



SUMMARY OF THE GOVERNOR’S PROPOSED STATE BUDGET 2026-2027

This is an initial summary of the Governor’s Proposed Budget and details will be added as they develop. (January 9, 2026)

OVERALL BUDGET	<ul style="list-style-type: none"> • While a significant budget shortfall had been anticipated, this budget predicts more than \$42 billion in additional revenue than originally thought. For this reason, a modest projected shortfall of \$2.9 billion is anticipated for 2026-27. • The proposed budget is balanced and includes money the state must set aside for surprise costs (“Rainy Day Fund”). • A shortfall of \$22 billion is anticipated in 2027-28 and shortfalls in the next two years. The budget proposal in May (“May Revise”) will include updated information about revenue and spending to balance the budget through 2027-28.
DDS AND REGIONAL CENTERS	<ul style="list-style-type: none"> • There is \$21.1 billion allocated to DDS (Department of Developmental Services) for over 527,000 individuals. This is a net increase of \$2.4 billion from last fiscal year and approximately 37,600 individuals. • There is an increase in Medicaid reimbursements, resulting in over \$154 million in savings annually. • Continue planning for the Life Outcomes Improvement System (LOIS), costing over \$14 million in 2026-27 (same cost as last fiscal year). • Cold shutdown of Fairview Developmental Center saving \$8 million.
HEALTH	<ul style="list-style-type: none"> • HR 1, the passed federal bill that reduces states’ funding, is expected to create \$1.1 billion in additional costs for Medi-Cal and \$300 million for CalFresh. These costs are in addition to typical anticipated growth such as program costs and the number of people who join the program. Overall, there is an increase of \$2.4 billion to Medi-Cal costs for various reasons. • Other impacts from HR 1’s passage include: <ul style="list-style-type: none"> ○ a work requirement beginning 1/1/27 with an anticipated reduction of \$373 million in 2026-27 and \$13.1 billion by 2029-2030. ○ a reduction from the federal government that matched funding for emergency services (from 90% to 50%) resulting in \$658 million in additional costs in 2026-27 and \$872 million by 2029-2030. ○ a reduction in federal funding for Medi-Cal for individuals with certain immigration statuses. If the state continued to provide services to these



<p>HEALTH (CONTINUED)</p>	<p>individuals, the costs would be \$786 million in 2026-27 and \$1.1 billion thereafter.</p> <ul style="list-style-type: none"> ○ redeterminations for eligibility every six months instead of annually, resulting in fewer people being found eligible and a reduction of \$463 million in 2026-27 and \$3 billion by 2029-2030. ● Because of federally required changes in how states can collect taxes from Medicaid providers, additional costs of \$1.1 billion in 2026-27. ● Expand access to care, strengthen the workforce, and enhance infrastructure in rural and frontier communities at the Dept. of Health Care Access and information, costing over \$233 million in federal funds (called the Federal Rural Health Transformation Program).
<p>IHSS</p>	<ul style="list-style-type: none"> ● There is \$33.4 billion allocated in 2026-27 to IHSS for over 875,000 service recipients. ● Beginning in 2027-28, stop paying for increases in IHSS hours, saving \$233 million. This means the state will stop paying for more hours when the county approves them – the cost will fall on the counties. ● Eliminate the IHSS Backup Provider System, which saves \$3.5 million. ● End state-funded IHSS during the waiting period before Medi-Cal begins, which saves \$86 million. IHSS would only be available once Medi-Cal coverage starts.
<p>CHILDCARE, NUTRITION, AND EDUCATION</p>	<ul style="list-style-type: none"> ● An increase of almost \$90 million to pay for cost-of-living adjustments to childcare programs run by the CA Dept. of Social Services (CDSS). ● An increase of almost \$383 million in 2026-27 to CalFresh because of HR 1's reductions and \$66 million in savings because of HR 1 changes that result in fewer individuals being eligible for CalFresh. ● There is almost \$150 billion allocated for all TK-12 education programs for nearly 6 million students in more than 10,000 schools across the state. ● Fund the Learning Recovery Emergency Block Grant for its last years through 2027-2028, costing over \$757 million. ● Home to School Transportation Program, \$33 million in one-time funding and \$239 million annually thereafter. ● Pay for cost-of-living adjustments for many programs, including special education child nutrition, costing over \$228 million annually. ● Continue screening students from grades K-2 for risk of reading difficulties, costing \$40 million in one-time funds. ● LA County School Wildfire recovery, costing almost \$23 million in one-time funding. ● Provide a flexible block grant for the community colleges system, costing \$100 million one-time funding.



<p>CIVIL RIGHTS</p>	<ul style="list-style-type: none"> • The 2025 budget established the Bureau for Descendants of American Slavery. This budget proposes funding to permanently staff the Bureau, almost \$1 million for 2028-29 and \$2 million in 2029-2030 and annually thereafter. • Continue the funding and work of the Commission on the State of Hate through the end of 2030, allocating almost \$1 million in 2026-27, almost \$2 million 2027-2030, and almost \$1 million 2030-2031.
<p>HOUSING</p>	<ul style="list-style-type: none"> • Continue the plan to reorganize housing efforts under the California Housing and Homeless Agency (CHHA) and the Housing Development and Finance Committee (HDFC). • Shift \$560 million to HDFC to administer affordable housing programs.

Budget Resources

- [Governor’s Proposed 2026-2027 Budget](#)
 - <https://ebudget.ca.gov/FullBudgetSummary.pdf>