmap, with a focus on strategies to support literacy for English learners; (2) professional development for teachers on the Mathematics Framework; (3) teacher recruitment and retention strategies; and (4) career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education.

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## **STATE PRESCHOOL**

To augment provider rates, the Budget provides \$19.3 million Proposition 98 General Fund and \$10.2 million non-Proposition 98 General Fund for the California State Preschool Program to support the cost of care. Additionally, within existing funding, the Budget includes authority for the Department of Education to do all of the following:

- Expand State Preschool Program provider contracts to increase enrollment of three-year-olds by 10 percent.
- Fund prospective pay for State Preschool Program providers to ensure timely payment of state contract funding.
- Automate prospective pay for State Preschool Program providers.



## OTHER TK-12 EDUCATION ISSUES

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Learning Recovery Emergency Block Grant**—\$378.6 million one-time Proposition 98 General Fund to support the Learning Recovery Emergency Block Grant. This block grant supports LEAs in establishing learning recovery initiatives through the 2027-28 school year.
- **Career Technical Education**—\$150 million one-time Proposition 98 General Fund for career technical education and career pathways programming, subject to pending legislation.
- **Universal School Meals Support Grant**—\$145 million one-time Proposition 98 General Fund for specialized kitchen equipment, infrastructure, training, and procurement of sustainably grown food to support schools in providing more freshly prepared meals, \$10 million one-time Proposition 98 General Fund to recruit and retain school food service workers, and \$5 million one-time Proposition 98 General Fund for a study of ultra-processed foods offered in California school meals.
- **Special Olympics**—\$30 million one-time Proposition 98 General Fund, available over three years, for the Special Olympics of Northern and Southern California. The Special Olympics serves thousands of athletes in community and school-based programs in California, providing children with intellectual disabilities the opportunity to improve their overall health and wellness, gain leadership skills, and participate in enriching programs.
- **Mathematics Professional Learning Partnership**—\$30 million one-time Proposition 98 General Fund for the Mathematics Professional Learning Partnership, for the Kern County Superintendent of Schools to support educator training and mathematics coaching in LEAs, including expanding upon collaboration with the Rural Math Collaborative and training mathematics coaches who can be deployed in schools and LEAs with the highest need of support.
- **Summer Electronic Benefits Transfer (SUN Bucks)**—\$21.9 million in additional ongoing Proposition 98 General Fund to support the SUN Bucks Program, which provides nutrition funding to eligible students during the summer months. These funds will provide the match to an equal amount of federal funds to support the program.
- **Children and Youth Behavioral Health Initiative Grants**—\$20 million one-time Proposition 98 General Fund to support the implementation of the Children and Youth Behavioral Health Initiative's all-payer fee schedule.

- **Secondary School Redesign Pilot Program**—\$10 million one-time Proposition 98 General Fund for the California Collaborative of Educational Excellence to administer a pilot program to redesign middle and high schools to better serve the needs of all students and increase student outcomes, and to manage a network of grantees to support peer learning and documentation of practices.
- **English Language Proficiency Screener for TK Students**—\$10 million one-time Proposition 98 General Fund for the statewide use of English language proficiency of a list of one or more screeners to support multilingual learners in TK.
- **TK Multilingual Learner Supplementary Funding**—\$7.5 million one-time Proposition 98 General Fund, available through the 2026-27 fiscal year, to mitigate reductions in potential LCFF apportionment funding to LEAs resulting from the recent exemption of TK students from the English language proficiency assessment.

# 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 \$45.1 billion (\$27.7 billion General Fund and local property tax and \$17.4 billion other funds) for the higher education segments and the California Student Aid Commission.

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## 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. Its 10 campuses enroll approximately 299,000 students and the UC extension centers register an additional 500,000 participants in continuing education programs. In 2023-24, the UC awarded more than 85,000 degrees, including more than 62,000 undergraduate degrees.

## SIGNIFICANT BUDGET ADJUSTMENTS

- **Base Adjustments**

- The Budget includes a one-time 3-percent base deferral. Specifically, the Budget defers \$129.7 million General Fund for the UC from 2025-26 to 2026-27. Additionally, the Budget allows the UC to request a no-interest short-term cash flow loan in 2025-26 from the General Fund to remediate impacts of the deferral.
- The Budget maintains the planned one-time deferral of the 2025-26 Compact investment of \$240.8 million, representing a five-percent base increase in the fourth year of the Compact, to 2027-28.
- The Budget defers 60 percent of the 2026-27 and 2027-28 Compact payments of \$240.8 million. The full amount of this Compact payment is restored on an ongoing basis beginning in 2028-29.
- The Budget also maintains the planned one-time 2025-26 deferral of \$31 million to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three campuses with an equivalent number of California resident undergraduate students, from 2025-26 to 2027-28.

- **Foster Youth Support Services**—An increase of \$1.8 million one-time General Fund to support First Star Youth Cohorts at UC campuses to support college attainment for youth in foster care.

- **Higher Education Student Housing Grant Program**—The Budget approves two additional projects for the UC under the Higher Education Student Housing Grant Program and authorizes the UC to use ongoing General Fund support for debt service to provide affordable beds at these projects. Specifically:
  - \$2.6 million ongoing General Fund for the University of California, Davis's Segundo Infill Student Housing project.
  - \$2.6 million ongoing General Fund for the University of California, Santa Barbara's East Campus Student Housing project.

- **Journalism Fellowship**—The Budget provides \$15 million one-time General Fund for the Journalism Fellowship Program at the University of California, Berkeley.

- **Newspaper Project**—The Budget provides \$430,000 ongoing General Fund to support the California Newspaper Project at the University of California, Riverside.



## CALIFORNIA STATE UNIVERSITY

The CSU provides undergraduate and graduate instruction generally up to the master's degree. The CSU serves approximately 454,000 undergraduate and graduate students across 23 campuses and provides opportunities for students to enroll in professional and continuing education programs. In 2023-24, the CSU awarded more than 125,000 degrees.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Base Adjustments**
  - The Budget includes a one-time 3-percent base deferral. Specifically, the Budget defers \$143.8 million General Fund for the CSU from 2025-26 to 2026-27. Additionally, the Budget allows the CSU to request a no-interest short-term cash flow loan in 2025-26 from the General Fund to remediate impacts of the deferral.
  - The Budget maintains the planned one-time deferral of the 2025-26 Compact investment of \$252.3 million, representing a five-percent base increase in the fourth year of the Compact, to 2027-28.
  - The Budget defers 60 percent of the 2026-27 and 2027-28 Compact payments of \$252.3 million. The full amount of this Compact payment is restored on an ongoing basis beginning in 2028-29.
- **Support for Sonoma State and Low Enrollment Campuses**—The Budget includes \$50 million one-time General Fund to support a long-term turnaround plan for Sonoma State University and to assist other campuses with increased outreach efforts to prospective students.
- **Cal State Northridge Student Success and Inclusion Center**—The Budget includes \$806,000 one-time General Fund to support infrastructure costs at the Cal State Northridge Student Success and Inclusion Center.

## 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 2.1 million students. The CCCs provide basic skills, vocational, undergraduate-transfer education, and several independent bachelor's degrees with 73 districts, 116 campuses, and 78 educational centers. In 2023-24, the CCCs awarded over

139,000 certificates and 199,000 degrees and transferred over 97,000 students to four-year institutions.

## SIGNIFICANT BUDGET ADJUSTMENTS

- **Student Centered Funding Formula (SCFF) Growth Adjustment**—An ongoing increase of roughly \$40 million Proposition 98 General Fund to fund 0.57-percent enrollment growth in the SCFF in 2025-26. The Budget also includes an increase of \$100 million Proposition 98 General Fund to fund enrollment growth of 2.28 percent in fiscal year 2024-25, and it is the Administration's expectation that the net effect of these two enrollment growth investments support a combined growth percentage of 2.35 percent in 2025-26.
- **SCFF and Categorical Program Cost-of-Living Adjustment (COLA)**—To reflect a COLA of 2.3 percent, the Budget includes an ongoing increase of \$217.4 million Proposition 98 General Fund for apportionments and an ongoing increase of \$30.1 million Proposition 98 General Fund for select categorical programs.
- **SCFF Base Adjustment**—A one-time increase of \$210.2 million Proposition 98 General Fund to fully fund the SCFF in 2024-25 and an ongoing increase of \$104.7 million Proposition 98 General Fund to fully fund the SCFF in 2025-26.
- **SCFF Deferral**—To fully fund the SCFF and maintain the level of 2025-26 apportionments, the Budget defers \$408.4 million Proposition 98 General Fund in apportionment funding from 2025-26 to 2026-27. Budgetary deferrals of \$243.7 million for the CCCs from the 2024 Budget Act are fully repaid in the three-year budget window.
- **Proposition 98 Rainy Day Fund**—To fully fund the SCFF, the Budget uses \$49.7 million from the Proposition 98 Rainy Day Fund to support SCFF costs in 2025-26.
- **Local Property Tax Adjustments**—An ongoing decrease of \$142.1 million Proposition 98 General Fund due to increased offsetting local property tax revenues.
- **Fire-Related Property Tax Backfill**—A one-time fire-related property tax backfill of \$3.8 million Proposition 98 General Fund in 2024-25 and \$8.1 million Proposition 98 General Fund in 2025-26 for impacted community colleges.
- **Career Passport and Credit for Prior Learning**—An increase of \$25 million one-time Proposition 98 General Fund for the development of a Career Passport, and \$15 million one-time and \$5 million ongoing Proposition 98 General Fund for the Credit for Prior Learning Initiative. These proposals are part of the Administration's investments in the Master Plan for Career Education. See the Labor and Workforce

Development and General Government and Statewide Issues Chapters for more information on investments in the Master Plan for Career Education.

- **Common Cloud Data Platform**—An increase of \$12 million one-time Proposition 98 General Fund for the Common Cloud Data Platform, which will leverage existing local districts' student data systems to provide near real-time data reporting.
- **Rising Scholars**—An increase of \$10 million ongoing Proposition 98 General Fund for the Rising Scholars Network.
- **Student Support Block Grant**—An increase of \$60 million one-time Proposition 98 for a flexible Student Support Block Grant for the community colleges system.
- **Dreamer Resource Liaisons**—An increase of \$15 million one-time Proposition 98 for community colleges to support Dreamer Resource Liaisons. Districts may use the funds to provide additional student support services.
- **Emergency Financial Assistance Grants**—An increase of \$20 million one-time Proposition 98 to provide emergency financial aid assistance to specified student populations.
- **EMT and Paramedic Pre-apprenticeship**—An increase of \$10 million one-time Proposition 98 for community college support to the California Firefighter Joint Apprenticeship Council to conduct Emergency Medical Technician and Paramedic Pre-apprenticeship Training Academies.
- **California Healthy School Food Pathways Program**—An increase of \$10 million one-time Proposition 98 General Fund for community colleges to support the California Healthy School Food Pathway program, which strengthens the school food service workforce through apprenticeship and training programs.
- **Community Support for Financial Aid Applications**—An increase of \$5.1 million one-time Proposition 98 for a community college district to develop grants for organizations providing financial aid outreach and application assistance supporting current and prospective community college students.
- **Los Angeles Career Technical Education Workforce Development**—An increase of \$5 million one-time Proposition 98 for community colleges in the Los Angeles Regional Consortium to assist with workforce recovery efforts and career technical education workforce development associated with the Los Angeles region's recovery from the Palisades and Eaton fires.

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## PROPOSITION 98 FUNDING SPLIT

The Budget includes a shift in how TK expansion funds are distributed between TK-12 schools and community colleges. Specifically, beginning in the 2025-26 fiscal year, the Budget shifts the full amount of funding for TK expansion to the TK-12 education side of the Proposition 98 budget, reducing resources for community colleges by \$232.9 million ongoing. For more information about the Proposition 98 funding split and TK expansion, see the TK-12 Education Chapter.

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## 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 492,000 financial aid awards to students who meet specified eligibility criteria in fiscal year 2025-26.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Cal Grant Program Caseload Adjustments**—The Budget revises estimated Cal Grant expenditures of approximately \$2.3 billion in 2023-24, \$2.5 billion in 2024-25, and \$2.8 billion in 2025-26 based on the latest estimates of enrollment of Cal Grant-eligible students. These estimates reflect an increase of \$94.7 million one-time General Fund in 2024-25 and \$228.7 million ongoing General Fund in 2025-26. These costs are driven largely by an unexpected number of eligible students attending Cal Grant awarding institutions.
- **Middle Class Scholarship Program (MCS)**—To provide recipients with more certainty about grant award amounts and to improve the administration of the program, the Budget: (1) establishes a guaranteed grant award level for MCS, which will be adjusted annually in the Budget Act; (2) provides the Commission with authority to draw down short-term, no-interest General Fund cash flow loans as needed throughout the fiscal year to provide MCS funds to higher education institutions; and (3) appropriates funds to cover the cost of the MCS awards from the prior year in the following fiscal year's budget. This will allow the Commission to cover all program costs during the fiscal year, while the Legislature can adjust the following year's appropriation to pay back the General Fund for the cash flow loans in the amount of the total cost of the program. For 2025-26, the Budget establishes the grant award level at 35 percent of student need and appropriates \$918 million in 2026-27 to cover the 2025-26 estimated program costs.

- **Golden State Teacher Grant Program**—The Budget reflects total available one-time General Fund of \$68.2 million for the Golden State Teacher Grant Program, which includes \$18.2 million in carryover of unused funds from 2024-25.
- **California College of the Arts**—The Budget reflects one-time General Fund support of \$20 million for the California College of the Arts located in San Francisco, California.
- **California Indian Nations College**—The Budget reflects one-time General Fund support of \$10 million for the California Indian Nations College in Palm Desert, California.

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## 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 2023-24, College of the Law, San Francisco enrolled 1,166 full-time equivalent students. Of these, 1,107 were Juris Doctor students.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Ongoing Investments**—An ongoing base increase of \$2.4 million General Fund to support the College of the Law, San Francisco and \$10.1 million ongoing General Fund to support the debt service for the second phase of the McAllister Tower renovations.
- **Base Funding Reduction**—An ongoing base reduction of \$695,000 General Fund for the College of the Law, San Francisco, representing approximately 3 percent of base funding.

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## SCHOLARSHARE INVESTMENT BOARD

The ScholarShare Investment Board administers the Golden State ScholarShare College Savings Trust Program (ScholarShare 529) and the California Kids Investment and Development Savings Program (CalKIDS).

The CalKIDS program funds college savings accounts targeted to low-income and underrepresented public school students, in addition to establishing college savings accounts for all newborns.

### **SIGNIFICANT BUDGET ADJUSTMENT**

- **CalKIDS Program Information**—The Budget includes statutory language that requires LEAs to include information about the CalKIDS program to students along with an already required Federal Application for Federal Student Aid information.

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## **CALIFORNIA STATE LIBRARY**

The California State Library serves as the central reference and research library for the Governor and the Legislature. The Library collects, preserves, generates, and disseminates information and provides critical assistance to libraries across the state. The Library administers programs funded by state and federal funds to support local and public library programs.

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### **LOSS OF FEDERAL GRANT FUNDS**

In April 2025, the State Library received a notice from the acting director of the federal Institute of Museum and Library Services (IMLS) informing them that their federal grant through the IMLS was terminated.

The Library has since received indications from the IMLS that their 2024-25 federal grant award was restored and has been able to draw down most of the remaining funding. While the IMLS indicated that the Library should expect to continue to receive funds in 2025-26, some uncertainty remains.

Prior to the federal grant elimination, the State Library estimated the federal allocation to California to be approximately \$16 million in 2025-26. In recognition of the uncertainty created by the federal government, the Budget removes the ongoing local assistance authority for these funds beginning in 2025-26 but retains the state operations authority that supports state employees. If funding in excess of the state operations need materializes, the Department of Finance has authority to augment the State Library's budget to restore local assistance funding, which supports grants to local libraries, during the 2025-26 fiscal year.

**SIGNIFICANT BUDGET ADJUSTMENTS**

- **Braille Institute**—An increase of \$800,000 one-time General Fund for programming at the Braille Institute.
- **Altadena Library**—The Budget includes \$3.6 million one-time General Fund for the Altadena Library District, which was impacted by the Los Angeles wildfires.



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# CLIMATE CHANGE AND ENVIRONMENT

California continues to experience the adverse impacts of climate change, with record breaking heat waves, historic droughts, hazardous flooding and increasingly destructive wildfires. In January, multiple catastrophic wildfires devastated large portions of the Los Angeles region, displacing thousands of residents and destroying thousands of buildings—underscoring the urgency to address and reduce the state's multi-faceted climate risks.

Building on decades of bipartisan climate leadership, the state has invested tens of billions of dollars in the California Climate Commitment and is implementing the \$10 billion Climate Bond (Proposition 4). This historic funding continues to protect communities, reduce pollution, accelerate clean energy, and make progress toward the state's world-leading climate goals.

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## CAP-AND-INVEST

In April, the Governor and legislative leaders announced their joint intention to extend California's nation-leading climate pollution reduction program—known as Cap-and-Invest—that is currently set to expire in 2030. Extending the program this year will further California's climate leadership, set the state on a clear path to achieve its 2045 carbon-neutrality goal, provide greater market certainty, and attract stable, private investment for decades.

Since its establishment in 2006, California's Cap-and-Invest, formerly known as Cap-and-Trade, program remains globally recognized as a cost-effective tool to reduce carbon pollution by encouraging clean technology investment from carbon emitters, generating billions of dollars in proceeds to support investments in innovative and pollution-reducing projects. The program's proceeds have funded nearly \$33 billion in investments across the state and cut carbon pollution equivalent to taking 1.3 million gas-powered cars off the road.

The Administration will continue to work with the Legislature over the summer to extend the Cap-and-Invest program to enable a stable and predictable price on carbon pollution to drive deeper investments in carbon reduction and clean technologies, and to continue the California Climate Credit—which will result in approximately \$30 billion in utility bill credits to California residents over the duration of the extension.

Additionally, the Administration will continue to work with the Legislature over the summer to develop a comprehensive expenditure plan that invests the program's proceeds in transformative climate projects, such as the High-Speed Rail project, as well as other climate programs. The Administration maintains that at least \$1 billion annually should be provided for the High-Speed Rail Project to establish a stable and predictable funding stream, which will enable the High-Speed Rail Authority to plan with greater certainty and deliver the project more efficiently. A guaranteed minimum funding level will also improve the project's ability to attract private capital and leverage additional funds upfront, which will accelerate project delivery, lower long-term costs, and increase flexibility through alternative delivery methods.

### **SIGNIFICANT BUDGET ADJUSTMENT**

- **Department of Forestry and Fire Protection (CAL FIRE) Operations Costs**—A shift of \$1 billion from the General Fund to the Greenhouse Gas Reduction Fund to support CAL FIRE's fire protection activities in 2025-26. The Budget also includes shifts of \$1.25 billion in 2026-27, \$500 million in 2027-28, and \$500 million in 2028-29 for this purpose if the General Fund is projected to be in a deficit. If the General Fund is not projected to be in a deficit, \$500 million will be shifted from the General Fund to the Greenhouse Gas Reduction Fund for this purpose in 2026-27, with no shifts in 2027-28 and 2028-29. Additionally, the Budget includes a General Fund backstop to protect CAL FIRE's operations in the event Cap-and-Invest auction proceeds fall below projected revenues.

## WATER SUPPLY RELIABILITY

The State Water Project supplies water to more than 27 million Californians and is the backbone of the state's economy. The statewide service area it supports would qualify as the eighth largest economy in the world if it were its own nation. In recognition of climate change impacts on the state's water supplies, it is critical to modernize infrastructure to improve water supply reliability.

## MODERNIZING CRITICAL WATER INFRASTRUCTURE

After decades of development, study, planning, and review, the Delta Conveyance Project is instrumental to provide long-term affordability and reliability of water for California's residents and its economy. Accordingly, the state must clear a path for this critical climate-adaptation project by unwinding overly complicated processes that create unnecessary delays. The Administration and Legislature have committed to continuing discussions during the summer to enact statutory changes to streamline administrative processes for the Delta Conveyance Project. The Administration's goal is to preserve environmental protections and promote efficiency and expediency, which will accelerate the state's most important surface water supply and climate adaptation project, saving billions of dollars by avoiding unnecessary delays.

## CALIFORNIA AIR RESOURCES BOARD

California continues to take bold steps to advance clean fuels and zero-emission vehicles necessary to achieve carbon neutrality by 2045 and address California's significant air quality challenges. The Budget advances these efforts through the following investments.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **E15 Transportation Fuel Blend**—The Budget includes \$2.3 million ongoing from the Air Pollution Control Fund for the California Air Resources Board to evaluate, develop, and implement the appropriate regulatory changes necessary to authorize the use of E15 in California, upon submission to the California Environmental Policy Council of the written summary and results of the peer review for the multimedia evaluation of E11-E15 gasoline-ethanol blends.

- **Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project**—The Budget includes \$132 million one-time from the Air Pollution Control Fund for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project. This funding is from the Hino Motors Settlement and will be allocated by the California Air Resources Board to reduce NOx emissions, consistent with the settlement.

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## ENERGY

California is building the clean, reliable, affordable and safe energy system of the future to provide reliable power to the public and combat climate change and the stresses it poses to the state's electric grid. The Budget continues strategic investments in support of a safe and reliable energy system.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Safe Battery Energy Storage Systems**—\$3.7 million Public Utilities Commission Utilities Reimbursement Account (PUCURA) in 2025-26 and 2026-27, and \$2.9 million ongoing PUCURA and 12 positions from 2027-28 to support compliance and enforcement of safety standards for large-scale, electric grid connected battery energy storage systems.
- **Expediting Clean Energy Development**—\$1.9 million Energy Facility Licensing and Compliance Fund and 9 positions ongoing to support the California Energy Commission's Opt-in clean energy and advanced manufacturing permitting program. Additionally, the Budget includes statutory changes to the program's project application fee structure to align it with current program needs.

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## CLIMATE BOND

California has invested billions of dollars for priority projects and activities to reduce climate-related risk. Last year, California voters approved a \$10 billion Climate Bond that invests heavily in maintaining momentum and building on California's climate progress. These investments are focused on delivering projects that help to meet the state's key climate targets and strategies. Implementation will be carried out in a transparent way to maximize impact and support historically underinvested communities.

Enacted in April, Chapter 2, Statutes of 2025 (AB 100) added Section 15.00 to the 2024 Budget Act to appropriate \$181 million from the Climate Bond to various conservancies for forest and vegetation management across the state (\$171 million) and CAL FIRE for training center infrastructure (\$10 million) to enhance wildfire resilience. The Budget allocates these amounts to various conservancies and CAL FIRE as follows:

- \$30,904,000 to the Sierra Nevada Conservancy
- \$23,524,000 to the California Tahoe Conservancy
- \$31,349,000 to the Santa Monica Mountains Conservancy
- \$30,904,000 to the State Coastal Conservancy
- \$30,904,000 to the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy
- \$23,524,000 to the San Diego River Conservancy
- \$10,000,000 to CAL FIRE to fund training center infrastructure for a fire resiliency center for the Karuk Tribe

The Administration will continue to work with the Legislature this summer to enact a comprehensive Climate Bond package that includes significant investments in safe drinking water, drought, flood, and water resilience; wildfire and forest resilience; coastal resilience; clean air and energy; extreme heat mitigation; and other strategic climate priorities.

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## OTHER CLIMATE AND ENVIRONMENT RELATED ISSUES

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Transition of Seasonal Firefighters to Permanent Firefighters**—The Budget includes \$39 million General Fund in 2025-26 and \$78 million General Fund in 2026-27 and ongoing to begin transitioning a portion of Firefighter I positions assigned to hand crews within CAL FIRE to a permanent firefighter employment classification. This funding will allow CAL FIRE to increase its hand crew staffing levels during its three-month base staffing period. The Budget also includes language stating the intent of the Legislature to transition Firefighter I positions assigned to Engine Crews, Helitack, and Air Attack to a permanent firefighter employment classification,

subject to enactment of future legislation and appropriation of funding for that purpose.

- **Exide Cleanup Fund Shift**—A shift of \$35 million General Fund to the Lead-Acid Battery Cleanup Fund for the cleanup of residential properties with lead contamination near the former Exide lead-acid battery recycling facility in Vernon. The 2021 Budget Act included \$132 million one-time General Fund for the cleanup and closure of the facility. There is approximately \$75 million remaining which, the Budget repurposes for residential cleanup and shifts \$35 million of the remaining \$75 million from the General Fund to the Lead-Acid Battery Recycling Fund, which is an appropriate fund source for residential cleanup and has been previously used for this purpose.
- **Community Renewable Energy and Storage**—A reversion of \$33 million General Fund for the California Public Utilities Commission's programs that fund community renewable energy projects.
- **CAL FIRE Training Center**—A reversion of \$31.5 million General Fund for the acquisition of property for a new CAL FIRE training center. CAL FIRE is exploring more cost-effective alternatives that will meet the same training capacity goals as the new additional training center project through a combination of expanding and upgrading existing training facilities and utilizing newly identified long-term lease opportunities to minimize delays in training output. These options will provide sufficient training capacity to meet the demands associated with increases in staffing in recent years, including the transition to a 66-hour work week.
- **Demand Side Grid Support**—A reversion of \$18 million General Fund for the California Energy Commission's Demand Side Grid Support Program which provides incentives to electric customers for load reduction and backup generation during extreme events.

The Administration intends to work with the Legislature over the summer to develop a comprehensive Climate Bond package that backfills the following reversions in the Budget:

- **Stewardship of State-Owned Land**—A reversion of \$68 million General Fund for the Department of Parks and Recreation to conduct forest health, fire prevention, fuels reduction, and vegetation management projects on state-owned land.
- **Water Recycling**—A reversion of \$51 million General Fund for the State Water Resources Control Board to provide grants for water recycling projects.



- **Dam Safety**—A reversion of \$47 million General Fund for the Department of Water Resources' Dam Safety program which provides state funding for repairs, rehabilitation, and enhancement.
- **Offshore Wind**—A reversion of \$42.8 million General Fund for a program to develop offshore wind generation at the California Energy Commission.
- **Watershed Climate Resilience**—A reversion of \$32 million General Fund for the Wildlife Conservation Board to provide grants to multi-benefit projects
- **Systemwide Flood Risk Reduction Program**—A reversion of \$15 million General Fund for the Department of Water Resources' systemwide flood risk reduction program, which provides funding to develop and implement multi-benefit flood risk reduction and habitat restoration projects.
- **Community Resilience and Heat Program**—A reversion of \$15 million General Fund for the Office of Land Use and Climate Innovation's Integrated Climate Adaptation and Resiliency Program, which provides grants for extreme heat and community resilience.
- **Deferred Maintenance**—A reversion of \$14 million General Fund for the Department of Parks and Recreation to address deferred maintenance projects.
- **Home Hardening**—A reversion of \$13 million General Fund for community-level wildfire home hardening grants jointly administered by the Office of Emergency Services and CAL FIRE through the California Wildfire Mitigation Program.

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# 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 General Fund solutions and statutory changes to align program expenditures with available revenue to maintain a balanced budget now and to curb costs into the future. The Budget includes \$307 billion (\$84.4 billion General Fund) for health and human services programs in 2025-26. Federal House Resolution 1 was signed on July 4, 2025, and the Budget does not reflect the impacts of this federal legislation.

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## 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 \$196.7 billion (\$44.9 billion General Fund) in 2025-26. Medi-Cal is projected to cover approximately 14.9 million in 2025-26—more than one-third of the state's population.

## SIGNIFICANT BUDGET ADJUSTMENTS

- **Proposition 36**—\$50 million General Fund one-time over three years to provide non-competitive grants to county behavioral health departments. See the Criminal Justice and Judicial Branch Chapter for more information.
- **988 Suicide and Crisis Lifeline Centers**—\$17.5 million one-time 988 State Suicide and Behavioral Health Crisis Services Fund to support suicide and crisis lifeline center contact volume capacity.
- **Enrollment Freeze for Full-Scope Medi-Cal Expansion to Undocumented Californians, Adults Ages 19 and Older**—A freeze on new enrollment to full-scope coverage for undocumented individuals aged 19 and over, effective no sooner than January 1, 2026. Estimated General Fund savings are \$77.9 million in 2025-26, increasing to \$3.3 billion by 2028-29.
- **Medi-Cal Premiums for Adults with Unsatisfactory Immigration Status, Ages 19-59**—Implementation of \$30 monthly premiums for individuals with unsatisfactory immigration status aged 19 to 59, effective July 1, 2027. Estimated General Fund savings are \$695.7 million in 2027-28 and \$675 million in 2028-29 and annually thereafter.
- **Prospective Payment System Payments to Federally Qualified Health Centers and Rural Health Clinics**—Elimination of Prospective Payment System rates to clinics for state-only funded services provided to individuals with unsatisfactory immigration status, effective July 1, 2026. Clinics would receive reimbursement at the applicable Medi-Cal fee-for-service rate and at the Medi-Cal managed care negotiated rate. Estimated General Fund savings are \$1 billion in 2026-27 and \$1.1 billion in 2027-28 and annually thereafter.
- **Elimination of Dental Benefits for Adults with Unsatisfactory Immigration Status, Ages 19 and Older**—Elimination of full-scope dental coverage for Medi-Cal members with unsatisfactory immigration status, effective July 1, 2026. This population will continue to have access to restricted-scope, emergency dental coverage. Estimated General Fund savings are \$308 million in 2026-27 and \$336 million annually thereafter.
- **Pharmacy Drug Rebates**—Implementation of a rebate aggregator to secure state rebates for individuals with unsatisfactory immigration status. Projected General Fund savings are approximately \$370 million in 2025-26 and \$600 million in 2026-27 and ongoing. Additionally, the Budget reflects additional General Fund savings of

\$75 million in 2025-26 and \$150 million ongoing associated with increasing the minimum rebate for HIV/AIDS and cancer drug rebates.

- **Specialty Drug Coverage for Weight Loss**—Elimination of coverage for Glucagon-Like Peptide-1 (GLP-1) drugs for weight loss effective January 1, 2026. Estimated General Fund savings are \$85 million in 2025-26, growing to \$790 million by 2028-29.
- **Medi-Cal Asset Test Limits**—Reinstatement of the Medi-Cal asset limit for seniors and disabled adults at \$130,000 for an individual and \$65,000 for each additional household member, effective no sooner than January 1, 2026. Estimated General Fund savings are \$61.3 million in 2025-26, \$562.9 million in 2026-27 and \$827.4 million ongoing, inclusive of In-Home Supportive Services (IHSS) impacts.
- **Supplemental Payments**—Elimination of approximately \$362 million beginning in 2026-27 and ongoing for dental supplemental payments. The Budget maintains \$180 million General Fund in 2025-26 and ongoing for family planning and women's health supplemental payments.
- **Medi-Cal Providers Interim Payment Fund Loans**—The Budget proposes to utilize \$2.1 billion in 2024-25 and \$2.3 billion in 2025-26 for Medi-Cal Provider Interim Payment cash loans and begin repayment of the loans in 2027-28. Of this amount, \$1 billion is for a new loan in 2025-26.
- **Prescription Drug Utilization Management**—Implementation of utilization management, step therapy protocols, and prior authorization for prescription drugs resulting in estimated General Fund savings of \$175 million in 2025-26 and \$350 million in 2026-27 and ongoing.
- **Skilled Nursing Facilities**—Elimination of the Workforce and Quality Incentive Program and suspension of the requirement to maintain a backup power system for no fewer than 96 hours, resulting in General Fund savings of \$168.2 million in 2025-26, \$280 million in 2026-27, and \$140 million ongoing.

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## 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 \$56.1 billion (\$24.5 billion General Fund) for DSS programs in 2025-26.

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### 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 \$7.3 billion (\$4.7 billion General Fund) for DSS administered child care and development programs.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Reimbursement Based on Certified Need**—An increase of \$88.6 million ongoing General Fund to reimburse voucher programs based on certified need.
- **Support for Alternative Payment Program Agencies**—An increase of \$70 million ongoing General Fund for administrative support for ongoing workload associated with the Memorandum of Understanding.
- **Child Care Cost of Living Adjustment**—An increase of \$59.4 million ongoing General Fund for a cost of living adjustment in 2025-26 for child care programs.
- **Prospective Pay Implementation**—An increase of \$30.7 million General Fund for initial implementation efforts to meet the federal requirement to prospectively pay providers as of August 2026.
- **Rate Reform Support**—An increase of \$21.8 million one-time federal funds to support start-up state, county, and contractor automation activities.
- **Emergency Child Care Bridge**—A reduction of \$30 million General Fund in 2025-26 and ongoing to account for anticipated utilization of the program. The proposal maintains \$63.7 million in annual ongoing funding (\$53.4 million General Fund) for the Emergency Child Care Bridge program.

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## 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 assumes \$9.5 billion in total TANF expenditures (state, local, and federal funds) in 2025-26. This amount includes \$6.2 billion for CalWORKs program expenditures and \$3.3 billion for other programs such as Child Welfare Services, Foster Care, the Department of Developmental Services programs, the California Statewide Automated Welfare System, California Community Colleges Child Care and Education Services, Cal Grants, and the Department of Child Support Services. The average monthly CalWORKs caseload is projected to be 363,766 families in 2025-26.

### SIGNIFICANT BUDGET ADJUSTMENT

- Streamlining the CalWORKs Program**—The Budget includes various statutory changes to the CalWORKs program, resulting in a more family-centered and easier to navigate program for families and counties. These changes include:
  - (1) standardizing orientation and simplifying the appraisal and welfare to work plan development process,
  - (2) expanding allowable welfare-to-work activities and making Job Club an optional,
  - (3) simplifying the sanction curing process,
  - (4) replacing the county welfare-to-work reporting requirements with administrative data extracts,
  - (5) eliminating welfare-to-work sanctions for the first 90 days following acceptance into the program, and
  - (6) prospectively eliminating the pass-on of federal work participation rate penalties to counties.
 The Budget also redirects \$4.6 million in General Fund savings to the Single Allocation in 2025-26 and \$14 million ongoing.

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## 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 \$3.8 billion in total CalFresh and nutrition expenditures. In addition, \$13.3 billion in food benefits is provided directly to recipients by the federal government. The average monthly CalFresh caseload is projected to be 3,338,191 households in 2025-26.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Summer Electronic Benefits Transfer (SUN Bucks)**—SUN Bucks provides \$120 per child (\$40 per month for June, July, and August) in federally funded food benefits to children who lose access to free and reduced-price meals during the summer school closure period. The Budget includes \$115.8 million (\$57.5 million General Fund) in 2025-26 for transactions costs and outreach to allow the state to provide an estimated \$815.9 million in federal food assistance to children.
- **CalFood**—An increase of \$52 million one-time General Fund for food banks in 2025-26. The one-time appropriation augments \$8 million ongoing General Fund for this purpose.
- **California Fruit and Vegetable Electronic Benefit Transfer**—The Budget includes \$36 million one-time General Fund for supplemental food benefits through electronic benefit transfer cards.
- **Able-Bodied Adults Without Dependents (ABAWD) Waiver Loss**—The Budget includes \$6.8 million General Fund in 2025-26 and savings of \$19.9 million General Fund in 2026-27 and ongoing due to the federal government's termination of the state's ABAWD waiver one-year early, effective February 1, 2026.

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### 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 \$29.9 billion (\$11.1 billion General Fund) for the IHSS program in 2025-26. Average monthly caseload in this program is estimated to be 793,316 recipients in 2025-26

## SIGNIFICANT BUDGET ADJUSTMENTS

- **Community First Choice Option Late Penalties**—A reduction of \$40.5 million General Fund in 2025-26 to reflect a 50/50, state and county share of the IHSS federal Community First Choice Option reassessment late penalties. Beginning in 2026-27, counties are responsible for the full costs of any Community First Choice Option reassessment late penalties.
- **Medi-Cal Assets Test Limits**—A reduction of \$16 million General Fund in 2025-26 to conform IHSS with the reinstatement of the Medi-Cal asset limit of \$130,000 for individuals and \$195,000 for couples.

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## 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 \$987.9 million General Fund in 2025-26 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 \$9.9 billion in 2025-26.

## SIGNIFICANT BUDGET ADJUSTMENTS

- **Foster Family Agency Funding**—The Budget includes \$31.5 million one-time (\$23 million one-time General Fund) for Foster Family Agencies that have a documented increase in costs for liability insurance.
- **Family Urgency Response System Reduction**—A reduction of \$9 million General Fund in 2025-26 and ongoing to account for anticipated utilization of the program. The proposal maintains \$21 million ongoing General Fund for the program.
- **Tiered Rate Structure Implementation**—Statutory changes that would make the implementation of the Tiered Rate Structure subject to an appropriation beginning in spring 2027. The Budget continues implementation of the Tiered Rate Structure, which includes resources for state operations as well as local assistance funding for Child and Adolescent Needs and Strengths fidelity tools and training activities.

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## OTHER DEPARTMENT OF SOCIAL SERVICES PROGRAMS

- **Home Safe**—An increase of \$83.8 million one-time General Fund for the Home Safe program for access to health, safety, and housing supports for individuals involved in Adult Protective Services and at risk of experiencing homelessness.
- **Bringing Families Home**—An increase of \$81 million one-time General Fund for the Bringing Families Home Program for housing-related supports to families experiencing or at risk of homelessness who are also involved in the child welfare system.
- **Housing and Disability Advocacy Program**—An increase of \$44.6 million one-time General Fund for the Housing and Disability Advocacy Program to assist disabled individuals who are experiencing homelessness. This augmentation is in addition to an ongoing annual appropriation of \$25 million General Fund.
- **Holocaust Survivors Assistance Program**—An increase of \$14.5 million one-time General Fund for assistance to Holocaust survivors.
- **Children's Holistic Immigration Representation Project**—An increase of \$10 million one-time General Fund for children's immigration representation.
- **One California**—An increase of \$10 million one-time General Fund for immigration services.
- **YMCA of Metropolitan Los Angeles for Food Assistance and Legal Aid Services**—An increase of \$7.5 million one-time General Fund for food assistance and legal aid services.
- **Diaper Bank Funding**—An increase of \$7.4 million one-time General Fund for diaper banks.

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## DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services (DDS) provides individuals with intellectual and developmental disabilities a variety of services that allow them to achieve their goals. The state's developmental services are designed to meet the needs and choices of individuals at each stage of their lives, and support them in their home communities, providing choices that are reflective of lifestyle, cultural and linguistic preferences.

The Budget includes \$18.7 billion (\$12.2 billion General Fund) and estimates that over 490,000 individuals will receive services in 2025-26.

DDS continues to work closely with regional centers, service providers, and the community on numerous initiatives to streamline and enhance developmental services and supports statewide.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Rate Reform Hold Harmless**—A reduction of \$75 million General Fund in 2025-26 to reflect ending the rate reform hold harmless policy in February 2026 instead of June 2026.
- **Porterville Developmental Center**—A reduction of \$25 million General Fund starting in 2026-27 and ongoing, reflecting historical savings.
- **Self-Determination Program**—A reduction of \$22.5 million General Fund in 2025-26, and \$45.5 million General Fund annually thereafter, to reflect new guidelines that protect the sustainability of the program.
- **Implicit Bias Training**—A reduction of \$5.6 million ongoing General Fund to eliminate dedicated resources for refreshing regional center implicit bias training.
- **Health and Safety Waiver Assistance**—A reduction of \$3 million ongoing General Fund to eliminate health and safety waiver application assistance.
- **Require Provider Mandates for Quality Incentive Program Eligibility**—A reduction of \$221.7 million General Fund in 2026-27 and ongoing associated with requiring compliance with Electronic Visit Verification, annual audits, and Home and Community-Based Services rules as a pre-condition of eligibility for the quality incentive component of the rate models.

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## OTHER HEALTH AND HUMAN SERVICES

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Managed Care Organization (MCO) Tax and Provider Payment Increases**—\$9 billion in 2024-25, \$4.2 billion in 2025-26, and \$2.8 billion in 2026-27 of MCO Tax revenue to support the Medi-Cal program. The Budget reflects \$804 million in 2024-25, \$2.8 billion in 2025-26, and \$2.4 billion in 2026-27 for the MCO Tax and Proposition 35 expenditure plan, including \$90 million in 2025-26 and 2026-27 for reproductive health. In addition to the amounts supporting the Medi-Cal program, \$1.6 billion across 2025-26 and 2026-27 will support increases in managed care payments

relative to calendar year 2024 for primary care, specialty care, ground emergency medical transportation, and community and hospital outpatient procedures.

- **Behavioral Health Workforce Initiative**—\$1.9 billion (\$143 million Behavioral Health Services Fund, \$808 million Designated State Health Program Funding, and \$950 million federal funds) over five years for the Department of Health Care Access and Information to implement the Behavioral Health Workforce Initiative beginning in July 2025.
- **AIDS Drug Assistance Program (ADAP) Program**—Up to \$75 million one-time ADAP Rebate Fund in 2025-26 for HIV and AIDS prevention and treatment services at the California Department of Public Health if federal funding for specified services is delayed, reduced, or eliminated.
- **Transgender, Gender Nonconforming, and Intersex (TGI) Wellness Grants**—\$15 million one-time TGI Wellness and Equity Fund in 2025-26 and reappropriation of \$7.2 million TGI Wellness and Equity Fund from the 2022 Budget Act to support TGI wellness, equity, and care.
- **Health Care Affordability Reserve**—\$25 million Health Care Affordability Reserve Fund ongoing to support a financial assistance program at Covered California.
- **Diaper Access Initiative**—\$7.4 million General Fund in 2025-26 and \$12.5 million General Fund in 2026-27 for the Department of Health Care Access and Information to contract for the provision of a three-month supply of diapers at no cost to California families with newborn babies via hospital systems to improve maternal and newborn health outcomes.
- **Long-Term Care Ombudsman Program**—An increase of \$3 million in 2025-26, 2026-27, and 2027-28 from the State Health Facilities Citation Penalties Account to support work of local long-term care ombudsman programs related to residents' rights, safety, health, and quality of life.
- **Department of State Hospital Programs**—Reduced resources for various state hospital programs, including the Incompetent to Stand Trial Program, Community-Based Restoration and Felony Diversion programs, and isolation unit needs. Estimated savings are \$195.5 million General Fund in 2025-26, \$273.1 million General Fund in 2026-27, and \$191.6 million General Fund in 2027-28 and ongoing. The Budget maintains funding to continue to support these programs based on actual program expenditures.
- **Incompetent to Stand Trial Infrastructure Grant Program**—A reduction of \$232.5 million one-time General Fund included in the 2022 Budget Act from unspent

grant funds for counties to increase residential treatment housing capacity for individuals designated Incompetent to Stand Trial.

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# HOUSING AND HOMELESSNESS

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## HOUSING

The state has taken significant actions to address California's housing shortfall. This includes investing billions in affordable housing since 2019, enacting legislation to streamline the approval of much-needed housing, and taking executive action to make excess state properties available for housing development.

The Budget reflects a commitment to improving housing stability across California by investing in affordable multifamily housing, expanding pathways to homeownership, and supporting renters. These investments are designed to increase housing supply, promote equity, and address affordability challenges across the state.

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## CREATING THE NEW CALIFORNIA HOUSING AND HOMELESSNESS AGENCY

The Budget includes \$4.2 million (\$4 million General Fund) in 2025-26, \$6.4 million (\$6.2 million General Fund) in 2026-27, and \$6.2 million (\$6.1 million General Fund) in 2027-28 and ongoing to support the reorganization of the Business, Consumer Services, and Housing Agency. This includes resources for the creation of the California Housing and Homelessness Agency (CHHA) and the Housing Development and Finance Committee (HDFC), in addition to the Business and Consumer Services Agency. See the

General Government and Statewide Issues Chapter for information on the related Business and Consumer Services Agency.

The new CHHA will integrate housing programs, advance and protect civil rights, and simplify the administration of affordable housing programs. Establishing a single state agency responsible for housing and homelessness policy and program oversight will provide clear authority and accountability for addressing these statewide priorities. The CHHA will include the following entities:

- Department of Housing and Community Development
- California Interagency Council on Homelessness
- California Housing Finance Agency
- Civil Rights Department
- Housing Development and Finance Committee

The new HDFC will work to improve program delivery by increasing transparency, enhancing coordination, and aligning state affordable housing program resources. By streamlining the administration of multifamily housing programs and providing consistent oversight of housing funding statewide, the HDFC will reduce the time required for projects to secure necessary state resources—ultimately lowering costs and enabling developers to accelerate construction and deliver housing units more quickly.

### 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.
- **Community Development Block Grant for Disaster Recovery**—\$416.6 million one-time Federal Trust Fund to reflect federal resources that will be available to the Department of Housing and Community Development (HCD) beginning in 2025-26 to support long-term recovery efforts following 2023 and 2024 natural disasters.
- **California Dream for All**—\$300 million one-time General Fund to provide shared-appreciation down payment assistance to first-generation, first-time homebuyers through the California Dream for All Program administered by the California Housing Finance Agency.

- **Department of Social Services Housing Investments**—\$209.4 million one-time General Fund for housing programs administered by the Department of Social Services, including \$83.8 million for the Home Safe Program, \$81 million for the Bringing Families Home Program, and \$44.6 million for the Housing Disability Advocacy Program.
- **Proposition 35 Flexible Housing Subsidy Pools**—\$200 million over two years in Proposition 35 funds to provide rental assistance and housing supports to help individuals with significant behavioral health conditions who are experiencing or at risk of homelessness. These funds will help individuals secure and maintain stable long-term housing. See the Health and Human Services Chapter for more information on Proposition 35.
- **Multifamily Housing Program**—\$120 million one-time General Fund in 2025-26 for the Multifamily Housing Program administered by HCD, with ten percent set aside for California Tribes pursuant to Chapter 295, Statutes of 2024 (SB 1187).
- **Renter's Tax Credit**—The Budget includes statutory changes that specify that the existing renter's tax credit amounts will increase in years in which a future appropriation is made for this purpose. Upon appropriation, renter's tax credit amounts would increase from their current levels of \$60 for single filers and \$120 for joint filers to \$250 for renters with no dependents and \$500 for renters with at least one dependent. The determination regarding the first potential appropriation is to be made in the 2026 Budget Act.

## STREAMLINING HOUSING PRODUCTION AND ADDRESSING AFFORDABILITY CHALLENGES

The state has taken significant actions in recent years to address California's housing shortfall. This Budget builds on this progress with a series of statutory changes aimed at improving affordability and accelerating housing production by streamlining planning and permitting processes, while also creating innovative financing tools to support affordable housing and related infrastructure projects in location-efficient areas. The statutory changes include the following:

- Establishing a statewide Vehicle Miles Traveled (VMT) mitigation bank to give developers a flexible option for meeting California Environmental Quality Act (CEQA) obligations. Under this program, developers can contribute funds to support affordable housing and infrastructure in location-efficient areas—such as those near transit, services, and amenities. This approach streamlines the use of an

already established form of CEQA VMT mitigation by providing a flexible and efficient pathway for developers to meet their existing environmental obligations.

- Accelerating housing permitting in coastal areas by requiring the California Coastal Commission, when acting as a responsible agency under the Permit Streamlining Act, to meet the same permitting deadlines as other agencies.
- Establishing new CEQA streamlining tools to accelerate the delivery of infill housing and critical infrastructure projects—such as high-speed rail facilities, utilities, broadband, community-serving facilities, wildfire prevention, and farmworker housing.
- Expanding CEQA judicial streamlining for large housing developments exceeding \$100 million in value—an expansion of a process currently available only to smaller projects.
- Imposing a six-year suspension on new residential building standards at both the state and local levels—through 2031—with limited exceptions, to help stabilize construction costs and provide regulatory certainty.
- Strengthening oversight of homeless shelters by requiring local jurisdictions to conduct annual inspections and enhancing enforcement of existing health and safety standards, and providing HCD enforcement authority over local non-compliance.
- Leveraging existing equity from projects financed by HCD, giving developers the ability to access and reinvest those funds into the preservation, rehabilitation, or development of additional affordable housing.

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## HOMELESSNESS

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### FUTURE FUNDING CONTINGENT ON ENHANCED ACCOUNTABILITY

Addressing homelessness requires comprehensive action across the entire homelessness response system—including prevention, interim and permanent housing, and supportive services.

The Budget appropriates \$500 million General Fund in 2026-27 for a seventh round of the Homeless Housing, Assistance and Prevention Program (HHAP 7), in addition to \$100 million one-time General Fund for Encampment Resolution Fund grants that were originally appropriated in the 2024 Budget Act. These resources are in addition to the

\$1 billion in HHAP 5 funding awarded in the past fiscal year and the \$1 billion in HHAP 6 funding, which will be awarded in the coming months to regions that meet the threshold criteria.

HHAP 7 funding is contingent on the enactment of subsequent legislation establishing clear accountability requirements for grantees, including a set of conditions and priorities that promote concrete actions, measurable outcomes, and shared investment between the state and local jurisdictions.

The Budget states that the allocation of HHAP 7 funds is contingent on the enactment of legislation that addresses a number of accountability metrics:

- Having a compliant Housing Element and a local encampment policy consistent with state guidance.
- Having a Pro-Housing Designation.
- Leveraging local resources to scale state investments.
- Demonstrating progress on key housing performance metrics.
- Demonstrating urgency and measurable results in housing and homelessness prevention.

These state resources will translate into meaningful progress in communities across our state.

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# CRIMINAL JUSTICE AND JUDICIAL BRANCH

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## 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 reintegration 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 \$13.6 billion (\$13.2 billion General Fund and \$400 million other funds) for CDCR. Of this amount, \$4.1 billion General Fund is for health care programs, which provide incarcerated individuals access to mental health, medical, and dental care services.

The adult incarcerated population is projected to fluctuate over the next few years, with increases in the near-term due to the passage of Proposition 36 in November 2024. Spring projections indicate the average daily adult incarcerated population for 2024-25 is estimated to be 91,471, a decrease of 0.2 percent from the fall 2024 projections, and 91,205 in 2025-26, a decrease of 2.2 percent from the fall projections. The projected decrease recognizes a slower ramp up of the Proposition 36 population than initially projected. However, even with the expected population increase from Proposition 36, rising to 92,179 in 2027-28, the population is still projected to continue its overall

long-term downward trend, declining to 89,692 incarcerated individuals by June 30, 2029.

The parolee average daily population is projected to be 34,723 in 2024-25, declining slightly to 34,197 in 2025-26. Proposition 36 is projected to reverse further decline and, in fact, slightly increase the parole population, which is anticipated to remain relatively stable over the next few years, at 34,213 by June 30, 2029.

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### **PRISON CAPACITY AND CLOSURE**

The adult prison population has steadily declined in recent years, which has allowed CDCR to eliminate its reliance on in-state and out-of-state contract prison capacity, and the lease of the California City Correctional Facility. CDCR has also closed three institutions: Deuel Vocational Institution (Tracy), California Correctional Center (Susanville), and Chuckawalla Valley State Prison (Blythe). Lastly, the department has deactivated 11 facilities, portions of 2 facilities, and 42 housing units across 11 prisons. Combined, these closures and deactivations, along with administrative savings, result in hundreds of millions of dollars in annual General Fund savings.

The Administration remains committed to meeting the needs of staff and the incarcerated population while right-sizing California's prison system as the prison population declines, and to addressing space needs as the state transforms the carceral system to one more focused on rehabilitation. While Proposition 36 is expected to temporarily increase CDCR's population, the population should continue its downward trend over the long-term.

Given the state's fiscal situation and the projected decline in the prison population, the department will close one additional prison by October 2026. Upon full closure, the state will achieve an estimated annual savings of approximately \$150 million General Fund.

In assessing capacity, CDCR takes into consideration a variety of factors for the safety and security of its population, specialized bed needs, and available 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 closure of a prison does not change the Administration's commitment to balancing the needs of the population it serves and focusing on rehabilitation and reentry.



As such, the Budget includes \$7.8 million General Fund in 2025-26, and \$13 million General Fund in 2026-27 and ongoing, for the new learning center at San Quentin Rehabilitation Center, which is expected to complete construction in January 2026. The Budget continues the commitment to begin operating the learning center, provide staffing, and add and expand rehabilitative programs focused on behavior change, trauma-informed care, and dynamic security to operate a new campus that embodies the California Model, implementing a transformational change in a correctional environment.

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## REHABILITATION AND REENTRY

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**—The 2024 Budget Act consolidated \$102.8 million in remaining funding available to support reentry expansion with existing reentry center funding. These funds are projected to continue supporting pre-release reentry programs through 2026-27. CDCR has executed contracts with four providers to add a total of 435 additional beds, and new facilities are slated to come online by June 2026. Once full expansion is achieved, CDCR will operate a total of 1,501 reentry beds.
- **Post-Release Community Reentry Programs**—\$32 million General Fund in 2025-26, increasing to \$42.9 million General Fund in 2028-29, to increase contract rates for post-release reentry programs. Additionally, the Budget includes \$12.9 million General Fund in 2025-26 and 2026-27 to continue the Returning Home Well program and provide wraparound services for its participants.
- **Free Voice Calling for Incarcerated Individuals**—\$31.6 million ongoing General Fund to provide access to free voice calling services for incarcerated individuals.

## SIGNIFICANT BUDGET ADJUSTMENTS

The Budget includes additional resources to continue existing CDCR initiatives, make needed infrastructure improvements, address increased costs, and incorporates savings associated with improvements and efficiencies:

- **Statewide Fire Alarm Replacements and Fire Watch**—\$37.3 million General Fund in 2025-26, and \$44.2 million General Fund in 2026-27 and 2027-28, to replace fire alarm control panels and systems at two institutions that require staff to patrol for fires as mandated by the Office of the State Fire Marshal and to support costs for fire watch coverage.
- **Air Cooling Pilot Program**—\$17.6 million General Fund in 2025-26, and \$20 million General Fund in 2026-27, to conduct a pilot program at three prisons to evaluate the effectiveness of two air cooling alternatives.
- **Food Costs Adjustment**—\$36.4 million General Fund in 2025-26, and \$31.4 million General Fund in 2026-27 and ongoing, to accommodate increased food costs and incorporate California-grown agricultural products into the daily menu for incarcerated individuals as required by Chapter 576, Statutes of 2022 (AB 778).
- **Operational Improvements**—Savings of \$125 million General Fund in 2025-26, growing to \$635 million General Fund in 2028-29. CDCR will achieve savings through additional operational improvements related to headquarters, contract management, overtime management, and modifying various aspects of health care programs.
- **State Operations Reductions**—Savings of \$177.1 million General Fund and \$1.1 million in other funds in 2025-26, growing to \$184.9 million General Fund and \$1.1 million in other funds in 2026-27 and ongoing, from various state operations reductions, consistent with statewide efficiency reductions. These efficiencies will also eliminate nearly 1,200 vacant permanent positions from CDCR, effective January 1, 2026.

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## HEALTH CARE SERVICES FOR INCARCERATED INDIVIDUALS

The Budget continues the state's commitment to deliver quality health care services to incarcerated individuals. This includes \$4.1 billion General Fund in 2025-26 for CDCR health care programs, which provide incarcerated individuals access to medical, mental health, and dental care services that are consistent with the standards and scope of care appropriate within a custodial environment.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **CalAIM Justice-Involved Initiative – Program Support**—\$21.5 million in 2025-26 and \$11 million ongoing in increased reimbursement authority, an increase of 65 positions in 2025-26 and ongoing, and a reduction of \$6.2 million General Fund in 2025-26, an

increase of \$3.8 million General Fund in 2026-27, and a reduction of \$11 million General Fund ongoing to support full implementation of the California Advancing and Innovating Medi-Cal Justice-Involved Initiative and account for additional federal reimbursements.

- **Suicide Watch**—\$13.6 million ongoing General Fund to address increased suicide watch workload. These resources will fund overtime and temporary help for required suicide watch posts.
- **California Institution for Men 50-Bed Mental Health Crisis Facility Staffing**—\$3 million General Fund and 13.4 positions in 2025-26, and \$4.4 million General Fund and 20.4 positions ongoing, to provide staffing for a new Mental Health Crisis Facility that will become operational at the California Institution for Men. CDCR estimates construction of this facility will be completed in October 2025.

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## OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General (OIG) provides oversight through monitoring, reporting, and recommending improvements to CDCR. The Budget includes a total of \$48.1 million for the OIG in 2025-26.

The Budget includes \$3.6 million General Fund and 22 positions in 2025-26, and \$5.7 million General Fund and 29 positions in 2026-27 and ongoing, for OIG to implement Chapter 1012, Statutes of 2024 (SB 1069). These resources will enable the OIG to expand monitoring of complaints of staff sexual misconduct filed by incarcerated persons.

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## PUBLIC SAFETY

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### PROPOSITION 36 INVESTMENTS

Proposition 36, approved by voters in November 2024, increased punishment for specified theft and drug crimes and created a new court process for some drug crimes. This new process establishes a “treatment-mandated felony,” which generally allows individuals who are charged under this framework to have their relevant charges dismissed upon successful completion of treatment. The Budget provides \$100 million one-time General Fund, to be spent across three years, for multiple departments to fund Proposition 36 implementation.

- **Department of Health Care Services**—\$50 million to provide non-competitive grants to county behavioral health departments to help offset county responsibilities related to the initial implementation of Proposition 36. Counties must spend at least fifty percent of their grant funds to support planning and capacity building to accelerate delivery of treatment services.
- **Court Workload**—\$20 million to provide funding for increased workload as a result of Proposition 36 and, in collaboration with the California Department of Health Care Services, submit annual reports to the Legislature containing detailed data on Proposition 36 implementation until all funds are spent.
- **Pretrial Services**—\$15 million to fund various costs associated with programs and services for individuals released pretrial to improve public safety, increase court appearances, and improve the efficient and fair administration of justice.
- **Indigent Defense**—\$15 million to the State Public Defender to provide grants to indigent defense providers for provision of holistic defense in criminal matters, including services for defendants charged with treatment-mandated felonies.

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## PROPOSITION 47 SAVINGS

Proposition 47, passed in 2014, requires misdemeanor rather than felony sentencing for certain property and drug crimes and permits incarcerated persons previously sentenced for these reclassified crimes to petition for resentencing. The Budget estimates net General Fund savings of \$91.5 million in 2025-26. However, Proposition 36 is projected to increase the state prison population and thereby decrease savings associated with Proposition 47 in future years. 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.

As noted above, Proposition 36 established a treatment-mandated felony for drug possession that can be charged under specified circumstances. Proposition 47 monies may be used to fund court-ordered treatment programs that 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, including housing, employment support, and job training.

## 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 DOJ 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 approximately \$1.3 billion, including \$500 million General Fund, to support the DOJ.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Federal Accountability Workload**—\$14.2 million (\$12.3 million General Fund) in 2025-26 and \$13.9 million (\$12 million General Fund) ongoing and 44 positions to defend California against adverse federal actions. The anticipated workload includes, but is not limited to, defending environmental protections, voting rights, birthright citizenship, reproductive choice, and labor standards.
- **California Law Enforcement Telecommunications System (CLETS) – Department of Motor Vehicles Enhancements**—\$3.1 million General Fund in 2025-26 and \$1.1 million in 2026-27 for information technology enhancements at DOJ to establish a new connection between CLETS and the Department of Motor Vehicles.
- **DOJ FI\$Cal Resources**—\$2.7 million (\$1.1 million General Fund) in 2025-26 and \$3.2 million (\$1.2 million General Fund) in 2026-27 for DOJ to continue the transition from its legacy accounting system to FI\$Cal. The migration will take place over the next three years, with an estimated completion date by the end of 2026-27.
- **Juveniles: Sealing Records (AB 1877)**—\$2.4 million General Fund and 4 positions in 2025-26 and \$812,000 in 2026-27 and ongoing to implement the provisions of Chapter 811, Statutes of 2024 (AB 1877).
- **Tribal Police Pilot**—\$5 million one-time General Fund in 2025-26 and statutory changes to establish the Tribal Police Pilot Program. The program grants tribal law enforcement officers, of specified tribes, state peace officer authority on Indian land and elsewhere in the State under specified circumstances.

- **Bureau of Firearms Workload**—\$3.2 million (\$2.7 million General Fund and \$519,000 Fingerprint Fees Account) and 26 positions in 2025-26 and ongoing to help the Bureau process an increased number of concealed carry weapon permit applications as a result of the *New York State Rifle & Pistol Association v. Bruen* U.S. Supreme Court decision. Additionally, the Budget provides \$2.1 million General Fund and 14 positions in 2025-26 and \$1.9 million in 2026-27 and ongoing for the Firearms Clearance Section within the Bureau to process an increased number of Dealers Record of Sale transactions on specified timelines.
- **Firearms Information Technology Systems Modernization Project**—\$11.2 million General Fund in 2025-26 for DOJ for Stage 3 of the Project Approval Lifecycle (PAL) Process and initiate Stage 4 of the PAL process for this project.
- **Chaptered Legislation: Firearms**—\$2.4 million (\$2.3 million General Fund) and 7 positions in 2025-26, \$1.5 million (\$1.4 million General Fund) in 2026-27, and \$1.2 million General Fund in 2027-28 and ongoing for DOJ to address workload from recently chaptered legislation related to the storage, sale, transfer, and relinquishment of firearms.
- **DNA Identification (DNA ID) Fund Backfill**—To address a projected cashflow shortage in the DNA ID Fund beginning in 2026-27, the Budget includes an ongoing backfill adjustment with \$37 million General Fund in 2026-27, \$36 million in 2027-28, and \$35 million in 2028-29 and ongoing. Previously, the 2023 Budget Act provided a three-year backfill through 2025-26.
- **License 2000 System Replacement Project**—\$1.9 million Special Fund (\$966,000 Indian Gaming Special Distribution Fund and \$951,000 Gambling Control Fund in 2025-26, \$950,000 Indian Gaming Special Distribution Fund and \$967,000 Gambling Control Fund ongoing) and 3 positions in 2025-26 and ongoing for DOJ to finish the License 2000 System Replacement Project and transition the project into the maintenance and operations phase.
- **Chaptered Legislation: Public Rights**—\$2.2 million (\$597,000 General Fund and \$1.6 million Unfair Competition Law Fund) and 9 positions in 2025-26 and \$2.2 million (\$577,000 General Fund) in 2026-27 and ongoing to address workload from recently chaptered legislation related to, among other issues, helping protect minors from addictive social media feeds, transparency regarding the training data used for generative artificial intelligence systems or services, and requiring large online platforms to block the posting of deceptive content during specified timeframes before and after elections.

- **Unfair Competition Law Fund Loan**—A budgetary loan of \$150 million from the Unfair Competition Law Fund to the General Fund in 2025-26 from resources not required for currently projected operational or programmatic purposes.

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## CALIFORNIA HIGHWAY PATROL

The California Highway Patrol (CHP) provides uniform traffic law enforcement throughout the state and serves the public by assuring the safe, convenient, and efficient transportation of people and goods on the state's highway system. Additionally, CHP is responsible for the security of state buildings and officials. Increasingly, CHP also supports statewide law enforcement in specialized areas concerning interjurisdictional crimes.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Child Sexual Abuse Material Investigations**—The Budget provides \$5 million ongoing General Fund for the CHP Computer Crimes Investigation Unit to assist in combatting Child Sexual Abuse Material and Human Trafficking throughout California.
- **Highway Violence Task Force**—To continue addressing violent crimes occurring on state highways, the Budget includes one-time resources totaling \$4.9 million Motor Vehicle Account in 2025-26 for an additional year of funding for the CHP's Highway Violence Task Force.

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## OFFICE OF EMERGENCY SERVICES

The 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 \$4.5 billion (\$740 million General Fund) and 1,907 positions for Cal OES.



The Budget maintains \$80 million one-time General Fund to implement the California State Nonprofit Security Grant Program, consistent with the two-year funding commitment in the 2024 budget agreement. Since 2020-21, the state has dedicated \$220 million one-time General Fund for this program to support physical security enhancements to nonprofit organizations that have historically been targets of hate-motivated violence. The state has also received \$116 million from the federal Nonprofit Security Grant Program during this period.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Victims of Crime Act Supplemental Funding**—The Budget includes \$100 million one-time General Fund in 2025-26 to supplement decreasing federal funding supporting a variety of services for victims of crime. Depending on the level of federal funding awarded to California, this one-time augmentation will either allow existing programs to continue at their current level of services or significantly alleviate the service level reductions that would otherwise be necessary.
- **Flexible Cash Assistance for Survivors of Crime**—A reversion of \$49.7 million one-time General Fund appropriated in the 2022 Budget Act to establish a financial assistance program for survivors of crime.
- **Internet Crimes Against Children**—The Budget includes \$7 million ongoing General Fund to support the Internet Crimes Against Children Task Force Program, which helps state and local law enforcement agencies develop an effective response to technology-facilitated child sexual exploitation and combat underground child pornography rings. This investment transitions funding for this program from annual \$5 million one-time General Fund appropriations and increases the level of state resources provided for this effort.

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## 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 \$5.3 billion in 2025-26 for the Judicial Branch, of which \$3 billion is provided to support trial court operations.



## SIGNIFICANT BUDGET ADJUSTMENTS

- **Trial Court Operations**—\$40 million ongoing General Fund to address increasing trial court operations costs.
- **Trial Court Employee Health Benefits**—\$19.8 million ongoing General Fund for trial court employee health benefit and retirement costs. The state began consistently funding the increased health benefit and retirement costs for the trial courts in 2014-15.
- **Court-Appointed Counsel Programs**—\$6.3 million ongoing General Fund to increase the hourly compensation rate of court-appointed counsel at the Supreme Court and Courts of Appeal, which provides representation for indigent appellants.
- **San Diego Hall of Justice**—\$9.5 million one-time General Fund in 2025-26 to address the cost increases for an existing facility modification project at the San Diego Hall of Justice. This is in addition to the \$29.7 million included in the 2022 Budget Act for this project.
- **Lactation Rooms**—\$5.4 million one-time General Fund in 2025-26 to complete the build-out of lactation rooms in court facilities pursuant to Chapter 200, Statutes of 2022 (AB 1576). This is in addition to the \$15 million included in the 2022 Budget Act to implement AB 1576.
- **State Court Facilities and Construction Fund (SCFCF) Backfill**—\$4.7 million General Fund in 2025-26 and \$79 million in 2026-27 and ongoing to continue to backfill a projected shortfall in the SCFCF and to maintain existing service levels.
- **Tribal Nations Access to Justice Act (SB 549)**—\$2.7 million in 2025-26, \$1.5 million in 2026-27, and \$784,000 in 2027-28, for the courts to handle workload resulting from lawsuits filed by California Indian tribes against California gambling establishments and third-party providers pursuant to Chapter 860, Statutes of 2024 (SB 549).
- **Trial Court Trust Fund Unrestricted Fund Balance**—A transfer of \$38 million in 2025-26 of the unrestricted fund balance in the Trial Court Trust Fund to the General Fund. This unrestricted fund balance exists primarily from cost savings from previous allocations to the Judicial Branch where no mechanism exists to return the funds to the General Fund.
- **Court Facilities Architectural Revolving Fund**—A transfer of accumulated savings and accumulated interest revenue totaling \$34.3 million from the Court Facilities Architectural Revolving Fund to the SCFCF, resulting in a one-time reduction of the General Fund backfill to the SCFCF by the same amount in 2025-26.

- **Pretrial Release Program**—A reversion of \$20 million General Fund from 2024-25 associated with savings related to the Judicial Branch's pretrial services and a reduction of \$5 million in 2025-26, and \$20 million ongoing General Fund beginning in 2026-27. The Budget maintains \$65 million General Fund in 2025-26 and \$50 million General Fund in 2026-27 and ongoing for the Pretrial Release program.
- **Incompetent to Stand Trial Evaluations**—A reversion of \$9.1 million General Fund in 2023-24 and 2024-25 associated with unspent funds provided to the Judicial Branch for improvements to Incompetent to Stand Trial evaluations.
- **Jury Duty Pilot Program**—A reversion of \$27.5 million General Fund in 2023-24 and 2024-25 associated with unspent funds provided to the Judicial Branch to implement a pilot program related to juror compensation pursuant to Chapter 326, Statutes of 2022 (AB 1981). The Budget also includes statutory changes to suspend the program. However, the Budget maintains \$4.2 million ongoing General Fund for increased juror mileage and public transit reimbursements associated with AB 1981.

# LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency supports pathways to quality jobs and improving and protecting the health and safety of California workers. The Budget makes investments aimed at expanding equity through workforce development opportunities and modernizing information technology systems to improve the operation and user experience of worker health and safety programs, unemployment insurance, and paid family leave.

## SIGNIFICANT BUDGET ADJUSTMENTS

- **Unemployment Insurance Trust Fund Loan Interest**—\$642.8 million General Fund for the annual interest payment on the state’s Unemployment Insurance loan balance.
- **Labor and Workforce Development Fund Loan**—A loan of \$400 million from the Labor and Workforce Development Fund to the General Fund from resources not currently projected to be used for operational or programmatic purposes.
- **EDDNext**—\$124.2 million one-time (\$62.1 million General Fund) to continue the planning and development of EDDNext, for the fourth year of a multi-year plan to modernize benefit systems and enhance customer service at the Employment Development Department.
- **Department of Industrial Relations (DIR) Electronic Adjudication Management System**—\$25.8 million one-time Labor and Workforce Development Fund for DIR to continue the replacement of the Electronic Adjudication Management System.

- **DIR Public Works Information Technology System Enhancements**—\$19.1 million one-time Labor and Workforce Development Fund to continue modernization of DIR's Public Works information technology system.
- **DIR Apprenticeship Training Grant Expansion**—\$18.2 million one-time from the Apprenticeship Training Contribution Fund to support apprenticeship training in construction and related trades.
- **Cal/OSHA Data Modernization**—\$18.2 million one-time Labor and Workforce Development Fund to continue the Cal/OSHA data modernization information technology project to upgrade outdated systems and processes at DIR.
- **California Workplace Outreach Project**—\$13 million one-time Labor and Workforce Development Fund to DIR for the California Workplace Outreach Project, which promotes awareness and education for labor protections for California workers.
- **Helping Justice-Involved Reenter Employment (HIRE) Program**—\$10 million one-time General Fund for the California Workforce Development Board for the HIRE Program, which provides grants to eligible organizations to support formerly incarcerated and justice-involved individuals in accessing employment opportunities, workforce training programs, and supportive services.
- **Garment Worker Wage Claim Pilot Program**—\$8.5 million one-time Labor and Workforce Development Fund to DIR for the Garment Worker Wage Claim Pilot Program, which provides grants to eligible organizations to support labor protection education and facilitate the filing and processing of wage claims for impacted workers.
- **Supporting Los Angeles Area Fire Recovery**—\$5 million one-time General Fund to the California Workforce Development Board to support workforce development in Los Angeles and Ventura Counties.
- **Subsequent Injuries Benefits Trust Fund**—\$2.7 million Special Fund and 15 positions for the DIR Division of Workers' Compensation to support the rising workload in the Subsequent Injuries Benefits Trust Fund program, which has seen claims payments expand dramatically in recent years. DIR projects an increasing workload and a need for future resources to address the growing caseloads.
- **Regional Coordination for Career Education and Training**—\$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. Additionally, this work will be aligned with the State Economic

Blueprint and 13 regional plans. This proposal is part of the investments in the Master Plan for Career Education. See the General Government and Statewide Issues Chapter for more information on investments in the Master Plan for Career Education.

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# GENERAL GOVERNMENT AND STATEWIDE ISSUES

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

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## GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

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

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### SUPPORTING JOBS

The Budget maintains several investments that support job creation and growth for California's economy.

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## NATIONAL SEMICONDUCTOR TECHNOLOGY CENTER

In November 2024, the U.S. Department of Commerce and Natcast, the non-profit entity designated by Commerce to operate the National Semiconductor Technology Center (NSTC), announced Sunnyvale as the location for the Creating Helpful Incentives to Produce Semiconductors for America Design and Collaboration Facility (DCF). Leveraging California's unmatched talent and world-leading research and education institutions, this facility is expected to drive more than \$1 billion in research funding and create more than 200 direct jobs over the next 10 years. The DCF will be multi-functional, serving as a critical location for the operations and administrative functions of Natcast and the NSTC, including:

- Conducting advanced research in chip design, electronic design automation, chip and system architecture, and hardware security;
- Hosting programmatic activities, including the NSTC Workforce Center of Excellence, Design Enablement Gateway, and a future Investment Fund; and
- Convening NSTC members and stakeholders from across the semiconductor ecosystem in California and the U.S.

The Budget includes \$25 million one-time General Fund in 2025-26 to reimburse Natcast for capital expenditures to develop the facility.

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## REGIONAL INITIATIVE FOR SOCIAL ENTERPRISES PROGRAM

The Budget includes \$17 million one-time General Fund for the Regional Initiative for Social Enterprises Program (CalRISE). Initially established in 2022, CalRISE provides financial and technical assistance to employment social enterprises to help them build capacity to create and retain jobs in communities. Employment social enterprises are businesses that provide jobs, on-the-job training, and specialized support for people who face high barriers to work, including homelessness, previous incarceration, substance use or mental health issues. This investment will support connections between the employment social enterprises and the thirteen California Jobs First Regional Collaboratives, aligning job creation and training programs with the industry sectors prioritized by each of the Collaboratives.



## SIGNIFICANT BUDGET ADJUSTMENT

- **City of Fresno Public Infrastructure Plan**—The Budget advances \$100 million General Fund from 2026-27 to 2025-26 for continued support of the City of Fresno's Public Infrastructure Plan to invest in the downtown area. The 2023 Budget Act included \$250 million to support the development of infrastructure projects in Fresno, with the initial \$50 million allocated in 2023-24. The Budget maintains the remaining \$100 million in 2026-27 for additional infrastructure development.

## LA28 OLYMPICS

The Budget includes funding and statutory changes to support planning and preparation for the 2028 Olympic and Paralympic Games in Los Angeles.

These changes are aimed at supporting planning efforts for the Olympics and Paralympic Games, including facility development, delivery of services, and other activities that complement the ongoing planning efforts.

## SIGNIFICANT BUDGET ADJUSTMENTS

- The Budget includes \$17.6 million one-time from the State Highway Account (SHA) to support transportation project planning associated with the 2028 Olympic and Paralympic Games. This includes work on the Games Route Network, which will provide dedicated lanes for official Games vehicles.
- The Budget includes provisional language to allow the Department of Transportation (Caltrans) to spend up to \$20 million from the SHA for Games Route Network capital work in 2025-26 if capital needs are identified.
- The Budget includes language authorizing Caltrans and local agencies to use specified lanes as part of the Games Route Network.

## TAX POLICY CHANGES

The Budget includes the following tax policy changes:

- **California Film and Television Tax Credit Program Expansion**—Increases the total annual cap on tax credits available under the California Film and Television Tax Credit Program 4.0 from \$330 million to \$750 million for fiscal years 2025-26 through

2029-30. This is estimated to reduce revenues by \$15 million in 2025-26. Revenue losses are projected to increase in subsequent years, reaching \$209 million by the end of the multiyear period in 2028-29, and peaking outside of the multiyear period.

- **Military Retirement Income Exclusion**—Beginning in tax year 2025, excludes from income for state tax purposes: (1) retirement pay received by a qualified taxpayer from the federal government for service in the uniformed services; and (2) annuity payments received by a qualified taxpayer pursuant to a Department of Defense Survivor Benefit Plan. The income exclusion applies for up to \$20,000 of military retirement income. Additionally, the exclusion is limited to taxpayers with up to \$250,000 in income if filing jointly and up to \$125,000 in income for single or head-of-household filers. The policy is estimated to reduce revenues by \$130 million in 2025-26 and by \$85 million annually thereafter.
- **Wildfire Settlements Income Exclusion**—Excludes from income for state tax purposes all wildfire settlements paid in tax years 2021 through 2029, regardless of when the fire occurred. The policy is estimated to reduce revenues by \$28 million in 2024-25, by \$15 million in 2025-26, and by \$17 million cumulatively over the subsequent three fiscal years.
- **Low-Income Housing Tax Credit Allocation**—Provides \$500 million for an additional year of enhanced state low-income housing tax credits. This change has no revenue impact in the budget window but is projected to decrease General Fund revenues by \$500 million, including \$94 million in 2027-28, \$306 million in 2028-29, and \$100 million in subsequent years outside of the multiyear period.
- **Extension of the Pass-Through Entity Elective Tax (PTET)**—Extends the PTET through tax year 2030 if the federal cap on the state and local tax deduction is extended in any form. Additionally, beginning in tax year 2026, taxpayers are allowed to make a late prepayment, subject to a 12.5-percent reduction in the credit generated from the late prepayment.
- **Single Sales Factor for Financial Institutions**—Beginning in tax year 2025, requires financial institutions to use single sales factor apportionment for state tax purposes, aligning financial institutions with nearly all other corporations, and rewarding businesses for locating in the state. The policy is estimated to increase revenues by \$330 million in 2025-26 and by more than \$250 million annually thereafter.
- **Chiquita Canyon Landfill Settlements Income Exclusion**—Excludes from income for state tax purposes all settlements paid in tax years 2024 through 2028 related to the Chiquita Canyon elevated temperature landfill event. The policy is estimated to reduce revenues by \$600,000 in 2024-25.

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## CREATING THE NEW BUSINESS AND CONSUMER SERVICES AGENCY

The Budget includes \$456,000 in reimbursements in 2025-26 and ongoing for the Business and Consumer Services Agency. The Agency will strengthen the state's ability to protect consumers by providing dedicated leadership and oversight across a wide range of industries. This agency will focus on the best practices for licensing, enforcement, education, and professional conduct across its member departments. This agency will also modernize operations, making licensing renewals and other services more efficient for consumers and licensees. See the Housing and Homelessness Chapter for information on the new California Housing and Homelessness Agency.

The agency will include the following entities:

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

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## CANNABIS

The Department of Cannabis Control's enforcement efforts are essential to disrupt illegal operations that harm communities, undermine consumer safety, and destabilize the legal supply chain. To help support the department's enforcement activities against the illicit market and minimize the costs of licensed operators, the Budget shifts the Department of Cannabis Control's illicit enforcement funding from the Cannabis Control Fund to the Cannabis Tax Fund. This will maintain the solvency of the Cannabis Control Fund without imposing significant fee increases on existing licensees.

The Budget also includes \$7.1 million between the Cannabis Control Fund and Cannabis Tax Fund in 2025-26, \$4.9 million in 2026-27, and \$6.1 million ongoing

beginning in 2027-28 to support additional inspections and other departmental activities by adding 27 staff over the next three years.

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## UPDATED ALLOCATION OF THE 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 \$454.3 million will be available for Allocation 3 programs in 2025-26 as follows:

- **Education, prevention, and treatment of youth substance use disorders and school retention**—60 percent (\$272.5 million)
- **Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation**—20 percent (\$90.9 million)
- **Public safety-related activities**—20 percent (\$90.9 million)

The Board of State and Community Corrections' (BSCC) Proposition 64 Public Health and Safety Grant Program, funded through Allocation 3 of the Cannabis Tax Fund, provides grant funds to local governments that assist with law enforcement, fire protection, or other local programming to address public health and safety associated with the implementation of the Control, Regulate and Tax Adult Use of Marijuana Act. Local governments are eligible for these grants if they allow both indoor and outdoor commercial cannabis cultivation or allow retail sale of cannabis.

The Budget includes statutory changes to further strengthen statewide enforcement efforts by expanding access to grant funds for local law enforcement and encouraging local jurisdictions to allow legal retail participation. Specifically, these changes:

- 1) expand eligibility to local governments that prohibit cannabis cultivation if they authorize retail cannabis sales in storefronts or through delivery in certain jurisdictions;
- and 2) require BSCC to prioritize grants for local illicit cannabis enforcement efforts.

## GOVERNOR'S OFFICE OF SERVICE AND COMMUNITY ENGAGEMENT

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

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### CALIFORNIA SERVICE CORPS

The California Service Corps is the largest service force in the nation and is comprised of four paid service programs: Californians for All College Corps, California Climate Action Corps, Youth Service Corps, and AmeriCorps California. California Service Corps service members help communities by taking climate action, tutoring and mentoring students to help them succeed, supporting regions impacted by disasters, working to end hunger, and connecting vulnerable people to vital resources and services.

The Budget includes \$5 million General Fund in 2025-26 and \$83.6 million ongoing General Fund beginning in 2026-27 to continue College Corps beyond July 30, 2026, and to expand the program going forward. These resources will expand service opportunities to more than 4,000 undergraduate students annually, and facilitate partnerships with over 50 universities, including CSU and UC campuses, community colleges, and private universities. This funding will also be used to establish an alumni and workforce development program to support employment pathways for College Corps fellows.

The Budget includes a fund shift of \$9.4 million ongoing General Fund to maintain California Climate Action Corps, previously funded by the Greenhouse Gas Reduction Fund. The program supports climate action and promotes Californians taking part in meaningful climate actions in their community such as urban greening, food waste recovery, and wildfire prevention.

The Budget maintains \$68.1 million ongoing General Fund for the Youth Service Corps. The program provides service opportunities for low-income, former foster, justice-involved, and unemployed youth to serve their communities in areas such as public service, food insecurity and climate action, while learning valuable skills and developing career pathways.

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## OFFICE OF COMMUNITY PARTNERSHIPS AND STRATEGIC COMMUNICATIONS

The Office of Community Partnerships and Strategic Communications coordinates California's most important statewide public awareness and community outreach efforts. Through these efforts, the Office has been able to share important information about COVID-19 vaccinations, Extreme Heat preparedness, and water conservation with Californians. The Budget maintains \$15.4 million General Fund in 2025-26 to support current outreach efforts, including a pilot program with CalKIDS in Sacramento County to help children save for higher education, assist with the preparation of the 2030 Census, and provide continued support to Community Based Organizations to strengthen partnerships with the state.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Belonging Campaign**—\$5 million one-time General Fund in 2025-26 for the Office of Community Partnerships and Strategic Communications to support a Belonging Campaign, which will address the loneliness epidemic and help communities better identify pathways to social connectedness and engagement through data-driven research, fostering greater awareness of state resources, and strengthening community ties.
- **California Student Success Coach Grant Program**—\$5 million one-time General Fund in 2025-26 for the California Student Success Coach Grant Program. This program supports and expands the presence of student success coaches in high-need schools. The 2024 Budget Act included \$5 million one-time General Fund in 2024-25 for this grant program, which has already been expended.
- **Government Operations Agency: California Education Interagency Council**—\$1.5 million ongoing General Fund for the Government Operations Agency to establish an education and workforce interagency entity to improve planning and coordination aligned to recommendations of the Master Plan for Career Education. See the Labor and Workforce Development and Higher Education Chapters for more information on other investments related to the Master Plan for Career Education.

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## MUSEUM OF TOLERANCE

The Budget includes \$10 million one-time General Fund for capital improvements to continue the modernization and expansion of the Museum of Tolerance, which has provided diversity training to more than 75,000 California teachers and more than 125,000 California criminal justice professionals.

The Museum of Tolerance is the educational arm of the Simon Wiesenthal Center, an internationally renowned Jewish human rights organization. The only museum of its kind in the world, the Museum of Tolerance is dedicated to challenging visitors to understand the Holocaust in both historic and contemporary contexts and confront all forms of prejudice and discrimination in the world today, including antisemitism.

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## CALIFORNIA STATE LIBRARY PARKS PASS

The Budget includes \$6.8 million one-time General Fund for the continuation of the California State Library Parks Pass program. In partnership with the First Partner's Office and the California State Library, the Department of Parks and Recreation is providing free vehicle day-use entry to over 200 participating state park units; park passes are available for check out by library card holders. The California State Library Parks Pass is valid for entry of one passenger vehicle with capacity of nine people or less or one highway-licensed motorcycle.

To date, a total of 33,000 park passes have been distributed to California's public libraries, including tribal libraries, throughout the state.

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## CALIFORNIA INDIAN HERITAGE CENTER

The Budget includes \$6 million one-time from the Natural Resources and Parks Preservation Fund and \$3 million one-time in reimbursement authority from the State Parks and Recreation Fund to continue the work led by California Native American tribes, Native community leaders, and State Parks in building the first-ever California Indian Heritage Center in West Sacramento at the confluence of the American and Sacramento Rivers.

These funds will support the next steps in building the Center through preparing working drawings of the facilities and beginning initial construction of immediate public use

improvements. The reimbursements will be accomplished through fundraising efforts with community partners. Once built, the California Indian Heritage Center will serve as a place for California Native American tribes to gather the public to reflect on tribal cultural preservation and land stewardship and draw visitors from across the world to engage and celebrate the living cultures of California tribal communities.

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## CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

California is the nation's leading agricultural state and produces over 400 commodities worth nearly \$60 billion annually. The Budget continues to invest in California's agriculture with strategic investments to expand access to locally grown foods and bolster the state's ability to respond to animal and human health emergencies. The Budget includes \$601 million (\$180 million General Fund) and 2,104 positions for the California Department of Food and Agriculture (CDFA).

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Farm to School**—\$24.9 million one-time General Fund for CDFA to create equitable access to locally grown, climate smart foods and hands-on educational opportunities through the California Farm to School Network, the California Farm to School Incubator Grant Program, Climate Smart Technical Assistance, and further the recommendations of the Farm to School Roadmap for Success.
- **Animal and Human Health Emergency Infrastructure**—\$11.1 million (\$6.1 million General Fund) in 2025-26 and \$10.5 million (\$5.5 million General Fund) in 2026-27 and ongoing for CDFA to effectively respond to current and continued threats to animal and human health due to outbreaks of various animal health diseases including strains of the Highly Pathogenic Avian Influenza (Bird Flu) in California.

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## DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) continues to modernize its operations through projects like the Digital eXperience Platform (DXP) project, a comprehensive replacement of DMV's major informational technology (IT) software programs. Projects such as these will improve the overall customer experience when completing DMV transactions in the field office and through alternative service channels.



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## MOTOR VEHICLE ACCOUNT

The Motor Vehicle Account (MVA) is the main operating fund for the California Highway Patrol (CHP) and the DMV, providing \$3.1 billion and \$1.4 billion in 2025-26, respectively. It also funds the California Air Resources Board's (CARB) mobile source program and provides smaller amounts of funding for myriad other departments. The Budget currently projects that the MVA will be insolvent as soon as 2026-27.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **DXP**—The Budget includes an increase of \$53 million MVA one-time to complete the vehicle registration phase of the DXP project.
- **Special Fund Transfers**—A one-time transfer of \$166 million (\$81 million from the Greenhouse Gas Reduction Fund and \$85 million from the Air Pollution Control Fund) to fund CARB's MVA-related workload.
- **Ongoing Vacancy and Efficiency Reductions**—\$34 million in vacancy and efficiency reductions across the MVA's fund users including the CHP, DMV, and CARB.
- **Delayed Implementation**—Several recently chaptered pieces of legislation are delayed until DMV can complete the DXP project that replaces many of its aging IT components, which alleviates some of the fiscal pressure on the MVA in the near-term.

Given the ongoing fiscal constraints in the MVA, the Administration will continue to limit new workload or initiatives including those with delayed implementation dates that would create additional cost pressures over time. By focusing on core operational priorities, the DMV can serve Californians while operating within available MVA resources.

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## EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The Budget includes \$213.6 million ongoing (\$105.1 million General Fund) for employee compensation, health care costs for active state employees, and retiree health care prefunding contributions for active employees. These amounts reflect an \$800.5 million (\$280.1 million General Fund) reduction in employee compensation as part of the budget solution to close the projected budget shortfall. Additional savings may be achieved through collective bargaining with state's 21 bargaining units. As of June 30, 2025, the State has reached agreements with 17 of the 21 bargaining units.

The Budget also includes funding for 2026 negotiated calendar year increases in health care and dental premiums and enrollment.

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### STATE RETIREMENT CONTRIBUTIONS

The state continues to make all required pension payments and will continue to pay down its unfunded retirement liabilities to ensure the long-term sustainability of the state retirement systems and the state employees' retirement benefits are paid out during their retirement years.

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#### CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) CONTRIBUTIONS

The Budget includes \$9.0 billion (\$4.9 billion General Fund) for the state's contributions to CalPERS. Included in these contributions are \$731.1 million one-time General Fund for California State University retirement costs. The contribution amount is a \$2.2 billion (\$1.4 billion General Fund) increase from 2024-25. The 2024 Budget Act reflects the application of the one-time \$1.7 billion Proposition 2 supplemental pension payment made to CalPERS in 2023 toward unfunded liabilities for the state plans, resulting in lower required contributions in 2024-25.

Additionally, the Budget includes \$584 million in one-time Proposition 2 debt repayment funding for 2025-26 to further reduce the unfunded liabilities of the CalPERS state plans. As of the 2025 Budget, an additional \$2.1 billion is projected to be paid to CalPERS over 2026-27 to 2028-29 to continue to reduce the state's unfunded liability; however, this will depend on the availability of Proposition 2 debt repayment funding during this period.

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#### CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CALSTRS) CONTRIBUTIONS

The Budget includes \$4.6 billion General Fund for state contributions to CalSTRS. This is roughly \$374 million more than the contributions in 2024-25, due mainly to the growth in creditable compensation for state teachers from 2022-23 to 2023-24.

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** <sup>1/ 2/ 3/</sup>  
(Dollars in Millions)

	CalPERS	CSU CalPERS	CalSTRS	JRS	JRS II	LRS <sup>5/</sup>	Active Health & Dental <sup>6/</sup>	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding <sup>7/</sup>
2016-17	\$ 4,754	\$ 621	\$ 2,473	\$202	\$ 68	\$1	\$ 3,104	\$ 1,623	\$ 272	\$ 342 <sup>8/</sup>
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 <sup>4/</sup>	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 <sup>9/</sup>
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	6,251	609	4,257	217	92	0	4,574	2,723	484	663
2025-26 <sup>10/</sup>	8,279	731	4,632	181	95	0	5,012	3,030	542	53 <sup>11/</sup>

<sup>1/</sup> The chart does not include contributions for the University of California pension or retiree health care costs.

<sup>2/</sup> 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 2025-26 May Revision.

<sup>3/</sup> 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 included in the annual Budget Act.

<sup>4/</sup> 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.

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

<sup>6/</sup> 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).

<sup>7/</sup> Amount reflects the employer contribution to pay down the Other Post-Employment Benefits (OPEB) unfunded liability.

<sup>8/</sup> Amount includes a one-time prefunding contribution of \$240 million pursuant to Chapter 2, Statutes of 2016 (AB 133).

<sup>9/</sup> 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.

<sup>10/</sup> Estimated as of the 2025 Budget Act, contributions sourced from the General Fund are estimated to be \$4.2 billion for CalPERS, \$731 million for CSU CalPERS, \$2.4 billion for Active Health and Dental, and \$25 million for OPEB Prefunding (as of June 30, 2025, see footnote <sup>11/</sup>). Fiscal year 2025-26 contributions to CalSTRS, JRS, JRS II, LRS, and Retiree Health & Dental (including CSU) are funded entirely by the General Fund.

<sup>11/</sup> The 2025-26 amount reflects the suspension of employer OPEB contributions as included in the agreements reached with bargaining units as of June 30, 2025.

## VARIOUS DEPARTMENTS

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Budgetary Borrowing from Special Funds**—The Director of Finance may transfer \$1.5 billion from various special funds and other borrowable funds to the General Fund as budgetary loans.

- **Vehicle License Fee Backfill**—\$79 million General Fund in 2025-26 to backfill 2023-24 insufficient Educational Revenue Augmentation Fund amounts in Alpine, Mono, and San Mateo counties.

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Budget Planning and Preparation, Cash Management, FISCAL Project Support, Statewide Budget Issues, and Statewide Accounting Policies and Training

Corrections and Rehabilitation, Justice, and General Government

Education

Employee Compensation and State Pensions, State Central Services Departments, and Information Technology and Consulting

Energy, Housing and Homelessness, Labor, Local Government, Tax Agencies, and Transportation

Health

Human Services

Natural Resources, Environment, and Capital Outlay

Revenues, Economy, and Demographics

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