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Cc: INFO
Subject: [CLAtalk] CLA News from the Capitol - Governor Newsom's 2026-2027 State Budget



January 12, 2026

TO: CLA MEMBERS/ SYSTEMS/ NETWORK CONTACTS
FROM: Christina DiCaro, CLA Lobbyist
RE: News From the Capitol

GOVERNOR NEWSOM'S 2026 - 2027 STATE BUDGET

January proposal unveiled on Friday is a “workload budget” with very few areas of new spending

On Thursday, January 8, Governor Newsom appeared before the California State Legislature in a joint session in the Assembly chamber, to deliver his final State of the State address as Governor. The Governor used the event to highlight several of the major components of his 2026-27 January Budget, which was to be released the following morning. Governor Newsom indicated that revenues were coming in billions of dollars higher than previously forecasted which, he noted, would help to address portions of the structural deficit that the State's nonpartisan Legislative Analyst's Office has pegged as an \$18 billion hole in the Budget. The Governor's Budget projects only a \$2.9 billion deficit for 2026-27 by counting on these new revenues. The Governor highlighted several major accomplishments of his Administration and the legislature during his time in office, including in the areas of education, public safety, childcare, housing climate change, and others.

The following day, instead of presenting the 2026-27 State Budget himself, the Governor turned to his Director of the Department of Finance to present the Governor's Budget to the press corps and the public watching via the livestream. Of note, there are no proposed increases to any library programs in the State Library portion of the Budget – it is merely a status quo Budget, wherein all funding stays at its current budgeted levels. For example, in 2025-26 the California Library Services Act was funded at \$1.8 million in ongoing funds. The Governor's proposed 2026-27 Budget holds that funding at \$1.8 million again. Similarly, Lunch at the Library remains funded at \$3 million in ongoing funds. The only new library-related funding that was included in the Budget is a proposal to provide \$6.8 million in ongoing funding for the popular California Parks Pass, which would create some stability in the program, rather than having to rely on “one-time” funding each Budget cycle.

During the Fall, CLA made a concentrated push with both the Department of Finance and individual legislators to try to obtain support for new funding in the January Budget for: 1) the California Library Services Act, 2) Lunch at the Library, 3) English as a Second Language Instruction, and 4) Funding to create a statewide artificial intelligence and digital literacy

learning network to help libraries, librarians, and communities access training, resources, and best practices. When I reached out to the Department of Finance last Friday to get some clarity as to why there was no new funding included in the Budget for the four items that CLA is requesting funding for, their representative indicated that it was because “only workload budget requests were considered while we were building the Governor’s Budget.” The representative cited a letter sent to all Departments and Agencies in August of 2025 which highlights concerns about the ongoing economic uncertainty and “elevated risks primarily due to recent federal policy changes and potential cuts in federal spending that could significantly impact core programs.” As such, the memo reads, *“Finance will consider proposals for existing or ongoing information technology and capital outlay projects, technical requests, and a limited number of workload budget proposals necessary to maintain current service levels for existing authorized services.”*

During the remarks made last Friday by the Director of the Department of Finance, Joe Stephenshaw at the presentation of the Governor’s Budget, he expanded upon the “workload budget,” by stating, *“In the overall approach we are taking, similar to last year, we are building a workload budget. But we’re not including any new significant changes, which means we are funding the cost increases and changes for existing baseline programs and services but we are not including any significant new adjustments or changes to the Governor’s Budget, and really want to wait and monitor the changes in revenues and spending over the next couple of months. And, like last year, really prepare for the May Revise. And the plan is to ensure that we are taking everything into account and presenting a plan at the May Revise that balances not only in the Budget year but also looks at the framework – the structure of the Budget in the Budget year and beyond – and ensures that year is also fiscally sound.”*

Thus, the Governor’s 2026-27 Budget proposes that – even with the strong revenues coming in to the state right now, it would be more prudent to wait until California takes in revenue for the next few months - which would include the annual April tax receipts - and then create a spending plan in May, when the Governor releases his updated version of the January Budget, known as the “May Revision” or “May Revise.” This approach means that CLA will have to appeal to legislators and legislative staff in the annual State Budget process to press for funding for the 4 library programs mentioned above. In March and April, Budget Subcommittees overseeing various portions of the Budget, including the State Library, will begin discussing the Governor’s Budget and will hold public hearings. After the May Revision is released, the Assembly and Senate will develop a “Budget” in their respective houses. They will begin negotiations in earnest with the Governor and his staff in late May and June to see if a compromise can be reached.

Finally, you may be wondering how there could be such a sizeable delta between what the Legislative Analyst has projected in terms of the revenue forecast and the deficit versus the sunnier projections by the Governor’s Department of Finance. Notably, what is driving the surge in revenues is higher tax receipts for personal income tax, largely driven by the boom in artificial intelligence and tech stocks. Director Stephenshaw addresses the delta in this manner: “The biggest difference in forecasts is the LAO forecasted a significant risk of stock market downturn into their forecast. We don’t build in downturns and recessions into our forecasts. What we have traditionally done is note those as risks. We do note that if there is a stock market correction to the tune of about 20%, that would have an impact on our revenues in the budget window to the degree of up to \$30 billion.”

In the coming weeks, CLA will provide helpful talking points, advocacy tips, and key legislator lists to the membership in the hopes that you will participate in grassroots advocacy on behalf of critical library funding over the course of the next few months.

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