



*Budget 2 Save Lives (B2SL) is a multi-year vision to move California toward a “Care First” future by investing in healing and rehabilitation, divesting from incarceration and policing, and ending the economic austerity that endangers the lives of countless human beings.*

## COMMUNITY-BASED ANALYSIS

### Proposed Budget 2026-27

#### Context:

According to the [Governor’s 2026-27 Proposed Budget](#), California’s budget forecast is better than was projected last year but the state is still facing a shortfall. The [California Budget & Policy Center](#) sums it up well, stating **“Governor proposes no significant new investments or cuts, fails to protect Californians from federal cuts.”**

This year, the total state funding is **\$349 billion**, 8% higher than at this time last year. Of this, **\$248 billion** or over 70% is from the General Fund, the state’s most flexible source of funding. 2025 state revenue was higher than expected, in part due to substantial increases in tech company stocks and the so-called [“AI bubble.”](#) However, given the outsized effect tech stocks have on tax revenue, these gains do not provide much assurance of long-term stability. The Governor estimates the shortfall at **\$2.9 billion**, although [estimates by the state’s own Legislative Analyst’s Office are much higher](#). While the budget is balanced for the 2026-27 fiscal year, the state is projecting a significant deficit of **\$22 billion** in 2027-28 and beyond.

Given federal cuts in the [“Big Ugly Bill”](#) to healthcare, food assistance, and other social programs, the hostile environment facing immigrants and many marginalized communities, and the rising cost of expenses facing all but the highest-income California residents, it’s deeply concerning that the **Governor’s budget mainly continues with the status quo.**

#### Our Goal:

**This is a call to action.** The [B2SL Super Collective](#) believes we can no longer operate in silos during this national crisis. We are inviting local and state budget advocates **from all intersecting movements** across California to collaborate, organize and stand with us to move forward our collective priorities for community equity and justice. A culture of fiscal austerity and abandonment is unacceptable in a state as prosperous as California. **We are looking to connect with partners who seek to identify and address the gaps in much**



**needed services and programs across the state, utilizing budget advocacy as an organizing tool to achieve our goals.** Our analysis includes examples of state priorities where spending and spending cuts must be reevaluated. It's time to connect the dots between our shared, non-carceral budget advocacy goals.

## Education:

Education is the single largest General Fund line item, and the numbers sound impressive on paper. The Governor proposes **\$89 billion** in General Fund dollars for K–12 (**\$133 billion** overall) and **\$26 billion** for higher education (**\$102 billion** overall). General Fund spending is up **9 percent** for K–12 and up **16 percent** for higher education compared to last year.

But the budget's education story is still missing the point. There are **no major new K–12 initiatives** announced, which means “more money” without a plan to materially improve young people's day-to-day reality, especially in the communities most harmed by poverty, displacement, and criminalization. Meanwhile, higher education funding is heavily concentrated at the top: The UC system receives **more than half** of all higher education dollars, at nearly **\$65 billion**, while many of their most vital efforts ([UCLA's Underground Scholars Program](#), on-campus food pantries, and more) go underfunded. If California is serious about youth and disenfranchised communities, it should invest in what kids and young adults actually need: mental and behavioral health supports, counselors, stable housing and food security, after-school and summer programs, and restorative practices.

## Corrections:

The proposed Corrections budget **increases incarceration spending** even as California faces a significant budget shortfall and ongoing federal threats to basic supports. The proposal totals **\$18.86 billion** for corrections (up **\$618 million** from last year), including **\$14.21 billion** for CDCR, **\$2.12 billion** for local community corrections, and **\$934 million** for “enhancing law enforcement growth and activities.” This approach moves in the wrong direction, continuing to fund punishment while communities need the state to stabilize and invest in essential public services.

Given continued population decline (even accounting for Proposition 36 impacts, which are now projected to be lower than originally expected), nearly **14,000** empty beds, and the high and rising cost of incarceration, California must close more state prisons in the name of fiscal responsibility. The fiscal case is even clearer as the prison population ages (more than **19,000** people are **55** and older). The average annual health-system costs per person age 80+ is **\$237,325 per year**. Committing to closing **five** more prisons would save about



**\$1 billion** annually plus **\$1.3 billion** in capital costs. You can read CURB's 2026-27 **Overview of the Proposed Corrections Budget** [here](#).

### Health & Human Services:

Health and Human Services receives the largest share of state expenditures, with a proposed budget of **\$143 billion**, an increase of 12.5% versus last year's proposed budget. **Due to federal policy, we face major changes that are projected to increase costs for Medi-Cal, California's Medicaid program which covers low-income individuals and others.** Approximately 14 million Californians or more than one-third of the state's population are covered by Medi-Cal. The Budget estimates Medi-Cal expenditures will increase by over **\$2 billion** in 2026-27.

Federal policy changes include new work and community engagement requirements, requirements to recertify eligibility more frequently, and other policies that are expected to **reduce eligibility for Medi-Cal, thereby saving money but kicking people off health insurance.**

On positive notes: In summer 2025, the state reached an agreement with unionized family childcare providers to increase monthly payments to providers and invest up to **\$585 million** over three years for health and retirement benefits, as well as training, for represented childcare providers.

This year, the budget highlights **\$234 million** in federal funds to expand access to health care in rural communities but not many other new sources of or uses for health and human services funding.

### Housing and Homelessness:

**California is investing very little state funding in Housing and Homelessness, only \$1 billion from the General Fund and \$1.9 billion overall.** Overall, there is a lot to be concerned regarding the lack of funding in the Governor's budget for this critical issue area, especially when state funding for Corrections is 9 times that.

Since its inception in 2019, the Homeless Housing, Assistance and Prevention (HHAP) program has served as California's primary funding source for homeless services with an annual budget of \$1 billion. This year's proposed budget **reduces that allotment by 50%**, a drastic measure that places vulnerable Californians at an increased risk of homelessness.



At a time when residents are already losing access to healthcare, childcare, and other vital safety nets, the state's decision to halve its commitment to ending homelessness is unacceptable.

Despite constant cost pressures faced by renters, state General Fund dollars funding for supporting affordable housing development are minimal at best, and continue the decline in recent budget years. **There are no new state funds for affordable housing beyond funds already committed, setting a dangerous precedent.** Key programs like Bringing Families Home and Home Safe are being allowed to sunset rather than recommitting to fund at prior levels.

### Labor and Workforce Development:

The budget proposes **\$2.2 billion** in total state funding for Labor and Workforce Development, including **\$986 million** from the General Fund. Overall investment in this area is **slightly higher** than what was proposed in last year's January budget.

In the past few years, the state has invested in apprenticeships, high road training programs in health care and in oil well capping, and in the California Jobs First program, which supports 13 regional economic development strategies.

However, the most meaningful "adjustments" here aren't new worker investments. They're back-end fixes driven by the state's unemployment insurance debt and system failures, **\$662 million** just to cover the annual interest on California's Unemployment Insurance loan balance, plus **\$145.5 million** to patch the benefits system by simplifying forms and notices and upgrading call centers and related infrastructure.

There are some relatively small additions to apprenticeship training grants (around an extra **\$18 million** each year) and to a task force focused on protecting workers from heat-related illnesses and wildfire smoke hazards (around an extra **\$7 million** each year).

### Transportation:

Most transportation spending is walled off in earmarked special funds, which makes it easier to claim "investment" while cutting what actually matters most for public priorities. Overall proposed state funding for Transportation is **down 9 percent** from last year's January budget, and proposed General Fund support has been cut in half. This year, the Governor proposes to spend less than **\$1 billion** from the General Fund on Transportation.



At the same time, the state is repurposing climate dollars in ways that undercut the stated goals. The 2025 Budget Act authorizes a **\$166 million** transfer from the Greenhouse Gas Reduction Fund and Air Pollution Control Fund into the Motor Vehicle Account, the main operating fund for the California Highway Patrol and the DMV. **When strategizing effective ways to reduce greenhouse gases and air pollution, funding CHP and the DMV is not what comes to mind as a top priority.**

### Climate:

Even in a year of worsening climate disasters, California is still budgeting as if incarceration is a higher priority than protecting the land, water, and air people rely on. Total funding for Natural Resources and Environmental Protection comes in below Corrections and Rehabilitation. The state proposes **\$9.6 billion** overall for Natural Resources (about half from the General Fund) and **\$4.8 billion** overall for Environmental Protection, but with only **\$122 million** from the General Fund. **That is not a serious commitment.**

The so-called “Climate and Opportunity Budget” leans most heavily on transportation, then drought and water resilience, and then zero-emission vehicles, with smaller buckets for wildfire resilience, sustainable agriculture, the circular economy, and extreme heat mitigation. Since 2021, the state has invested more than **\$6 billion** in zero-emission vehicles (ZEV) and now nearly **one in three** new vehicles sold is a ZEV, even as federal leaders try to roll back clean energy policy. Voters approved a **\$10 billion** Climate Bond in **2024**, yet the budget proposes allocating just **\$2.1 billion** this year, after **\$3.3 billion** last year, leaving **\$4.6 billion** for future years. This year’s bond funding focuses mainly on drought, flood, and water resilience, including **\$232 million** for flood control and **\$173 million** for drinking water projects.

### Immigration

Immigrants, their families, and communities are facing an openly hostile federal administration, and **California’s budget response is nowhere near the scale of that threat.**

The Governor opens his budget letter warning that the federal government is “hell bent on destroying American institutions,” but the proposed budget does not translate that warning into protection for immigrant communities. It sets aside **\$0** in new funding for immigration-related legal services and offers **\$0** in new resources to blunt or backfill looming restrictions on Medi-Cal eligibility.



Effective October 1, 2026, **federal policy will exclude some immigrants from federal eligibility for full-scope Medi-Cal.** The state could step in and provide coverage for this group but the Governor's budget declines to do so, estimating it would cost **\$1.1 billion** General Fund ongoing. Jettisoning the continuation of years of progress, Newsom has chosen to leave some immigrants with only emergency Medi-Cal and pregnancy-related services, blocking many Californians from receiving essential health services and threatening their survival in this political climate.

**Last year, the state froze new Medi-Cal enrollment for undocumented adults,** a change that just took effect in January. Federal policy changes mean fewer people will be eligible for CalFresh (California's version of the federal Supplemental Nutrition Assistance Program) going forward and the share of CalFresh administrative costs the state pays relative to the federal government will increase.

## Revenue Generation

With federal cuts threatening life-saving resources and a systemic deficit that will continue to balloon in out-years if left unaddressed, **it is incumbent upon state budget leaders to consider all positive budget solutions to mitigate harm to our communities.** Yet, the 2026-27 Proposed Budget **fails to include progressive revenue solutions that could help fill these gaps and protect residents from losing essential support.** Budget leaders have clear options to raise needed revenue more equitably. Some of these options include closing the "water's edge" loophole, which lets highly profitable multinational corporations dodge \$3 billion or more in state taxes each year; capping corporate tax credits and deductions so corporations pay their fair share; and imposing an annual tax on private detention facility operators, as [AB 1633 \(Haney\)](#) proposes.

Thus far, Governor Newsom has [forcefully opposed](#) additional taxes on billionaires in California. **If the state of California continues to subsidize billionaires and corporations while neglecting investments in life-saving resources, Californians will suffer dire consequences.**

## Closing:

**California's 2026–27 budget is a vague statement of values and priorities.** It treats "stability" as something you can buy by maintaining cages instead of increasing care, even though that approach deepens the very harm and insecurity it claims to solve. **California cannot credibly brand itself as a leader in progressive policy while this budget shows the opposite in practice: resources that keep people housed, healthy,**



**and alive are squeezed, while systems of punishment remain protected.** A budget that cuts care and preserves cages is not stability - just a poorly managed crisis for communities, and comfort for the institutions that profit from their disposability.

**Our communities organized and fought hard to advocate for budget requests rooted in lived experience and real solutions, and most were not funded.** That is not a technical oversight, it is a political decision. We urge the state to reverse course by investing in community-led programs with proven impact and by following the leadership of those doing the work every day, not expanding the systems that drive violence, family separation, and long-term instability.

In solidarity,  
Budget 2 Save Lives

***To collaborate on local or state budget advocacy, please contact B2SL Team:  
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