JUNE 15, 2026

Overview of the Legislative Budget Plan

PRESENTED TO: Senate Committee on Budget and Fiscal Review
Hon. John Laird, Chair

LEGISLATIVE ANALYST'S OFFICE

General Fund Condition Under Legislative Budget

General Fund Condition
(In Millions)

	2024-25 Revised	2025-26 Revised	2026-27 Proposed
Prior-year fund balance	$54,144	$56,593	$59,874
Revenues and transfers	233,639	250,442	225,576
Expenditures	231,190	247,161	252,951
Ending fund balance	$56,593	$59,874	$32,499
Encumbrances	$27,998	$27,998	$27,998
SFEU balance	28,595	31,876	4,501
Reserves			
BSA	$18,596	$11,496	$15,073
SFEU	28,595	31,876	4,501
Safety net	—	—	—
Total Reserves	**$47,191**	**$43,372**	**$19,574**

SFEU = Special Fund for Economic Uncertainties and BSA = Budget Stabilization Account.

Assumes More Resources Are Available. Relative to the May Revision, the legislative package assumes $5.5 billion in additional revenues over the budget window and reduces the planned transfer to the Temporary Surplus Holding Account by about $2 billion. These changes generate roughly $8 billion in new resources.

Uses Resources to Reject Some Cuts and Enact New Temporary Spending. The legislative package allocates these resources to reject some proposed spending reductions and fund new temporary expenditures.

Total Reserves Are Similar. As a result, despite having more resources available than the May Revision, the package leaves the overall budget bottom line largely unchanged.

Some Major Differences Between Legislature's Budget and Governor's May Revision

Schools and Community Colleges. Adopts higher revenue estimates, which increase the Proposition 98 guarantee by about $2 billion across 2025-26 and 2026-27 relative to the May Revision. Deposits $9.5 billion into the Proposition 98 Reserve—$800 million less than the May Revision. Spends more on a variety of school and community college student support programs. Also funds higher enrollment growth for the colleges in 2026-27.

State Preschool and Child Care. Shifts State Preschool programs operated by community-based organizations into Proposition 98 and makes an associated increase to the minimum guarantee. Rejects Governor's proposal to reduce funding for child care slots and provides additional funding for nearly 23,000 new slots.

Health. Adopts higher Medi-Cal asset limit relative to May Revision beginning July 2027. Allows Governor to decide by April 2027 the level of premiums on adults with unsatisfactory immigration status. Adopts framework to transition more seniors out of nursing facilities and into home- and community-based services. Rejects several other proposed Medi-Cal budget solutions, and delays start of several previously approved budget solutions to July 2027. Provides additional support to counties, indigent health care programs, and public hospitals to help mitigate the effects of H.R. 1. Expands support for distressed hospitals.

Human Services. Rejects many of the large reductions in human services that were proposed by the Governor in January and May. Notably, all proposed reductions to In-Home Supportive Services and Adult Protective Services are rejected. Provides targeted, primarily one-time augmentations to select human services programs—including those which may be impacted by, or serving people impacted by, H.R. 1. Examples of these targeted augmentations include enhanced funding for county administration, food banks, and immigration services programs.

Housing and Homelessness. Provides additional funding for: the state's flagship affordable housing program (Multifamily Housing Program), the state's low-income housing tax credit program, the state's main homelessness services program (Homeless Housing, Assistance, and Prevention grant program), and homelessness programs administered by the Department of Social Services.

Some Major Differences Between Legislature's Budget and Governor's May Revision

(Continued)

Judiciary and Criminal Justice. Provides $3 billion lease revenue bond authority and one-time funding in 2026-27 for courthouse and courtroom construction as well as deferred maintenance. Includes an unallocated General Fund reduction in 2026-27 and ongoing for the California Department of Corrections and Rehabilitation. Requires an additional prison to be closed.