



**GOVERNOR  
GAVIN NEWSOM**

## California 2026-27 Budget: **May Revise**

**\$0 DEFICIT**

**NO deficit THIS YEAR. NO deficit NEXT YEAR.**

**-\$1.8 Billion**  
SPENDING DOWN  
GENERAL FUND

**\$0**  
**CALIFORNIA'S  
STRUCTURAL DEFICIT**  
TODAY - JULY 2028

**\$16.5 Billion**  
REVENUES HIGHER  
THAN PROJECTIONS

Governor Newsom's revised budget proposal is a fiscally disciplined, balanced plan that cuts the long-term deficit by more than half and tightens Sacramento's belt — while supporting our most vulnerable Californians amid Donald Trump's cruel assault on the state. As Trump attacks healthcare, education, and working families, California is staying focused on protecting essential services while advancing fiscal responsibility and affordability.

### **Key Announcements**

#### **Balanced Budget This Year and Next**

The Governor is delivering a balanced budget plan that addresses not only the budget this year, but balances the next one as well — as he continues to **reduce the state's long-term deficit** through responsible spending reductions.

#### **Cutting the Long-term Deficit by More than Half**

The revised budget continues the Governor's push to rein in ongoing spending commitments, reduce the out-year deficit, and put the state on a stronger long-term fiscal footing without abandoning core services. His spending plan will slash the state's ongoing spending, making the state's deficit **\$0 through July 2028**.

### **Obamacare Premium Assistance**

As Republicans drive up healthcare costs and create uncertainty for working families with Donald Trump's "Big Beautiful Betrayal," California is stepping in to help keep coverage affordable. The Governor is proposing a **\$300 million investment** to protect families from Trump's decision to let enhanced ACA subsidies expire — a move that raised health care costs for millions of Americans. His proposal will keep \$0 monthly health plans available for lower-income Californians, expand financial help so more middle- and working-class families can afford coverage, and provide new state assistance for Californians earning up to 200% of the federal poverty level, helping offset higher costs caused by the loss of federal support.

### **Tax Cut for Hundreds of Thousands of New Small Businesses**

The Governor's revised budget proposes a **50% tax cut** for the hundreds of thousands of new small business starts to slash their annual LLC fees over the next 3 years, further cementing California as the #1 state for business starts.

### **Training and Retaining Great Teachers & Creating Statewide Paid Pregnancy Leave**

The Governor's revised budget sets a record-high level of education spending. The Governor's proposal includes new significant funding through a \$5 billion Student Support and Professional Development Discretionary Block Grant. The proposal also provides funding for TK-12 schools and community colleges to provide up to 14 weeks of paid pregnancy leave.

### **Largest Special Education Investment in State History**

As Trump attacks people with disabilities, California is making the **largest investment in special education in the 175-year history of the state**. This will increase ongoing special education funding by \$2.4 billion — a 43% increase — helping schools serve students with disabilities as federal support stagnates.

### **Expanding Literacy and Math Support**

The budget proposal includes a new \$500 million investment to continue **literacy coaches and math support** staff at high-need schools for an additional two to three years, helping students achieve academic success.

### **Disaster Rebuilding Fund**

As Los Angeles continues recovering from catastrophic wildfires, the Governor is proposing a \$100 million fund to **help families rebuild when insurance and existing aid fall short**. The proposal will create a rebuilding fund to help homeowners of disasters secure construction loans, unlock access to low-interest loans, and reduce borrowing costs to make rebuilding more affordable for fire survivors.

## Making Big Corporations Pay Their Fair Share

The Governor is proposing a permanent reform to ensure large, profitable corporations cannot use unlimited tax credits to avoid **paying what they owe**. Beginning in tax year 2027, California would permanently limit the use of certain corporate tax credits to no more than \$5 million or 50% of a company's tax liability — whichever is greater. The proposal preserves tax credits and incentives for businesses while ensuring the state's largest corporations contribute to funding schools, healthcare, public safety, and other essential services that support their businesses and all Californians.

## Lowering Affordable Housing Costs

The Governor's revised budget proposes new reforms to stop state affordable housing dollars from being *wasted* on locally imposed development fees that drive up construction costs and reduce the number of homes California can build. The proposal would **prohibit local governments from charging impact fees** on affordable housing projects when they are directly applying for or co-applying for state funding, while incentivizing broader local fee waivers through competitive housing programs. Combined with the Governor's "One Stop Shop" housing finance reforms, the proposal is expected to reduce affordable housing development costs by tens of thousands of dollars per unit and generate hundreds of millions in annual savings that can be reinvested into building more housing.