



JUNE 2, 2026

# CEO PROPOSED BUDGET FY 26-27

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## Executive Summary

The FY 2026/27 Proposed Budget is presented against a backdrop of continued fiscal uncertainty, as State and Federal policy changes evolve with limited implementation guidance. Mendocino County's fiscal challenges are not new. The County has operated under a structural deficit for many years, and this budget reflects the necessary work of moving toward long-term stability. To further support this work, the County Executive Office recently engaged Ben Rosenfield, a financial consultant with many years of knowledge and experience in public agency finance, to assist in the evaluation of existing financial and budgetary practices, and to provide recommendations for further financial maturity. Achieving and maintaining a truly balanced budget, where one-time revenues are reserved exclusively for one-time expenditures, will require continued and disciplined decision-making.

This budget is built on Non-Departmental Revenue projections of \$106,682,804 and has been balanced in accordance with California Government Code § 29009. To bridge the remaining budget gap, it is recommended the Board appropriate \$2,595,536 in FY 2024-25 carry-forward funds for targeted one-time needs across several departments, an approach consistent with our budget development principles. Nearly all County departments perform mandated services or direct support of those mandates, leaving little room for reductions without real consequences for service delivery.

The pending impacts of H.R. 1 heighten these challenges considerably, with expected consequences for health and human services programs across the board. As federal Medicaid eligibility restrictions take effect, the County anticipates increased costs in the County Medical Services Program (CMSP), as individuals losing Medi-Cal coverage may shift to County-administered care. Proposed annexation plans introduce additional fiscal uncertainty, with potential revenue implications for the County. The County is also navigating a broader environment shaped by ongoing federal policy shifts, state budget constraints, and international economic conditions that affect everything from construction costs to consumer spending and local tax revenues. Counties across California are preparing for a period of constrained revenues and heightened competition for limited State and Federal funding, and Mendocino County is no exception. The County must continue to utilize all eligible funding sources to sustain essential operations and protect critical community services.

Sincere gratitude to the Department Heads and their teams for their collaboration and professionalism throughout this budget process. Many came to the table proactively, identified solutions, and worked constructively with the Executive Office to address funding constraints.

Advocacy remains essential. The County must continue to engage State and Federal partners on priorities including water security, housing, roads and transportation infrastructure, emergency medical services, and overall affordability for residents. A unified and disciplined focus across all departments will be vital as we navigate this uncertain fiscal landscape over the coming years.

## Budget Process Overview

Government Code § 29062 requires the Board of Supervisors to approve an Adopted Budget on or before June 30<sup>th</sup> of each year. In January, the Board of Supervisors directed staff to prepare a budget for the Board of Supervisors to adopt in June. This process included four public workshops to allow the Board of Supervisors additional input into the budget process prior to the development of the Proposed Budget. Once the Board of Supervisors considers the Proposed Budget and directs any changes, the budget will be presented for formal adoption by the Board of Supervisors on June 23<sup>rd</sup>, which will provide the legal spending authority to the County for the new fiscal year. When the Auditor-Controller closes the books on the 2025-26 fiscal year and reports the final fund balance and reserve adjustments, the CEO will bring forward any additional adjustments that may be required as part of the FY 2026-27 1<sup>st</sup> Quarter review.

A recap of Mendocino County's Budget Process for the FY 2026-27 Proposed Budget: In February, budget instructions for FY 2026-27 were issued by the Executive Office Budget Team and distributed to County Departments at a Budget Kick-off Meeting. In this budget cycle, General Fund departments were asked to prepare a Zero-Base Budget (ZBB) projection. This method produced a budget proposal for core-level services and helped to identify deficiencies in the budget. Most Departments operate at a loss and require infusions of discretionary general fund dollars in order to maintain services. Primarily property tax, sales tax, and transient occupancy tax finance these infusions of revenue, referred to as Net County Cost or NCC. The pool from which the County provides these monies is limited and is annually adopted in the County's budget as Budget Unit 1000, known as Non-Departmental Revenue. An update on these funds is represented in Exhibit A of this document. Budget instructions included a process to request additional funding necessary to maintain current levels of service and a process to request funding for new expenses. Departments were required to provide detailed information related to requests for fixed assets, facility modifications, and additional staffing requests.

Budget conferences with each department were held during the month of March. The Executive Office and the Auditor-Controller's Office staff met with representatives from each Department to review their budget requests, discuss their unique needs and concerns, and to review impacts and/or requests for additional funding. Many Department Heads were proactive and were able to identify solutions to support the preparation of a balanced FY 2026-27 budget.

At the conclusion of the budget conferences, the Executive Office Budget Team continued to analyze requests for additional funding by comparing requests to prior year funding levels and holding additional meetings with Department staff to develop a better understanding of their critical operational needs. After considering each Department's requests a list of proposed funding level changes was developed and is included in this report and attachments. The adjustments entitled "FY 26-27 CEO Recommended Budget Adjustments to Departments Submitted NCC General Fund Budget Units (Attachment B)" and "FY 26-27 CEO Recommended Budget Adjustments to Departments Submitted Non-General Fund Budget Units (Attachment C)" are based on impact statements, what each department entered in MUNIS, and recommendations from the CEO Budget Team.

### FY 2026-27

#### Budget Development Calendar

Board Related Dates in Bold

- **January 6, 2026 – Resolution 26-001 regarding budgetary authority**
- January 2026 – Departments submit FY 2025-26 Mid-Year (2<sup>nd</sup> Quarter) Projections
- January 2026 – Departments submit Facility Modification and Vehicle Requests to Facilities and Fleet
- February 5, 2026 – FY 2026-27 Department Budget Kick Off Meeting
- **February 24, 2026 – FY 2025-26 Mid-Year (2<sup>nd</sup> Quarter) Budget Report & Budget Workshop**
- February – March 2026 – Deadlines for Departmental submissions, budget & grant narrative submissions; Executive Office Budget Conferences
- **March 24, 2026 – FY 2026-27 Budget Workshop**
- March 2026 – Department Budget Conferences
- **April 21, 2026 – Fee Hearing**
- **May 5, 2026 – FY 2025-26 3<sup>rd</sup> Quarter Report & FY 2026-27 Budget Workshop**
- May 23, 2026 – CEO Recommendations for draft Proposed Budget Published
- **June 2-3, 2026 – Final Budget Hearings for FY 2026-27**
- **June 23, 2026 – Final Budget Adopted for FY 2026-27**

The Proposed Budget presented for the Board of Supervisor's consideration is a balanced budget, as required by California Government Code § 29009, based on all currently available information. The budget is balanced in accordance with State code and built on non-departmental revenue projections of \$106,682,804, which includes Operating Transfers in and Reserve adjustments. Every year the County works to produce a budget that is balanced between the needs of the community and revenue reality. All decisions and policies are solely the responsibility of the Board of Supervisors. The Chief Executive Officer serves as the administrative officer designated by the Board of Supervisors to advise and administer the Board of Supervisors' direction in fulfilling the requirements of GC § 29009.

Total proposed Budget Unit 1000 (Non-departmental Revenue) available as of June 2, 2026, is \$106,682,804 with special fund allocations of: \$4,242,096 to Transportation, \$1,553,908 to Library, \$4,500,000 to Fire Agencies from Measure P, \$600,000 from Measure D Fire Agency allocations, \$2,431,299 to Debt Service (COPs), \$500,000 to Information Technology Reserve (ITERP), and \$376,785 to Public Health/Mental Health Realignment, leaving \$92,978,716 for allocation to General Fund Departments for their Net County Cost (NCC) assignment. **As stated in Attachment A, the total proposed Net County Cost for General Fund Departments is \$92,978,716.** Consistent with prior Board accepted recommendations to balance the budget, it is recommended that \$2,595,536 be appropriated from FY 2024-25 carry-forward.

## Strategic Plan 2022-2027

The Board of Supervisors, in May 2022, adopted the County’s first Strategic Plan in over 30 years. The plan will help guide the critical decisions the Mendocino County Board of Supervisors will face over the five-year period to improve the quality of life for county residents. County leadership engaged in conversations with over 1,000 county residents, to explore the challenges the county faces and identify solutions that will result in a more effective county government organization, a thriving economy, and a county that is safe, healthy, resilient, and prepared for future uncertainties. The County is grateful to so many constituents who voiced their opinions about what’s important to them, their families, and the county’s future.

The County has identified ambitious goals with specific objectives that will enable achievable and positive results. Accomplishing these goals will depend on allocating sufficient County staff to implement key tasks; designating resources via the budget process within the context of the County’s mandated funding commitments; close collaboration with community members, businesses, nonprofits, and local government organizations; and finally, the Board of Supervisors’ commitment and leadership.

Additional information regarding public input provided and the complete plan is found on the Mendocino County website: [Mendocino County Strategic Plan 2022 - 2027 | Mendocino County, CA](#)

### Strategic Priorities

The strategic plan consists of 17 goals under these 4 priority areas:

- An Effective County Government Organization
- A Safe and Healthy County
- A Thriving Economy
- A Prepared and Resilient County



These priorities and goals are supported by specific actionable objectives for County staff to implement. The first priority of an effective County organization is critical to the implementation of the other three priorities. A strong internal organization, with a healthy culture, participative leadership, clear communication channels, and departments fully staffed with qualified individuals, will make it possible for the County to achieve results in the additional three priority areas.

### An Effective County Government Organization

- Define clear roles, responsibilities, and processes for government leadership
- Create a thriving organizational culture
- Implement new approaches to demonstrate our commitment to Diversity, Equity, and Inclusion (DEI)
- Improve operational efficiency by streamlining processes and implementing technology-based solutions
- Increase transparency in government operations to build trust with employees, communities, and partners
- Assure financial sustainability of the County

### A Safe and Healthy County

- Provide a person-centered approach to help under-resourced individuals and families thrive
- Deliver culturally relevant public health services that focus on prevention and are guided by social determinants of health
- Increase access to behavioral health services
- Help people feel safe in their communities
- Implement practices that support a sustainable environment and responsible stewardship of natural resources

### A Thriving Economy

- Support a vibrant economy
- Support increased housing stock at a range of affordability levels
- Ensure that affordable and reliable broadband communications is available to all County residents

### A Prepared and Resilient County

- Increase disaster/emergency preparedness and resiliency
- Ensure access to rural fire protection and emergency medical services
- Improve and maintain transportation and road systems/access routes

## Board of Supervisors Workshop – January 2026

On January 13 and 14, 2026, the Board of Supervisors held a workshop to discuss their shared priorities for the year. These shared priorities not only represent continued support for the County Strategic Plan, but support for emergent opportunities and challenges for the year ahead.

### **1. Government Operations, Fiscal Strength & Transparency including Modernization & Process Improvement**

- In Progress - State Audit Action Plan
- In Progress - County Modernization & Process Improvement
- Complete - Cost Plan / A87 maximization
- Paused - Annual Consolidated Financial Report (ACFR) / Financial Processes
- Complete - Budget Planning for FY 26/27
- Complete - Public Safety
  - 10-year budget projection

### **2. Economic Development including Modernization & Process Improvement**

- In Progress - County Modernization
- In Progress - Permitting Streamline Initiative
- Legislative Item
  - Advocate for changes to Gas Tax methodology and allocations
- In Progress - Road Tax

### **3. Homelessness**

### **4. Emergency Medical Services**

## FY 2026-27 Proposed Budget Summary

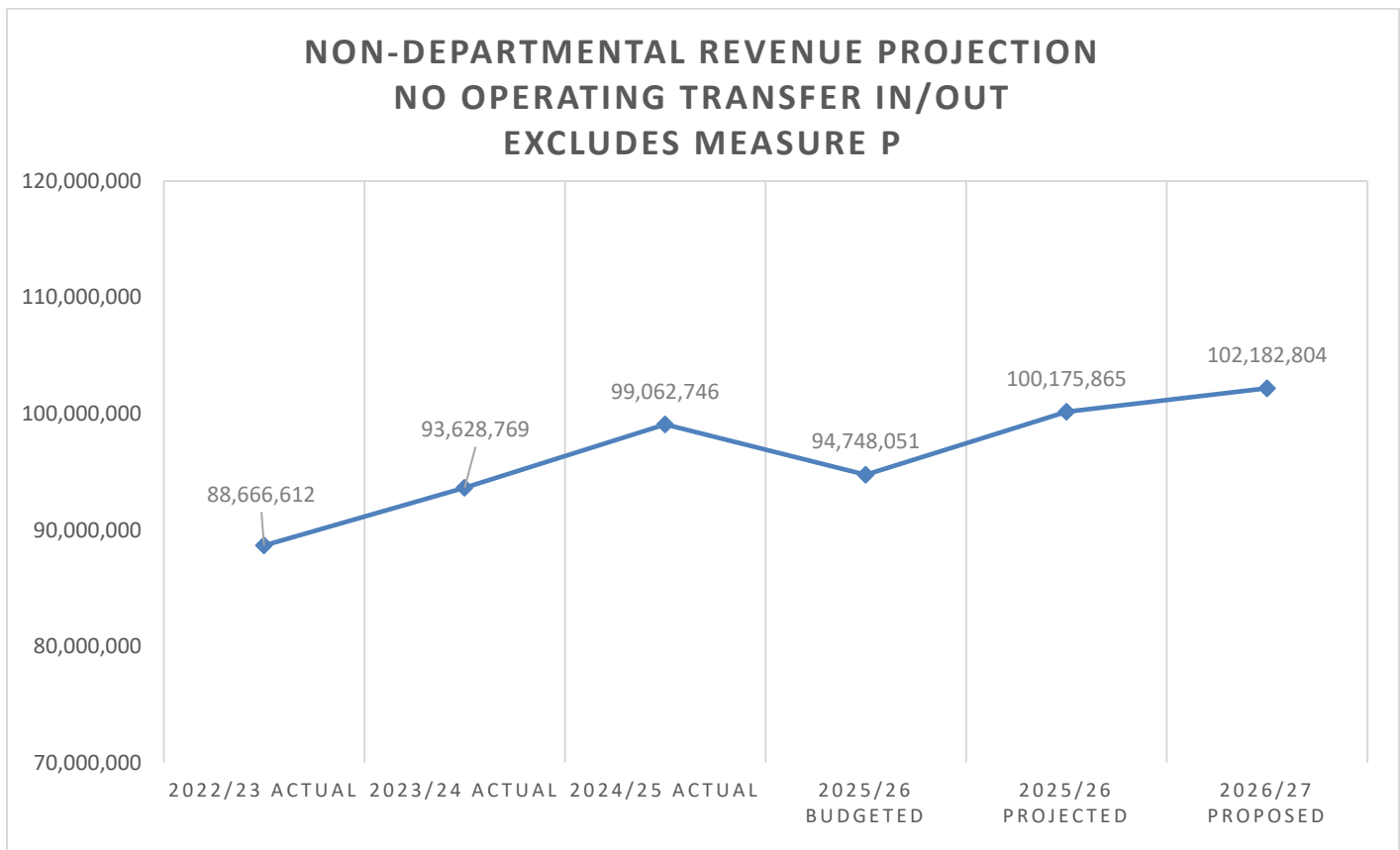
### Budget Unit 1000 Non-Departmental

The projections for BU 1000 Non-Departmental, for FY 2026-27, are \$2,006,939 higher than projected for FY 2025-26. Details of the non-departmental budget can be found in the attached Exhibit A.

Budget Unit 1000 includes operating transfers of General Fund dollars to other funds. The FY 2026-27 Proposed Budget includes operating transfers to the Department of Transportation, Library, Fire Agencies, Information Technology Reserve (ITERP), and Public Health/Mental Health Realignment. These operating transfers are further detailed in Attachment G and other various charts included in this report.

For FY 2026-27, the CEO Budget Team has refined Non-Departmental revenue projections to reflect historical growth patterns and improve forecast accuracy. This updated methodology provides a more reliable foundation for budget planning, ensuring that revenue estimates are grounded in demonstrated trends rather than overly optimistic or conservative assumptions.

The revenue graph below excludes operating transfers and Measure P revenues.

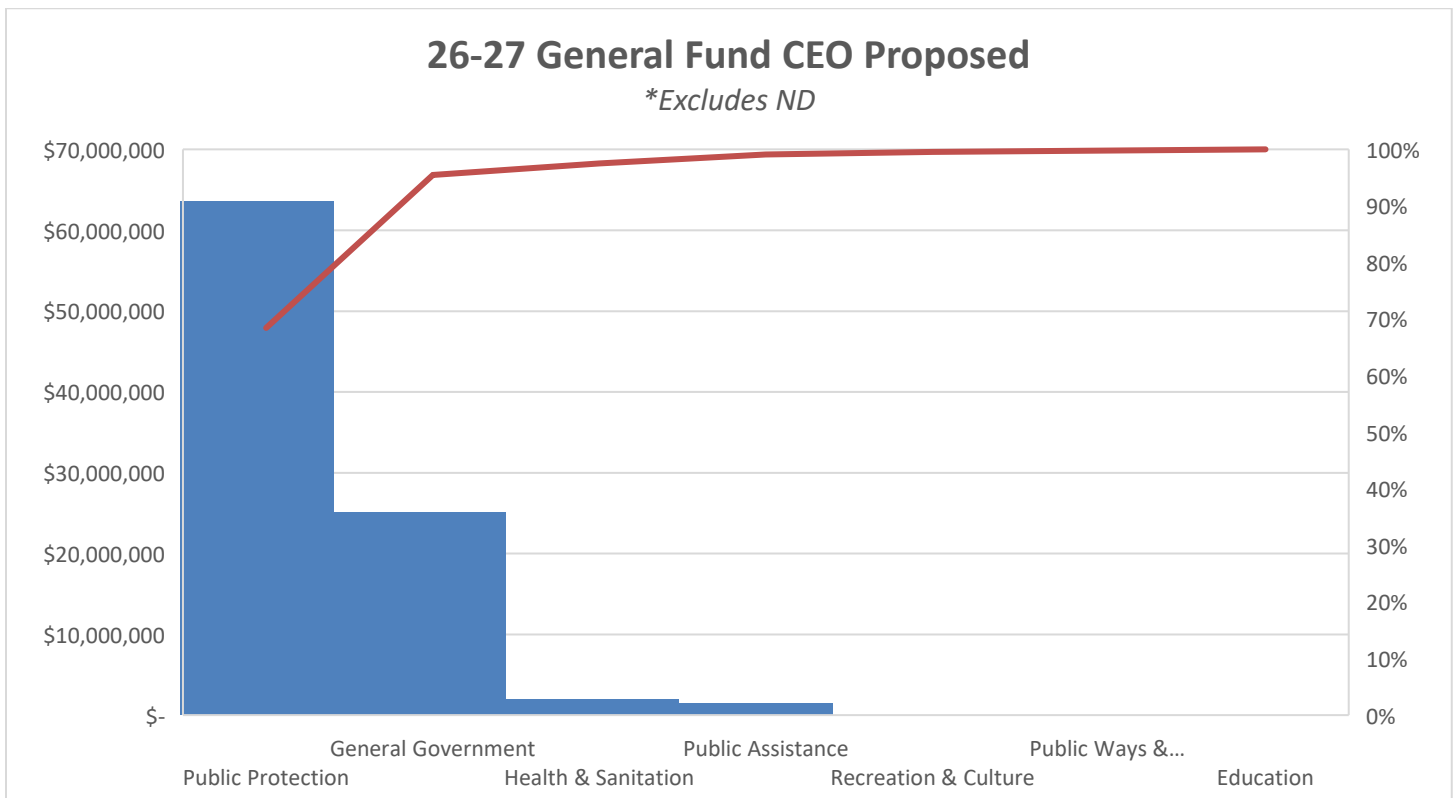


## Use of Fund Balance

• Executive Office	\$200,000	○ IT Equipment	\$153k
○ Short-Term Contracts		○ Vehicle Uplift	\$72k
• General Services	\$240,108	○ Jail Projects	\$365k
○ Real Property Services		○ Hospital Guard Services	\$20k
• Human Resources	\$50,000	• Juvenile Hall	\$31,326
○ Short-Term Contracts		○ Short-Term Extra Help	
• Facilities	\$30,000	• Animal Care	
○ Detention Locks (\$10k)		○ Incinerator Repair	\$25k
○ Mower (\$20k)		• Little River Airport	\$305,000
• Land Improvement	\$231,000	○ Building Repairs	
○ Trash Capture Device Project		• Environmental Health	\$102,000
• Information Services	\$650,502	○ Thermal Imager	\$1k
○ Training & Office Expenses	\$20k	○ Digitization Contract	\$50k
○ Short-Term Contracts	\$85k	○ Software Implementation	\$51k
○ Finance System Project	\$500k	• Museum	\$50,600
• Sheriff's Office & Jail	\$650,502	○ Capital Projects	
○ Lateral Transfer Bonuses	\$40k		
		• <b>Use of Fund Balance</b>	<b>\$2,595,536</b>

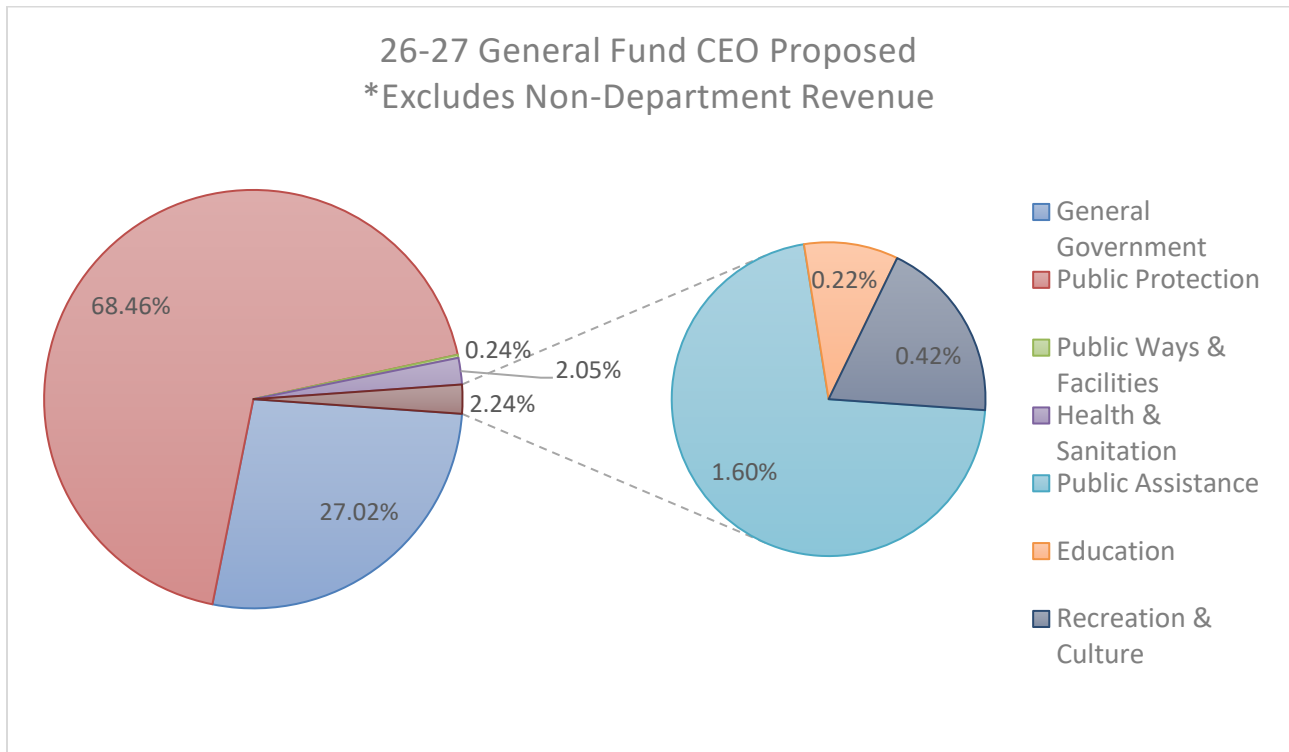
## 2026-27 NCC by Functional Area

Total General Funding included in the CEO Proposed Budget for County Departments and Offices is **\$92,978,716**. Of that, **\$88,773,492 (95.48%)** of County General Funding in the CEO Proposed Budget is allocated between Departments and Offices within Public Protection and General Government functional areas. The remaining **\$4,205,224 (4.52%)** is allocated between the remaining functional areas; Public Ways & Facilities, Health & Sanitation, Education, Recreation & Culture, and Public Assistance, all of which receive majority funding from other sources than General Fund.



## FY 26-27 General Fund CEO Proposed by Functional Area - Excludes ND

Functional Area	26-27 Total CEO Proposed	% of Total
General Government	\$ 25,120,223	27.02%
Public Protection	\$ 63,653,269	68.46%
Public Ways & Facilities	\$ 221,262	0.24%
Health & Sanitation	\$ 1,904,304	2.05%
Public Assistance	\$ 1,484,166	1.60%
Education	\$ 202,052	0.22%
Recreation & Culture	\$ 393,440	0.42%
	\$ 92,978,716	100%



Detail on department budgets can be found in Attachment I - Schedule 1-8, 10-15, and Attachment J – Schedule 9.

<b>General Government</b>	<b>Public Protection</b>	<b>Public Way &amp; Facilities</b>	<b>Health &amp; Sanitation</b>	
<ul style="list-style-type: none"> <li>Assessor Clerk Recorder</li> <li>Auditor</li> <li>Board of Supervisors</li> <li>County Counsel</li> <li>Executive Office</li> <li>Human Resources</li> <li>Tax Collector</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture</li> <li>Animal Care and Control</li> <li>Cannabis</li> <li>Child Support</li> <li>District Attorney</li> <li>Planning and Building</li> <li>Probation</li> <li>Public/Alternate Defender</li> <li>Sheriff - Coroner</li> </ul>	<ul style="list-style-type: none"> <li>Department of Transportation</li> </ul>	<ul style="list-style-type: none"> <li>Behavioral Health</li> <li>Public Health</li> <li>Solid Waste (DOT)</li> </ul>	
		<b>Public Assistance</b>	<b>Education</b>	<b>Recreation &amp; Culture</b>
		<ul style="list-style-type: none"> <li>Social Services</li> </ul>	<ul style="list-style-type: none"> <li>Farm Advisor</li> <li>Library</li> </ul>	<ul style="list-style-type: none"> <li>Museum</li> </ul>

## General Fund Budget 5-year Forecast

During Budget Workshops in preparation for the Fiscal Year 2026/27 budget, the CEO Budget Team committed to providing 5-year budget forecasts to aid in budgetary decision-making and long-term financial planning. Moving forward, the team plans to include updated 5-year forecasts as part of the proposed budget development process.

The chart below provides the prior and current Fiscal Years 2024/25 and 2025/26, and a 5-year forecast starting with the Budget Year 2026/27 through Fiscal Year 2030/31. Revenue and Expense forecasts use the CEO proposed budget for FY 2026/27 as the baseline.

Note: Fiscal Year 2026/27 is balanced with the use of \$2,595,536 in one-time use of Fund Balance. The Gap presented in the table below may represent one-time funding needs to balance future year budgets. Future year forecasting does not include potential impacts from ongoing labor discussions.

# General Fund 5-Year Expense and Revenue Forecast

Revenues and Expenses exclude funding obligations such as Fire, Roads, Library, and Debt Service

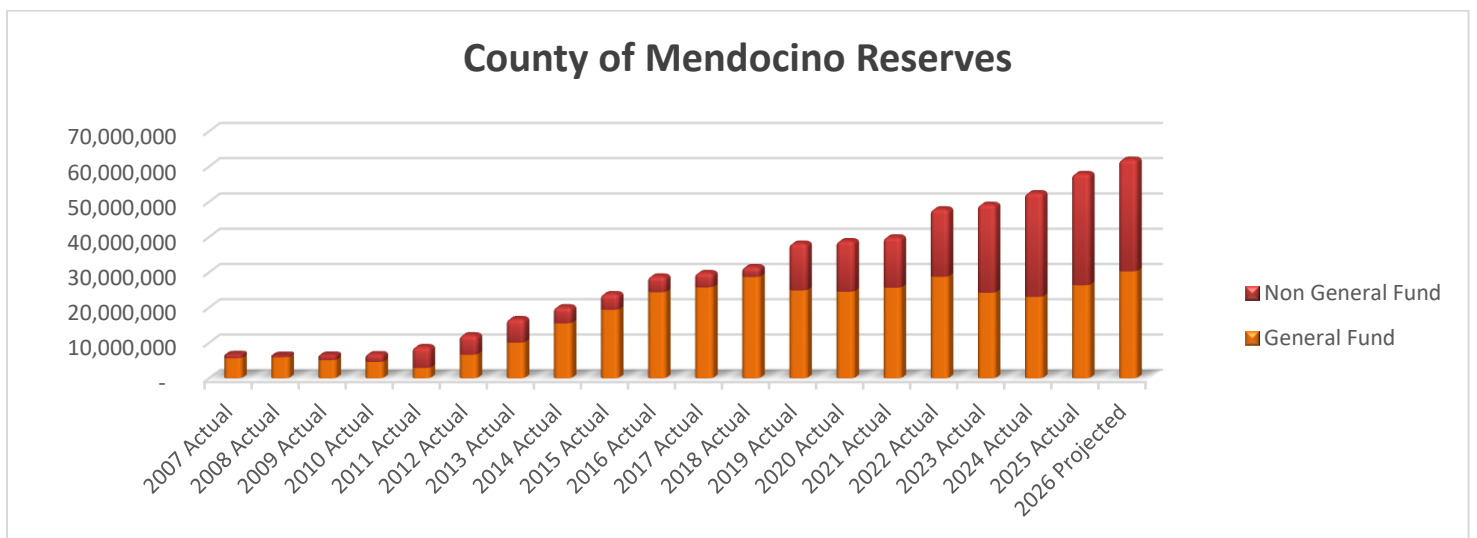
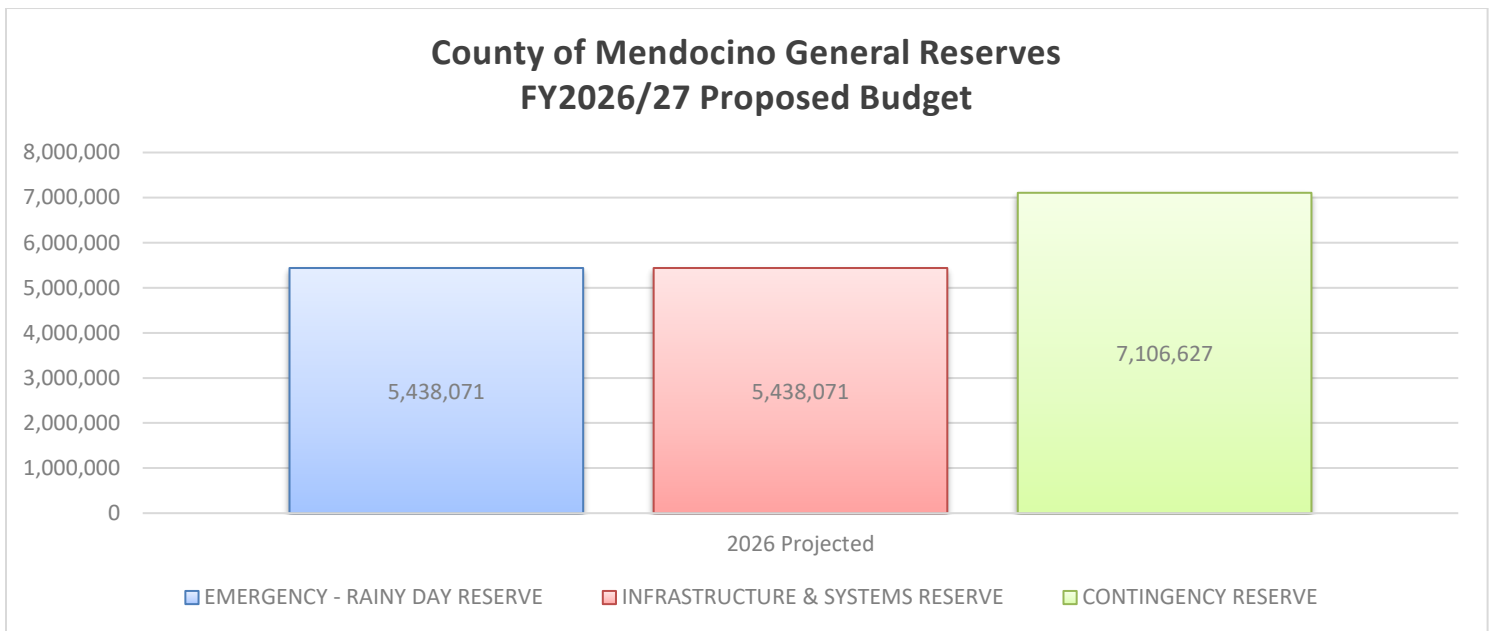


FiscalYearLabel	Revenue	Expenses	Gap
FY 2024/25	83,623,302	81,981,147	1,642,155.00
FY 2025/26	88,946,540	88,946,540	0.00
FY 2026/27	92,978,716	92,978,716	0.00
FY 2027/28	95,571,124	97,808,806	-2,237,682.00
FY 2028/29	98,375,164	100,067,546	-1,692,382.00
FY 2029/30	101,368,753	102,839,216	-1,470,463.00
FY 2030/31	106,953,438	105,662,708	1,290,730.00

## General Reserves

On March 24, 2026, to address current financial challenges and to strengthen the County’s governance of reserve funds, the Board of Supervisors approved an amended Policy #32 - General Reserve and Contingencies. The amended policy, renamed Reserve and Fund Balance, simplifies the County’s General Fund reserve structure with the creation of three (3) reserves, the Contingency Reserve, the Rainy Day Reserve, and the Infrastructure and Systems Reserve.

- **Contingency Reserve:** A general reserve to guard against short-term unanticipated revenue and expenditure changes affecting the annual adopted budget.
- **Rainy Day Emergency Reserve:** A stabilization reserve to guard against longer-term impacts resulting from major financial and operations events, including recessions, natural disasters, and other declared emergencies.
- **Infrastructure and Systems Reserve:** A reserve to improve the County’s investment in deferred maintenance, systems modernization, and other one-time purposes.



## Measure P Summary

Measure P is a 0.25% countywide sales tax approved by Mendocino County voters in November 2022. The tax has been dedicated to supporting fire protection and emergency medical services (EMS) across the County. Revenue collection began in April 2023, with initial allocations to eligible fire and EMS agencies occurring in January 2024.

The table below shows revenue collected from Measure P starting in FY2022/23.

Revenue Description	2022/23 Actual	2023/24 Actual	2024/25 Actual	2025/26 Projected	2026/27 Proposed
Measure P Sales Tax	1,240,888	4,864,339	4,812,916	4,910,000	4,500,000

## State Budget Update

\*The information and narrative below were taken from the Governor's May Budget Revision for FY2026-27.

The 2026-27 May Revision, presented by Governor Gavin Newsom, revises the January Governor's Budget to reflect updated revenue and expenditure projections across both 2026-27 and 2027-28. A substantial upward revision of \$16.5 billion in General Fund revenues from the state's "Big Three" tax sources, Personal Income, Corporate, and Sales and Use Taxes, is driven primarily by a 2025 spike in capital gains realizations, which produced \$11.9 billion in higher-than-projected cash receipts through April. Total General Fund spending is set at \$246.6 billion in 2026-27, approximately \$1.8 billion below the Governor's Budget estimate.

To achieve balance across both fiscal years while reducing projected structural deficits, the May Revision employs a combination of \$3.6 billion in new revenue solutions, \$411 million in spending reductions, and \$390.7 million in General Fund offsets in 2026-27. The plan deposits \$9.7 billion into the Projected Surplus Temporary Holding Account to carry resources forward into 2027-28. Combined reserves across the Budget Stabilization Account (\$15.1 billion), the Special Fund for Economic Uncertainties (\$4.5 billion), and the Public School System Stabilization Account (\$10.3 billion) total approximately \$29.9 billion in 2026-27.

The May Revision contains several provisions with direct implications for county operation. Federal legislation H.R. 1, enacted in summer 2025, imposes new Medicaid eligibility restrictions, work and community engagement requirements, and reduced federal matching rates that are projected to disenroll approximately 44,000 Medi-Cal beneficiaries in 2026-27 and up to 1.3 million by 2029-30 statewide; counties administering Medi-Cal-linked programs will experience corresponding caseload and cost impacts. For IHSS specifically, the May Revision includes a \$62.6 million General Fund reduction tied to the reinstatement of the Medi-Cal asset test for seniors and disabled adults effective no sooner than January 1, 2027, which will affect county IHSS caseloads. On the revenue side, the May Revision proposes, effective January 1, 2027, to apply the state sales tax to digital prewritten software and Software-as-a-Service (SaaS). This proposal is projected to generate \$560 million in additional local sales tax revenue in 2026-27, growing to approximately \$1.1 billion annually thereafter, representing a potential source of new revenue that counties may receive through Bradley-Burns allocations.

**2026-27 May Revision**  
**General Fund Budget Summary**  
(Dollars in Millions)

	2025-26	2026-27
<b>Prior Year Balance</b>	\$56,576	\$56,190
Revenues and Transfers	\$245,442	\$222,874
<b>Total Resources Available</b>	<b>\$302,018</b>	<b>\$279,064</b>
Non-Proposition 98 Expenditures	\$158,227	\$154,569
Proposition 98 Expenditures	\$87,601	\$91,997
<b>Total Expenditures</b>	<b>\$245,828</b>	<b>\$246,566</b>
<b>Fund Balance</b>	<b>\$56,190</b>	<b>\$32,498</b>
Reserve for Liquidation of Encumbrances	\$27,998	\$27,998
Special Fund for Economic Uncertainties	\$28,192	\$4,500
<b>Public School System Stabilization Account</b>	<b>\$10,325</b>	<b>\$10,325</b>
<b>Safety Net Reserve</b>	-	-
<b>Budget Stabilization Account/Rainy Day Fund</b>	<b>\$11,496</b>	<b>\$15,075</b>

Note: Numbers may not add due to rounding.

**General Fund Expenditures by Agency**  
(Dollars in Millions)

	2025-26	2026-27	Dollar Change from 2025-26
Legislative, Judicial, Executive	\$10,519	\$7,556	-\$2,963
Business and Consumer Services	226	10	-216
Housing and Homelessness	2,392	1,080	-1,312
Transportation	816	552	-264
Natural Resources	6,711	4,870	-1,841
Environmental Protection	277	117	-160
Health and Human Services	91,371	90,187	-1,184
Corrections and Rehabilitation	14,483	14,413	-70
K-12 Education	82,384	91,069	8,685
Higher Education	22,551	26,254	3,703
Labor and Workforce Development	1,127	991	-136
Government Operations	3,303	5,102	1,799
General Government:			
Non-Agency Departments	1,672	1,321	-351
Tax Relief/Local Government	757	483	-274
Statewide Expenditures	7,239	2,561	-4,678
<b>Total</b>	<b>\$245,828</b>	<b>\$246,566</b>	<b>\$738</b>

Note: Numbers may not add due to rounding.

## 2026-27 Total State Expenditures by Agency

(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$7,556	\$4,014	\$949	\$12,519
Business and Consumer Services	10	1,315	-	1,325
Housing and Homelessness	1,080	341	401	1,822
Transportation	552	17,068	490	18,110
Natural Resources	4,870	3,192	1,703	9,765
Environmental Protection	117	4,580	329	5,026
Health and Human Services	90,187	51,187	460	141,834
Corrections and Rehabilitation	14,413	4,139	-	18,551
K-12 Education	91,069	134	1,591	92,794
Higher Education	26,254	164	1,280	27,698
Labor and Workforce Development	991	1,234	-	2,225
Government Operations	5,102	280	11	5,393
General Government:				
Non-Agency Departments	1,321	2,294	77	3,692
Tax Relief/Local Government	483	3,866	-	4,349
Statewide Expenditures	2,561	1,745	1	4,306
<b>Total</b>	<b>\$246,566</b>	<b>\$95,554</b>	<b>\$7,291</b>	<b>\$349,411</b>

Note: Numbers may not add due to rounding.

**General Fund Revenue Sources**  
(Dollars in Millions)

	2025-26	2026-27	Change from 2025-26	
			Dollar Change	Percent Change
Personal Income Tax	\$146,847	\$145,609	-\$1,238	-0.8%
Sales and Use Tax	34,588	35,629	1,041	3.0%
Corporation Tax	43,287	45,017	1,730	4.0%
Insurance Tax	4,510	4,728	218	4.8%
Alcoholic Beverage Taxes and Fees	413	415	2	0.5%
Cigarette Tax	35	34	-1	-2.9%
Motor Vehicle Fees	46	46	0	0.0%
Other	8,616	-5,025	-13,641	-158.3%
<b>Subtotal</b>	<b>\$238,342</b>	<b>\$226,453</b>	<b>-\$11,889</b>	<b>-5.0%</b>
Transfer from/to the Budget Stabilization Account/Rainy Day Fund	7,100	-3,579	-10,679	-150.4%
<b>Total</b>	<b>\$245,442</b>	<b>\$222,874</b>	<b>-\$22,568</b>	<b>-9.2%</b>

Note: Numbers may not add due to rounding.

**2026-27 Revenue Sources**  
(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2025-26
Personal Income Tax	\$145,609	\$4,371	\$149,980	-\$1,310
Sales and Use Tax	35,629	16,240	51,869	1,724
Corporation Tax	45,017	-	45,017	1,730
Highway Users Taxes	-	9,688	9,688	223
Insurance Tax	4,728	-	4,728	217
Alcoholic Beverage Taxes and Fees	415	-	415	2
Cigarette Tax	34	1,066	1,100	-46
Motor Vehicle Fees	46	13,132	13,178	408
Other	-5,025	57,537	52,512	2,316
<b>Subtotal</b>	<b>\$226,453</b>	<b>\$102,034</b>	<b>\$328,487</b>	<b>\$5,264</b>
Transfer to the Budget Stabilization Account/Rainy Day Fund	-3,579	3,579	-	-
<b>Total</b>	<b>\$222,874</b>	<b>\$105,613</b>	<b>\$328,487</b>	<b>\$5,264</b>

Note: Numbers may not add due to rounding.

## **TK–12 Education**

**Total Funding: \$151.6 billion (\$91.3B General Fund, \$60.3B other funds)**

- The Proposition 98 Guarantee is revised upward to \$127.1 billion in 2026/27, representing an approximately \$28 billion increase over the three-year period relative to the 2025 Budget Act.
- Local Control Funding Formula (LCFF) receives a total cost-of-living adjustment of 4.31%, including a \$906.7 million discretionary "super COLA" to help local educational agencies manage rising costs.
- Special education funding increases by nearly \$2.4 billion (43% over the 2025 Budget Act), raising the per-student rate to \$1,340.
- \$5 billion in one-time Proposition 98 funds directed to the Student Support and Professional Development Discretionary Block Grant, up from \$2.8 billion at the Governor's Budget.
- \$485 million reappropriated from the California Community Schools Partnership Program for planning, implementation, and behavioral health integration at eligible school sites.
- \$428.8 million to extend the Literacy Coaches and Reading Specialists Grant Program through June 2031.
- New requirement for all TK–12 local educational agencies and community colleges to provide up to 14 weeks of paid pregnancy disability leave beginning 2026/27.
- Additional investments in teacher residency programs, the Golden State Teacher Grant, transcript-based credentialing, and mathematics professional learning.

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## **Higher Education**

**Total Funding: \$50 billion (\$31.2B General Fund/local property tax, \$18.8B other funds)**

- UC and CSU each receive a 5% base increase (final year of the Compact), at \$254.3 million and \$264.8 million respectively, in ongoing General Fund.
- Several Compact funding payments deferred to 2027/28 to manage multi-year balance.
- California Community Colleges (CCCs) receive a 4.31% cost-of-living adjustment to the Student-Centered Funding Formula, totaling \$438.3 million.
- Cal Grant Program projected to provide nearly 548,000 awards at an estimated cost of \$3.2 billion in 2026/27.
- Golden State Teacher Grant Program continues, funded through federal special education (IDEA) funds with awards of up to \$20,000 for prospective special education teachers.
- College of the Law, San Francisco receives \$1 million ongoing for campus safety and security.

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## **Natural Resources and Environment**

**Total Funding: \$16.3 billion combined (Natural Resources Agency + Cal EPA)**

- Up to \$125 million in Climate Bond (Proposition 4) funding for acquisition of the 161-acre Golden Gate Fields property to create a new shoreline park.
- State Parks Forward initiative will expand the number of state parks from 280 to 283 and preserve an additional 30,000 acres by decade's end.
- \$25 million in one-time General Fund for the Healthy Rivers and Landscapes Program to support the Bay-Delta Water Quality Control Plan update.
- Over \$200 million in Beverage Container Recycling Fund investments to stabilize markets, improve material quality, and expand redemption access in underserved areas.
- \$2.5 million for cancer risk research related to acrolein and ethylene oxide air toxics.
- \$9.6 million in ongoing General Fund shifted to special funds within Cal EPA agencies as a budget balancing measure.

## Health and Human Services

### Total Funding: \$334.2 billion (\$90.4B General Fund)

- Medi-Cal projected to cover approximately 13.9 million Californians in 2026/27, with total program spending of \$216.7 billion (\$44.9B General Fund).
- A new Managed Care Organization (MCO) Tax proposed effective January 1, 2027, generating \$575 million in 2026/27, growing to \$2.3 billion annually, to sustain Medi-Cal provider rate increases following expiration of the current tax.
- Federal H.R. 1 legislation increases state General Fund costs by approximately \$1.5 billion in 2026/27 due to Medicaid work requirements, reduced federal matching rates, and immigrant eligibility restrictions.
- Medi-Cal Asset Test reinstatement saves an estimated \$278.3 million in 2026/27, growing to \$495.6 million by 2029/30.
- Adults with unsatisfactory immigration status (ages 19–59) will face a new \$50 monthly Medi-Cal premium beginning 2027/28, saving \$427.3 million annually.
- Members with unsatisfactory immigration status transitioned to fee-for-service delivery effective January 1, 2027, in compliance with new federal requirements.

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## Housing and Homelessness

- Creation of a new Disaster Rebuilding Fund, \$100 million (\$56M General Fund, \$44M National Mortgage Settlement funds), to expand construction financing access for homeowners impacted by the 2025 Los Angeles wildfires.
- Sixth round of Homeless Housing, Assistance and Prevention (HHAP) funding totaling \$1 billion for eligible grantees.
- Seventh round of HHAP (\$500 million) planned, contingent on enhanced local accountability requirements including compliant housing elements, encampment management policies, and pro-housing local actions.
- Policy changes to reduce development costs for state-funded affordable housing by aligning local fee structures and incentivizing development fee waivers.
- Establishment of the California Housing and Homelessness Agency (CHHA) under the Governor's Reorganization Plan, with staffing and resources transferred to support streamlined housing finance coordination.

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## Criminal Justice and Judicial Branch

### CDCR Total Funding: ~\$14.6 billion; Judicial Branch: \$5.3 billion (\$3.3B General Fund)

- Adult incarcerated population projected to decline to approximately 87,611 in 2026/27, with a longer-term trajectory toward 85,210 by June 2030.
- Four prison closures, including the Correctional Rehabilitation Center (Norco) by October 2026. Expected to save approximately \$594 million General Fund annually by 2027/28, with cumulative savings reaching \$4.9 billion.
- New honor housing unit at Corcoran State Prison (facility 3C), launching September 2026, focuses on normalization, dynamic security, and reentry preparation.
- \$9.7 million General Fund for the Mental Health Receivership to expand clinician hiring, resource teams at nine institutions, and pilot Crisis Intervention Teams at three facilities.
- \$14.3 million in special funds for the Department of Justice to address increased antitrust workload as federal enforcement activity declines.
- \$141.9 million one-time for the Next Generation 9-1-1 transition to a unified statewide architecture, in advance of the 2028 Olympic and Paralympic Games.
- \$40 million for Nonprofit Security Grants and \$25 million to supplement declining federal Victims of Crime Act funding.

## Transportation

- Caltrans manages 50,000+ lane-miles and will deliver \$18 billion in highway repair projects over five years through the State Highway Operations and Protection Program.
- \$40 million one-time General Fund to continue the Clean California litter abatement and encampment resolution program.
- \$16.4 million for Generative AI implementation to improve roadway safety monitoring and traffic mobility analysis.
- \$6.2 million annually (two-year limited term) for Homeless Encampment Liaisons on state highway rights-of-way.
- Statutory changes proposed to establish an automated enforcement program on the LA 2028 Games Route Network dedicated lanes.

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## General Government and Statewide Issues

- \$307.2 million (\$138.1M General Fund) for employee compensation, reflecting updated health and dental premiums; collective bargaining ongoing with nine SEIU bargaining units.
- \$3.6 billion in Proposition 2 (Rainy Day Fund) funding available, including a \$3 billion supplemental pension payment; CalPERS contributions of \$9.6 billion and CalSTRS contributions of \$4.8 billion.
- \$10 million annually in 2026/27 and 2027/28 for the California Civic Media Program to support local newsrooms.
- \$12 million one-time for the Museum of Tolerance for infrastructure improvements and AI-enhanced educational programming.
- \$414.1 million in Cannabis Tax Fund Allocation 3 distributed to youth education and treatment (60%), environmental remediation (20%), and public safety (20%).
- State Appropriations Limit for 2026/27 estimated at \$182 billion, up \$1.4 billion from the January estimate.

## Chief Executive Officer's Proposed Budget Actions & Recommendations

Listed below is an overview of recommendations and actions, presented for Board of Supervisors consideration in keeping with the priority direction the Board has provided during the FY 2026-27 Budget Workshops:

### **CEO Recommended Actions on the Proposed Budget:**

The Executive Office recommends that the Board of Supervisors take action as follows:

Approve the FY 2026-27 Chief Executive Officer's Proposed Budget for the County of Mendocino, including:

- Approve the adjustments detailed in the CEO Recommended Budget Adjustments to Departments Submitted, as outlined in Attachment B-General Fund and Attachment C Non-General Fund;
- Approve the FY 2026-27 Department Funding Requests (Attachment A) directing the Auditor-Controller to return to the Board of Supervisors on June 23, 2026, with a formal resolution adopting the FY 2026-27 Mendocino County Budget based on the above direction;
- Approve amendments to the Position Allocation Table as listed in Attachment D, directing Human Resources to return to the Board of Supervisors on June 23, 2026, with an updated Position Allocation Table;
- Approve the funded fixed assets/vehicles, structural improvements, and projects as listed in Attachment F;
- Approve FY 2026-27 Enterprise Internal Service Fund department allocations listed in Attachment H;
- Approve FY 2026-27 Microwave Public Safety Radio Communications department allocations listed in Attachment E;
- Approve transfer of any unused Fiscal Year 2025-26 Carry Forward to Reserves per Reserve and Fund Balance Policy #32;
- Approve appropriation of \$2,595,536 in Fiscal Year 24-25 Carry Forward funding for Fiscal Year 2026-27 Budget;
- Accept the Fiscal Year 2026-27 Proposed Budget Report

**General Fund** - The primary operating fund of a government, used to finance most typical services such as public safety, administration, and public works.

**Non-Departmental Revenues** - Revenues that are not directly generated by specific county departments but are collected at a county-wide level, such as general sales taxes, property taxes, and certain grants.

**Net County Cost (NCC)** - The total cost to the county for providing services after accounting for all revenues except for General Fund support. It represents the impact to the General Fund.

**One-Time Funds** - Funds that are not expected to recur on a regular basis, used typically for non-recurring expenditures. Examples include windfalls from legal settlements or one-off state or federal grants.

**Fund Balance** -

**Operating Transfers In/Out** - Transfers of money between different government funds as recorded in financial statements. Transfers in are added to a fund, while transfers out are deducted.

**Actuals** - The term used to describe the real financial figures recorded during a specified accounting period. Actuals represent the true amounts of revenue received or expenditures made, as opposed to budgeted figures or forecasts.

**Property Tax In-Lieu of VLF (Vehicle License Fee)** - Revenue received from the state as a replacement for vehicle license fees that local governments previously collected directly.

**Sales Tax Revenue** - Income earned by the government from sales tax, which is imposed on the sale of goods and services. It is a percentage of the price paid by the consumer at the point of sale.

**Transient Occupancy Tax (TOT)** - A tax charged to travelers when they rent accommodations in a hotel, inn, motel, vacation rental, etc., for a period of less than 30 days.

**Measure P** - A sales tax measure that was approved in November 2022 and introduced a 0.25% sales tax increase to fund fire prevention and emergency services across Mendocino County.

**Teeter Plan** - A method of property tax allocation that allows counties to receive the total amount of property taxes levied regardless of the actual collection rate, with the county assuming the risk for delinquent accounts.

**Fiscal Sustainability** - The ability to sustain current spending, tax, and other fiscal policies over the long term without risking fiscal crisis.

**Fiscal Year (FY)** - A one-year period used by governments for accounting and budget purposes, which varies between countries. In Mendocino County, the Fiscal Year is July 1<sup>st</sup> through June 30<sup>th</sup>.

**Adjusted Budget** - Refers to the budget amount that has been modified from the original approved budget to reflect changes such as additional allocations, reductions, or other adjustments during the fiscal year.

**YTD (Year-to-Date)** - The period starting from the beginning of the current fiscal year up to the current date, used for tracking financial progress and performance against the annual budget.

**Projected Deficit** - An estimate of the amount by which expenses are expected to exceed revenues by the end of the fiscal year based on current and forecasted operations.

**Supplemental Roll Tax** - Additional property taxes levied due to changes in property value not accounted for in the original tax roll, often resulting from construction or property sales.

**Penalty & Cost on Delinquent Tax** - Fees and charges applied to tax amounts that are paid late, intended to encourage timely payment of taxes.

**Property Transfer Tax** - A tax imposed by local governments on the transfer of property from one owner to another, based on the property's sale price.

**Revenue Forecast** - The estimated amount of money that will be received from various sources during a specified fiscal period. This is a critical component for budget planning and adjustments.

**Capital Improvement Projects (CIP)** - Long-term investment projects undertaken by the government to build, maintain, or improve its infrastructure assets, such as roads, bridges, schools, and government buildings.