

*2026-27*

# GOVERNOR'S BUDGET





# Key Features

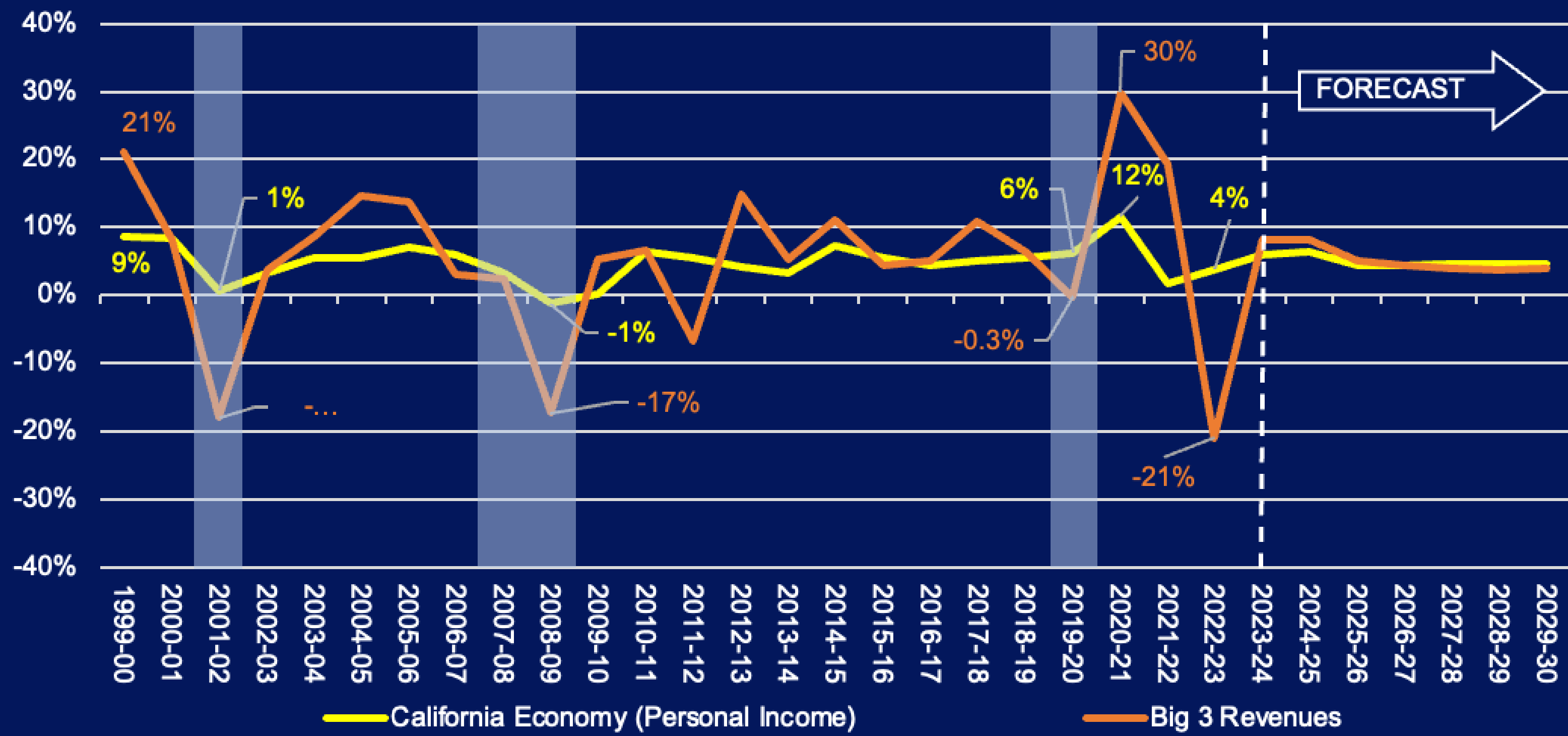
**BALANCED BUDGET**

**CONTINUED PROGRESS**

**BUILDING LONG-TERM FISCAL RESILIENCE**



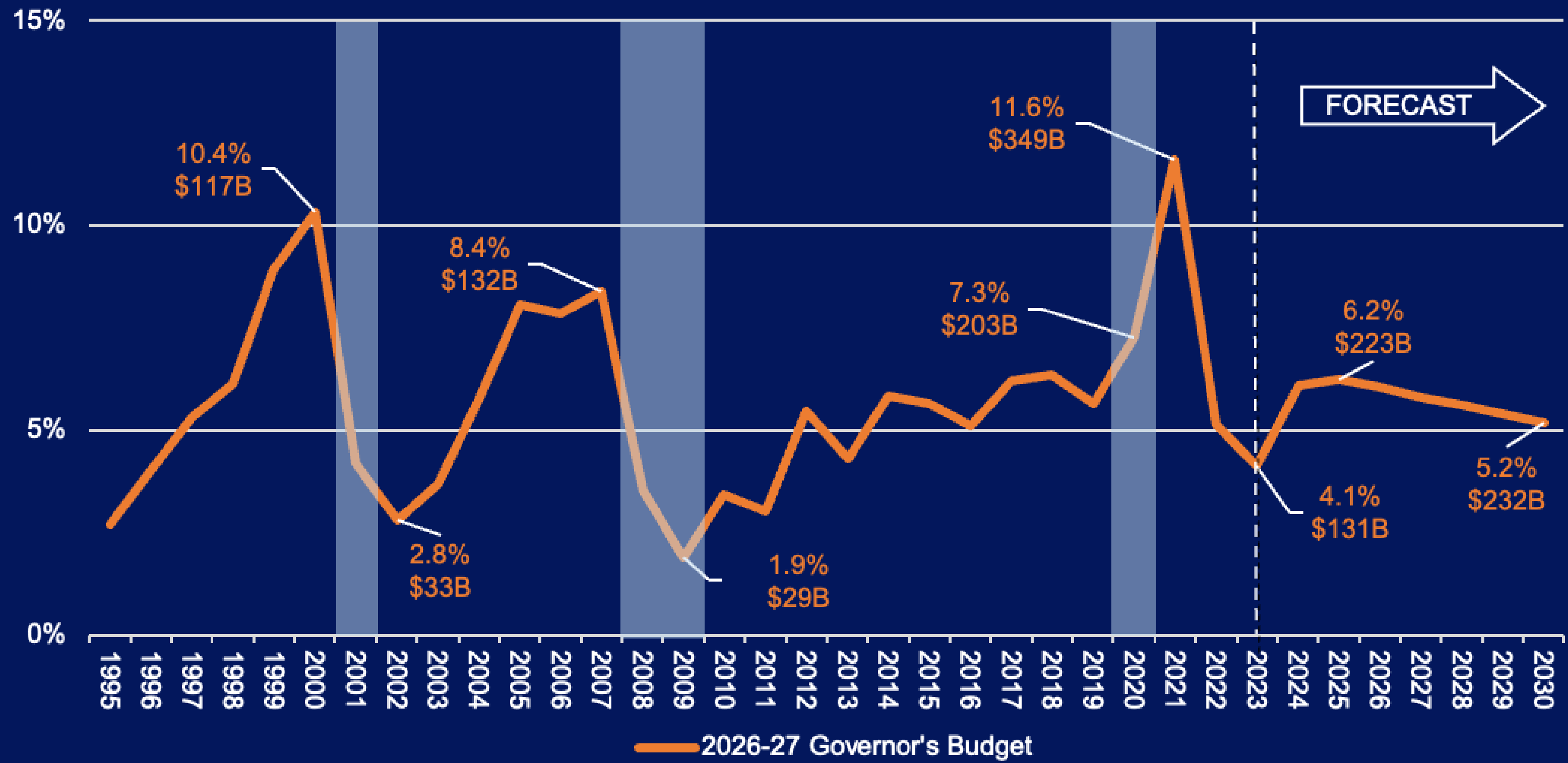
# Revenue Volatility



Projected Big 3 Revenues exclude impact from the credit limitation and net operating loss suspension and Governor's Budget policy proposals.  
Source: California Department of Finance, 2026-27 Governor's Budget Forecast.



# Capital Gains



Shaded bars indicate previous U.S. recessions.  
Source: California Department of Finance, 2026-27 Governor's Budget Forecast.

# 2026-27 Governor's Budget

\$348.9B: Balanced Budget

\$248.3B: General Fund Expenditures

\$23B: Total Reserves



# \$23B Total Reserves

\$14.4B: Rainy Day Fund

\$4.5B: Special Fund for Economic  
Uncertainties (SFEU)

\$4.1B: Public School Rainy Day Fund

# Paying Down Long-term Debt

\$11.8B over the next four years

\$3B in 2026-27

# Revenue Forecast Comparison



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- Governor's Budget \$42.3B above 2025 Budget Act
- Comparison with LAO
  - Both forecasts revised higher
  - Governor's Budget Big 3 forecast higher than LAO by \$28.8B, or 4.7 percent
  - LAO incorporates significant risk of a stock market downturn
  - Governor's Budget forecast assumes modest revenue growth while LAO assumes revenue decline in 2026-27



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**Modest Shortfall:  
\$2.9 Billion**



# Modest Shortfall

- 2026-27 SFEU at 2025 Budget: - \$12.6B
- Changes since then:
  - Revenues: \$42.3B
  - Non Prop-98 Expenditures: - \$9.2B
  - Prop-98 Expenditures: - \$14.0B
  - Other Misc Adjustments: - \$4.9B
- SFEU at 2025 Governor's Budget: \$4.5B
- Remaining Shortfall: - \$2.9B

# Governor's Budget Deficit (\$2.9B) versus LAO Deficit (\$17.6B)

- LAO Estimated Deficit: \$17.6B
- Governor's Budget Differences to LAO Deficit: \$14.7B
  - Revenues: +\$31.5B
  - Non-Prop 98 Workload: -\$3.6B
  - Prop 98: -\$7B
  - Prop 2: -\$2.6B
  - SFEU: -\$4.5B
  - Prior Year Adjustments: +\$0.9B
- Governor's Budget Shortfall: \$2.9B

# Workload & Discretionary Increases

Workload and Discretionary Funding: \$1.6B (2026-27)

(Primarily for Higher Education, ongoing projects, and baseline adjustments)



# Climate Bond

- \$2.1B in 2026-27 for projects that protect communities and natural resources from the impacts of climate change

(Includes \$314M for wildfire and landscape resilience projects that reduce the risks of catastrophic wildfires)



# Growth in Baseline Programs

Ongoing baseline costs continue to increase above revenue projections

May Revision to address growth and outyear structural deficits



# Impacts of H.R. 1

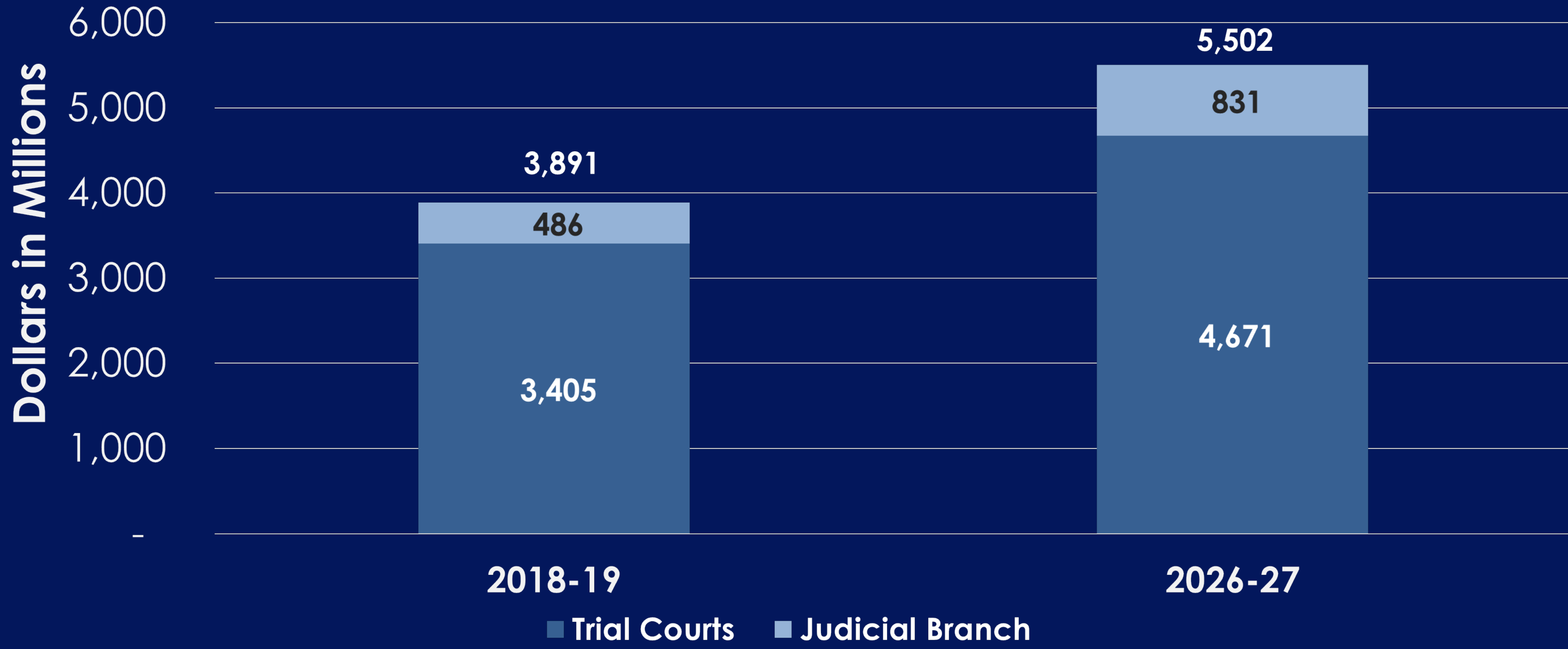
- H.R. 1—significant federal impacts to Health and Human Services programs
- Costs of \$1.4B General Fund in 2026-27
  - Medi-Cal—\$1.1B for six-month eligibility redeterminations, reduced federal match for emergency services, and reduced Hospital Quality Assurance Fee program
  - CalFresh—\$300M, primarily due to the increased state share of CalFresh administration



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# Judicial Branch Comparisons

# Total Judicial Branch and Trial Court Budgets





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# Risks





# Economic and Revenue Risks

Stock market volatility and declines

Uncertainty about federal policy

Elevated or re-emerging inflation and subsequent restrictive monetary policy