



To: CHEAC General Membership

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RE: Governor’s 2026-27 Budget Proposal

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## Overview

Following the Governor’s final State of the State Address to a joint session of the California Legislature yesterday, the Newsom Administration released its proposed 2026-27 state budget today. The Governor’s plan outlines a \$348.9 billion budget, including \$248.3 billion from the General Fund. This reflects \$42.3 billion in additional General Fund revenues compared to previous forecasts for the budget window (2024-25 through 2026-27), driven largely by higher personal income tax collections.

Despite these gains, the budget projects a modest shortfall of \$2.9 billion after meeting constitutional funding requirements, maintaining reserves, and covering increased program costs. Looking ahead, the Governor’s proposal projects a \$22 billion deficit in 2027-28, with additional shortfalls expected in the following two years. According to the Administration, the budget proposal does not introduce major new spending initiatives; instead, it focuses on continuing the implementation of prior investments.

The Administration's revenue estimate of \$42.3 billion exceeds the Legislative Analyst's Office (LAO) projection of \$28.8 billion. According to Department of Finance (DOF) Director Joe Stephenshaw, the LAO anticipates a significant stock market downturn—a factor traditionally treated as a risk rather than incorporated into Department of Finance revenue estimates. The Administration assumes modest revenue growth, while the LAO forecasts a decline.

The proposal brings total reserves to \$23 billion in 2026-27, including:

- \$14.4 billion in the Budget Stabilization Account (Rainy Day Fund),
- \$4.5 billion in the Special Fund for Economic Uncertainties, and
- \$4.1 billion in the Public School System Stabilization Account.

CHEAC [released a statement](#) on the Governor's January budget proposal highlighting the need for sustained public health investments and resources for county indigent health programs.

## 1991 Realignment

**1991 Realignment.** The Governor's January budget projects 1991 Realignment state sales tax and vehicle license fees revenues to increase by approximately 3.14 percent from 2024-25 to 2025-26 and 2.44 percent from 2025-26 to 2026-27. Estimates of 1991 Realignment revenues included in the Governor's budget proposal can be [viewed here](#).

**AB 85 1991 Realignment Diversions.** The Governor's budget proposal estimates \$669.9 million will be redirected from counties in 2026-27 and estimates a net true-up for FY 2023-24 of roughly \$19.4 million owed to counties.

As a brief background, after the passage of the Affordable Care Act and Medi-Cal expansion, the State anticipated counties would be spending less on indigent care, given more individuals would qualify for insurance through Medi-Cal or Covered California. Under this assumption, the State enacted AB 85 (Chapter 24, Statutes of 2013), which diverted health realignment dollars from the counties to the State. The State diverted either: 1) 60 percent of health realignment funding received each year; or 2) a specified amount of health realignment funding based on a formula that considered county revenues and costs. The State estimates the redirection in the Governor's January Budget proposal and updates those revisions in the May Revise.

AB 85 includes a true-up mechanism two years after the close of the fiscal year to determine what the actual county diversion should have been based on updated county data.

The county-by-county FY 2026-27 interim redirection figures are available [here](#). The county-by-county FY 2023-24 redirection summary is available [here](#).

## Public Health Programs

**CDPH Funding.** The Governor's budget proposal provides the California Department of Public Health (CDPH) with a budget of roughly \$5.1 billion, including \$1.8 billion in state operations and

\$3.3 billion in local assistance. The breakdown of funding for state operations and local assistance is provided in the chart below:

<b>Fund Type</b>	<b>State Operations</b>	<b>Local Assistance</b>
General Fund	\$300 million	\$325 million
Federal Funds	\$602 million	\$1.7 billion
Special Funds and Reimbursements	\$884 million	\$1.3 billion
<b>Total Funds</b>	<b>\$1.8 billion</b>	<b>\$3.3 billion</b>

**Future of Public Health (FoPH).** The Governor's January budget proposal maintains the \$276.1 million ongoing Future of Public Health (FoPH) General Fund investment in state and local public health infrastructure and workforce, providing \$188.2 million ongoing General Fund for local health departments.

**Public Health Information Technology Systems.** While the Governor's budget proposal maintains ongoing funding for one public health information technology system, the Administration does not propose to continue several other key systems beyond the current fiscal year. These systems include:

- **SaPHIRE System.** The Governor's January budget proposes 15 positions and \$24.5 million in 2026-27 General Fund for the Surveillance and Public Health Information Reporting and Exchange (SaPHIRE) system. This system supports timely and accurate case and laboratory reporting for over 80 infectious disease conditions in the state, providing state and local health departments with more comprehensive disease surveillance capabilities and insights into infectious disease outbreaks and emergencies. Recall, the 2025 Budget Act provided \$27 million in 2025-26, \$20.4 million in 2026-27, \$16.3 million in 2027-28 and ongoing for the continuation of the system.
- **California Vaccine Management System (myCAvax).** The Governor's January budget proposal does not include funding for the myCAvax system in 2026-27. Recall, last year's budget included \$31.45 million one-time General Fund to support maintenance and operation of myCAvax in the 2025-26 fiscal year. This system is used for statewide vaccine distribution, appointment scheduling, vaccine clinic management, and vaccine records management and sharing.
- **CalCONNECT.** The Governor's January budget proposal does not include funding for the California Confidential Network for Contact Tracing (CalCONNECT) in 2026-27. Recall, last year's budget included \$18 million one-time General Fund to support this system in the 2025-26 fiscal year. This system was established during the COVID-19 pandemic and has equipped state and local disease investigators with modernized capabilities to identify cases and exposed contacts to take appropriate actions to mitigate the spread of infectious diseases throughout the state.
- **CaIRENIE/FDSS.** The Governor's budget does not include funding for the California Reportable Disease Information Exchange (CaIRENIE), California's disease reporting and

surveillance system or the California Future Disease Surveillance System (FDSS) which is intended to support the procurement of an innovative, cloud-hosted disease surveillance and reporting system intended to replace CalREDIE.

- **CAIR.** The Governor's budget proposal does not include funding for the California Immunization Registry (CAIR), which received one-time funding last year for planning activities to enhance the system.

**Hospital Bed System Capacity.** The Governor's January budget reflects an increase of \$2.4 million total funds in 2026-27 for state operations to support the Hospital Bed Capacity System to provide near real-time monitoring of hospital bed capacity to facilitate timely patient transfers and placement, support response operations during public health and medical emergencies, and reduce patient morbidity and mortality.

**Silicosis Surveillance, Outreach, and Education.** The Governor's January budget includes four positions and \$912,000 General Fund state operations expenditure authority to support CDPH silicosis surveillance, outreach, education, and technical assistance required of SB 20 (Chapter 734, Statutes of 2025).

**AIDS Drug Assistance Program (ADAP).** The Governor's January budget reflects a decrease of \$42.7 million in local assistance for 2025-26, including a decrease of \$6.9 million in Federal Trust Fund and a decrease of \$35.8 million in the ADAP Rebate Fund. The decrease is due to lower medication and insurance premium expenditures than previously estimated. For 2026-27, the Governor's January budget reflects an increase of \$31.9 million in local assistance, including a decrease of \$6.9 million in Federal Trust Fund and an increase of \$38.8 million in the ADAP Rebate Fund. The increase is attributable to higher projected medication and insurance premium expenditures.

**Standby Perinatal Services Pilot Program.** The Governor's January budget proposes an increase of \$515,000 state operations expenditure authority from the CDPH Licensing & Certification Program Fund to establish a 10-year pilot project to allow up to five specified critical access hospitals to provide "standby perinatal services" including obstetric and neonatal medical care to patients who are transferred from an alternative birth center or who present to the "standby emergency medical service, physician on call" with an urgent or emergent obstetric issue pursuant to SB 669 (Chapter 603, Statutes of 2025).

**Title XIX for Maternal, Child, and Adolescent Health.** The Governor's January budget proposal reflects \$109.4 million in federal Title XIX funds in 2025-26 and \$95.6 million in federal Title XIX in 2026-27 to support CDPH maternal, child, and adolescent health programs. Recall, Title XIX funds support administration of the CDPH Black Infant Health (BIH) program, Comprehensive Perinatal Services Program (CPSP), the Adolescent Family Life Program (AFLP), the California Home Visiting Program (CHVP), and the Perinatal Equity Initiative (PEI).

**Childhood Lead Poisoning Prevention Program.** The Governor's budget proposal estimates approximately \$50 million in total resources for the Childhood Lead Poisoning Prevention Fund in

2026-27 with approximately \$25.8 million available in local assistance. The local assistance amount is decreased by approximately \$3.6 million compared to 2025-26. Additionally, the Medi-Cal Lead Program (MCLP) reflects a decrease from \$8.1 million in 2025-26 to \$6.7 million in 2026-27.

**Electronic Cigarette Adjustment.** The Governor's January budget reflects an adjustment of \$799,000 in Electronic Cigarettes Settlements Fund state operations expenditure authority to align expenditures with programmatic needs and continued development of two young adult vaping awareness and cessation campaigns.

**Proposition 99 Health Education Account.** For 2026-27, the Governor's January budget reflects a decrease of \$188,000 in Proposition 99 Health Education Account, including a decrease of \$337,000 in state operations and an increase of \$149,000 in local assistance. Combined, this represents an increase of \$135,000 in state administration, increase of \$18,000 in competitive grants (state operations), increase of \$149,000 in competitive grants (local assistance), increase of \$1.9 million in evaluation, and a decrease of \$2.4 million in media campaign. Recall, these funds are allocated to state and local government agencies, tribes, universities and colleges, community-based organizations, and other entities for implementation, evaluation, and dissemination of tobacco-related evidence-based health promotion and health communication activities.

**Proposition 56 State Dental Program Account.** For 2026-27, the Governor's budget reflects a decrease of \$1.5 million in the State Dental Program Account, including a decrease of \$7.7 million in state operations and an increase of \$6.1 million in local assistance as the result of updated Proposition 56 revenue projections. Recall, these funds are used for the CDPH Local Oral Health Program (LOHP) and other dental workforce initiatives such as Community Based Clinical Education (CBCE) to train providers to serve Californians in designated dental health professional shortage areas.

**Proposition 56 Tobacco Prevention and Control Programs Account.** For 2026-27, the Governor's January budget proposal reflects an increase of \$7.6 million in the Tobacco Prevention and Control Programs Account due to updated Proposition 56 revenue projections. This increase includes \$3.8 million in state operations and \$3.7 million in local assistance. Recall, these funds are utilized for a comprehensive statewide tobacco control program to reduce illness and premature death attributable to the use of tobacco products.

**Vectorborne Disease Program.** The Governor's January budget proposes an increase of \$50,000 state operations expenditure authority in 2026-27 from the Vectorborne Disease Account Fund to support increased program operations at CDPH.

**BabyBIG Treatment and Prevention Program.** The Governor's January budget reflects an increase of \$3.6 million in state operations expenditure authority in 2026-27 from the Infant Botulism Treatment and Prevention Fund to meet increased BabyBIG manufacturing and stability testing costs.

**Birth Certificates.** The Governor proposes one position and \$258,000 state operations expenditure authority from the Health Statistics Special Fund to implement SB 313 (Chapter 669, Statutes of 2025) which will list parents' birthplace fields in the confidential section of birth certificates to enhance individuals' privacy.

**Food and Beverage Products.** The Governor's January budget reflects an increase of 2.0 positions and \$369,000 state operations expenditure authority from the Food Safety Fund for CDPH to implement new provisions pursuant to AB 660 (Chapter 911, Statutes of 2024) to address food labeling quality and safety.

## Nutrition Programs

**Women, Infants, and Children (WIC) Program.** For 2026-27, the Governor's January budget reflects an increase of \$127.2 million in the Federal Trust Fund and a decrease of \$51.9 million in the WIC Manufacturer Rebate Fund. For 2025-26, the Governor's January budget reflects an increase of \$83.4 million in the Federal Trust Fund and a decrease of \$40 million in the WIC Manufacturer Rebate Fund. The Federal Trust Fund increases are driven by increases in food inflation rates, infant formula contracts, and allocations to WIC Local Agencies to support growing caseload and IT-related costs. Decreases in the WIC Manufacturer Rebate Fund are driven by modified infant formula contracts and decreased program participation.

**H.R. 1 Implementation.** As a result of the federal H.R. 1, the Governor's January budget proposes the following adjustments related to the CalFresh program:

- **Cost-Sharing.** The Governor's January budget proposal reflects an increase of \$382.9 million General Fund in 2026-27 to reflect the reduction in federal cost sharing for CalFresh administration from 50 percent to 25 percent. As a result, the Governor assumes General Fund and county share of cost increases beginning October 1, 2026. The state continues to assess the potential fiscal impact of the benefit cost sharing provision of H.R. 1 tied to state payment error rates beginning October 1, 2027. Recall, the 2025 Budget Act includes \$39.9 million (\$20.1 million General Fund) to support various initiatives to improve the state's payment error rate.
- **Eligibility.** The Governor's January budget includes \$66.2 million in anticipated reduced General Fund costs in 2026-27 due to changes in federal policy that will result in fewer individuals remaining eligible for CalFresh benefits. Policy changes include but are not limited to ineligibility for certain lawfully present non-citizens, updated Able-Bodied Adults without Dependents (ABAWD) work requirements, and state utility assistance subsidy limitations.

## Medi-Cal & Health Care Programs

**Medi-Cal Budget & Caseload.** The Governor's budget proposal includes \$196.7 billion (\$46.4 billion General Fund) in 2025-26 and \$222.4 billion (\$48.4 billion General Fund) in 2026-27 for

the Medi-Cal program. Medi-Cal is anticipated to cover approximately 14.5 million members in 2025-26 and 14 million members in 2026-27.

The Administration notes that 2026-27 Medi-Cal expenditures are projected to increase by approximately \$2.4 billion compared to 2025-26, primarily due to the Medical Provider Interim Payment loan ending in 2025-26 and a decrease in MCO tax revenue to support the Medi-Cal program.

**H.R. 1 Implementation.** The Governor's January budget reflects significant adjustments related to the implementation of federal requirements associated with H.R. 1. These include:

- **Work Requirements.** The Governor's proposed budget reflects an estimated reduction of \$373 million (\$102.4 million General Fund) in 2026-27 and \$13.1 billion (\$3.6 billion General Fund) by 2029-30 as a result of new work and community engagement requirements for the Affordable Care Act (ACA) adult expansion population, effective January 1, 2027.
- **FMAP Reduction for Emergency Services.** The Governor's budget reflects increased costs of \$658 million General Fund in 2026-27 and \$872 million General Fund by 2029-30 due to the federal match reduction from 90 percent to 50 percent for emergency services for the ACA adult expansion population members with unsatisfactory immigration status.
- **Restrictions on Immigrant Eligibility.** The Governor's January budget proposes transitioning individuals impacted by the federal eligibility change for qualified non-citizens from full-scope Medi-Cal to restricted-scope Medi-Cal. Effective October 1, 2026, the federal policy will exclude individuals with certain immigration statuses from federal eligibility for full-scope Medi-Cal. If the state were to provide full-scope Medi-Cal to this population, the cost is estimated to be \$786 million General Fund in 2026-27 and \$1.1 billion General Fund ongoing.
- **Six-Month Redeterminations.** The Governor's January budget reflects a reduction of \$463.3 million (\$74.1 million General Fund) in 2026-27 and \$3 billion (\$474 million General Fund) by 2029-30 for decreased caseload resulting from the required federal eligibility redetermination frequency changing from once per year to every six months for this population.
- **Reduced Retroactive Medi-Cal Coverage.** The Governor's January budget reflects a reduction of \$23 million (\$10 million General Fund) in 2026-27 and \$48 million (\$20 million General Fund) ongoing due to the reduction of retroactive Medi-Cal coverage from three months before an individual's application date to one month for the ACA adult expansion population and two months for all other members, effective no sooner than January 1, 2027.

- **County Administration.** As part of the Governor's January budget, DHCS acknowledges anticipated county eligibility worker impacts as a result of H.R. 1, primarily related to work requirements and more frequent redetermination checks. DHCS indicates it continues to work with counties to evaluate needed support for county implementation of eligibility-related H.R. 1 provisions.

**Managed Care Organization (MCO) Tax.** The Governor's January budget includes \$4.5 billion in 2025-26 and \$2.5 billion in 2026-27 MCO tax revenues to support the Medi-Cal program. The proposal also reflects \$1.6 billion across 2025-26 and 2026-27 to support increases in managed care plan payments relative to calendar year 2024 in certain service areas.

Additionally, the January budget proposal reflects \$65 million in 2025-26 and \$95.5 million in 2026-27 MCO tax revenue for qualifying community-based mobile crisis services, transitional rent, and behavioral health rates from the 2025 calendar year behavioral health facility throughputs domain allocation.

Lastly, the Governor notes that the current MCO tax is not consistent with requirements in H.R. 1 that prohibits taxing Medicaid providers at higher rates than non-Medicaid providers. The state will receive a transition period through June 30, 2026, which would result in a General Fund cost of approximately \$1.1 billion in 2026-27. However, the proposed budget assumes a transition period through the end of the calendar year as the state continues to evaluate options to receive a full transition period.

**California Children's Services (CCS).** The Governor's budget proposal reflects \$204.2 million total funds (\$72.6 million General Fund) in 2025-26 and \$204.1 million total funds (\$72.5 million General Fund) in 2026-27 for case management services for the California Children's Services (CCS) program. The budget continues to reflect optional implementation of the CCS Monitoring & Oversight (M&O) initiative and provides the same allocation amount of \$10.1 million (\$5 million federal funds, \$5 million General Fund) as prior years.

**Health Care Program for Children in Foster Care (HCPCFC).** The Governor's January budget reflects static funding for HCPCFC with the same allocations for both 2025-26 and 2026-27. Specifically, the Governor's budget includes \$32.7 million total funds for HCPCFC base allocation, \$6.6 million total funds for Psychotropic Medication Monitoring & Oversight, \$15.4 million for Caseload Relief, and \$23.8 million for HCPCFC Administration.

**Medi-Cal Administrative Activities (MAA).** The Governor's January budget proposal reflects \$153.5 million federal funds in 2025-26 and \$130.9 million federal funds in 2026-27 for County Medi-Cal Administrative Activities (CMAA).

**Targeted Case Management (TCM).** The Governor's January budget proposal reflects \$7.2 million total funds in 2025-26 and \$4.8 million total funds in 2026-27 for the Medi-Cal Targeted Case Management (TCM) program. The Administration notes the decrease is

primarily attributable to decreased participation in the TCM program and continued implementation of its CalAIM Enhanced Care Management (ECM)-related policy changes.

**Operational Improvements and Efficiencies.** The Governor's January budget reflects estimated General Fund savings of \$120 million in 2026-27 resulting from operational improvements and efficiencies related to oversight, monitoring, and enforcement of managed care plans, improving program integrity, and aligning provider payments with value.

**In-Home Supportive Services.** The Governor's January budget proposal includes several IHSS-related reductions. While IHSS is a social services program, these items are included as they may have potential implications for 1991 Realignment:

- **Eligibility to Align with Medi-Cal.** The Governor reflects a reduction of \$86 million General Fund to conform the IHSS Residual Program with the timing of Medi-Cal coverage beginning in 2026-27.
- **IHSS Backup Provider System.** The Administration proposes a reduction of \$3.5 million General Fund to eliminate the IHSS Backup Provider System beginning in 2026-27.
- **IHSS Growth in Assessed Hours.** The Governor's proposal includes a reduction of \$233.6 million General Fund to remove the state's share of cost for IHSS hours per case growth beginning in 2027-28.

**Rural Health Transformation Program (RHTP).** The Governor's January budget reflects \$233.6 million federal funds in federal fiscal year 2026 to expand access to care, strengthen health care workforce, and enhance infrastructure in rural and frontier counties. Recall, the RHTP was created through H.R. 1 and is being implemented by the Department of Health Care Access and Information (HCAI).

**Reproductive Health Grant Program.** The Governor's January budget includes \$60 million one-time General Fund in 2025-26 for HCAI to provide grants to reproductive health care providers. This investment is in addition to \$90 million MCO tax funds and \$56 million Abortion Access Fund in 2025-26 to support reproductive health providers.

**Menopause Services.** The Governor's January Budget includes \$3.4 million (up to \$3 million General Fund) in 2026-27 and \$391,000 Managed Care Fund ongoing to support health care coverage for perimenopause and menopause, including enrollee access to care, provider education, and a statewide public awareness campaign.

## Behavioral Health

**Behavioral Health Services Act.** The Governor's January budget reflects an increase of \$184.8 million in local assistance expenditure authority from the Behavioral Health Services Fund prevention funding.

**Proposition 1 Fund Swap.** The Governor's January budget includes a placeholder of \$150 million Behavioral Health Services Fund in lieu of General Fund for workforce and prevention programming at HCAI (\$100 million) and CDPH (\$50 million). The Administration anticipates unveiling its specific proposal at May Revision.

**Mobile Crisis Services.** The Governor's January budget proposes to revise the benefit authority and revise requirements of mobile crisis services as an optional benefit beginning April 1, 2027, due to federal policy changes. The budget proposes \$431.5 million (\$50.7 million Proposition 35 funds, \$347 million federal funds, \$28.2 million 988 funds, and \$5.6 million General Fund) to continue the mobile crisis benefit across 2025-26 and 2026-27.

## Housing and Homelessness

**Behavioral Health Services Act (BHSA).** During the State of the State address this week, Governor Newsom touted his Administration's efforts to revamp the Behavioral Health Services Act (BHSA) through Proposition 1. The Governor's budget proposal notes that the state has allocated \$636 million to 1,818 housing units through Proposition 1 to date with \$1.6 billion anticipated to be made available over the coming year to support housing and services for individuals experiencing homelessness.

Beginning July 2026, BHSA implementation will establish a dedicated ongoing 30 percent allocation for housing intervention programs to support counties with significant resources to support housing stability for individuals experiencing or at risk of experiencing homelessness and who have behavioral health needs.

**Homelessness and Housing Assistance Program (HHAP).** The Governor's January budget continues to reflect a sixth round of HHAP funding totaling \$1 billion. The Administration notes that a seventh round totaling \$500 million is planned, contingent on enhanced accountability and performance requirements on local governments.

## Cannabis

**Cannabis Tax Revenues.** Proposition 64 specifies the allocation of resources in the Cannabis Tax Fund. After meeting various allocation requirements, remaining funds are available for youth education, prevention, early intervention, and treatment; environmental protection, and public safety-related activities. The Governor's budget proposal estimates \$403.9 million will be available for allocation across the following programs in 2026-27:

- Education, Prevention, and Treatment of Youth Substance Use Disorders and School Retention (60 percent) – \$242.3 million
- Clean-up, Remediation, and Enforcement of Environmental Impacts (20 percent) – \$80.8 million
- Public Safety-Related Activities (20 percent) – \$80.8 million

**Hemp Enforcement.** The Governor's January budget proposes \$7.3 million in 2026-27 and \$5 million in 2027-28 and ongoing to integrate hemp into the cannabis regulatory framework, as required by AB 8 (Chapter 248, Statutes of 2025). Additionally, \$3.3 million in 2026-27 and ongoing, is proposed for the Department of Tax and Fee Administration to support AB 8 enforcement activities.

**Cannabis Enforcement.** The Governor proposes \$7.6 million in 2026-27 and \$6 million in 2027-28 and ongoing to support a dedicated sworn officer presence in Northern California to strengthen enforcement efforts against the illegal cannabis market and to meet the Department of Cannabis Control's growing legal workload related to licensing, compliance, legislation, and public records.

## Climate Health

**Extreme Heat.** The Governor's January budget proposes \$241 million to continue investments in the state's Extreme Heat Action Plan and to build resilience against extreme heat statewide. These investments include the following items of interest:

- **Transformative Climate Communities Program.** The Governor proposes \$137.4 million to fund community-led development and infrastructure projects to support environmental, health, and economic benefits in California's most disadvantaged communities.
- **Community Resilience Centers.** The Governor proposes \$55.3 million to fund new construction and upgrades of neighborhood-level resilience centers to provide shelter and resources during climate and other emergencies. The program will also fund year-round services and ongoing programming to strengthen overall community resilience.

**Extreme Heat and Agriculture Enforcement Task Force and Outreach.** The Governor's January budget proposes \$7.7 million in Occupational Safety and Health Fund in 2026-27, \$7.1 million in 2027-28 and ongoing for the Department of Industrial Relations to continue targeted outreach and education for employers and workers, as well as strategic enforcement efforts, to protect workers from heat-related illnesses and wildfire smoke hazards.

**Drinking Water.** The Governor's January budget proposes nearly \$800 million in investments related to safe drinking water, drought, flood, and water resilience using 2024 Climate Bond revenues. Of this amount, the Governor proposes \$173 million for drinking water projects serving small or disadvantaged communities or tribes with failing or at-risk water wells. Funding will additionally support wastewater projects among small or disadvantaged communities.

## General Government & Operations

**Vacant Position Elimination.** The Governor's January budget reflects efficiencies implemented across state government, including by eliminating vacant state positions included in the 2025 Budget Act. Savings associated with vacant position elimination total \$478.1 million (\$182.3 million General Fund) in 2025-26 and \$487.1 million (\$191.3 million General Fund) in 2026-27 and ongoing.

**State Operations Reductions.** The Governor's January budget reflects continued implementation of state operations reductions by 7.95 percent as set forth in the 2025 Budget Act. Savings associated with state operations reductions total \$1.55 billion (\$1.2 billion General Fund) in 2025-26 and \$1.56 billion (\$1.18 billion General Fund) in 2026-27 and ongoing.

**State Innovation Capacity.** The Governor proposes five positions and \$1.3 million in reimbursement authority to the Data and Innovation Services Revolving Fund to scale the state's design, development, data, and digital service capabilities. This investment is anticipated to strengthen pre-procurement processes, leading to potential reductions in state costs.

## Other Programs & Initiatives

**CalVIP.** The Governor's January Budget reflects over \$56.4 million Gun Violence and Prevention and School Safety Fund in 2025-26 and \$51.9 million in 2026-27 for CalVIP. In administering CalVIP, the Board of State and Community Corrections (BSCC) issues grants to local governments and community-based organizations to support gun violence reduction efforts to lower morbidity and mortality associated with gun violence.

**CalOSHA Centralized Complaint Unit.** The Governor's January budget proposes \$5.9 million Occupational Safety and Health Fund in 2026-27, \$5.3 million in 2027-28 and ongoing for the Department of Industrial Relations to establish a centralized complaint and report intake unit within CalOSHA. This new unit is anticipated to more efficiently respond to and address complaints, accident reports, referrals, and inquiries.

**DOJ Investment for Federal Accountability.** The Governor highlights the ongoing need for the state to defend against enforcement and legal actions taken by the federal government, including the federal government's termination of pandemic-era public health funding. The Administration's January budget proposal distributes \$10 million one-time in 2025-26 to the Department of Justice (DOJ) from one-time funds appropriated in the 2024 Budget Act. The Governor additionally proposes \$10 million new General Fund annually in 2026-27 through 2028-29 and proposes to term-limit previous ongoing investments from the 2025 Budget Act through 2028-29.

## Budget Resources

### Budget Background

For additional information on the state budget process, we encourage CHEAC Members to view the California Budget & Policy Center (CBPC) "Dollars & Democracy: A Guide to the State Budget Process." This primer provides a succinct overview of key processes, dates, and participants in the California state budget. The resource can be [viewed here](#).

### Budget Links:

Governor's 2026-27 Proposed Budget: <http://www.ebudget.ca.gov/>

CDPH Governor's Budget Highlights: [https://www.cdph.ca.gov/Documents/CDPH-2026-27\\_Governor-Budget-Highlights.pdf](https://www.cdph.ca.gov/Documents/CDPH-2026-27_Governor-Budget-Highlights.pdf)

DHCS Governor's Budget Highlights: <https://www.dhcs.ca.gov/Budget/Documents/FY26-27/DHCS-FY-2026-27-Governors-Budget-Highlights.pdf>

Senate Highlights of Governor's Proposed 2026-27 Budget: <https://sbud.senate.ca.gov/media/3446>

Assembly Highlights of Governor's Proposed 2026-27 Budget: [https://abgt.assembly.ca.gov/system/files/2026-01/highlights-of-governor-s-proposed-2026-27-budget\\_0.pdf](https://abgt.assembly.ca.gov/system/files/2026-01/highlights-of-governor-s-proposed-2026-27-budget_0.pdf)

CHEAC Governor's January Budget Statement: <https://cheac.org/wp-content/uploads/2026/01/Draft-CHEAC-2026-Budget-Statement.pdf>

**Next Steps.** Over the coming weeks, the Legislature will begin hearing proposed budget items. The Assembly Budget Committee will convene its budget overview hearing on Tuesday, January 20, and the Senate Budget & Fiscal Review Committee will convene its overview hearing on Wednesday, January 21. Budget subcommittees will review proposed investments in greater detail over the coming months, and the Newsom Administration will issue an updated May Revision budget in early May.

**Questions.** For questions on the items highlighted above or other budget-related inquiries, please feel free to email [admin@cheac.org](mailto:admin@cheac.org) for assistance.