

About That High-Noon Budget Showdown in Sacramento? There's a Deal!

06.30.26 | Linda J. Rosenthal, JD



Two weeks ago, the stage was set for the final round of the high-stakes California budget talks for the fiscal year about to start on July 1, 2026. See [In Sacramento, It's High Noon for the FY '26-'27 CA Budget](#) (June 18, 2026) *FPLG Blog*.

Under the state Constitution, [lawmakers and the governor must agree on a *balanced* budget](#) and have it [signed into law](#) by that date.

Negotiating down to the wire, legislative leaders and Governor Gavin Newsom made a \$351.78-billion deal which was finalized late Monday night, June 29th. See [Governor Newsom, Legislative leaders announce 2026-27 balanced budget agreement that ensures \\$0 deficit, while funding healthcare and key services](#) (June 26, 2026) [ca.gov.ca/2026/6/26/finalbudget](#); and [Governor Newsom signs historic balanced state budget, cementing California's fiscal strength and investing in the state's future](#) (June 29, 2026) News Release, Governor's Office, CA State Portal: [gov.ca.gov/2026/6/29/signedbudget](#).

A Wild Ride

It's been a wild ride since early January when Governor Newsom met the first constitutionally required deadline to release a proposed budget for the fiscal year that was six months away. He mentioned that the experts, including his Department of Finance team, had underestimated the revenue about to pour in because of the AI boom. See [CA State Proposed Budget Moves Front and Center](#) (January 13, 2026) *FPLG Blog*; and [There Are Already New Developments in the CA Budget Saga](#) (January 18, 2026) *FPLG Blog*.



With the ball in their court during the springtime months, lawmakers revised (upward) their initial budget thoughts and plans. See [CA State Budget Negotiations Heat Up](#) (April 21, 2026) *FPLG Blog*.

Governor Newsom's [Mid-May Revision](#), although based on the astonishing surplus numbers, took a more cautious approach to spending priorities than many senators and assembly members wanted. See [CA Mid-May Budget Revision is Out](#) (May 15, 2026) *FPLG Blog*; and [The CA Budget Revision: More Reaction](#) (May 19, 2026) *FPLG Blog*.

As we explained in our June 18, 2026 post – [In Sacramento, It's High Noon for the FY '26-'27 CA Budget](#) – lawmakers made counter offers, albeit in this all-blue affair. The Democratic governor negotiates with Democratic supermajorities in both chambers. As it happened, [AB 109: Budget Act of 2026](#) was approved on strict party lines: 53 (all D's) to 17 (all R's).

This \$351.78-Billion Agreement Is – Indeed – a Very Big Deal

Before moving on to the nuts and bolts of the new budget legislation – see next Section – let's address the elephant in the room: Why should you care or pay attention?

Ordinarily, government finance negotiations are the very definition of [snooze-fests](#). Even the direct participants are bored.

Many – perhaps, most – members of the charitable community may wonder why year after year, we drone on about it at length.

California's annual six-months-long budget ritual is a [constitutionally choreographed](#) dance between the executive and the legislative branches that involves divvying up – literally – mountains of money: hundreds of billions of dollars each year.

Currently, the Golden State is the [fourth largest economy in the world](#): only the United States, China, and Germany rank ahead of it. That fact, alone, is sufficient reason for all Californians to pay attention and have input into the state's financial decision-making.

More particularly, though, the state's 501(c)(3) organizations are an important component of its economic prowess and success. "California relies on nonprofit organizations to deliver public services, ranging from healthcare to environmental protection programs. With more than 109,000 nonprofits employing 1.7 million Californians and contributing 15 percent of the state's GDP, these organizations form a critical extension of government capacity...." See [Shared Priorities, Strained Systems: Modernizing State Grants and Contracts with Nonprofits](#) Report #291 | January 2026, Little Hoover Commission.

Yet, "...[cash flow instability](#) is one of the most persistent strains on the state's nonprofit partners." The state's grantmaking system is broken and ineffective. Even if the annual state budget allocates money directly to and for 501(c)(3)s, or for the benefit of the charitable beneficiaries that these organizations always step up and serve, those allocations are meaningless in a clogged pipeline.

In [CA Nonprofit Grantmaking Reform: Exciting New Developments](#) (May 7, 2026) *FPLG Blog*, we raised that point in connection with a key bill in the California Legislature right now: [SB 1240, Office of Nonprofit Empowerment](#). It would create a new focal point "to coordinate state policy in support



of California nonprofits and to improve how they work with the state.” Most particularly, it will have a *mandate* to comprehensively overhaul the state’s grantmaking system.

A prime mover behind this critical legislation – (already passed the Senate, advancing in the Assembly) – is the Little Hoover Commission along with the National Council of Nonprofits. Formally known as the Milton Marks ‘Little Hoover’ Commission on California State Government Organization and Economy, it is an independent state oversight agency – with a lot of clout – that is actively advocating for the creation of this proposed Office of Nonprofit Empowerment.

What’s In the New Budget?

Having established why California’s charitable sector should be paying close attention – namely, it deserves a much bigger piece of the state’s annual financial pie – let’s take a first look at [AB 109: Budget Act of 2026](#). It is, of course, a huge and complex measure that will take time and effort to digest.

“Governor Gavin Newsom today signed California’s 2026-27 state budget, enacting a balanced spending plan that protects Californians today while strengthening the state’s long-term fiscal future. The Governor released a video message outlining the philosophy that has guided California’s fiscal stewardship over the past seven years – rejecting the false choice between responsible budgeting and making transformational investments in people. See [News Release](#) linked above.

The announcement highlighted the key points of the deal:

- Maintains a balanced budget with no projected deficit this year or next.
- Funds tax relief for California small businesses.
- Continues universal school meals, universal transitional kindergarten, expanded childcare, and free summer school.
- Delivers the largest single-year investment in special education in California history.
- Protects healthcare affordability and access.
- Advances housing reforms that reduce red tape and accelerate homebuilding.
- Continues historic investments in behavioral healthcare and Proposition 1 implementation.
- Invests in disaster recovery, wildfire resilience, infrastructure, workforce development, and public safety.
- Strengthens election administration while protecting against mis- and dis-information.

Following its usual practice, the California Department of Finance uploads all of the key source documents to its [ebudget.com](#) online portal home page. In the right-hand column of the official three-window chart, the entry for “[Enacted Budget \(Summer\)](#)” is set up; the documents will undoubtedly be posted soon.

Of course, in the meantime, the text of the new budget statute is online at [AB 109: Budget Act of 2026](#). The *California Legislative Information* entry includes tabs for “[Today’s Law as Amended](#)” and “[Compare Versions](#).”

See also: [FYI: summaries of 2026-27 state budget plan](#) (June 27, 2026) Jason Sisney, [substack.com/@jasonsisney](#), see also his hashtag “CABudget.” Mr. Sisney “advises the Speaker of



the CA Assembly and Assembly Democrats on budget matters.”

This comprehensive substack post is a summary he prepared of the budget plan (which is part of the Assembly Budget Committee [floor report](#).) He also refers readers to the Senate’s “great initial summary of the Governor and legislative leaders’ 2026-27 state budget agreement [here](#) as well as the Senate bill analyses ([here](#)) and Assembly bill analyses ([here](#)).

Initial News Reports

News reports and analyses are already appearing online. See, for example;

- [*Newsom’s parting gift: A budget that delays California’s deep cuts to 2027*](#) (June 29, 2026) Yue Stella Yu, *Cal Matters*: “In summary, Gov. Gavin Newsom and state lawmakers reached a final budget deal last week that largely relies on AI revenue projections and new taxes to delay social service cuts and shrink future deficits....It is a [\\$352 billion budget](#) for next year that raises some taxes, sets aside \$6.4 billion for the year after and softens or delays billions of dollars in planned social service cuts.”
- [*Newsom signs \\$352B spending plan and reflects on signature policies before he leaves office*](#) (June 30, 2026, 9 AM PDT) Sophie Austin, *abc.7.com (Los Angeles)* via AP [“Democratic Gov. Gavin Newsom signed a nearly \$352 billion spending plan Monday that delays some cuts to healthcare programs, increases funding for childcare and sets aside money to help speed up the state’s vote count ahead of the November election.”]
- [*Newsom, California Legislature Reach \\$351.7-Billion Budget Deal*](#) (June 30, 2026) Taryn Luna, *The Los Angeles Times* via *Yahoo News* [A “... \$351.78-billion state budget in his final year as governor, a spending plan that uses a tax windfall to avoid major cuts and lessen California’s chronic deficit in the years ahead.*** The deal provides nearly \$2 billion in state revenue next year through tax hikes on corporations, new levies on software sales and a revamped tax on managed healthcare organizations. Lawmakers and the governor continue major investments in public schools, healthcare and agreed to increase spending on subsidized childcare and affordable housing.”]
- [*California passes \\$350 billion budget*](#) (updated June 30, 2026) Madeline Shannon, *The Center Square*, *kten.com/news* [“The California Legislature on Monday passed all of the bills making up California’s roughly \$350 budget, which Gov. Gavin Newsom signed immediately.”]

Conclusion

As we explained a few weeks ago, and many times over the years, the annual California State Budget is a big deal.

This year, as the charitable sector all around the nation is facing draconian and unprecedented cuts to federal funding, paying attention and staying involved is more critical than ever.

There is follow-up budget activity over the summer months and, of course, initial discussions about the FY '27-'28 are now open.

– Linda J. Rosenthal, J.D., FPLG Information & Research Director

