



THE RURAL RUNDOWN

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**GOVERNOR'S 2026-27
PROPOSED BUDGET**

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RCRC'S SUMMARY OF GOVERNOR NEWSOM'S 2026-27 PROPOSED BUDGET

Earlier today, the Newsom Administration released the 2026-27 [Proposed Budget](#). *The Rural Rundown* captures highlights of the proposal as it relates to RCRC member counties. This proposal is the first step in the State's budget negotiations with lawmakers, who must pass a budget by June 15 for the July 1 start of the 2026-2027 fiscal year.

The 2026-27 proposed budget of \$349 billion continues the Governor's multi-year approach and reflects an economy that has performed better than was projected in the 2025-26 State Budget, with revenues \$42 billion higher than earlier projections from the LAO. While the Governor's 2026-27 Proposed Budget does reflect continued growth, it also predicts several risk factors that could have negative impacts on California's economy and revenues, including stock market volatility and reemerging inflation. The proposal also considers possible impacts of federal policies in the areas on international trade and immigration that could alter California's economic output. The Administration is not proposing either significant increases or decreases in spending given its "modest" projected shortfall of \$2.9 billion, but cautions that additional decisions may need to be made when the revenue picture is clearer around the time of the May Revision. The Administration projects a deficit of roughly \$22 billion in 2027-28.

The Governor's 2026-27 Proposed Budget reflects ongoing commitments to education, public safety, wildfire response, and the Administration's policies on homelessness and housing. The proposal also assumes a budget reserve balance of roughly \$60 billion at the end of 2026-27, which includes \$14.3 billion in the Budget Stabilization Account; \$41.5 billion in the Special Fund for Economic Uncertainties; and, \$4.1 billion in the Public School System Stabilization Account.

Overview. At \$349 billion, the Governor's 2026-27 Proposed Budget includes a proposed \$248 billion General Fund, funded by \$142 billion in personal income tax, \$35 billion in sales and use tax, and \$43.5 billion in corporation tax revenues.

The Governor's 2026-27 Proposed Budget also allocates \$2.1 billion in the second year of funds from the 2024 voter-approved Climate Bond (Proposition 4), including the following investments:

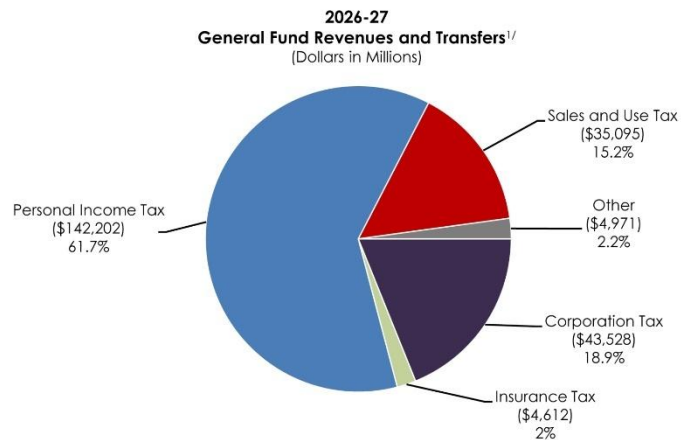
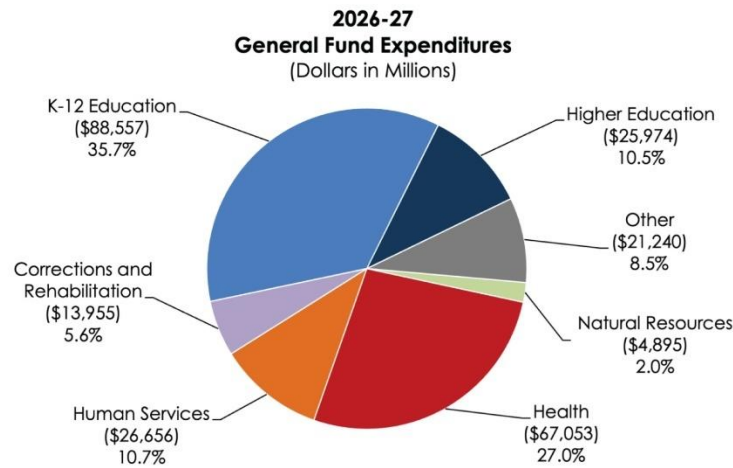
- Safe Drinking Water, Drought, Flood, and Water Resilience—\$792 million
- Wildfire and Forest Resilience—\$314 million
- Coastal Resilience—\$107 million
- Extreme Heat Mitigation—\$241 million
- Biodiversity and Nature-Based Solutions—\$199 million
- Climate Smart Agriculture—\$89 million
- Outdoor Access—\$35 million
- Clean Air and Energy—\$326 million

In addition, the Governor's 2026-27 Proposed Budget includes a four-year spending plan for the newly re-branded Cap-and-Invest program. The Cap-and-Invest Expenditure Plan implements the three-tiered spending scheme as outlined in 2025's Assembly Bill 1207

and Senate Bill 840, prioritizing funds for the State Responsibility Area Backfill, the High-Speed Rail Authority and the CAL FIRE General Fund shift over other programs such as Healthy and Resilient Forests and Safe Drinking Water.

Revenue Forecast. The Governor's 2026-27 Proposed Budget includes the following observations pertaining to the anticipated revenue:

- The three largest sources of revenue—personal income tax, corporation tax, and sales tax—are estimated to be higher by \$40 billion over the budget window due to a \$16.4 billion upward revision to the personal income tax forecast, a \$24.6 billion upward revision to the corporation tax forecast, and a \$1.1 billion downward revision to the sales tax forecast.
- General Fund revenue is projected to be approximately \$42.3 billion over the budget window than predicted in the 2025 Budget Act, primarily driven by the personal income tax and corporation tax.
- The sales tax is estimated to account for about 15 percent of General Fund revenue before transfers in 2024-25.
- The sales tax forecast is \$1.1 billion, or 1 percent, lower in the budget window relative to the 2025 Budget Act forecast, driven by cash receipts that were \$355 million, or 1.5 percent, lower than projected through November. Taxable sales were below forecast in the second quarter of 2025 primarily because inflation from tariffs was lower than projected in the 2025 Budget Act, which assumed a higher effective tariff rate and an immediate pass-through of tariff costs to consumers.
- Annual revenues for the Behavioral Health Services Fund are projected to be \$3.9 billion in 2024-25, \$4.6 billion in 2025-26, and \$4.7 billion in 2026-27. Over the budget window, these transfers to the Behavioral Health Services Fund are nearly \$2.2 billion higher than predicted in the 2025 Budget Act forecast.
- Capital gains realizations are revised higher relative to the 2025 Budget Act forecast and contribute \$21.2 billion to the overall personal income tax forecast upgrade. This upward revision is supported by stronger-than-projected growth in the stock market and stronger-than-projected cash results related to tax years 2024 and 2025.
- The Governor's 2026-27 Proposed Budget projects capital gains realizations to increase 8 percent in 2025 and 1 percent in 2026, compared to a 15-percent decline in 2025 and flat growth in 2026 assumed in the 2025 Budget Act.



Agriculture

The Governor's 2026-27 Proposed Budget proposes \$24.6 million in one-time General Fund (\$25.2 million ongoing) spending to the Department of Food and Agriculture for the Farm to School supply chain. The Governor's 2026-27 Proposed Budget also includes \$89 million from the Climate Bond for various climate-smart agriculture projects and programs, including \$14 million to fund a newly established Tribal Food Sovereignty Program and \$14 million for the establishment of the Regional Farm Equipment Sharing Program.

The Governor's 2026-27 Proposed Budget requests \$228,000 for the Department of Food and Agriculture to develop and implement best management practices for the on-site composting of livestock, as authorized by last year's AB 411 (Papan).

As with previous State Budgets, no funding—other than the nominal amount required to maintain the budget item—is proposed for the Open Space Subvention Program (Williamson Act).

Air Quality

The Governor's 2026-27 Proposed Budget continues to advance programs to accelerate purchases of zero-emission vehicles (ZEV) in both private and public operations. RCRC has been engaged on behalf of counties to try to mitigate the impacts of unfunded mandates related to ZEVs.

Advanced Clean Fleets. The Governor's 2026-27 Proposed Budget includes \$1.7 million ongoing from the Air Pollution Control Fund to implement the public fleets portions of the Advanced Clean Fleets (ACF) regulations. Due to the U.S. Environmental Protection Agency's rejection of California's Clean Air Act waiver request to implement ACF mandates on private fleets, local governments are currently facing an unfunded mandate to upgrade their fleets to ZEVs.

Cap-and-Invest. The Governor's 2026-27 Proposed Budget establishes a four-year expenditure scheme for the state's newly rebranded Cap-and-Invest auction program. The expenditure plan includes funding for various projects, prioritizing \$1 billion annually for the High-Speed Rail Authority and CAL FIRE operations.

Zero Emission Vehicle Incentives. The Governor's 2026-27 Proposed Budget proposes a \$200 million one-time expenditure from the Greenhouse Gas Reduction Fund (GGRF) (\$81 million) and the Air Pollution Control Fund (\$85 million) to establish a new light-duty ZEV incentive program.

Community & Economic Development

Housing. The Governor's 2026-27 Proposed Budget does not include any additional General Fund expenditures for housing. The Proposed Budget outlines provisions to continue with the implementation of the Governor's agency reorganization that established the California Housing and Homelessness Agency (CHHA) and the Housing Development and Finance Committee (HDFC). As part of that effort, the Administration proposes to align affordable housing programs under HDFC, including the Low-Income Housing Tax Credit program that is currently administered by the California State Treasurer, as well as a dedicated share (yet to be determined) of private activity bonds to be allocated directly by HDFC.

Additionally, the Governor's 2026-27 Proposed Budget states the intent that all future housing appropriations should flow through a single, coordinated application and award process.

The Governor's 2026-27 Proposed Budget allows up to \$560 million annually from Cap-and-Invest proceeds to be redirected to HDFC to administer housing programs as part of modernizing the Affordable Housing and Sustainable Communities (AHSC) program. The

housing capital component of AHSC will be realigned with HDFC, while the sustainable communities component will remain administered by the Strategic Growth Council.

Homelessness. The Governor's 2026-27 Proposed Budget maintains \$500 million for the seventh round of the Homeless Housing Assistance and Prevention program (HHAP) contingent on enhanced accountability and performance requirements.

Telecommunications. The Governor's 2026-27 Proposed Budget does not provide any new funding for the State's broadband efforts but does propose to extend the encumbrance period for \$550 million in General Fund allocated to the California Department of Technology (CDT) until December 31, 2028. These funds were originally allocated in the 2022 Budget Act for 2023-24 and 2024-25, and the extension is meant to allow CDT to continue to pay staff salaries and provide flexibility in contracting to complete the Middle Mile Broadband Network (MMBN).

Economic Development. The Governor's 2026-27 Proposed Budget includes \$322.5 million to the California Infrastructure Economic Development Bank (I-Bank) to support the California Transmission Accelerator Revolving Fund.

The Governor's 2026-27 Proposed Budget also includes \$400,000 in General Fund in this year and ongoing to engage and grow emerging business sectors such as artificial intelligence, quantum, and cloud/data platforms by facilitating relationships between the private sector and R1 universities, national laboratories, and federal funding opportunities.

Extreme Heat and Community Resilience Program. The Governor's 2026-27 Proposed Budget includes \$55.3 million to fund new construction and upgrades of neighborhood-level resilience centers to provide shelter and resources during climate and other emergencies.

Educational Pathways/Workforce Development. The Governor's 2026-27 Proposed Budget includes an increase of \$38.1 million Proposition 98 General Fund to support and provide stable funding for Calbright College in its base operations as it transitions out of its startup capacity.

The Governor's 2026-27 Proposed Budget also includes \$18.2 million one-time Apprenticeship Training Contribution Fund in 2026-27, \$18.1 million one-time in 2027-28, and \$17.8 million one-time in 2028-29 and 2029-30 for DIR for grants to approved apprenticeship programs in construction and related trades.

County Operations

Cannabis. The Governor's 2026-27 Proposed Budget estimates \$403.9 million will be available for Prop 64's "Allocation 3" continuously appropriated programs, shown below.

- 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 created by illegal cannabis cultivation—20 percent (\$80.8 million); and

- Public safety-related activities—20 percent (\$80.8 million).

Rural CUPA Funding. The Governor's 2026-27 Proposed Budget seeks to provide \$720,000 annually to implement the provisions of Assembly Bill 993 (Hadwick) of 2025, which RCRC and the California Conference of Directors of Environmental Health sponsored last year. That bill expanded eligibility for two small counties to access up to \$60,000 annually to implement local Certified Unified Program Agencies, which oversee consolidated permitting, inspection, and enforcement related to various hazardous materials programs. Counties that are eligible for the new funding include: Alpine, Amador, Del Norte, Humboldt, Lake, Mendocino, Mono, Napa, Nevada, San Benito, Siskiyou, and Tuolumne Counties.

Energy

The Governor's 2026-27 Proposed Budget largely references prior investments to meet increased electricity demand, improve grid reliability, and support customer affordability. New budget adjustments include approximately \$19.9 million to implement recent legislation including, but not limited to, [SB 254](#), [AB 825](#), and [AB 1167](#), and \$15 million in grants to reduce fuels around energy transmission facilities.

The Governor's 2026-27 Proposed Budget includes no additional funding to offset the California Public Utilities Commission's premature termination of the BioMAT program, which supports the development and operation of smaller biomass facilities that are fueled by woody debris from forest fuels management and agricultural production. While the Governor's Job's First program allocated several million dollars to BioMAT projects in development last year, the CPUC's decision to terminate the program is likely to jeopardize those crucial local projects and undercut the Jobs First funding.

The Governor's 2026-27 Proposed Budget seeks to provide over \$300 million from Proposition 4 bond funds to support the public financing of clean energy transmission projects.

The Governor's 2026-27 Proposed Budget seeks \$2 million for the Energy Commission to prepare one or more program environmental impact reports (PEIRs) for clean energy projects to accelerate the environmental review and permitting of those projects. RCRC has advocated for this over the last several years.

The Governor's 2026-27 Proposed Budget proposes nearly \$1 million to assess and report on ratepayer impacts of expected large new electricity loads, like data centers.

Forest and Public Lands Stewardship

The Governor's 2026-27 Proposed Budget supports and increases funds for various programs related to wildfire prevention and public lands management. Much of the proposed funding would be drawn from either the Greenhouse Gas Reduction Fund (GGRF), which is derived from the proceeds of the Cap-and-Invest program, or Climate Bond funding. RCRC has continued to advocate for the continued funding of wildfire

prevention programs from the GGRF and will be supporting efforts to ease the state's ability to fund projects through the Climate Bond.

California Department of Forestry and Fire Protection (CAL FIRE). The Governor's 2026-27 Proposed Budget includes \$5.3 billion in total funding for CAL FIRE. This proposed funding includes \$750 million from the Cap-and-Invest program proceeds to backfill CAL FIRE's General Fund shortfall in order to maintain the 2025-26 State Budget agreement to support CAL FIRE with \$1.25 billion from the GGRF in 2026-27. This funding will support CAL FIRE staff, operations, and grant programs to help reduce California's wildfire risk. New funding for the department includes \$6.2 million from the General Fund to aid in defensible space inspections.

Cap-and-Invest. The Governor's 2026-27 Proposed Budget includes \$141 million for the Healthy and Resilient Forests program. This is \$59 million short of the \$200 million annual investment promised to the program in 2018's Senate Bill 901 (Dodd). The proposal looks to make up the shortfall by funding local fire prevention grants from the Climate Bond fund.

Climate Bond. The Governor's 2026-27 Proposed Budget includes \$314 million from the \$10 billion Climate Bond, passed by voters via Proposition 4 in 2024, to continue the state's wildfire and forest resilience program. These investments include:

- \$58 million for local fire prevention grants, which will fund wildfire prevention and fuels reduction projects in and near high wildfire risk communities.
- \$19.6 million for financial and technical assistance to help homeowners implement Zone 0 and other defensible space mitigations.
- \$15.2 million for grants to support fuels reduction projects around high wildfire risk communities to reduce risk of ignitions related to electricity transmission.

The proposed investments from the Climate Bond also include \$107 million to continue projects to safeguard coastal communities from climate impacts, \$199 million to projects that promote nature-based solutions, and \$35 million to expand and enhance outdoor access and parks.

California Conservation Corps. The Governor's 2026-27 Proposed Budget includes \$213.3 million for the California Conservation Corps (CCC), including \$11.7 million General Fund to implement a seven-day, year-round operational schedule to enhance wildfire readiness and workforce development. The proposal also includes \$12.3 million to staff to operate the new Greenwood Residential Center in El Dorado County, which will serve over 100 Corpsmembers.

State Parks. The Governor's 2026-27 Proposed Budget proposes \$6.8 million in ongoing General Fund spending for the State Library Parks Pass Program. The Governor's 2025-26 Proposed Budget also identifies \$2.1 million in parks related funds for continuation of the construction of California Indian Heritage Center in West Sacramento (Yolo County).

Off-Highway Vehicle Grants. The Governor's 2026-27 Proposed Budget proposes \$29 million in local assistance grants to cities, counties, districts, federal agencies, state agencies, educational institutions, federally recognized Native American Tribes,

California Native American Tribes, certified community conservation corps, and nonprofit entities to support various off-highway motorized vehicle projects and programs.

Health Care and Social Services

The Governor's 2026-27 Proposed Budget includes \$343.6 billion for all Health and Human Services programs. General Fund dollars account for \$94.4 billion of that allocation.

Behavioral Health. The Governor's 2026-27 Proposed Budget estimates that counties are estimated to receive over \$4 billion from the Behavioral Health Services Fund for behavioral health treatment and supports. The Governor's 2026-27 Proposed Budget also includes a placeholder of \$150 million Behavioral Health Services Fund In lieu of General Fund for workforce and prevention programming at the Department of Health Care Access and Information and the California Department of Public Health with the specific proposal to be updated at the May Revision.

Managed Care Organization (MCO) Tax. Proposition 35, approved by the voters in November 2024, requires DHCS to seek federal renewal and reauthorization of the Managed Care Organization (MCO) Tax added by Chapter 13, Statutes of 2023 (AB 119) to permanently continue the tax. The Governor's 2026-27 Proposed Budget reflects MCO Tax revenue of \$4.5 billion in 2025-26 and \$2.5 billion in 2026-27. MCO Tax revenue to support the Medi-Cal program and \$1.6 billion across 2025-26 and 2026-27 to support increases in managed care payments relative to calendar year 2024 in certain domains. The current MCO Tax is not consistent with the H.R. 1 requirement that prohibits taxing Medicaid providers at higher rates than non-Medicaid providers. Under recent federal guidance, 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 Governor's 2026-27 Proposed Budget assumes a transition period through December 31, 2026 as California will continue to evaluate options to receive a full transition period. Additionally, H.R. 1 and Proposition 35 requirements significantly limit the potential size of a future MCO Tax, resulting in a substantial reduction in ongoing funding to support the Medi-Cal program.

Medi-Cal. The Governor's 2026-27 Proposed Budget includes increased Medi-Cal expenditures of approximately \$2 billion General Fund compared to the 2025 Budget Act. This increase is driven primarily by federal fund claiming changes, including a one-time retroactive state-only claiming repayment and federal fund claim deferrals, as well as increased Medicare costs. The Governor's 2026-27 Proposed Budget reflects the following significant adjustments related to the implementation of federal requirements included in H.R. 1:

- **Work and Community Engagement Requirement** – An estimated reduction of \$373 million (\$102 million General Fund) in 2026-27 and \$13.1 billion (\$3.6 billion General Fund) by 2029-30, resulting from the new work and community engagement requirements for the Affordable Care Act adult expansion population, effective January 1, 2027. Under this federal policy, these individuals must comply with federal work or community engagement requirements as a condition of Medi-Cal eligibility unless they meet an allowable exemption or short-term exception.

- **Medical Assistance Percentage for Emergency Services** – A cost 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 Affordable Care Act adult expansion population members with unsatisfactory immigration status.
- **Restrictions on Immigrant Eligibility** – Transitions individuals impacted by the federal eligibility change for qualified non-citizens 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, which significantly reduces federal funding for this population. If the state were to otherwise 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.
- **Affordable Care Act Adult Expansion Six-Month Redeterminations** – A reduction of \$463 million (\$74 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 Timeframes** – A reduction of \$23 million (\$10 million General Fund) in 2026-27 and \$48 million (\$20 million General Fund) ongoing from the reduction of retroactive Medi-Cal coverage changes from three months before an individual's application date to one month for the Affordable Care Act adult expansion population and two months for all other members, effective no sooner than January 1, 2027.

Indigent Care. It is important to note that significant downstream impacts are expected from Medi-Cal reductions under H.R. 1. County indigent programs will see increased participation. The county indigent programs were previously supported by a significant portion of 1991 realignment funds, which was redirected due to the implementation of the ACA in 2014 and are now used to meet the State's obligations under CalWorks. While funding for indigent care programs was not included in the (January) proposed budget, the Administration noted that it is in discussions with counties regarding funding needs and impacts stemming from recent changes within H.R. 1. RCRC, along with our county partners, will continue to advocate for additional fiscal resources with the reemergence of this population into county care.

Federal Rural Health Transformation Program. The Governor's 2026-27 Proposed Budget includes \$233.6 million in federal funds in federal fiscal year 2026 to expand access to care, strengthen the workforce, and enhance infrastructure in rural and frontier communities at the Department of Health Care Access and Information.

Social Services. The Governor's 2026-27 Proposed Budget includes \$58.6 billion (\$25.8 billion General Fund) for Department of Social Services programs.

CalFresh. The Governor's 2026-27 Proposed Budget includes \$3.2 billion (\$1.6 billion General Fund) in CalFresh and nutrition programs. In addition, \$12.8 billion in federal food benefits is provided directly to recipients by the federal government. Federal

changes within H.R. 1 resulted in significant changes to CalFresh eligibility and has resulted in the following significant budget adjustments:

- **Cost-Sharing Provisions** – The Governor’s 2026-27 Proposed Budget includes an increase of \$382.9 million General Fund to reflect the federal share of CalFresh administrative cost reduction from 50 percent to 25 percent. As a result, the Governor’s 2026-27 Proposed Budget 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 based on the payment error rate beginning October 1, 2027.
- **Eligibility Provisions** – The Governor’s 2026-27 Proposed Budget includes \$66.2 million in anticipated reduced General Fund costs due to changes in federal policy, resulting in fewer individuals remaining eligible for CalFresh benefits.

In-Home Supportive Services. The Governor’s 2026-27 Proposed Budget includes a reduction of \$233.6 million in the General Fund to remove the state’s share of cost for IHSS hours per case growth, beginning in 2027-28, and will impact costs to counties. Additional details are pending. The proposed budget cuts \$86 million General Fund from the IHSS program to effectively eliminate the IHSS Residual Program’s role for IHSS recipients who become ineligible for Medi-Cal. The Residual Program has effectively served as a safety net to allow IHSS recipients to continue to receive services as they re-establish their eligibility for Medi-Cal.

Public Health. The Governor’s 2026-27 Proposed Budget preserves the Future of Public Health funding, an ongoing investment of \$276.1 million in state and local public health infrastructure and workforce, providing \$188.2 million for local health departments.

Community Resilience Centers. The Governor’s 2026-27 Proposed Budget seeks to provide \$55 million to fund new construction and upgrades of local resilience centers that provide shelter and resources during climate and other emergencies. These types of centers have also been crucial local resources during the frequent power outages experienced in rural communities over the last several years.

Department of Veterans Affairs. The Governor’s 2026-27 Proposed Budget seeks to provide \$209 million for the design-build phase of the Yountville Skilled Nursing Facility in Napa County. The state expects to be reimbursed by federal funding.

Public Safety, Emergency Management, and Criminal Justice

The Governor’s 2026-27 Proposed Budget includes several updates to programs impacting counties, including:

Community Corrections Performance Incentive Grant. The Community Corrections Performance Incentive Grant, Chapter 608, Statutes of 2009 (SB 678) was created to provide incentives for counties to reduce the number of felony probationers sent to state prison. The Governor’s 2026-27 Proposed Budget contains a \$127.9 million one-time General Fund to support the incentive program.

Proposition 47. Approved by California voters in 2014, Proposition 47 reduces penalties for a variety of specified offenses and dedicates the ‘savings’ from prosecuting and housing these offenders into programs that support K-12 truancy and dropout prevention, victim services, and recidivism reduction programs primarily focused on mental health and drug treatment. The Governor’s 2026-27 Proposed Budget estimates a net savings of \$81.3 million. Proposition 36 is projected to increase the state prison population and therefore decrease savings associated with Proposition 47 in future years.

CARE Court. The Governor’s 2026-27 Proposed Budget includes \$17.4 million ongoing General Fund to support public defender and legal services organizations who provide legal counsel to CARE participants.

Court Facilities. The Governor’s 2026-27 Proposed Budget includes funding for several court-related projects in RCRC counties, including:

- \$20.6 million for various phases to add additional court rooms to existing facilities in Hanford (Kings County), Yuba City (Sutter County), and Stockton (San Joaquin County).
- Reappropriation of \$5.2 million for the performance criteria phase of a new 12-courtroom Solano Hall of Justice in Fairfield, which is estimated to cost a total of \$338 million.
- \$320 million in Lease Revenue Bond authority to build a new 12-courtroom in San Luis Obispo County.
- \$1.49 million for the Performance Criteria phase of a new courthouse in Nevada County that is expected to cost a total of \$206 million.
- \$2.3 million for the Performance Criteria phase of a new 3-room courthouse in Quincy, with a total estimated project cost of \$76 million.

Solid Waste

The Governor’s 2026-27 Proposed Budget seeks to provide roughly \$6 million to coordinate actions and respond to elevated temperature events at solid waste landfills. While much of this funding is geared toward responding to the event at Chiquita Canyon, the state is seeking to coordinate the oversight roles of multiple state and local agencies in inspecting and responding to elevated landfill temperatures.

Transportation

The Governor’s 2026-27 Proposed Budget maintains spending proposed during previous budgets for multiyear transportation outlays. This includes:

- \$7.6 billion for high-priority transit and rail infrastructure projects that will improve rail and transit connectivity between state and local/regional services that are designed to provide options to opt-out of traffic congestion and reduce greenhouse gas emissions. A portion of these funds can also be used to support transit operations.

- \$4.2 billion Proposition 1A for the High-Speed Rail Authority to continue building the 119-mile Central Valley Segment from Madera to just north of Bakersfield.
- \$1.2 billion for projects that improve goods movement on rail and roadways at port terminals, including railyard expansions, new bridges, and zero-emission modernization projects.
- \$1.1 billion for Active Transportation Program projects and climate adaptation projects.
- \$410 million for the Zero Emission Transit Capital Program.
- \$150 million for grade separation projects that support critical safety improvements and expedite the movement of traffic and rail by separating the vehicle roadway from the rail tracks.

The Governor's 2026-27 Proposed Budget also incorporates a long-term funding strategy for the High-Speed Rail project, including \$5 billion GGRF over the next five years and with the passage of SB 840, the High-Speed Rail Authority is provided \$1 billion per year through 2045 from the GGRF.

Water and Wildlife

The Governor's 2026-27 Proposed Budget proposes \$792 million to continue investments that improve water storage, replenish groundwater, improve conditions in streams and rivers, as well as complete various water resilience and water-related infrastructure projects.

The proposed spending comes from Prop 4 revenues and includes:

- \$232 million for flood control projects to evaluate, repair, rehabilitate, reconstruct, expand, or replace levees, weirs, bypasses, and facilities of the State Plan of Flood Control, Projects in the Sacramento-San Joaquin Delta, and projects funded through the Flood Control Subventions Program.
- \$173 million for drinking water projects serving small or disadvantaged communities or tribes and that address failing water systems and water systems at risk of failing, as well as failing private wells. Funding will also support wastewater projects serving small or disadvantaged communities that address a violation or connect unsewered homes to a centralized wastewater system.
- \$68.8 million to support repairs to existing or new water conveyance projects. In 2026-27, the California Natural Resources Agency will prioritize funds for repairs to existing infrastructure. The remaining funding will be awarded as competitive grants for new conveyance projects that deliver regional or interregional benefits, such as water supply reliability, safe drinking water, increased groundwater recharge, and improvements to water security.

Coastal Resilience. In addition to the proposed spending for water infrastructure from the Climate Bond, the Governor's 2026-27 Proposed Budget also proposes \$107 million to continue investments that help protect coastal communities against increased flooding, coastal erosion, and habitat loss.

Golden Mussel Containment. The Governor's 2026-27 Proposed Budget includes \$20 million from the Climate Bond to fund positions at the California Department of Fish and Wildlife to increase the department's ability to stop the spread of invasive golden mussels.

Waters of the United States. The Governor's 2026-27 Proposed Budget includes \$2.6 million ongoing special funds and 12 positions to expand essential water quality permitting and enforcement work.