

Summary of Governor Gavin Newsom’s Final Budget for FY 2026-27

Introduction

On June 29, 2026, Governor Gavin Newsom signed the final budget for fiscal year (FY) 2026-27, representing \$351.7 billion in spending. This document highlights key investments that address health, safety, and well-being. In addition to providing an overview of the final budget, this document also provides a side-by-side comparison between the Governor and Legislature’s budget proposals to illustrate specific instances where the Governor, Legislature, or both sought to protect or curtail vital investments towards the social determinants of health. The following highlights are in areas that reflect our policy priorities and those of our local partners; they do not reflect all investments made in the final enacted budget.

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Economic Outlook and Revenue Solutions

With economic burdens impacting Californians’ ability to meet their basic needs, raising state revenues is key to ensuring the state maintains essential programs that protect Californians. The Governor signed a balanced budget that projects no deficit over the next two fiscal years. However, it does not address the state’s long-term [structural deficit](#). Advocates have pushed for revenue solutions that would create stable funding streams to support programs that support our communities.

Proposals that are of interest to advocates, but were not included in the final budget include:

- *Fair Share from Big Corporations Act*– This revenue solution would combat the harm to health programs caused by H.R. 1 and reduce taxpayer subsidies for large corporations with employees enrolled in taxpayer funded programs, like Medi-Cal and SNAP. The final budget decision moves

the discussion on this proposal forward with a requirement for the Department of Finance to provide draft bill options by March 2027 to hold large employers accountable for employees on Medi-Cal. If Congress repeals Medicaid provisions included in Trump’s H.R. 1, the requirement for the Department of Finance to provide these options would be paused.

- *Closing the Water’s Edge Loophole*– This revenue solution would restrict a tax election that allows multinational corporations to shift their profits overseas. It was not included in the final budget, Governor’s proposals, nor the Legislature’s final proposals.

Establish a Corporate Tax Credit Limit

FINAL ENACTED BUDGET

Signed into law

GOVERNOR’S MAY REVISE

Proposes to permanently cap business tax breaks at \$5 million or 50% of total tax liability (whichever is higher). Would go into effect Jan 1, 2027. Is estimated to increase corporation tax revenues by \$850 million in 2026-27, and \$1.7 billion in 2027-28.

LEGISLATURE’S BUDGET

Approved the Governor’s proposal

Expanding the Digital Software Sales Tax

FINAL ENACTED BUDGET

Signed into law

GOVERNOR’S MAY REVISE

Proposes to extend the state’s sales tax on prewritten software broadly. Would go into effect Jan 1, 2027. Is estimated to raise General Fund revenue by \$450 million and local sales tax revenue by \$560 million in 2026-27, growing to \$900 million General Fund and \$1.1 billion local in 2027-28.

LEGISLATURE’S BUDGET

Approved the Governor’s proposal

Restructuring the Managed Care Organization (MCO) Tax

FINAL ENACTED BUDGET

Signed into law

GOVERNOR’S MAY REVISE

To comply with H.R. 1 requirements, proposes extending and updating an existing tax on managed health care plans to preserve Medi-Cal funding, effective Jan. 1, 2027.

LEGISLATURE’S BUDGET

Approved the Governor’s proposal

Healthy, equitable built environments and land use planning

Fostering Equitable Housing Development and Addressing Homelessness

Stable, safe, and affordable housing is a critical determinant of health. Housing directly impacts physical and mental wellbeing and provides a foundation for economic stability. Since the Governor's January Proposed budget, the Governor has proposed no new investments for housing and homelessness programs. Fortunately, through budget negotiations with the Legislature, who has been more supportive of new housing and homelessness funding, critical programs have received additional funding in the final budget.

Homeless Housing, Assistance, and Prevention Program

FINAL ENACTED BUDGET

Provides \$900 million for HHAP

GOVERNOR'S MAY REVISE
\$500 million for the program

LEGISLATURE'S BUDGET
\$900 million for the program

Low-Income Housing Tax Credit

FINAL ENACTED BUDGET

Provides \$500 million

GOVERNOR'S MAY REVISE
Did not provide new funding for the program

LEGISLATURE'S BUDGET
\$500 million

Multifamily Housing Program

FINAL ENACTED BUDGET

Provides \$200 million

GOVERNOR'S MAY REVISE
Did not provide new funding for the program

LEGISLATURE'S BUDGET
Senate proposed \$500 million, while Assembly proposed \$200 million

Addressing Climate Change through Environmental Justice and Healthy, Equitable Land Use and Built Environments

Investments addressing climate change are critical for supporting the health and wellbeing of Californians. Climate has faced major cuts in recent budget years, and in this year's budget process funding for critical climate, housing, transportation, and other infrastructure remains up in the air after the California Air Resources Board's overhaul of the Cap-and-Invest program.

Greenhouse Gas Reduction Fund Appropriations

FINAL ENACTED BUDGET

Since the California Air Resources Board [overhauled](#) the Cap-and Invest program, which sells allowances to companies to permit carbon dioxide emissions into the atmosphere, lawmakers are unsure of how much revenue will be generated for the Greenhouse Gas Reduction Fund (GGRF). Lawmakers decided to delay spending decisions on GGRF until August, hoping for similar timed spending decisions for the Climate Bond (Prop 4).

GOVERNOR'S MAY REVISE

Not highlighted

LEGISLATURE'S BUDGET

Not highlighted

Climate Bond (Prop 4) Appropriations

FINAL ENACTED BUDGET

\$2.6 billion has been appropriated from the Climate Bond for FY 2026-27, to be allocated for "specific purposes in the appropriate budget items in a future budget bill." Spending will likely follow the Governor's Proposed Prop 4 [Spending Plan](#) for 2026-2027.

GOVERNOR'S MAY REVISE

Sustains \$2.1 billion proposal from January Proposal.

LEGISLATURE'S BUDGET

Unmentioned in Senate and Assembly budget plans.

Transformative Climate Communities (TCC)

FINAL ENACTED BUDGET

\$137 million from Climate Bond

GOVERNOR'S MAY REVISE

\$137 million

LEGISLATURE'S BUDGET

Not highlighted

Aligning public investments with health equity and racial justice

Medi-Cal

Access to health care help lead to [better health outcomes](#), from prevention of illness to increased lifespan. Medi-Cal, California's Medicaid program, provides health care coverage to nearly one-third of California's residents and has been shown to be an effective tool in [preventing poverty](#) for residents

who rely on the program. Negotiations between the Governor and the Legislature were able to delay majority of the harmful cuts that were proposed in the May Revision.

Transition of UIS Individuals to Fee-for-Service Care

FINAL ENACTED BUDGET

In line with Legislature's proposal

GOVERNOR'S MAY REVISE

Proposes to eliminate full-scope Medi-Cal coverage to individuals with Unsatisfactory Immigrant Status (UIS) and moves them to a fee-for-service model, effective Jan 1, 2027.

LEGISLATURE'S BUDGET

Delayed for nine months, with a commitment to work to maintain eligibility after.

Asset Limit Test

FINAL ENACTED BUDGET

Maintains the current Medi-Cal asset limit test for seniors and disabled adults at \$130,000 per individual and \$195,000 per couple until July 1, 2027. Starting July 1, 2027, the asset limit test will be lowered to \$21,000 per individual and \$31,000 per couple.

GOVERNOR'S MAY REVISE

Proposed to lower the asset test limit for seniors and adults with disabilities to \$2,000 per individual and \$3,000 per couple, effective Jan 1, 2027.

LEGISLATURE'S BUDGET

Rejected the \$2,000 asset test. Adopted a \$21,000 asset test that would start July 1, 2027 with a commitment to work on a higher-level next year.

Increase in monthly premiums

FINAL ENACTED BUDGET

In line with Legislature's proposal

GOVERNOR'S MAY REVISE

Proposed to increase the monthly premium for adults with UIS status to \$50/month, effective July 1, 2027.

LEGISLATURE'S BUDGET

Allows the next governor to determine what premium amounts (set at no lower than \$30/month and no higher than \$50/month) will be required to pay for Medi-Cal in the FY 2027-28 May Revision.

Dental Benefits

FINAL ENACTED BUDGET

In line with Legislature's proposal.

GOVERNOR'S MAY REVISE

Not highlighted

LEGISLATURE'S BUDGET

Delays elimination of dental coverage to July 1, 2027

Public Health Funding

The final enacted budget maintains critical funding to support a public health workforce working to advance health equity. The budget invests in state and local public health workforces by maintaining the Future of Public Health Funding and investing in CBO Navigators and training for promotoras. It additionally provides funding for reproductive care and LGBTQ+ communities.

Future of Public Health Funding (FoPH)

FINAL ENACTED BUDGET

\$276.1 million ongoing in the General Fund, of which \$188.2 million is directed to local health departments

GOVERNOR'S MAY REVISE

\$276.1 million ongoing in the General Fund, with \$188.2 million for local health departments.

LEGISLATURE'S BUDGET

Not highlighted

California Reproductive and TGI Health Equity Program

FINAL ENACTED BUDGET

Adds \$40 million for reproductive health care and \$26 million for gender-affirming care.

GOVERNOR'S MAY REVISE

Not highlighted

LEGISLATURE'S BUDGET

Adds \$40 million for reproductive health care and \$26 million for gender-affirming care.

LGBTQ+ Organizations

FINAL ENACTED BUDGET

\$9 million for expenditure through June 30, 2030 for grants to sustain existing programs and expand services

GOVERNOR'S MAY REVISE

Not highlighted

LEGISLATURE'S BUDGET

\$10 million General Fund in 2026-27 to support existing programs and expand services in less-resourced regions provided by LGBTQ+ serving organizations and LGBTQ+ community centers.

CBO Navigators and Promotoras Training

FINAL ENACTED BUDGET

\$8 million to DHCS for clinic and CBO navigators and \$15 million General Fund one-time funding in FY 2026-27 to HCAI to support workforce training and expansion for promotoras.

GOVERNOR'S MAY REVISE

Not highlighted

LEGISLATURE'S BUDGET

Not highlighted

Strengthening community-driven approaches to safety and wellbeing

Future policy and budgetary efforts can advance community safety and wellbeing by understanding the events that led to present conditions and implementing policies and practices that address the root causes of violence. Comprehensive approaches include a combination of strategies spanning upstream prevention that fosters social and racial equity, from violence interruption and intervention to community-led response and culturally rooted healing practices.

TK – 12 Education

In many communities, schools serve as a community hub, providing not only education but also access to vital resources such as food assistance and health services. Additionally, schools can offer support programs such as job training, mental health services, and after-school care, making them an essential pillar of community wellbeing. The budget strengthens TK-12 infrastructure by investing into early childhood care and education, sustaining funding that ensures all students are able to have access to nutritious meals, and by expanding investments into Community Schools.

Community Schools

FINAL ENACTED BUDGET

Expansion of the Community Schools Partnership Program with \$1 billion ongoing, including partnerships with Promise Neighborhoods.

GOVERNOR'S MAY REVISE

\$1 billion

LEGISLATURE'S BUDGET

Approved the Governor's proposal

Universal School Meals

FINAL ENACTED BUDGET

Maintains the state's commitment to the universal school meal program, including an increase in \$2.8 million in annual [Prop 98](#) funding.

GOVERNOR'S MAY REVISE

\$2.8 million in additional ongoing Proposition 98 General Fund to fully fund the program in 2026-27

LEGISLATURE'S BUDGET

Approved the Governor's proposal
