

LEGISLATURE'S VERSION
of the
2025-26 STATE BUDGET



Senate Bill 101

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President pro Tempore

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Chair, Committee on Budget and Fiscal Review

Senator Laird, Chair

Subcommittee 1
Education

Senator Allen, Chair

Subcommittee 2
Resources, Climate, and Energy

Senator Weber Pierson, Chair

Subcommittee 3
Health and Human Services

Senator Cabaldon, Chair

Subcommittee 4
General Government

Senator Richardson, Chair

Subcommittee 5
Public Safety, Labor, and Transportation

June 9, 2025

Introduction

Since emerging from the Great Recession, the Legislature has made responsible budgeting the top priority.

Gone are the bad old days of budget gridlock year after year, that held the state hostage for months on end, well into the new fiscal year, until the budget would pass. And often the final agreement included middle of the night deals that only furthered the state's fiscal woes.

During the era of fiscal responsibility, instead of bouncing from fiscal crisis to fiscal crisis, the Legislature showed restraint and learned to allocate one-time revenues for one-time purposes and to grow historic reserves – something the state completely avoided the prior three decades.

In the aftermath of COVID, new uncertainty came to the state's finances. Managing the impacts of that uncertainty the over past two annual budgets has been challenging and has required the drawdown of some of the historic reserves the Legislature built.

Through the work of the Legislature and the Governor the past two years, the budget was once again stabilized, with the Governor's January 10 proposed budget being balanced without needing new solutions.

Unfortunately, since January, circumstances have changed, and California now faces a significant budget shortfall. The shortfall is driven by three key factors:

- First and foremost, the policies of the new federal Administration – in particular the tariff increase policies – have caused economic forecasts throughout the world to be significantly downgraded.

The federal policies have greatly impacted California's economic forecast as well, with the May Revision projecting slower growth and the Newsom Administration indicating that absent federal economic policy changes, state General Fund revenues would be \$16 billion higher. The state budget condition may be further adjusted downward based on additional adverse federal policies in the coming months.

- Second, to a modest degree, the baseline costs of key programs – particularly Medi-Cal – have grown faster than projected.
- And third, to a smaller degree, the devastating LA fires have had a negative economic impact and resulted in increased state spending.

As a result, the 2025-26 state budget requires challenging budget solutions to bring the budget back into balance and to get back on the path toward stability.

The Governor's proposed May Revision provided a *first* draft for addressing the 2025-26 budget shortfall, with a mix of reductions, borrowing, and other solutions totaling \$12 billion, and budget regular reserve of \$4.5 billion. Since the release of the May Revision, the Administration has notified the Legislature that some proposed solutions will not achieve the savings first projected, and therefore the reserve would not be as high.

This document outlines the Legislature's version of the budget. The Legislative version contains \$12.3 billion in budget solutions makes targeted new commitments, and contains \$13.2 billion in total reserves, including \$11.2 billion in the Rainy Day Fund and \$2.0 billion in the regular reserve.

Summary of Solutions:

The Legislature's Version of the budget includes the same mix of budget solutions as those proposed in the May Revision, including reductions, revenue/borrowing, and other solutions, including:

- Reductions: \$3.5 billion in 2025-26 and growing to over \$12 billion, ongoing;
- Revenue/Borrowing: \$7.8 billion in in 2025-26; and
- Other (fund shifts, deferrals, delays): \$1.0 billion in 2025-26.

Major Items of Note:

Housing Affordability Package:

The biggest driver in the high cost of living in California is housing. The Legislature's Version of the Budget contains a well-rounded Housing Package to make progress towards making housing more affordable and bringing down the overall cost of living in California.

The package improves affordability by spurring housing construction, investing in affordable housing programs, reforming the Renters Tax Credit, and making homeownership more affordable by avoiding a 20 percent down payment and reducing monthly mortgage costs by 30 percent. The components of the package are as follows:

- Spurs the production of new housing by approving -- subject to final negotiation - budget trailer bill language modifying CEQA procedures to facilitate specified housing and infrastructure projects. Assembly Bill 609 (Wicks) and SB 607 (Wiener) are the basis for the trailer bill negotiations.
- Reforms the Renters Tax Credit – subject to final negotiation of trailer bill language – to strengthen the tax credits, particularly for renters with dependents. The improved Renters Tax Credit could take effect as early as the 2026-27 budget year.
- Invests in affordable housing by providing \$500 million in supplemental state Low-Income Housing Tax Credits (LIHTC) and \$120 million to the Multifamily Housing Program, two key sources of financing for a wide range of affordable housing projects. Both investments stretch state dollars further by opening up access to additional federal affordable housing resources.
- Provides \$300 million for the CA Dream for All program for equitable distribution throughout the state. The CA Dream for All program is a game changer for homeownership and provides the first key step for building generational wealth for first time homebuyers. Under the CA Dream for All program, the state “partners” with qualified homebuyers and provides up to 20 percent of the home price as a “shared appreciation loan” which replaces the need for a large downpayment of other costly “low downpayment” options that dramatically drive up the monthly mortgage costs. Once the homeowner sells or refinances their home, the loan is repaid.

Emergency Relief for Local Governments:

The Legislature's Version of the budget enables emergency loans to be provided to Los Angeles area local governments as they recover from the devastating LA wildfires, and Bay Area transit agencies as they work through fiscal challenges until local revenues stabilize.

Los Angeles local governments will be able to borrow up to \$1 billion over the next two fiscal years, and Bay Area transit agencies will be able to borrow up to \$750 million over the next two years.

The importance of the Los Angeles and the Bay Area's fiscal health to the overall state economy make providing emergency loans a critical budget action and will strengthen the state's economic outlook over the long run.

The loans will only be made if the local governments can demonstrate an ability to repay them. Specific terms of the loans will be finalized in budget trailer bill language. The loan repayments will accrue back to the state and accounted for in the year the loans are made, and therefore not negatively impact the state budget long-term fiscal outlook.

Rainy Day Fund Refresh:

Proposition 2 passed in 2014, creating the Rainy Day Fund and debt repayment requirements, revolutionized responsible budgeting in California.

But, as mentioned above, in certain circumstances – like the one facing the state in 2022-23 – the state Constitution limits the ability to deposit funds into the Rainy Day Fund or other reserves and instead requires the allocation of funds for specified purposes. This limit on reserve deposits is one of the key factors in the budget shortfall the state now faces.

Therefore, the Senate continues working to craft a Constitutional Amendment to improve the Rainy Day Fund and make other responsible budgeting improvements, including the following:

- Increases the size of the Rainy Day Fund from 10% of the General Fund to 25% of the General Fund.
- Increases deposits into the Rainy Day Fund.

- Excludes deposits into the Rainy Day Fund and other statutory reserves (excluding the Special Fund for Economic Uncertainties) from the State Appropriations Limit calculation.
- Adds repayment of the federal Unemployment Insurance loan to the debts that can be repaid with Proposition 2 funds.
- Removes the Legislative Analyst's Office from the Legislature's "budget cap", so that the respected LAO can be expanded to provide even more valuable services to ensure responsible budgeting and policy making.

The remainder of this document provides key details of the Legislature's Version of the Budget. Committee agendas will provide even more details. Figures in this document are preliminary and subject to final scoring.

TK-12 Education

Legislature's Budget Solutions of Note:

- Approves Governor's proposal to appropriate \$117.6 billion in the Proposition 98 Guarantee in 2024-25, compared to the calculated level of \$118.9 billion, to achieve \$1.3 billion in General Fund savings in the 2025 Budget. This amount will be appropriated during the 2026-27 budget development as the Proposition 98 minimum guarantee for 2024-25 is calculated using actual revenue data.
- Ensures that schools and community colleges have a safety net in the future by authorizing a discretionary deposit into the Public School System Stabilization Account of up to \$650 million, upon the recalculation of the 2024-25 Proposition 98 minimum guarantee.
- In order to (1) fully fund the Local Control Funding Formula and the cost-of-living adjustments and (2) improve the future fiscal stability of Proposition 98, the Legislative Budget significantly reduces the TK-12 June to July 2026 deferral from \$1.8 billion to \$846 million, with the intent that up \$579 million of this deferral will be paid off in 2026-27, and an additional deferral of \$267.4 million be added from 2026-27 to 2027-28.
- Approves Governor's proposal to revert \$177.5 million General Fund in unexpended balance of a one-time statutory appropriation from the 2023 Budget Act for the School Facility Program.
- Modifies Governor's proposal to fund Special Olympics with \$30 million Proposition 98 General Fund.

Governor's Proposed Solutions of Note Not Included in Legislature's Budget:

- Rejects Governor's proposal to fund transitional kindergarten outside of the TK-12/California Community Colleges split within Proposition 98 in 2023-24 and 2024-25, but commences in 2025-26, which gives \$260 million back to the California Community Colleges.

Other Significant Legislature's Budget Items of Note:

- Appropriates \$500 million Proposition 98 General Fund for the Student Support and Discretionary Block Grant.
- Approves \$200 million Proposition 98 General Fund for Literacy Instruction Professional Development and support.
- Approves the Student Teacher Stipend Program, and augments this program with \$500 million additional Proposition 98 General Fund, for a total \$600 million Proposition 98 General Fund investment. The Legislative Budget also proposes to increase the Golden State Teacher grant awards back up to \$20,000 per recipient, and restore the four-year service and teacher shortage area requirements.
- Appropriates \$170 million Proposition 98 General Fund for the Universal School Meals Implementation Block Grant, which will prioritize kitchen infrastructure, nutrition staff support and recruitment, and local food procurement.
- Appropriates \$100 million Proposition 98 General Fund for literacy and math coaches.
- Extends the encumbrance deadline for the Universal PreKindergarten Block Grant, and appropriates an additional \$35 million Proposition 98 General Fund.
- Appropriates \$20 million Proposition 98 General Fund for a California Youth Behavioral Health Initiative (CYBHI) Fee Schedule Bridge Program, to ensure that services and staffing are not disrupted as the CYBHI fee schedule continues to be implemented.
- Reduces or rejects proposed new spending that is duplicative of existing programs or whose goals are unclear, in order to significantly minimize the \$1.8 billion deferral in 2026 and leave a balance in the Proposition 98 reserve. These include:
 - Rejection of \$100 million for the National Board Certification Incentive Grant Program, as there is a significant amount still available from the prior appropriation of \$250 million.
 - Rejection of \$15 million for the Secondary School Redesign Pilot Program.
 - Rejection of \$10 million for the UCSF Dyslexia Center.

- Rejection of \$30 million for the Mathematics Professional Learning Partnership and \$12.5 million for the Statewide Math Network. \$20 million for the Mathematics Professional Learning Partnership was recently appropriated in the 2024 Budget and was announced on April 25, 2025, and is available until 2028. The Legislative Budget proposes to modify the 2024 Budget investment to ensure that the prior appropriated funds can be used for statewide coordination. There are also other various professional and instructional support programs related to mathematics that is available through 2027 and 2028.
- Continues to protect local educational agencies from impacts due to the 2025 Los Angeles Wildfires:
 - Approves the Governor's proposals to:
 - Protect funding based on attendance in the Expanded Learning and Opportunities Program.
 - Protect funding for charter schools impacted by the fires.
 - Use savings from Multi-Tiered Systems of Support to support fire-impacted local educational agencies.
 - Hold enrollment harmless for purposes of calculating allocations in the Student Support and Professional Development Discretionary Block Grant.
 - Appropriate \$9.7 million to backfill property tax losses for basic aid districts impacted by the fires.
 - Appropriates \$1.8 million for impacts due to the 2025 Los Angeles Wildfires.
- Delays the proposed expansion of the Expanded Learning Opportunities Program to January 1, to allow the newly classified Tier 1 local educational agencies time to prepare and plan for their program, and approves the increased minimum grant award amount to \$100,000. The Legislative Budget also proposes to stabilize the Tier 2 Rate.
- Appropriates \$150 million Proposition 98 General Fund to increase investments in career technical education programs, and prepare the next generation's workforce.

Higher Education

Legislature's Budget Solutions of Note:

- Modifies Governor's proposal to defer \$531.6 million in California Community Colleges Apportionment Funding from 25-26 to 26-27, by reducing the deferral to \$377.5 million, to reduce the impact to out-year deficits.
- Approves the Governor's proposal to withdraw the proposal for the Collaborative Enterprise Resource Planning project at the California Community Colleges (CCC) to achieve \$168 million Proposition 98 savings.
- Approves the Governor's proposal to reduce the proposed investment into the Common Cloud Data Platform at CCC to achieve \$150.5 million Proposition 98 savings, retaining \$12 million one-time Proposition 98.

Governor's Proposed Solutions of Note Not Included in Legislature's Budget:

- Rejects Governor's proposal to reduce the UC (\$129.7 million) and CSU (\$143.8 million) by 3% ongoing. Instead defers the 3% amount in 2025-26 for both the UC and CSU to 2026-27 and the state will provide access to cash flow resources to mitigate the deferral impact. Additionally, splits the deferred 5% Compact increase from 2025-26 to 2% for the UC (\$96.3 million) and CSU (\$100.9 million) in 2026-27 and defers 3% for the UC (\$144.5 million) and CSU (\$151.4 million) to 2028-29.
- Rejects Governor's proposal to fund transitional kindergarten outside of the TK-12/California Community Colleges split within Proposition 98 in 2023-24 and 2024-25, but commences in 2025-26, which gives \$260 million back to the California Community Colleges.
- Rejects Governor's proposal to provide \$25 million one-time Proposition 98 for the Career Passports Initiative at CCC.

Other Significant Legislature's Budget Items of Note:

- Restores the Middle Class Scholarship program to 2024-25 appropriation levels by including \$405 million one-time General Fund.
- Includes \$20 million one-time Proposition 98 to CCC for flexible emergency financial aid to students.
- Includes \$100 million one-time Proposition 98 to CCC to fund 2024-25 enrollment growth.
- Includes \$80 million one-time Proposition 98 to CCC for a Student Support Block Grant.
- Includes \$44 million one-time Proposition 98 to CCC to fund 90% reimbursement rates for Part-time Faculty Office Hours.
- Includes \$6.3 million one-time Proposition 98 to CCC to fund Firefighter Apprenticeship reimbursements.
- Includes \$15 million one-time Proposition 98 for Dream Resource Liaisons.
- Includes \$5.1 million one-time Proposition 98 to CCC for Financial Aid Community Support.

Resources/Energy/Climate

Legislature's Budget Solutions of Note:

- Approves Governor's proposal to cut \$33 million from the Community Renewable Energy Program at the California Public Utilities Commission.
- Approves Governor's proposal to cut \$42.8 million from the Offshore Wind program at the California Energy Commission.
- Approves Governor's proposal to fund shift \$35 million to the Lead-Acid Battery Cleanup Fund for the Exide Residential Cleanup Fund Shift.
- Approves Governor's proposal to revert \$31.4 million in acquisition funding for the CalFire Training Center.
- Approves a reduction of \$1 billion (\$500 million in 2025-26 and \$500 million in 2026-27) to the Greenhouse Gas Reduction Fund Discretionary Spending Plan in order to provide \$500 million of General Fund savings for two years.
- Reverts unencumbered and unexpended balances of \$351.7 million General Fund (appropriated in the 2022-23 and 2023-24 budgets), for Voluntary Agreements-related water resilience-habitat restoration projects in the Sacramento-San Joaquin Delta region.

Governor's Proposed Solutions of Note Not Included in Legislature's Budget:

- Reduces the Governor's proposal to backfill General Fund with Proposition 4 moneys from \$316 million down to \$176 million with specifics to be added in a future budget bill. Defers remaining Proposition 4 expenditure details and related trailer bill language to summer.

Other Significant Legislature's Budget Items of Note:

- Provides \$221 million in 2025-26, including one-time funds, and \$175 million ongoing by 2027-28 to transition of 3,000 seasonal firefighters to permanent full-time staff, which will better position California to meet the growing wild fire threats.

Health

Legislature's Budget Solutions of Note:

- Restores the Medi-Cal Asset Limit at \$130,000, rather than the Governor's \$2,000 proposal. \$45 million savings in 2025-26, \$343 million in 2026-27, \$510 million ongoing.
- Approves Governor's proposal to exclude specialty drug coverage for weight loss, resulting in \$85 million of savings in 2025-26 growing to \$680 million in 2028-29.
- Reduces the current year Medi-Cal adjustment adopted in Early Action, and adds to the Governor's proposed \$3.4 billion loan payment delay by an additional \$1 billion.
- Modifies the Governor's Medi-Cal enrollment freeze proposal, applying it to those with unsatisfactory immigration status (UIS) 19 years of age and older beginning January 1, 2026, specifying that there is no "age out", and establishing a 6 month re-enrollment grace period for those that fall off the rolls. This proposal results in estimated savings of \$86.5 million in 2025-26, \$857.5 million in 2026-27, \$2 billion in 2027-28, and \$3.3 billion ongoing.
- Modifies the Governor's proposal to establish Medi-Cal premiums for UIS by lowering the Governor's proposal from \$100 per month to \$30 per month, limiting the age range from 19-59, and starting July 1, 2027. This proposal results in estimated costs of \$30 million in 2026-27 and estimated savings of \$250 million in 2027-28 and \$675 million ongoing.
- Delays the Governor's proposal to eliminate \$362 million in supplemental payments for dental from Proposition 56 funds, until July 1, 2027.
- Delays the Governor's proposal to eliminate dental benefits from UIS populations until July 1, 2027. This proposal would result in savings of \$336 million ongoing, beginning in 2027-28.
- Eliminates \$130 million expenditure for Behavioral Health Services and Supports Platform, including mental health apps Soluna and Brightlife Kids.
- Adjusts the Governor's planned rebate aggregator to receive rebates on prescription drugs utilized by individuals in the undocumented expansion, achieving \$370 million savings in 2025-26 and \$600 million ongoing.

- Approves the Governor's proposal to increase General Fund offsets from the MCO Tax implemented by Proposition 35 resulting in \$1.3 billion of savings in 2025-26 and \$236.7 million in 2026-27.
- Delays the Governor's proposal to cut \$1.1 billion ongoing from Health Centers and Rural Health Clinics until July 1, 2027.
- The Senate will begin work on developing a large employer contribution requirement for employers with employees enrolled in Medi-Cal, beginning as early as 2027-28. This recognizes that large employers benefit from their employees being enrolled in taxpayer funded health programs instead of employer provided health care programs. Implementing any employer contribution will require future legislation and budget action.

Governor's Proposed Solutions of Note Not Included in Legislature's Budget:

- Rejects the Governor's proposal to eliminate \$172 million Proposition 56 supplemental payments for family planning, and women's health services, including funding that receives as high as a 90 percent federal match.
- Rejects the Governor's proposal to eliminate long-term care and in-home-supportive-services for adults with unsatisfactory immigration status.
- Rejects Governor's proposal to cancel nearly \$60 million of unspent public health funding, including for the California Reducing Disparities Project, support for LGBTQ+ Foster Youth, LBTQ Women's Health Equity grants, Reproductive Health Justice grants, STD/HepC prevention programs, and public health workforce programs

Human Services

Legislature's Budget Solutions of Note:

- Approves Governor's proposal to require developmental services providers to meet certain mandates to earn quality incentives to achieve \$221.7 million in savings.
- Approves Governor's proposal to move forward the developmental services provider hold harmless by four months to achieve \$75 million in savings.
- Modifies Governor's proposal to reduce Family Urgent Response System (FURS) by decreasing reduction to \$9 million.
- Modifies Governor's proposal to align funding to recent spending at Porterville Developmental Center to achieve \$25 million in savings.
- Delays and modifies Governor's proposal to conform In-Home Supportive Services (IHSS) Residual Program to Medi-Cal program, to instead allow individuals to stay in the IHSS Residual program for 6 months, to achieve \$55 million in savings.
- Modifies the Governor's proposal to pass IHSS reassessment late penalties to counties, with counties and the state sharing penalty costs in 2025-26, and fully passing the penalty to counties beginning in 2026-27, to achieve \$41 million in savings.

Governor's Proposed Solutions of Note Not Included in Legislature's Budget:

- Rejects Governor's proposal to cap overtime hours for IHSS providers.
- Rejects Governor's proposal to eliminate IHSS for undocumented Californians.
- Rejects Governor's proposal to subject the Foster Care Tiered Rate Structure to a Department of Finance "trigger."
- Rejects Governor's proposal to subject the expansion of the California Food Assistance Program (CFAP) to a Department of Finance "trigger," and maintains

the current status of the expansion being subject to appropriation by the Legislature.

- Rejects Governor's proposal to eliminate the Direct Service Professional Workforce Training and Development program for developmental services workers.

Other Significant Legislature's Budget Items of Note:

- Restores \$52 million for the CalFood program.
- Restores \$36 million for the CalFresh Fruits and Vegetables program.
- Restores funding for the Home Safe (\$81 million) and Bringing Families Home program (\$83 million) to continue housing services for families involved in Foster Care or Adult Protective Services.
- Restores \$45 million for the Housing and Disability Advocacy Program for housing services for seniors and people with disabilities.
- Provides \$31.5 million (\$23 million General Fund) in bridge funding for Foster Family Agencies to prevent agency closures, including matching federal funds.
- Restores \$10 million for the Children's Holistic Representation Project, which provides integrated social and legal services to unaccompanied minors.

Child Care and Preschool

Governor Solutions Approved:

- Suspends the child care and preschool cost-of-living adjustment for one year, generating \$60.7 million and \$10.2 million General Fund savings, respectively, in addition to \$19.3 million in Proposition 98 General Fund savings, but requires all child care programs to receive a new cost-of-living adjustment based on the single rate structure beginning in 2026.

Governor Solutions Approved, With Modifications:

- Emergency Child Care Bridge Program: lowers the Governor's \$42.7 million reduction and instead reduces by \$30 million.
- Child Care Prospective Pay implementation: funds 6 months of implementation in 2025-26, generating \$21.9 million in savings, and funds a full year of local administration costs at \$43.8 million in 2026-27 only. Prospective pay for child care and State Preschool would be based on enrollment.

Other Major Budget Items:

- Provides \$200 million (\$150 million General Fund) for new child care slots:
 - 2,500 new general child care slots
 - 6,770 new voucher slots
 - 2,800 new California State Preschool Program (CSPP) slots
- Requires the Department of Social Services to adopt a single rate structure for setting child care reimbursement rates based on the cost of care, and to pay child care providers based on enrollment, with reporting on the use of funds for implementation and automation.

Housing and Homelessness

Legislature's Budget Solutions of Note:

- Reduces the 2025-26 Encampment Resolution Fund (ERF) appropriation by \$100 million.
- Approves Governor's proposal to sweep the remaining unspent balances in three affordable housing programs funds to achieve \$31.7 million in savings.

Governor's Proposed Solutions of Note Not Included in Legislature's Budget:

- Rejects, without prejudice, the Governor's proposal \$4 million in 2025-26, \$6.2 million in 2026-27, and \$6.1 million annually after that from the General Fund to pay for the proposed reorganization of the Business, Consumer Services, and Housing Agency (BCSH). The request comes before the Legislature has determined whether to accept, reject, or modify the reorganization plan itself and a decision regarding allocation of resources is therefore premature.

Other Significant Legislature's Budget Items of Note:

- Provides \$500 million to the Homeless Housing, Assistance, and Prevention (HHAP) program, in 2026-27, to continue flexible support for local efforts to address homelessness backed by robust accountability mechanisms.
- Approves additional staff and resources for the Housing and Homelessness Accountability, Results, and Partnership (HHARP) unit at the Housing and Community Development Department (HCD) to further encourage – and enforce, when necessary -- local compliance with state laws that bolster housing production and address homelessness.
- Includes the Housing Affordability Package, as outlined in the Introduction Section:
 - \$500 million in supplemental state Low-Income Housing Tax Credits to unlock financial backing for affordable housing projects statewide;

- \$300 million for the California Dream for All first-time, first-generation homebuyer shared appreciation loan program;
 - \$120 million for deeply affordable housing construction through the Multifamily Housing Program;
 - Renter's Tax Credit reforms;
 - Housing construction streamlining legislation.
- Approves state receipt of \$417 million in federal Community Development Block Grant – Disaster Recovery (CDBG-DR) funds to assist areas of the state impacted by severe winter storms in 2023 and 2024.

General Government

Legislature's Budget Solutions of Note:

- Rejects Governor's proposal to spend \$5 million of General Fund in 2025-26 and \$84 million of General Fund annually after that to expand the CalVolunteers College Corps program and make it permanent.
- Rejects Governor's proposal to spend \$17 million in one-time 2025-26 General Fund to extend operation of the California Regional Initiatives for Social Enterprises (CA RISE) program for two more years.
- Cuts the remaining \$15 million in state operations from the final year of Office of Community Partnerships and Strategic Communications (OCPSC).
- Rejects the Governor's proposal to spend \$5 million of General Fund in 2025-26 to carry out a "Belonging Campaign."
- Reduces the Youth Job Corps program annual budget by 25 percent, beginning in 2025-26.
- Modifies Governor's proposal to reduce funding for Hope, Opportunity, Perseverance, & Empowerment (HOPE) accounts for children from a reduction of \$50 million to a reduction of \$40 million, restoring \$10 Million in General Fund.
- Provides \$5 million to fund an education and workforce interagency entity to improve planning and coordination in higher education and workforce development.
- Restores \$819,000 General Fund in 2025-26 and ongoing for the California Department of Veterans Affairs related to Deferred Maintenance for Veterans Homes.
- Approves \$12,500,000 in General Fund one-time for startup and implementation costs of a Commission on Home-hardening.

Governor's Proposed Solutions of Note Not Included in Legislature's Budget:

- Rejects Governor's proposal to cut \$11.5 million from the Performing Arts Equitable Payroll program.

- Modifies the Governor's proposal to phase out the California Education Learning Lab (CELL) by restoring \$5.3 million in General Fund for program in 2025-26, followed by reductions of \$4 million annually after that.
- Modifies Governor's proposal requesting \$6 million in General Fund for the California Department of Food and Agriculture's animal and human health infrastructure programs by reducing funding by \$3 million General Fund in 2025-2026 and future years.
- Modifies Governor's proposal requesting \$24.9 million in General Fund for the California Department of Food and Farm to School Program by reducing the amount of funds appropriated for Climate Smart Technical Assistance portion of the program by \$3 million General Fund.

Other Significant Legislature's Budget Items of Note:

- Approves Governor's proposal to require financial institutions to use a single sales factor method when apportioning taxable income to California for ongoing General Fund revenue increases, beginning with of \$330 million in 2025-26.
- Directs the Legislative Analyst to develop tax reform options that lower taxes for ordinary California families, maximizes federal deductibility, minimizes any negative economic impacts on the California economy, and strengthens revenues over the long run. The options will be due to the Legislature in November of 2025 and be considered in the development of the 2026-27 state budget.
- Approves the Governor's proposal to contribute \$25 million in one-time 2025-26 General Fund for capital expenditures associated with the development of the National Semiconductor Technology Center's Design and Collaboration Facility in Sunnyvale, California.
- Adopts Governor's proposals for various tax changes including extension of the pass-through entity elective tax, military retirement exemption, and the expansion of funds for the Film Tax Credit.
- Rejects Governor's proposal to shift funding for the Department of Cannabis Control's enforcement efforts from the Cannabis Control Fund to the Cannabis Tax Fund, and associated enforcement related trailer bill language.

- Amends Governor's proposal for excluding wildfire settlements from taxable income to include settlements from recent wildfires.
- Reforms the Renters Tax Credit to benefit renters with dependents, as outlined in the Introduction section.
- Provides \$118.1 million one-time General Fund for local governments to backfill a Vehicle License Fee shortfall.
- Approves the Governor's Budget Proposal for \$10 million in one-time General Fund for journalism preservation.
- Approves \$20 million one-time General Fund for the Department of Finance to contract with a consultant to improve government efficiencies, subject to approval and oversight by the Joint Legislative Budget Committee.

Public Safety and Judiciary

Legislature's Budget Solutions of Note:

- Builds on the Governor's proposal to reduce the overall budget of the California Department of Corrections and Rehabilitation for savings of \$208 million in 2025-26 growing to roughly \$1 billion annually by 2028-29.
- Approves Governor's proposal to close one prison to achieve \$150 million annually in savings.
- Approves Governor's proposed reductions to the Jury Duty Pilot Program for savings of \$27.5 million.
- Approves Governor's proposal to loan \$150 million from the Unfair Competition Law Fund to the General Fund.
- Approves Governor's proposal to eliminate funding for the Flexible Cash Assistance for Survivors of Crime program.

Other Significant Legislature's Budget Items of Note:

- Includes \$110 million one-time for the implementation of Proposition 36, including \$50 million for behavioral health, \$30 million for the courts, and \$15 million each for pretrial services and for public defenders.
- Includes \$100 million one-time for Victims of Crime Act supplemental funding.

Transportation

Governor's Proposed Solutions of Note Not Included in Legislature's Budget:

- Rejects Governor's proposal to cut \$1.1 billion to transit programs.

Other Significant Legislature's Budget Items of Note:

- Provides up to \$750 million in emergency loans to Bay Area transit agencies to address short-term fiscal challenges.

Labor

Legislature's Budget Solutions of Note:

- Approves Governor's proposal to loan \$400 million from the Labor and Workforce Development Fund to the General Fund.

Governor's Proposed Solutions of Note Not Included in Legislature's Budget:

- Rejects Governor's proposal to assume savings of \$766.7 million (\$283.3 million General Fund) salary and wage reductions from collective bargaining agreements.
- Rejects Governor's proposal to suspend salary and wage increases for state employees.

Other Significant Legislature's Budget Items of Note:

- Includes \$12 million one-time Labor and Workforce Development Fund for the Garment Worker Center Pilot Project
- Includes \$13 million one-time Labor and Workforce Development Fund for implementation of an expansion of the California Workplace Outreach Program.
- Suspends the proposal to eliminate 6002 vacant positions until the enactment of the Budget Act of 2026, which will allow the Legislature the opportunity to review the potential long-term implications of such eliminations on regulatory activities, public health and safety, natural resources and environmental protection, and the implementation of recently enacted legislation. Approves the \$182 million General Fund savings associated with the positions remaining vacant for FY 2025-26.