

# Dollars & Democracy

An Introduction to California's State Budget Process

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February 19, 2026 | @CalBudgetCenter



California Budget  
& Policy Center



**Budget choices answer the question:**

What kind of California  
do we want to live in?



# Today we will:

- Discuss **key facts** about the state budget
- Highlight the **key players** in the state budget process
- Outline **advocacy opportunities**



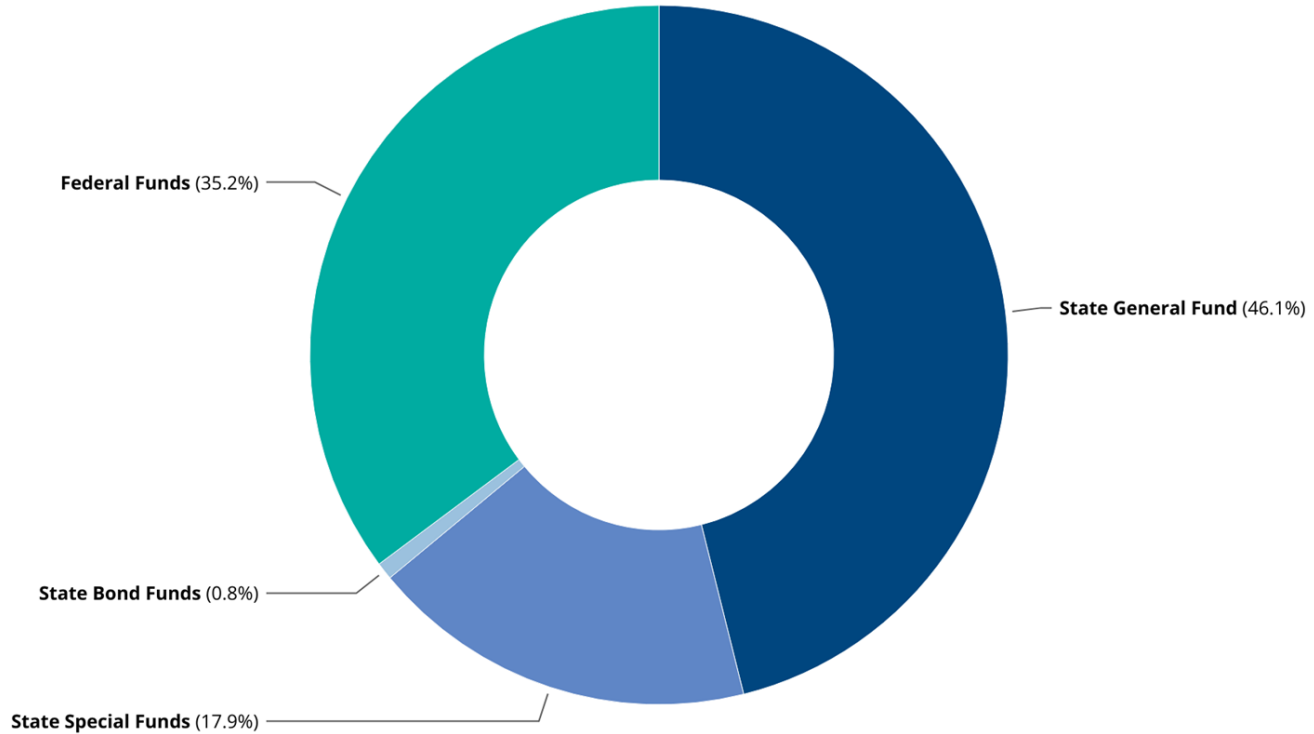


Part One  
Key Facts About  
the State Budget

The state budget =  
Three types of state funds +  
federal funds.

# State Funds Account for Almost Two-Thirds of California's 2025-26 State Budget

Total Enacted 2025-26 Expenditures = \$495.6 Billion

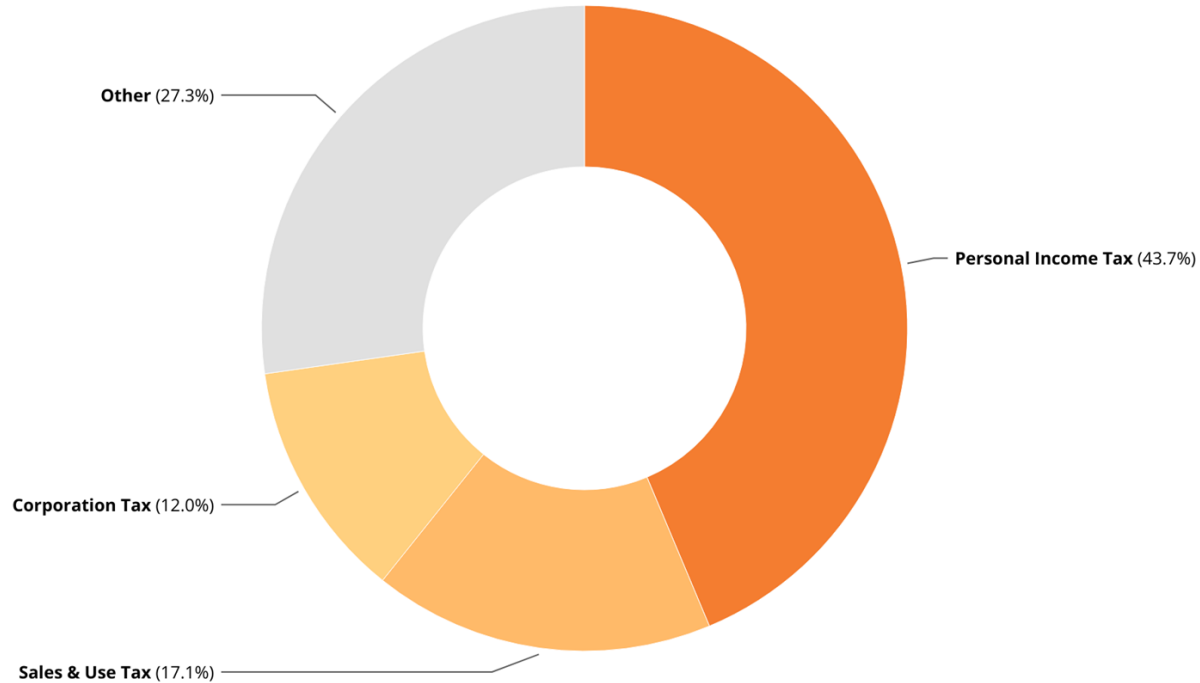


Source: Department of Finance

Most of the state revenue that  
funds public services in California  
comes from **three sources**.

## Most State Revenue Comes from the Personal Income Tax, the Sales & Use Tax, and the Corporation Tax

Estimated General Fund and Special Fund Revenue as of the Enacted 2025-26 State Budget (June 2025) = \$296.7 Billion



Note: "Other" reflects loans and transfers — excluding transfers to/from the Budget Stabilization Account (the state's constitutional rainy day fund) — as well as a broad range of additional revenue sources, including taxes, fees, and fines. Figures do not sum to 100 due to rounding.

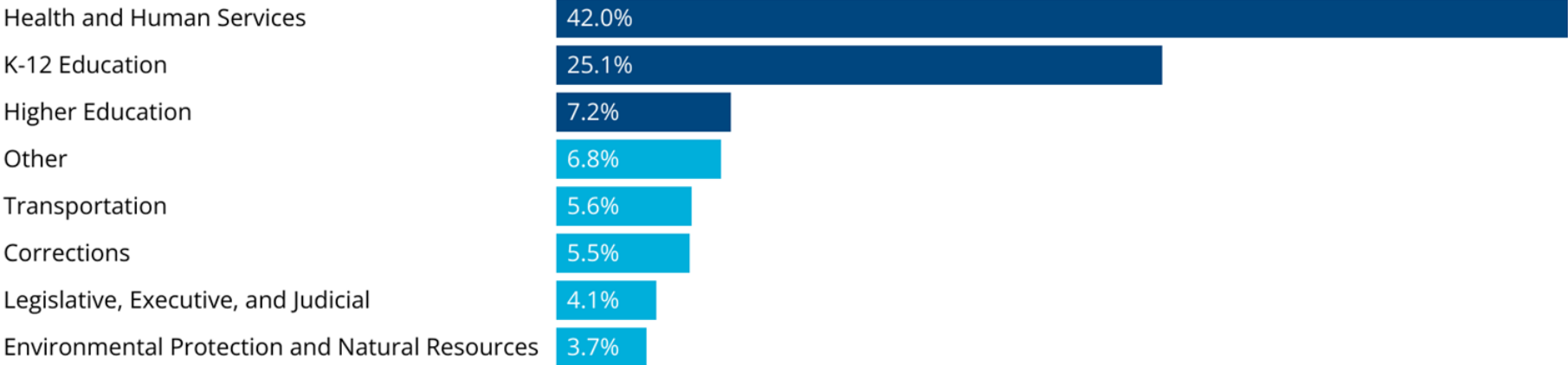
Source: Department of Finance

The state budget supports a broad range of **public services and systems.**



# Almost 3 in 4 State Dollars Support Health and Human Services, K-12 Education, or Higher Education

Enacted 2025-26 General Fund and Special Fund Expenditures = \$317.2 Billion



Note: "Other" reflects a number of budget categories, including Business, Consumer Services, and Housing as well as Labor and Workforce Development. Percentages do not sum to 100% due to rounding.

Source: Budget Center analysis of Department of Finance data



# Almost 80% of Federal Funds Spent Through the State Budget Support Health & Human Services

Federal Funds Estimated to Be Spent in 2025-26 Under the Enacted State Budget = \$174.5 Billion



Note: "Other" reflects a number of budget categories, including Environmental Protection, Natural Resources, and Government Operations.

Source: Budget Center analysis of Department of Finance data



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Part Two  
Key Players in  
the State Budget  
Process



# Key Players in the State Budget Process

## The Governor



**Gavin Newsom**

California Governor

## The Legislature



**Monique Limón**

Senate President pro  
Tempore



**Robert Rivas**

Assembly Speaker

## The Public



The governor has the **lead role** in crafting the budget.



**Governor's  
Proposed Budget:  
By January 10**



**Governor's  
May Revision:  
By May 14**



**Enacted State  
Budget:  
By Late June**



*The Department of Finance welcomes you to the*

# California Budget 2025-26

Gavin Newsom Governor  
State of California

Select Budget Year

Governor's Proposed Budget ( January )	May Revision ( May )	Enacted Budget ( Summer )
The Budget proposed by the Governor	Changes to the Governor's Proposed Budget based upon the latest economic forecasts	The Budget passed by the Legislature and signed by the Governor
<a href="#">Summary »</a> <a href="#">Detail »</a>	<a href="#">Summary »</a> <a href="#">Detail »</a>	<a href="#">Summary »</a> <a href="#">Detail »</a>

The Legislature  
reviews, revises, and  
adds to the governor's  
proposals, with help  
from the Legislative  
Analyst's Office.



**John Laird**



**Chair**  
**Senate Budget and Fiscal**  
**Review Committee**  
*(includes five*  
*subcommittees)*

**Gabriel Petek**



**Legislative Analyst**


**Jesse Gabriel**



**Chair**  
**Assembly Budget**  
**Committee**  
*(includes seven*  
*subcommittees)*

# Assembly and Senate budget subcommittees lead the budget process in the Legislature

**California State Assembly**



**Agenda**

Assembly Budget Subcommittee No. 2  
on Human Services, & Assembly Budget Subcommittee No. 3  
on Education Finance

Assemblymembers Dr. Corey Jackson & David Alvarez, Chairs

Wednesday, March 24, 2024  
10:00 A.M. – State Capitol, Rm 126

JOINT INFORMATIONAL HEARING

ITEMS TO BE HEARD		
Item	Description	Page
6100	California Department of Education	
5180	California Department of Social Services	
Issues	<ol style="list-style-type: none"> <li>1. California Master Plan for Early Learning and Care</li> <li>2. Universal Transitional Kindergarten Implementation</li> <li>3. Childcare &amp; Preschool Funding Rates Oversight</li> <li>4. Childcare &amp; Preschool Quality Improvement &amp; Workforce Support</li> <li>5. Breaking Barriers to Childcare Access</li> </ol>	<p>2</p> <p>5</p> <p>10</p> <p>17</p> <p>19</p>


Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the committees.

*Senate Budget and Fiscal Review— Scott Wiener, Chair*

**SUBCOMMITTEE NO. 1** **Agenda**

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Senator John Laird, Chair  
Senator Dave Min  
Senator Scott Wilk



Thursday, March 14, 2024  
9:30 a.m. or Upon Adjournment of Session  
1020 O Street- Room 2100

Consultants: Christopher Francis, Ph.D. and Elisa Wynne

**Items for Discussion**

<u>Item</u>	<u>Department</u>	<u>Page</u>
6440	University of California (UC)	2
6610	California State University (CSU)	2
	Issue 1: UC and CSU System Updates	2
	Issue 2: Higher Education Student Housing	9
6610	California State University (CSU)	14
	Issue 3: CSU Enrollment	14
6440	University of California (UC)	18
	Issue 4: UC Enrollment	18
	Issue 5: Governor's Proposals for UC	23

**Public Comment**

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*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

# What Do Budget Subcommittees Do?

- **Focus on specific policy areas**, like education or health.
- **Hold dozens of hearings** to review the governor's proposals, which they can approve, modify, or reject.
- **Meet with policy advocates** to understand their priorities.
- **Evaluate "budget asks"** submitted by advocates and legislators and decide which to include in their budget plans.
- **Finalize the Assembly and Senate versions of the budget**, which are later combined into a unified legislative budget plan.

Members of the public engage with policymakers to **inform and influence** budget choices.



# Key Ways to Make Your Voice Heard

- Submit “**budget letters**” to policymakers outlining your budget priorities.
- Schedule **meetings with key policymakers and staff** in the Legislature and in the governor’s administration.
- Provide **public comment** and — if invited — **testify** as part of a panel at budget subcommittee hearings.
- Participate in “**lobby days**” at the Capitol, joining forces with a broad range of advocates to focus state policymakers’ attention on specific issue areas like child care or health care.

# Our Budget Academy



Check out our [Budget Academy webpage](#) for tools and resources to help you master the budget process, strengthen your advocacy, and drive meaningful change!

# California State Budget

Overview of the Governor's  
2026-27 May Revision





## State Context

- About **1 in 5** Californians experience poverty
- The state is facing **widening inequality**
- The gap between the growth in workers' earnings and corporate profits **remains stark**

Budgets are  
statements  
of our values  
and priorities.



# Today we will:

- Review the state fiscal outlook
- Describe key elements of the governor's plan for
  - Child care,
  - Medi-Cal,
  - Food assistance,
  - CalWORKs, and



# Budget Overview

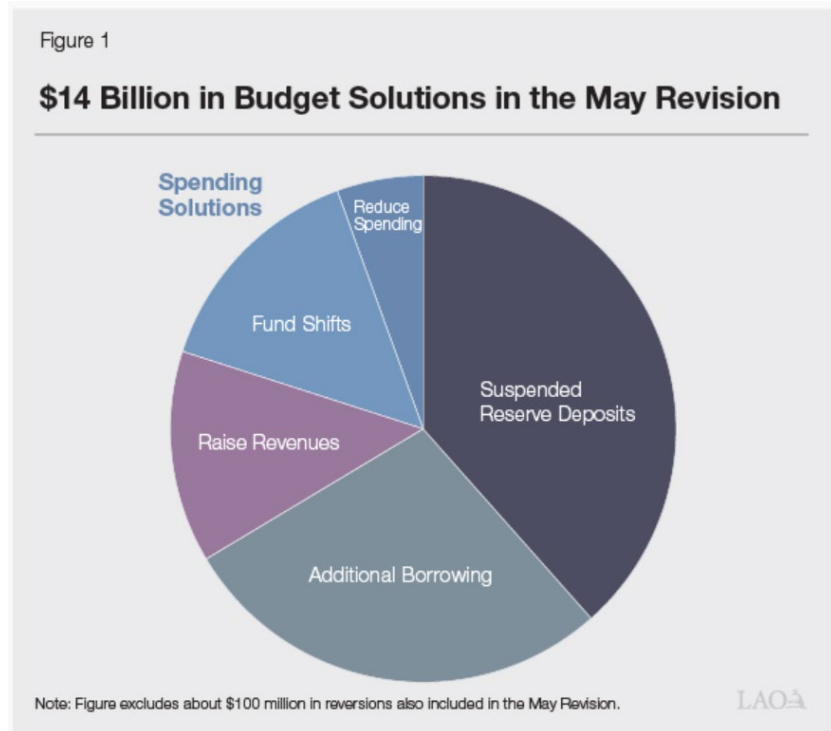
Governor includes state spending of \$246.6 billion (GF) in 2026-27 to support a range of public services.



# What is the 2026-27 fiscal outlook?

## *The 2026-27 May Revision ends with a positive year-end balance*

- Positive year-end balance for the next two fiscal years
- Anticipated revenue \$16.8 billion higher than projected in January
- Surge driven by the tech industry and AI enthusiasm



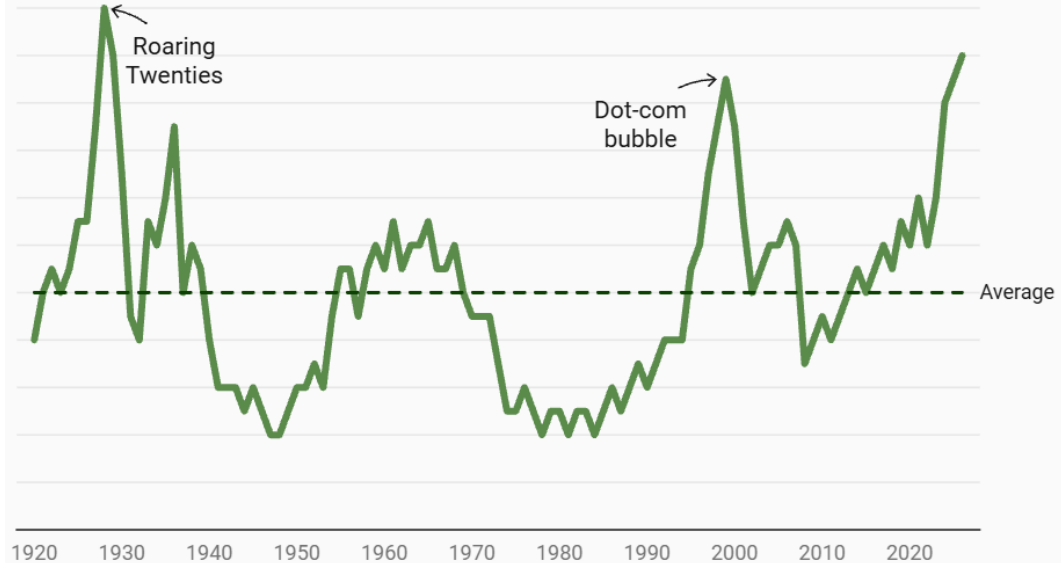
# Will the deficit increase?

## *Revenue volatility is predictable*

- Revenue projections are always uncertain
- If an economic downturn occurred, revenues could be \$15-\$20 billion lower
- Federal policies continue to pose serious risks

## Stock Prices Reaching Bubble Territory

This chart shows the value of the S&P 500 divided by the total amount of money in the economy. When this ratio is high it suggests that stocks are "expensive."



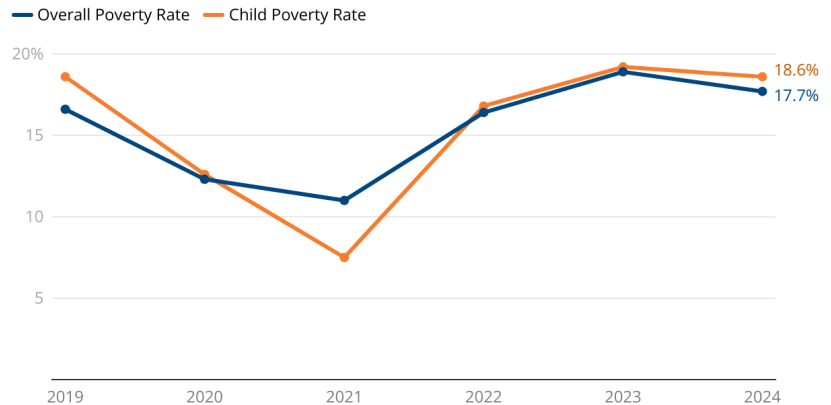
# Budget does not address federal harms or affordability

Instead, the budget:

- Cuts to health care for immigrants
- Offers no new funding to address housing and homelessness
- Walks back promises to expand child care spaces

## California Poverty Rates Remain High and Fail to Budget in 2024

California Poverty Rate Under the Supplemental Poverty Measure, 2019 - 2024



Note: The change in the overall poverty rate between 2023 and 2024 is not statistically significant at the 95% confidence level. The change in child poverty from 2023 to 2024 is also not statistically significant. However, the differences between 2021 and 2024 are statistically significant both overall and for children.

Source: Budget Center analysis of US Census Bureau, Current Population Survey public-use microdata

# Governor's Approach: Early Care & Education

# Promise for more child care spaces is broken

## Promise Made:

- **206,800 new spaces** by 2025-26

## Promise Paused:

- Expansion paused with roughly 129,800 spaces funded
- Promise to add **44,000 spaces in 2026-27**

## Promise Broken

- **No new spaces** in the 2026-27 May Revision
- No commitment to fulfilling promise

# Funding for Child Care Spaces Cut

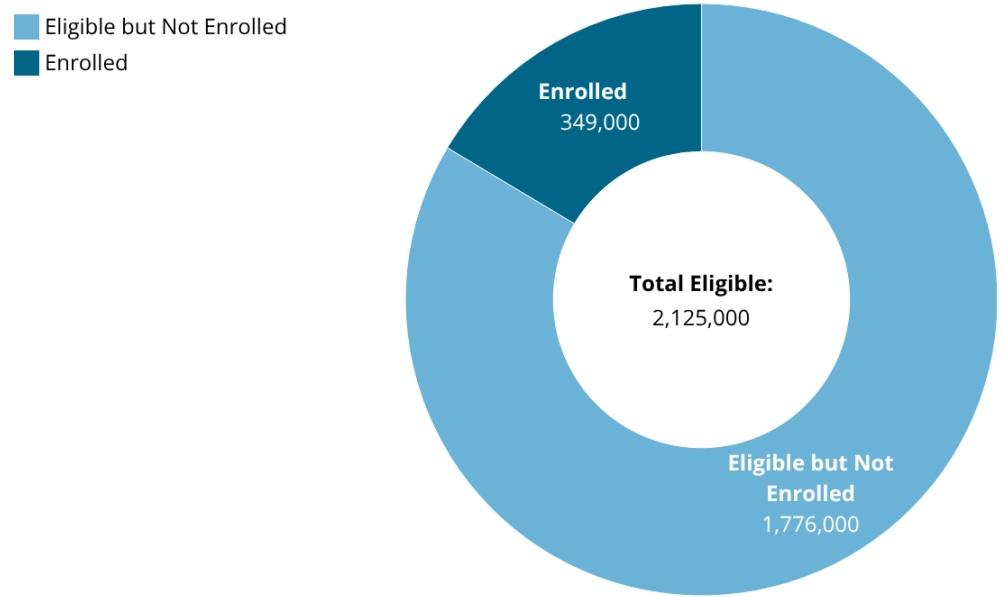
**The May Revision proposes to reduce ongoing child care funding by 6,798 slots.**

- Cuts \$69.6 million in California Alternative Payment Program funding, **for an estimated 5,798 slots**
- Cuts \$2.3 million in General Child Care Program funding, **for an estimated 1,000 slots**

Child care programs remain under-resourced, despite the Senate's budget plan to fund the promised spaces

## Only 16% of California Children Eligible for Subsidized Child Care Are Actually Enrolled

Estimated Number of California Children Eligible for Subsidized Child Care = 2,125,103



Note: Enrollment is for children from birth through age 12 in October 2024, except for California Community College CalWORKs Stage Two, which reflects a California Community Colleges Chancellor's Office estimate for the fall 2024 school term. Excludes children enrolled in the California State Preschool Program or the Handicapped Child Care Program.

Source: California Department of Social Services, California Community Colleges Chancellor's Office, and Budget Center analysis of US Census Bureau, 2024 American Community Survey data.

# Provider Pay Remains Severely Below the “Cost of Care”

- Small family child care providers are currently being paid **only 28% of the “cost of care”** for infant rates (*reflects the median of all counties*).
- No information on when the state will implement a single rate structure



# The May Revise Exacerbates Provider Challenges with Low Pay

- **Walks back implementation of prospective pay for child care providers**
  - Paying providers on or before service delivery would have improved financial solvency
- **Reduces the COLA for child care providers to 2.01%**
  - The statutorily required level COLA is 2.87%, and the May Revise includes a “super COLA” of 4.31% for TK-12 schools

# Governor's Approach: Health

# Health Policy Cuts Target Immigrants

- In 2025, **state leaders restricted immigrants' access to health care**, including by freezing Medi-Cal enrollment for undocumented Californians starting January 1, 2026
- **Gov. Newsom maintains and expands further rollbacks:**
  - Imposes work-reporting requirements on undocumented Californians — a change that is *not required* by H.R. 1
  - Denies full-scope Medi-Cal to immigrant populations losing coverage due to H.R. 1 starting July 1, 2027

# Additional Challenges for Medi-Cal in the May Revision

- **Begins implementing major federal Medicaid changes under H.R. 1**, and the state is now starting to see the fiscal and coverage impacts of those federal cuts.
- **Fully reinstates strict Medi-Cal asset limits for seniors and disabled people**, forcing many to limit savings and financial resources in order to qualify for coverage and long-term care services.
- Includes additional funding to help counties implement major federal Medicaid changes under H.R. 1, **county leaders say they need significantly more support.**

# Governor's Approach: Economic Security



## No Plan to Address Federal Threats

**Roughly 1 million Californians are at risk of losing their CalFresh assistance** entirely due to expanded time limits and eligibility restrictions tied to immigration status

# Governor's Budget Falls Short in Preparing for Significant CalFresh Cuts


- **\$30 million one-time funding for counties to support additional workload associated with implementing the burdensome CalFresh time limits expanded by H.R. 1.**
  - This amount is less than one-third of what counties anticipate spending
- **\$30 million one-time funding to support local food banks.**
  - However, it is a decrease from the annual \$60 million allocation the program has received in recent years

# Revised Budget Maintains Funding for CalWORKs

- **Includes a 1.8% increase to CalWORKs grants, estimated to cost \$59.6 million in 2026-27.**
  - This increase is required under AB 85 (2013)
- **Maintains California's refundable income tax credits**
  - As economic pressures persist, maintaining existing investments alone will not be sufficient to ensure families can meet their basic needs and achieve long-term stability

What's Next?

# Next Steps in the State Budget Process

- **By May 14:** Governor's "May Revision" released
  - **Late May to Early June:** Unified legislative budget unveiled
  - **By June 15:** Legislature passes the unified legislative budget
  - **Late June:** Governor + legislative leaders (the "Big Three") reach a budget deal
  - **Late June to Early July:** Governor signs bills in the budget package, possibly with line-item vetoes
- 

# Thank you!

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