



Budget 2 Save Lives (B2SL) is a multi-year vision to move California toward a “Care First” future by investing in healing and rehabilitation, divesting from incarceration and policing, and ending the economic austerity that endangers the lives of countless human beings.

COMMUNITY-BASED ANALYSIS **CALIFORNIA’S 2025-26 PROPOSED BUDGET**

For the first time in several years, California is claiming to have found a solution to our state’s budget deficit. **The 2025-2026 California budget is currently balanced**, primarily due to actions taken by the Legislature last year, but, this “balance” relies on one-time uses of funds and may be on shaky future ground because expenditure growth exceeds estimated revenue growth according to the [Legislative Analyst’s Office](#) (LAO).

This year’s proposed budget protects many programs and services from years prior, but fails to develop plans to expand or create new programs and services for years to come. The total proposed state expenditures are **\$322 billion**. Of this, \$229 billion is General Fund spending. The total proposed General Fund spending is slightly less than last year, a decrease of \$3 billion or 1.4%.

There is much uncertainty as to whether or not California will be able to avoid another budget shortfall. Funding streams may be affected by factors such as the need for emergency response to the wildfires rampaging through our communities or federal actions taken by the Trump administration which will strip funding from many key programs and services. Budget 2 Save Lives hopes that this analysis serves as a resource and allows us to collectively work towards a budget we can be proud of.

This is a call to action. The [B2SL Super Collective](#) is welcoming local and state budget advocates across California to collaborate, organize and stand with us to move forward our collective priorities across intersecting movements for community equity and justice.

Education:

- [Proposition 98](#) funds increase by 3.6 billion in 2025 -2026, meaning that programs covered under this federal funding will have access to more resources in the year to come.
- The governor proposed **\$84.7 billion in state funding for K-12 Education** this year. Proposed General Fund spending on K-12 education is a billion dollars less this year (\$83.1 billion) than last year (\$84.1 billion), but given the scope of the education agency's budget and initiatives, this amounts to only a 1.2% decrease.
 - Most notably, this budget will fund full implementation of universal transitional kindergarten, expanding eligibility to an additional 39,000 children.
 - The budget also funds expanded before, after, and summer school for kindergarten through 6th grade students, focusing on districts with the highest concentration of low-income students, English learners, and youth in foster care.
 - The budget also fully funds CA's universal school meals program.
- This year's proposed budget for Higher Education is slightly higher than last year's, with an increase of \$260 million in General Fund spending.
 - Higher education is seeing two big programmatic investments.
 - One key recent initiative is a new "Master Plan for Career Education" that aims to ensure students have affordable access to needed educational and career development opportunities. The largest new investment mentioned in this area of the budget is \$100 million to expand Credit for Prior Learning and begin building a "Career Passport System" that "will allow students to create formal documentation of their marketable skills." This approach individualizes structural barriers rather than dismantling them. B2SL supports investing directly in free, accessible education and economic opportunities for marginalized communities.

Corrections:

- Governor Newsom's 2025-26 proposed budget for Corrections totals **\$18.3 billion, with 96% (\$17.6 billion) coming from State Funds.**
- This represents a **3.6% decrease (\$694 million) compared to the 2024-25 enacted budget of \$19.0 billion**, the direct result of the relentless work of community advocates. The budget allocates \$13.9 billion (Total All Funds) to the California Department of Corrections and Rehabilitation (CDCR), \$2 billion to local community corrections, and \$875 million to "enhancing law enforcement growth and activities."

- However, despite declining prison populations and fewer occupied prison beds, **corrections spending has steadily increased over the last decade.**
- Failure to significantly reduce and redirect funds from the Corrections budget not only results in cuts from vital sectors, but also locks up funding that could be redirected to life-saving resources. Closing just one more prison would nearly double the funding available for these critical efforts. **Closing five more state prisons, as recommended by the state's own LAO, would save at least \$1.5 billion annually.**
- **Read Californians United for a Responsible Budget's analysis of the 2025-26 Corrections Budget [here](#).**

Health & Human Services:

- **Health and Human Services receives the most state funding of any agency with \$127 billion proposed for 2025-26.** Of this, about two-thirds is from the General Fund. Proposed General Fund spending for Health and Human Services is up \$7 billion, or 9%, relative to last year.
 - The budget includes \$7.1 billion for child care and development programs and \$19 billion for developmental services to support individuals with intellectual and developmental disabilities.
 - It also includes up to \$7.4 million in 2025-26 and \$12.5 million the following year to provide a three-month supply of diapers at no cost to California families with newborns.
 - It also includes \$8.5 million in 2025-2026 and ongoing from the AIDS Drug Assistance Program Special Fund for enhancements to ADAP and the Pre-Exposure Prophylaxis Assistance Program.
- Many behavioral health programs were also maintained, most notably, the ill-informed [CARE Court](#) program, which includes **\$90.1 million in 2024-25, \$107.6 million in 2025-26, and \$111.8 million in 2026-27** General Fund for state and county CARE Act activities.
- Medi-Cal, California's Medicaid Program, is funded by both the state and federal government, and it provides healthcare at no or low cost for low-income individuals, covering over one third of California's population.
 - \$174.6 billion (\$37.6 billion General Fund) in FY 2024-2025, an increase of \$2.8 billion General Fund, driven primarily by higher enrollment, caseload growth, and pharmacy costs, partially offset by MCO tax revenues.
 - \$188.1 billion (\$42.1 billion General Fund) in FY 2025-2026, an increase of \$4.5 billion General Fund compared to revised 2024-25 expenditures
 - Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment or BH-CONNECT Waiver (\$8 billion federal, state, and

local \$ for 5 years) was approved by the federal government to expand the behavioral health continuum for Medi-Cal members with significant behavioral health conditions.

- Behavioral Health Transformation (\$93.5 million) is the implementation of Prop 1. Funds will enable counties to develop Integrated Plans or 3 year roadmaps of how they will allocate their behavioral health funding.
- Behavioral Health Infrastructure Bond Act of 2024 (\$6.4 billion) through Prop 1 would allocate one-third of the bond for permanent supportive housing, and two-thirds for counties or private entities to build clinical treatment facilities. Language that barred the use of involuntary, locked facilities was removed and we urge that these investments promote voluntary, community-based care so that people are not forced into treatment.
- The Department of Health Care Services (DHCS) is the agency responsible for financing and administering Medi-Cal. For a list of the programs, see [DHCS Major Program Initiatives – Go-Live \(Excel\)](#) (updated as of 11/22/2024)
- Managed Care Organization (MCO) tax from Proposition 35
 - Managed Care Organizations (MCOs) are health insurers like Kaiser and Anthem Blue Shield. Prop 35 went into effect on Jan 1, 2025, and requires the state to request a MCO tax approval from the federal government on an ongoing basis. Prop 35 implements a spending plan for provider rate increases and other investments. The MCO tax is distinct from other types of state taxes in that the primary fiscal benefit for the state comes from the additional federal dollars drawn down as a result of the tax.
 - While Prop 35 ensures funding is dedicated for healthcare, its requirements to spend MCO tax revenue on specific services do not include continuous Medi-Cal coverage for young children, rate increases for Community Health Workers, and long term supports for people with disabilities and older adults also limits policymakers' flexibility in making budget decisions. Reduced flexibility could lead to making cuts to other critical public services.
- Public Health and Prevention
 - There were no major changes to existing programs under the Department of Public Health and the "future of public health" infrastructure investment for state and local health departments remains intact.
- **Read California Pan-Ethnic Health Network's analysis of the 2025-2026 HHS budget [here](#).**

Housing and Homelessness:

- **The administration proposes no new significant investments to address the housing crisis here in California.**
- Total spending on the Department of Housing and Community Development may be substantially lower in 2025-26 than last year. Although conspicuously not noted in the budget summary, the [department report](#) shows large declines in proposed expenditures for Housing and Community Development's Financial Assistance Program and Housing Policy Development Program.
 - General Funding spending is also proposed to decline by nearly 95% from \$3.7 billion in 2024-25 to only \$212 million this year.
 - The administration is proposing a new statewide Housing and Homelessness Agency "to create a more integrated and effective administrative framework for addressing the state's housing and homelessness challenges." But, no specific details or plans have been shared.
 - The budget continues to include \$100 million from the General Fund for "Encampment Resolution Fund grants" and says "the Administration is open to working with the Legislature on additional funding..." It is unclear if this programming will effectively link people to stable housing or only further displace those living in encampments across the state.
- California has a huge opportunity to address our state's housing crisis, and we urge them to follow the lead of housing advocates and those directly impacted. HousingCA has shared a [blueprint for the next phase of needed housing investments](#).

Labor and Workforce Development:

- Proposed state funding on Labor and Workforce Development is \$2.1 billion. **The proposed General Fund budget for this agency is 14% lower than last year, a decrease of \$158 million.**
 - The budget highlights some administrative improvements being funded, such as continued modernization of benefit and data systems, but other new investments are quite small (e.g., \$4 million to evaluate regional coordination for career education and training).

Transportation:

- Total proposed state spending for Transportation is \$18.2 billion of which almost all comes from Special Funds, not the General Fund. General Fund proposed spending for the agency is slightly up compared to last year and the budget

reports that “the entirety of the transportation package included in recent budgets” is maintained.

- The only new investment highlighted for transportation is **\$25 million for a Community Cleanup and Employment Pathways Grant program** that will focus on litter.

Climate:

- The budget proposes deep cuts to Natural Resources and Environmental Protection. **A 34% decrease corresponding to \$2.7 billion less in General Fund spending for Natural Resources is proposed.**
 - The proposed cut to Environmental Protection is even larger in percentage terms: the budget proposes a 77% or \$457 million decrease in General Fund spending for Environmental Protection, leaving only \$137 million in General Fund spending.
- The budget does begin expenditures from the **\$10 billion Climate Bond** (Proposition 4) authorized by voters in November. This bond will be used to invest in safe drinking water; resilience to droughts, floods, wildfires, and more; extreme heat mitigation; climate smart agriculture; and clean air and energy. Proposed spending is \$2.7 billion this year with key investments to be made in dam safety, grants and loans to improve water quality, flood management, management of the Salton Sea, projects to support forest health and more.
 - This bond supports myriad initiatives from efforts to “green” streets, schoolyards, and communities to millions to create new parks and improve existing parks in the state’s most disadvantaged communities.
 - However, instead of fully building off the Climate Bond passed by voters, the governor proposes to shift investments that would have been made through the General Fund or Greenhouse Gas Reduction Fund to instead be paid through the Climate Bond.
- The decreases in Climate funding are a clear missed opportunity given the severe need for emergency preparedness as witnessed by the Los Angeles fires. This is a clear high priority issue area and the state should continue to prioritize Environmental protection funding as well as community emergency preparedness programs as we’ve highlighted years prior.

Immigration

- Given the nature of our federal administration, there is an imperative need for California to continue to invest and protect undocumented Californians through our budget.

- The budget maintains commitment to expand the California Food Assistance Program (CFAP) to include undocumented adults age 55 and older beginning in October 2027.
- In addition, the Legislature is currently in the process of approving new funding that will protect our immigrant communities, but right-wing conservatives are attempting to attack such funding. On June 13, 2024, the Legislature passed AB 107 (Gabriel), the Budget Act of 2024. Specifically, this bill:
 - Appropriates up to \$25 million for the purpose of defending the state against enforcement and legal actions taken by the federal government, filing affirmative litigation challenging actions taken by the federal government, and taking administrative action authorized under state law to mitigate the impacts of actions taken by the federal government.
 - Requires the Department of Justice to report annually to the Joint Legislative Budget Committee on administrative actions and use of outside counsel.
 - Requires the Department of Justice to maintain an internet website detailing litigation against the federal government.

Closing:

Although we are hopeful that California's now balanced budget will allow for new opportunities for community-based investments, **we are awaiting tangible action**. This analysis invites organizers across all issue areas to broaden our perspectives and coordinate our efforts to protect our interconnected priorities. **We must stand united against the harms that face our communities in the coming year.**

In solidarity,

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