



SENATE DEMOCRATS _____
FOUNDATION
for the **FUTURE**

2026–27 STATE BUDGET PLAN

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FRAMEWORK OVERVIEW

The Foundation for the Future budget plan makes responsible choices now to prevent tougher and more harmful budget decisions in the future, for both families and the overall economy. The plan focuses on three key priorities: **responsible** budgeting, **maintaining** the essential programs Californians rely on every day, and **improving** the state’s budget long-term.

This budget plan is based on revenues being \$20 billion higher than the Governor’s proposed budget due to the short-term revenue surge that California is currently experiencing.

RESPONSIBLE BUDGETING

The Foundation for the Future budget plan makes responsible budgeting a key priority.

Strengthening the Rainy Day Fund:

To better manage the state’s volatile revenue system, the *Foundation for the Future* framework asks voters to triple the size of the constitutionally required Rainy Day Fund from 10% of the budget to 30%, to set aside more spiking revenues during “boom” years, and make withdrawals subject to the State Appropriations Limit (Gann Limit) rather than deposits.

Building up Reserves and Balanced Budget Through 2027-28:

Builds reserves to record levels for 2026-27 totaling nearly **\$39 billion** to help the state prepare for challenging fiscal times ahead.

Turns the projected \$22 billion shortfall in 2027-28 under the January budget proposal into a balanced budget with **\$27 billion** in total reserves.

MAINTAINING VITAL PROGRAMS:

With anticipated reserves, the California State Senate can prioritize funding for vital programs that would otherwise face devastating cuts. This comprehensive plan keeps the needs of families front and center, with a renewed focus on strengthening vital programs and continuing to ease their everyday pressures.

The *Foundation for the Future* funds the following vital programs to foster critical partnerships with local governments as they address our state’s top concerns.

Education

- **\$11.6 billion** in 2025-2026 to meet the Prop 98 requirement due to the short-term revenue surge, providing an additional **\$5.9 billion** for the Prop 98 Rainy Day Fund and **\$5.7 billion** for additional one-time priorities for K-12 schools and community colleges. (A portion of the increase would use the DOF accounting method to spread General Fund impact over future years.)
- The short-term revenue surge increases the Prop 98 guarantee by **\$2 billion** in 2026-27. Funds will be allocated through the subcommittee process.
- Preschool – Adjusts funding for the Preschool program to match current services, aligns all funding within Prop 98, and “rebenches” Prop 98 to increase the minimum guarantee to accommodate the new cost.
- **\$600 million** for the Middle Class Scholarship to maintain current levels of funding for grant awards to avoid lower and middle-income students resorting to heavier student debt.

Resources, Environmental Protection, and Energy

- Provides **\$1 billion** of Greenhouse Gas Reduction Fund allocations to support a wide range of Legislative priorities that facilitate the reduction of greenhouse gas emissions.
- **\$2.5 billion** in Prop 4 allocations to ensure funds are allocated for climate change resilience, environmental protection, wildfire resilience, and water infrastructure projects.

Health and Human Services

- **\$127 million** for 2026-27 and **\$384 million** net ongoing to fund **44,000 child care slots** in 2026-27.
- Maintains current support for IHSS by denying the proposed program changes, resulting in a cost of **\$323 million above** the Governor’s budget.
- Provides **\$50 million** for legal aid to support Californians impacted by federal immigration actions.
- **\$100 million** for CalFood to support local food banks.
- Maintains full scope Medi-Cal for asylees and others, despite no longer being eligible for federal funding.
- Delays implementation of dental programs that would otherwise be eliminated starting July 1, 2026, until January 1, 2028. This includes dental benefits for adults 19 and over, regardless of immigration status, and Prop 56 Dental Supplemental Payments.
- Delays reductions to clinics that would otherwise begin on July 1, 2026, until January 1, 2028, resulting in a temporary cost of \$1.1 billion in 2026-27 and **\$565 million** in 2027-28.
- Delays Medi-Cal premiums that would otherwise begin on July 1, 2027 until January 1, 2028, resulting in a temporary cost of **\$125 million** in 2027-28.

Housing and Homelessness

- **\$500 million** of additional funding to provide a total of \$1 billion for “Round 7” of Homelessness Housing, Assistance, and Prevention (HHAP) and provides certainty to local governments by committing another \$1 billion for “Round 8.”
- **\$1 billion** for Homeownership programs, including the California Dream for All and CalHOME programs.
- **\$1 billion** for affordable housing programs, including the Multifamily Housing Program and Low Income Housing Tax Credit.

Access to Justice

- Improves access to justice by authorizing Lease Revenue bonds for Courthouse Construction projects, and provides **\$250 million** from the General Fund to project management costs and for courthouse repairs and maintenance.
- **\$20 million** in 2026-27 for additional judgeships in targeted areas in order to improve access to justice.
- Continues providing **\$100 million** to fund Proposition 36 activities.
- **\$100 million** for the Victims of Crime Act (VOCA) program to maintain support for crime victims.

State Administration and General Government

- Approves the **\$180 million** investment to extend CalCompetes, which incentivizes businesses to relocate or stay in California – spurring job and economic growth.
- Provides **oversight** and **review** to ensure departments have data security and privacy protection resources.

BALANCED APPROACH

With an ongoing structural deficit of over \$20 billion, the *Foundation for the Future* budget plan embraces a balanced approach with both additional spending reductions and new revenues to improve the state’s long-term fiscal health.

Spending Reductions:

Consistent with the Governor’s call in January, the Senate Budget Plan includes working with the Administration and the Assembly to **reduce** General Fund **spending** by **several billion dollars**. Specifics of the spending reductions will be developed through the budget process.

Fair Share Contribution:

Much of California's structural deficit is caused by soaring Medi-Cal costs. Currently, **42% of Medi-Cal enrollees are full-time workers** who are not enrolled in their company's healthcare plan. This is often because their wages are low enough to qualify for state-subsidized health care. As a result, **a significant portion of healthcare costs is being subsidized by taxpayers** rather than companies.

The *Foundation for the Future* budget plan generates new special fund revenue by **requiring the state's top 1%-2% largest corporations to contribute** to the Medi-Cal costs of their workers.

Contribution requirements will not apply to small and medium businesses – including local franchisees. Between **\$5 billion and \$8 billion** in annual special fund revenues is expected to be generated, which will be dedicated to offsetting Medi-Cal costs to taxpayers, assisting struggling hospitals, and supporting county health and human service program workers.

Specific program details will be developed through deliberations with the Administration and the Assembly.