



May 14, 2026

Honorable John Laird, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Addition of Control Section 5.27, Federal Accountability Litigation

It is requested that Control Section 5.27 be added to reappropriate up to \$7,350,000 from subdivision (e)(1) of Control Section 5.25 of the Budget Act of 2024 to extend encumbrance availability until June 30, 2027, and expenditure until June 30, 2029, for the purpose of defending the state against enforcement and legal actions taken by the federal government (see Attachment 1).

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jessie Romine, Principal Program Budget Analyst, at (916) 445-8913.

JOE STEPHENSHAW
Director
By:

/s/ Erika Li

ERIKA LI
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Sabrina Cervantes, Chair, Senate Appropriations Committee
Attention: Mark McKenzie, Staff Director
Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review
Committee
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Honorable Buffy Wicks, Chair, Assembly Appropriations Committee
Attention: Jay Dickenson, Chief Consultant
Honorable David Tangipa, Vice Chair, Assembly Budget Committee
Attention: Christian Griffith, Chief Consultant
Honorable Laura Richardson, Chair, Senate Budget and Fiscal Review
Subcommittee No. 5
Honorable James Ramos, Chair, Assembly Budget Subcommittee No. 6
Gabriel Petek, Legislative Analyst
Kirk Feely, Fiscal Director, Senate Republican Fiscal Office
Christopher W. Woods, Budget Director, Senate President pro Tempore's Office
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Jason Sisney, Budget Director, Assembly Speaker's Office
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Dylan Gray, Chief of Staff, Assembly Republican Leader's Office

Adding Control Section 5.27 as follows:

SEC. 5.27.

(a) Up to \$7,350,000 of the amount appropriated by subdivision (e)(1) of Section 5.25 of the Budget Act of 2024 (Chs. 22, 35, and 994, Stats. 2024) is hereby reappropriated for the purposes provided for in that subdivision, and funds reappropriated pursuant to this subdivision shall be available for encumbrance until June 30, 2027, and expenditure until June 30, 2029.

(b) Notwithstanding any other law, the Department of Finance, upon providing advance notice of at least 10 days to the Joint Legislative Budget Committee, may augment any item of appropriation in Section 2.00 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.



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Addition of Control Section 7.20, Governors' Legacies

Control Section 7.20—It is requested that Control Section 7.20 be added to appropriate \$20 million and authorize the Department of Finance to augment a department's budget for the purpose of recognizing the history and legacy of California's living Governors, who are not serving in the office of Governor as of the effective date of this Budget Act (see Attachment 1).

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jessie Romine, Principal Program Budget Analyst, at (916) 445-8913.

JOE STEPHENSHAW
Director
By:

/s/ Erika Li

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SEC. 7.20. Notwithstanding any other law, the Department of Finance may augment any item of appropriation in Section 2.00 for the purpose of recognizing the history and legacy of California's living Governors, who are not serving in the office of Governor as of the effective date of this Budget Act. Total augmentations authorized by this subdivision shall not exceed \$20,000,000.



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Addition of Budget Bill Control Section 11.94, American Rescue Plan Act – Coronavirus Capital Projects Fund, Allocation and Expenditure Authority

Control Section 11.94—It is requested that Control Section 11.94 be added to provide necessary flexibility for administrative adjustments to fully spend the \$540.2 million in federal funds allocated from the Coronavirus Capital Projects Fund (CPF) as authorized by the federal American Rescue Plan Act of 2021 that supports last mile broadband infrastructure projects (see Attachment 1).

To date, California has drawn down approximately \$57 million, or 10 percent of its CPF allocation. To optimize California's use of the CPF and the General Fund (GF), Control Section 11.94 would allow the Director of Finance to use the CPF to fund costs incurred by the state for completed middle mile broadband infrastructure projects, rather than for future costs related to last mile broadband infrastructure projects that may not reach substantial completion by the December 31, 2026 federal deadline.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Sara Swan, Principal Program Budget Analyst, at (916) 445-9694.

JOE STEPHENSHAW
Director
By:

/s/ Erika Li

ERIKA LI
Chief Deputy Director

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Dylan Gray, Chief of Staff, Assembly Republican Leader's Office

- SEC. 11.94 (a) It is the intent of the Legislature in enacting this section to provide flexibility for administrative adjustments, to fully spend the \$540,249,909 in federal funds appropriated to Item 8660-001-0890, Budget Act of 2021 (Chs. 21, 69, and 240, Stats. 2021) allocated from the Coronavirus Capital Projects Fund as authorized by the federal American Rescue Plan Act of 2021 (P.L. 117-2), that support last mile broadband infrastructure projects to address the state's significant digital divide or are otherwise eligible expenditures pursuant to federal law or guidance.
- (b) Except as provided in this section, allocations of these funds shall be made in the annual Budget Act or another statute. Section 28.00 does not apply to the funds described in this section.
- (c) Notwithstanding any other provision of this act or any other law, any appropriation to Item 8660-001-0890, Budget Act of 2021 (Chs. 21, 69, and 240, Stats. 2021) shall be available for expenditure through December 31, 2026, unless a later deadline is authorized by the federal government.
- (d) The Director of Finance may reduce an amount appropriated from the General Fund to the California Department of Technology to expand broadband infrastructure, appropriated in Item 7502-001-0001, Budget Act of 2021 (Chs. 21, 69, and 240, Stats. 2021), as amended by Control Section 11.96, Budget Act of 2022 (Chs. 43, 45, and 249, Stats. 2022) and Control Section 11.96, Budget Act of 2024 (Chs. 22, 35, and 994, Stats. 2024), and instead allocate that amount from Item 8660-001-0890, Budget Act of 2021 (Chs. 21, 69, and 240, Stats. 2021). If no item currently exists to allow for such an allocation, an item may be created for this purpose. The Controller shall shift any accounting transactions posted from the General Fund to Item 8660-001-0890, Budget Act of 2021 (Chs. 21, 69, and 240, Stats. 2021) as directed by the Director of Finance. The funds allocated pursuant to this subdivision shall be available for expenditure through December 31, 2026.
- (e) The Director of Finance may reduce an amount appropriated from Item 8660-001-0890, Budget Act of 2021 (Chs. 21, 69, and 240, Stats. 2021) to the California Public Utilities Commission for last mile broadband infrastructure and instead allocate that amount from the General Fund. If no item currently exists to allow for such an allocation, an item may be created for this purpose. The Controller shall shift any accounting transactions posted from Item 8660-001-0890, Budget Act of 2021 (Chs. 21, 69, and 240, Stats. 2021) to the General Fund as directed by the Director of Finance. The funds allocated pursuant to this subdivision shall be available for expenditure through December 31, 2030.
- (f) Adjustments authorized pursuant to this section shall not be made prior to 30 days after the Director of Finance notifies the Joint Legislative Budget Committee in writing of the purposes of the planned expenditure and the justification for the amount proposed for expenditure. The Chairperson of the Joint Legislative Budget Committee, or the chairperson's designee, may shorten or waive that 30-day period by written notification to the Director of Finance.



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Amendment to Budget Bill Item Control Section 12.00

It is requested that Control Section 12.00 be amended to revise the State Appropriations Limit (SAL). Pursuant to Article XIII B of the California Constitution, the fiscal year 2026-27 SAL is estimated to be \$182,027,000,000 at May Revision. The revised limit is the result of applying the growth factor of 4.73 percent. The revised 2026-27 limit is \$1.437 billion above the \$180,590,000,000 estimated in January. Control Section 12.00 is proposed to be amended as follows:

SEC. 12.00. For the purposes of Article XIII B of the California Constitution, there is hereby established a state "appropriations limit" of ~~\$180,590,000,000~~ \$182,027,000,000 for the 2026–27 fiscal year.

Any judicial action or proceeding to attack, review, set aside, void, or annul the "appropriations limit" for the 2026–27 fiscal year shall be commenced within 45 days of the effective date of this act.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Susan Wekanda, Principal Program Budget Analyst, at (916) 445-5332.

JOE STEPHENSHAW

Director

By:

/s/ Erika Li

ERIKA LI

Chief Deputy Director

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Attention: Christian Griffith, Chief Consultant

Amendment to Budget Bill Control Section 12.32

Control Section 12.32—It is requested that Control Section 12.32 be amended as follows to reflect updated calculations at May Revision:

SEC. 12.32. (a) It is the intent of the Legislature that appropriations that are subject to Section 8 of Article XVI of the California Constitution be designated with the wording "Proposition 98." In the event these appropriations are not so designated, they may be designated as such by the Department of Finance, where that designation is consistent with legislative intent, not less than 30 days after notification in writing of the proposed designation to the chairpersons of the committees in each house of the Legislature that consider appropriations and the Chairperson of the Joint Legislative Budget Committee, or not less than a shorter period after notification that the chairperson of the joint committee, or the chairperson's designee, determines.

(b) Pursuant to the Proposition 98 funding requirements established in Chapter 2 (commencing with Section 41200) of Part 24 of Division 3 of Title 2 of the Education Code, the total appropriations for Proposition 98 for the 2026–27 fiscal year are \$91,996,695,000, ~~\$89,876,642,000~~, or 39.28 ~~39.34~~ percent of total General Fund revenues, Education Protection Account revenues, and transfers subject to the state appropriations limit. General Fund and Education Protection Account revenues appropriated for school districts are \$82,258,159,000, ~~\$80,440,571,000~~, or 35.12 ~~35.21~~ percent of total General Fund revenues, Education Protection Account revenues, and transfers subject to the state appropriations limit. General Fund and Education Protection Account revenues appropriated to school districts and community college districts for adult education and K–12 Career Technical Education Strong Workforce Program are \$866,536,000, ~~\$863,463,000~~, or 0.37 ~~0.38~~ percent of total General Fund revenues, Education Protection Account revenues, and transfers subject to the state appropriations limit. General Fund and Education Protection Account revenues appropriated for community college districts are \$8,771,962,000, ~~\$8,472,507,000~~, or 3.75 ~~3.71~~

percent of total General Fund revenues, Education Protection Account revenues, and transfers subject to the state appropriations limit. General Fund and Education Protection Account revenues appropriated for other state agencies that provide direct elementary and secondary level education, as defined in Section 41302.5 of the Education Code, are \$100,038,000, ~~\$100,101,000~~, or 0.04 percent of total General Fund revenues, Education Protection Account revenues, and transfers subject to the state appropriations limit. No General Fund and Education Protection Account revenues are scheduled to be transferred to the Public School System Stabilization Account for the 2026–27 fiscal year.

- (c) Notwithstanding any preexisting budgetary or accounting requirements to the contrary, the Department of Finance shall make the final determination of the proper budgeting and accounting of the revenues received by, and disbursements from, the Education Protection Account.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Alex Shoap, Principal Program Budget Analyst, at (916) 445-0328.

JOE STEPHENSHAW

Director

By:

/s/ Erika Li

ERIKA LI

Chief Deputy Director

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Honorable Sasha Renée Pérez, Chair, Senate Budget and Fiscal Review
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Honorable David Alvarez, Chair, Assembly Budget Subcommittee No. 3
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Honorable Jesse Gabriel, Chair
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Attention: Christian Griffith, Chief Consultant

Addition of Budget Bill Control Section 12.33

It is requested that Control Section 12.33 be added as follows to reflect the calculation of Public School System Stabilization Account transfers at May Revision:

Sec. 12.33. (a) Pursuant to subdivision (b) of Section 21 of Article XVI of the California Constitution, the following estimated amounts are identified for transfer to the Public School System Stabilization Account. The actual amounts transferred by the Controller shall be the amounts identified in a schedule provided by the Director of Finance.

(1) The amount of transfer to the Public School System Stabilization Account in the 2026-27 fiscal year, as reflected in Section 12.32, is \$0.

(2) The first true-up of the transfer to the Public School System Stabilization Account for the 2025-26 fiscal year is \$3,380,736,000.

(3) The second true-up of the transfer to the Public School System Stabilization account for the 2024-25 fiscal year is \$4,869,004,000.

(b) The funds transferred to the Public School System Stabilization Account in subdivision (a) shall be deemed, for purposes of Section 8 of Article XVI of the California Constitution, to be moneys applied by the State for the support of school districts and community college districts in the fiscal year for which the transfer is made, and not in the fiscal year in which funds are appropriated from the account.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Alex Shoap, Principal Program Budget Analyst, at (916) 445-0328.

JOE STEPHENSHAW

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ERIKA LI

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Amendment to Budget Bill Control Section 35.50

It is requested that Control Section 35.50 be amended as follows to reflect updated calculations at May Revision:

SEC. 35.50. (a) For purposes of paragraph (1) of subdivision (f) of Section 10 of, and subdivision (g) of Section 12 of, Article IV of the California Constitution, "General Fund revenues" means the total resources available to the General Fund for a fiscal year before any transfer to or withdrawal from the Budget Stabilization Account.

(b) For purposes of subdivision (g) of Section 12 of Article IV of the California Constitution, the estimate of General Fund revenues for the 2026–27 fiscal year pursuant to this act, as passed by the Legislature, is ~~\$283,858,000,000~~
\$282,644,000,000.

(c) For purposes of paragraph (2) of subdivision (a) of Section 20 of Article XVI of the California Constitution, "General Fund revenues" shall be defined as revenues and transfers before any transfer to or withdrawal from the Budget Stabilization Account.

(d) Pursuant to subdivision (h) of Section 20 of Article XVI of the California Constitution, the following estimates are provided:

(1) For purposes of paragraph (2) of subdivision (a) of Section 20 of Article XVI of the California Constitution, the sum equal to 1.5 percent of General Fund revenues for the 2026–27 fiscal year is ~~\$3,447,000,000~~ \$3,533,000,000.

(2) For purposes of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (b) of Section 20 of Article XVI of the California Constitution, capital gains revenues that exceed 8 percent of General Fund proceeds of taxes for the 2026–27 fiscal year is ~~\$4,284,000,000~~ \$5,968,000,000.

(3) For purposes of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (c) of Section 20 of Article XVI of the California Constitution, the amount for debt payments in the 2026–27 fiscal year is ~~\$3,023,000,000~~
\$3,579,000,000.

(4) (A) For purposes of subparagraph (F) of paragraph (1) of subdivision (b) of Section 20 of Article XVI of the California Constitution, the amount of transfer to the Budget Stabilization Account in the 2026–27 fiscal year is ~~\$3,023,000,000~~ \$3,579,000,000.

(5) For purposes of clause (ii) of subparagraph (B) of paragraph (2) of subdivision (b) of Section 20 of Article XVI of the California Constitution, the updated estimate of capital gains revenues that exceeds 8 percent of General Fund proceeds of taxes for the 2025-26 fiscal year is ~~\$4,581,000,000~~ \$8,794,000,000.

(6) For purposes of subparagraph (G) of paragraph (2) of subdivision (b) of Section 20 of Article XVI of the California Constitution, the first true up of the transfer to the Budget Stabilization Account for the 2025–26 fiscal year is \$0.

(7) For purposes of clause (ii) of subparagraph (B) of paragraph (2) of subdivision (b) of Section 20 of Article XVI of the California Constitution, the updated capital gains revenues that exceed 8 percent of General Fund proceeds of taxes for the 2024–25 fiscal year is ~~\$4,004,000,000~~ \$5,652,000,000.

(8) For purposes of subparagraph (G) of paragraph (2) of subdivision (b) of Section 20 of Article XVI of the California Constitution, the second true up of the transfer to the Budget Stabilization Account for the 2024–25 fiscal year is ~~\$136,000,000~~ \$305,000,000.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Susan Wekanda, Principal Program Budget Analyst, at (916) 445-5332.

JOE STEPHENSHAW

Director

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Attention: Christian Griffith, Chief Consultant

Addition of Budget Bill Control Section 35.55

It is requested that Control Section 35.55 be added as follows:

SEC. 35.55. (a) Upon order of the Department of Finance, the Controller shall transfer in one or more transactions a total amount of \$9,743,000,000 from the General Fund to the Projected Surplus Temporary Holding Account in the 2026-27 fiscal year.

(b) Pursuant to subdivision (b) of Section 16418.7 of the Government Code, a transfer to the Projected Surplus Temporary Holding Account is included in the annual Budget Act.

(c) Pursuant to subdivision (c) of Section 16418.7 of the Government Code, funds transferred to the Projected Surplus Temporary Holding Account shall remain in that account for no more than one year from the date of deposit.

(1) Upon order of the Department of Finance, the Controller shall transfer the amount in subdivision (a) from the Projected Surplus Temporary Holding Account to the General Fund in the 2027-28 fiscal year to comply with subdivision (c) of Section 16418.7 of the Government Code.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Susan Wekanda, Principal Program Budget Analyst, at (916) 445-5332.

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