

**First Regular Session
Seventy-Seventh General Assembly
STATE OF SAN ANDREAS**

INTRODUCED

LLS NO. 26-0746.01 Kaylee Reiner x2739

HOUSE BILL 26-036

SENATE SPONSORSHIP

Zokaie, Schaefer

HOUSE SPONSORSHIP

Vasquez, Simmons

House Committees

Not assigned

Senate Committees

Not assigned

A BILL FOR AN ACT

**CONCERNING THE ANNUAL GENERAL APPROPRIATION FOR THE FISCAL YEAR
BEGINNING JULY 1, 2026, AND MAKING SUPPLEMENTAL APPROPRIATIONS FOR
THE FISCAL YEAR BEGINNING JULY 1, 2025, AND ENDING JUNE 30, 2026.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <https://saleg.uscgov.com>)

The FY 2026–2027 General Appropriations Act reflects a balanced approach to sustaining core state services while responding to slowing revenue growth and ongoing economic uncertainty. The budget prioritizes education, health care affordability, and

Shading denotes HOUSE amendment. Underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

infrastructure investment, while maintaining fiscal discipline through reserve requirements and controlled growth in General Fund spending.

Total appropriations equal \$55.0 billion, representing a 3.8% increase over the prior fiscal year. General Fund appropriations total \$19.8 billion, a 4.2% increase, driven primarily by statutory obligations in K-12 education and Medicaid.

The San Andreas economy remains stable but is transitioning from a period of rapid post-pandemic growth to more moderate expansion.

- General Fund revenue growth is projected at 3.5%
- Inflation remains elevated but is stabilizing
- Employment growth has slowed, particularly in construction and technology sectors
- Consumer spending remains strong but shows early signs of softening

The Committee notes that revenue forecasts remain subject to volatility, particularly due to federal fiscal policy changes and interest rate uncertainty.

BUDGET PRIORITIES

1. K-12 EDUCATION FUNDING

The budget fully funds the School Finance Act and continues progress toward eliminating historical funding gaps.

- Total Program funding increases by \$420 million
- Average per-pupil funding increases by 5.1%
- Additional investments target special education, English language learners, and rural districts

The Committee emphasizes that education remains the state's largest and most important investment.

2. HEALTH CARE & MEDICAID

Medicaid continues to be the fastest-growing area of the budget.

- Caseload growth and provider rate increases account for the majority of the \$900 million increase
- Investments in behavioral health services continue, with a focus on crisis response and rural access
- Federal matching funds remain a critical component of program sustainability

The Committee notes that long-term cost containment remains a structural challenge.

3. TRANSPORTATION & INFRASTRUCTURE

The budget maintains strong investment in transportation through cash-funded and enterprise mechanisms.

- \$6.8 billion total funding, largely from dedicated revenue streams
- Continued expansion of highway capacity and congestion mitigation projects
- Increased support for transit and rail in urban corridors

Infrastructure investment is intended to support long-term economic competitiveness.

4. PUBLIC SAFETY & WILDFIRE RESPONSE

Public safety funding reflects increased demand for emergency response services.

- Wildfire mitigation and response funding increased by \$150 million
- State Patrol staffing levels maintained with targeted recruitment funding
- Investments in emergency management preparedness

The Committee recognizes wildfire risk as a growing fiscal and public safety concern.

5. HOUSING & LOCAL GOVERNMENT SUPPORT

Housing affordability remains a key issue statewide.

- \$500 million allocated for affordable housing programs
- Increased support for local governments to address growth pressures
- Expanded rural development initiatives

These investments aim to stabilize housing markets and support workforce availability.

FISCAL CONSTRAINTS & STRUCTURAL PRESSURES

The FY 2026–2027 budget is shaped by several ongoing fiscal constraints:

TABOR LIMITATIONS

Revenue growth near the constitutional spending cap limits the state’s ability to expand programs without triggering taxpayer refunds.

MANDATORY SPENDING GROWTH

Education and Medicaid account for the majority of General Fund growth, limiting discretionary spending.

WORKFORCE COSTS

State employee compensation, including healthcare and retirement contributions, continues to place upward pressure on agency budgets.

RESERVES & RISK MANAGEMENT

The budget maintains a 15% General Fund reserve, reflecting a cautious approach given economic uncertainty.

Additionally:

- A \$2.0 billion Emergency Stabilization Fund is preserved
- One-time expenditures are prioritized over ongoing commitments where feasible

The Committee believes these measures position the state to respond to a potential economic downturn.

ONE-TIME VS. ONGOING SPENDING

The Committee distinguishes between ongoing obligations and one-time investments:

Ongoing

- K-12 education funding increases
- Medicaid caseload and provider rates
- State employee compensation

One-Time

- Capital construction projects
- IT system upgrades
- Targeted grant programs

This approach avoids creating structural deficits in future fiscal years.

SUPPLEMENTAL ADJUSTMENTS (FY 2025–2026)

The bill includes \$850 million in supplemental appropriations to address:

- Higher-than-expected Medicaid enrollment
- Increased wildfire suppression costs
- Inflation-driven adjustments in school finance

OUTLOOK

Looking ahead, the Committee anticipates:

- Continued pressure from Medicaid and education spending
- Potential revenue constraints due to economic slowdown
- Increased demand for housing, infrastructure, and public safety funding

The FY 2026–2027 budget reflects a deliberate effort to balance these competing demands while maintaining fiscal stability.

CONCLUSION

The Joint Budget Committee submits this Long Bill as a responsible and forward-looking plan that:

- Meets constitutional and statutory obligations
- Prioritizes critical services
- Maintains strong reserves
- Avoids unsustainable spending growth

The Committee recommends its adoption by the General Assembly.

1 *Be it enacted by the General Assembly of the State of San*

2 *Andreas:*

3

4 SECTION 1. APPROPRIATION

5

6 For the fiscal year beginning July 1, 2026, the following sums are
7 appropriated out of any money in the General Fund, Cash Funds,
8 Reappropriated Funds, and Federal Funds.

9

10 SECTION 2. TOTAL FUNDING

11 Fund Source Amount

12 General Fund \$19,800,000,000

13 Cash Funds \$12,400,000,000

14 Reappropriated Funds \$9,300,000,000

15 Federal Funds \$13,500,000,000

16 TOTAL \$55,000,000,000

17

18 SECTION 3. DEPARTMENT OF EDUCATION

19

20 Total: \$9,750,000,000

1 School Finance Act (Total Program): \$7,200,000,000
2 Categorical Programs: \$1,050,000,000
3 Capital Construction Assistance Board: \$600,000,000
4 Department Operations: \$250,000,000
5 Early Childhood Programs: \$650,000,000
6
7 SECTION 4. DEPARTMENT OF HIGHER EDUCATION
8
9 Total: \$5,100,000,000
10
11 Governing Boards & Institutions: \$3,900,000,000
12 Financial Aid: \$900,000,000
13 Commission on Higher Education: \$300,000,000
14
15 SECTION 5. DEPARTMENT OF HEALTH CARE POLICY &
16 FINANCING
17
18 Total: \$14,200,000,000
19
20 Medical Services Premiums (Medicaid): \$10,800,000,000
21 Behavioral Health: \$1,400,000,000
22 Department Administration: \$600,000,000
23 Indigent Care Programs: \$1,400,000,000
24
25 SECTION 6. DEPARTMENT OF HUMAN SERVICES
26
27 Total: \$3,800,000,000
28
29 Office of Economic Security: \$1,600,000,000
30 Behavioral Health Administration: \$900,000,000
31 Child Welfare: \$900,000,000
32 Other Programs: \$400,000,000
33

1 SECTION 7. DEPARTMENT OF CORRECTIONS
2
3 Total: \$1,900,000,000
4
5 Management & Administration: \$250,000,000
6 Institutions: \$1,200,000,000
7 Parole & Community Services: \$450,000,000
8
9 SECTION 8. JUDICIAL DEPARTMENT
10
11 Total: \$950,000,000
12
13 Courts Administration: \$600,000,000
14 Probation & Related Services: \$200,000,000
15 Public Defender: \$150,000,000
16
17 SECTION 9. DEPARTMENT OF PUBLIC SAFETY
18
19 Total: \$1,600,000,000
20
21 San Andreas State Police: \$500,000,000
22 Division of Fire Prevention & Control: \$350,000,000
23 Homeland Security & Emergency Management: \$400,000,000
24 Investigations: \$350,000,000
25
26 SECTION 10. DEPARTMENT OF TRANSPORTATION
27
28 (Enterprise / Cash Fund Heavy)
29 Total: \$6,800,000,000
30
31 Highway Maintenance & Operations: \$3,200,000,000
32 Capital Construction Projects: \$2,700,000,000
33 Transit & Rail: \$900,000,000

1 SECTION 11. DEPARTMENT OF NATURAL RESOURCES
2
3 Total: \$1,400,000,000
4
5 Parks & Wildlife: \$500,000,000
6 Water Resources: \$450,000,000
7 Energy & Carbon Management: \$450,000,000
8
9 SECTION 12. DEPARTMENT OF LABOR & EMPLOYMENT
10
11 Total: \$1,200,000,000
12
13 Unemployment Insurance: \$700,000,000
14 Workforce Programs: \$500,000,000
15
16 SECTION 13. DEPARTMENT OF LOCAL AFFAIRS
17
18 Total: \$900,000,000
19
20 Affordable Housing Programs: \$500,000,000
21 Local Government Assistance: \$300,000,000
22 Rural Development: \$100,000,000
23
24 SECTION 14. GENERAL GOVERNMENT
25
26 Governor's Office — \$120,000,000
27 Department of Personnel & Administration — \$300,000,000
28 Department of Revenue — \$750,000,000
29 Department of Law (Attorney General) — \$200,000,000
30 Treasury — \$50,000,000
31
32 SECTION 15. CAPITAL CONSTRUCTION
33

1 Capital Construction Fund Total: \$1,800,000,000
2 Controlled Maintenance: \$500,000,000
3 Higher Education Projects: \$600,000,000
4 State Buildings: \$300,000,000
5 IT Capital Projects: \$400,000,000

6

7 SECTION 16. SPECIAL PROVISIONS

8 (1) General Fund Reserve

9

10 A statutory reserve of 15% of General Fund appropriations is
11 required.

12

13 (2) TABOR- Refund

14

15 If state revenue exceeds the constitutional spending limit, excess
16 funds shall be returned to taxpayers via:

17

18 Temporary income tax rate reductions, or

19 Direct rebate checks

20 (3) Federal Funds Clause

21

22 Federal funds appropriated are subject to receipt and may be
23 adjusted through executive branch authority with notification to
24 the Joint Budget Committee.

25

26 (4) Reappropriated Funds

27

28 Reappropriated funds reflect transfers between departments and
29 shall not be double-counted for expenditure authority.

30

31 (5) FTE Limitation

32

33 Total authorized Full-Time Equivalent (FTE) positions shall not

1 exceed 72,500 statewide without JBC approval.
2 (6) Cash Fund Spending Authority
3
4 Cash fund spending authority is limited to revenues actually
5 received and shall not exceed appropriated levels without
6 legislative action.
7
8 (7) Reporting Requirements
9
10 Each department shall submit:
11
12 Quarterly expenditure reports
13 Annual SMART Act hearings (performance-based reviews)
14
15 SECTION 17. SUPPLEMENTAL ADJUSTMENTS FY
16 2025–2026
17
18 Adjustments totaling \$850,000,000 are made to address:
19
20 Medicaid caseload growth
21 Wildfire response costs
22 Inflationary increases in K-12 funding
23
24 SECTION 18. EFFECTIVE DATE
25
26 July 1, 2026.
27
28 SECTION 19. SAFETY CLAUSE
29
30 The General Assembly finds that this act is necessary for the
31 immediate preservation of the public peace, health, and safety.