GENERAL

In Sacramento, It's High Noon for the FY '26-'27 CA Budget

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Earlier this week on Monday, June 15, 2026, California's legislative leaders happily announced their much-anticipated budget agreement: "AB 109 – Budget Act of 2026 had been "enrolled and presented to the Governor at 11 p.m."

The lawmakers had discharged their annual constitutional duty: that is, voting on and approving a balanced budget law by June 15th, a date two weeks ahead of the start of the next state fiscal year on July 1st.

"Today, June 15, is the constitutional deadline for the California Legislature to send a proposed budget bill to Governor Newsom for the 2026-27 fiscal year." (June 15, 2026) Jason Sisney, #CABudget, substack.com@jasonsisney

See CA Constitution, Art. IV Legislative, Sec. 12(c)(3): "The Legislature shall pass the budget bill by midnight on June 15 of each year." Under section 12(h), if they don't meet the deadline, they don't get paid … until they do.

The Stage is Now Set to Proceed

They did (approve a balanced budget before midnight on June 15th.)

They will (get paid).

The ball is now tossed to Governor Gavin Newsom, who must (also by constitutional mandate) negotiate with the Assembly and Senate for a three-party consensus on a balanced budget for FY 2026 – 2027. The budget legislation must be signed, sealed, and delivered to the People of California with the governor's signature by July 1, 2026.

This will be no routine and uneventful signing of the bill – namely, AB 109: Budget Act of 2026 – that legislative leaders sent over to him on June 15th.

The next two weeks will be a wild ride: Sacramento has been “abuzz with a final round of intense negotiations” since the Legislature’s bill was released at – literally – the eleventh hour on Monday.

What’s This All About?

It is a constitutionally choreographed yearly ritual that has enormous consequences for the health and welfare of the state’s economy – now the fourth largest in the world – and for its people. At stake are billions of dollars.

The state’s 501(c)(3)s have a particular interest in this continued flow of money. Not only can an elimination of government funding be an existential crisis for an individual organization, but the suspension of its services to the community can balloon the pool of charitable beneficiaries needing services from the remaining nonprofit providers.

For all these reasons, we have reported in real time for five years on the budget battles in California. “It’s been a rollercoaster ride over this volatile time frame”: from surpluses (2022) to deficits (2023, 2024) to a slight turn back into surplus territory in 2025, but offset by the cruel fiscal turmoil unleashed from the Oval Office (2025).”

“Now in 2026, we remain in the grip of the federal slash-and-burn policies (like 2025), but we’re also enjoying surpluses that are exploding month over month (like 2022).” See historical review as well as key information on this year’s negotiations in *CA Mid-May Budget Revision is Out* (May 15, 2026) *FPLG Blog* and *The CA Budget Revision: More Reaction* (May 19, 2026) *FPLG Blog.*

“The California budget process moves quickly after the governor releases the ‘May Revision’ in mid-May. This revised budget proposal opens a crucial window for public engagement, but the tight timeline can make advocating for your priorities challenging.” See *What Happens After the May Revision is Released?:* Fact Sheet (May 2024) Scott Graves and Kat Petsalis, *calbudgetcenter.org*.

For additional context, see also, our earlier posts in 2026: *CA State Proposed Budget Moves Front and Center* (January 13, 2026); *There Are Already New Developments in the CA Budget Saga* (January 18, 2026) and *CA State Budget Negotiations Heat Up* (April 21, 2026).

Notwithstanding the current huge surplus, there is broad consensus that California’s financial foundations are too precarious to be ignored. The progressive system of taxation currently in place, while laudable in many respects, happens to produce wild swings. There is little disagreement that – particularly in good years, like now – the structural weaknesses of the system must be addressed and corrected.

The devil, of course, is in the details.

The Negotiating Positions Staked Out

Governor Newsom/Executive Branch

This year, Governor Newsom’s position for purposes of the final negotiations was presented (as per constitutional mandate) in his *May Revision 2026-27*, aka Mid-May Revision, published on May 15, 2026. Our two posts – May 15th and May 19th – focusing on that development include links to original source documents, official explanations and guides, and commentary from outside experts and academics. Key documents include:

- *May Revision 2026-27*, [105 pp. PDF] Gavin Newsom, Governor (May 14, 2026), e *budget.ca.gov.com*
- *Governor Newsom releases revised budget plan*, [YouTube, 2:09:26] May 14, 2026 ["…. We are the temple of the American economy…."]
- *Governor Newsom announces revised budget that eliminates California's deficit, maintains investments for working families, healthcare, education, and businesses* (May 14, 2026) *Press Release, gov.ca.gov*
- *May Revise: Messaging and Key Announcements – Fact Sheet Chart* [3 pp. PDF], *gov.ca.gov*
- *Links to key May Revision resources* (May 14, 2026) Jason Sisney, #CABudget

Legislative Branch

"Today, the California State Senate passed the Legislative version of the 2026-27 budget. The Senate and the Assembly will now enter negotiations with the Governor to reach a final version of the budget." *Senate Passes the Legislative Version of the Budget* (June 15, 2026) *Press Release*, *CA State Senate*.

The bill itself is the key document: See AB 109 – Budget Act of 2026, *California Legislative Information,* [including: "Text," "Votes," "History," and "Bill Analysis"]

See also *California Legislative Leaders Announce Responsible, Compassionate Budget that Builds Foundation for the Future* (June 11, 2026) *Press Release*, Robert Rivas, Speaker of the California Assembly ["In response to the Trump administration's attacks on Californians' health coverage and safety net programs, the Assembly and Senate are delivering a responsible, compassionate budget that protects the services people rely on most."

This extensive document includes lengthy summaries of the deliberations that resulted in a consensus between the Assembly and the Senate leading up to this joint bill.

It also includes a section titled "Details on the Assembly-Senate Budget Agreement" with specific summaries of the provisions on "Health," "Human Services and Safety Net," "Housing and Homelessness," "Schools and Child Care," "Public Safety," "Climate and Wildfires," "Reserves," and "Responsible Revenue."

In *Legislative Version of the Budget* [15 pp PDF] (June 11, 2026) Sen. Monique Limon, Senate President pro Tempore & Sen. John Laird, Chair, Committee on Budget and Fiscal Review, offer an even more detailed review of the proceedings that led to AB 109, passed on June 15, 2026.

In the "Overview," these Senate leaders describe the movement from mid-April to mid-June of the Administration as well as the Assembly towards the Senate's position calling for "a balanced approach that includes new revenues."

There is also a section titled "Key Features" that includes summaries of the provisions on a wide range of topics including, for example:

- ***Full Scope Medi-Cal.*** Maintains full scope Medi-Cal for asylees and others that are no longer eligible for federal funding through the 2026-27 budget year, with commitment to work to maintain eligibility beyond that point.
- ***Medi-Cal Premiums Delay and Trigger***. Continues the delay of Medi-Cal premiums for the US population until July 1, 2027, but requires the Governor to set and announce a premium level between $0 and $50 by April 1, 2027.
- ***CalFood***. Provides $100 million, $70 million more than the May Revision, to support local food banks.
- ***Homeless Housing, Assistance, and Prevention (HHAP).*** Provides $900 million for Round 7 of HHAP. This level is $400 million higher than proposed in the May Revision and $100 million higher than included in the Assembly Version.
- ***Child Care Expansion***. Funds the next step to meet existing commitment of reaching 206,800 additional childcare spaces above 2020 levels by preserving the 6,800 spaces proposed to be eliminated by the Governor and adding 22,770 new child care spaces in 2026-27. Costs for this expansion will be significantly absorbed by updating preschool costs.

At the top of this list is the "Fair Share from Big Corporations" program "to combat the harm to health programs caused by HR 1 and to reduce the taxpayer subsidies for big corporations with employees enrolled in taxpayer-funded Medi-Cal instead of company-provided health plans."

What Are the Major Differences?

Typically, the governor of California does not meekly accept the balanced budget legislation approved by the Senate and Assembly. In many respects, June 15th is the beginning of the key and final budget phase. And this year, there are indeed stark differences in approach between (a) Governor Newsom's *May Revision 2026-27*, and (b) the Legislative consensus as of mid-June in AB 109.

Particularly helpful in explaining the conflicts between the executive and legislative positions as of June 15, 2026 is *Overview of the Legislative Budget Plan*. It is a publication of the California Legislative Analyst's Office (LAO) presented to the Senate Committee on Budget and Fiscal Review.

The LAO is a nonpartisan government agency created in 1941 that provides fiscal and policy advice to the California Legislature. Key among its activities is evaluating the Governor's proposed state budget to provide independent and objective analyses to help lawmakers make informed decisions.

There is a section titled "Some Major Differences Between Legislature's Budget and Governor's May Revision." The list includes:

- ***Schools and Community Colleges.*** Adopts higher revenue estimates … Deposits $9.5 billion into the Proposition 98 Reserve—$800 million less than the May Revision. Spends more on a variety of school and community college student support programs. Also funds higher enrollment growth for the colleges in 2026-27.
- ***State Preschool and Child Care.*** Shifts State Preschool programs operated by community-based organizations into Proposition 98 and makes an associated increase to the minimum

guarantee. Rejects Governor's proposal to reduce funding for child care slots and provides additional funding for nearly 23,000 new slots.

- ***Health.*** Adopts higher Medi-Cal asset limit relative to May Revision beginning July 2027. Allows Governor to decide by April 2027 the level of premiums on adults with unsatisfactory immigration status. Adopts framework to transition more seniors out of nursing facilities and into home- and community-based services. Rejects several other proposed Medi-Cal budget solutions, and delays start of several previously approved budget solutions to July 2027. Provides additional support to counties, indigent health care programs, and public hospitals to help mitigate the effects of H.R. 1. Expands support for distressed hospitals.
- ***Human Services.*** Rejects many of the large reductions in human services that were proposed by the Governor in January and May. Notably, all proposed reductions to In-Home Supportive Services and Adult Protective Services are rejected. Provides targeted, primarily one-time augmentations to select human services programs—including those which may be impacted by, or serving people impacted by, H.R. 1. Examples of these targeted augmentations include enhanced funding for county administration, food banks, and immigration services programs.
- ***Housing and Homelessness.*** Provides additional funding for: the state's flagship affordable housing program (Multifamily Housing Program), the state's low-income housing tax credit program, the state's main homelessness services program (Homeless Housing, Assistance, and Prevention grant program), and homelessness programs administered by the Department of Social Services.
- ***Judiciary and Criminal Justice.*** Provides $3 billion lease revenue bond authority and one-time funding in 2026-27 for courthouse and courtroom construction as well as deferred maintenance. Includes an unallocated General Fund reduction in 2026-27 and ongoing for the California Department of Corrections and Rehabilitation. Requires an additional prison to be closed.

What Time is It? High Noon

In *California Democrats approve budget deal, opening negotiations with Newsom* (June 15, 2026) *Cal Matters* reporters Yue Stella Yu and Kate Wolffe noted that "California lawmakers adopted a $356 billion state budget late Monday that would largely avoid or delay billions of dollars in social service cuts Gov. Gavin Newsom proposed last month."

They clarified: Of course, "the (real) budget negotiations" can "now begin. The vote was only a formality, because lawmakers are constitutionally required to pass a balanced budget by June 15 each year to continue collecting their pay. They have until the end of the month to strike a deal with Newsom before the new fiscal year starts July 1."

Although "state lawmakers agreed with "Newsom's plans to raise taxes on computer software, reduce tax credits to businesses and extend a tax on health care providers," they will now have to "settle their differences with Newsom on healthcare cuts, funding for schools and homelessness and more."

Conclusion

As the experts from the California Budget & Policy Center explained in their May 2024 post about what happens following the Governor's May Revision, this period in the final two weeks of June is an additional opportunity for advocacy. "The Legislature passes the Budget Act by June 15 – the constitutional deadline – and sends it to the governor, even as negotiations continue between legislative leaders and the governor on the full budget package."

Beyond "…late June, [when] all budget-related legislation (including trailer bills) is unveiled, voted on by both houses of the Legislature, and signed by the governor, potentially with line-item vetoes." there may be additional chapters in the budget 'story' …. In August, state leaders often revisit the budget, potentially adding to the size and scope of the original budget package enacted earlier in the summer."

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