

California and Texas State Spending Comparison

Posted on September 20, 2019

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Introduction

California and Texas are the two most populous U.S. states and operate budgets large enough to shape national debates about education, healthcare, taxation, infrastructure, public safety, and the role of state government. Their spending patterns differ substantially, but raw budget totals can be misleading because the two states use different fiscal structures and reporting conventions. California adopts an annual budget, while Texas appropriates funds for a two-year biennium. California also relies more heavily on a progressive personal income tax, whereas Texas has no broad individual state income tax and depends more on sales, business, property-supported local revenue, energy-related revenue, and federal funds. These differences affect both the amount of revenue available and the way services are financed. A fair comparison must therefore use the same period, identify the funding source, distinguish state from federal and local money, and consider population, service needs, labor costs, geography, and policy choices. Lower spending does not automatically demonstrate greater efficiency, just as higher spending does not automatically demonstrate better outcomes.

Budget Scale and Revenue Structure

California's enacted 2026–27 budget provides a useful illustration of the scale problem. The Legislative Analyst's Office reports General Fund spending of about \$251.5 billion and total state spending of approximately \$346.6 billion when special funds are included. Adding bond and federal funds raises the all-funds total further. Texas, by contrast, enacted approximately \$337.9 billion for the entire 2026–27 biennium after line-item vetoes, including about \$175 billion for fiscal year 2026 and \$162 billion for fiscal year 2027. The Texas total therefore covers two fiscal years, while California's principal state-budget figure covers one. The Texas Legislature also reports that about \$157.2 billion of the biennial total comes from general revenue, approximately \$100.9 billion from federal funds, and the remainder from other sources. These figures demonstrate why comparing one headline total with another can produce a false impression of relative government size (California Legislative Analyst's Office, 2026; Texas Legislature, 2025).

The revenue systems also reflect different policy choices. California relies heavily on personal income

tax receipts, including revenue from high earners and capital gains, which can generate strong collections during favorable financial-market periods but also create volatility during downturns. Texas does not impose a broad personal income tax and relies more heavily on sales taxes, business taxes, property-tax-supported local services, federal funds, and revenue connected with economic activity including energy. The absence of a state income tax does not mean residents face no tax burden; it changes the composition of that burden and the level of government collecting it. Because state revenue systems differ, comparisons should examine both taxes and the services financed by them rather than treating one tax instrument as the complete measure of fiscal policy.

Education and Human Services

Education is a major expenditure category in both states, but the funding systems differ enough that state appropriations alone provide only part of the picture. Texas's 2026–27 General Appropriations Act allocates approximately \$126.3 billion across agencies of education for the biennium, including public and higher education functions. Local property-tax revenue also plays an important role in financing the Foundation School Program. California funds K–12 schools through a combination of state and local resources shaped by Proposition 98 and the Local Control Funding Formula, which directs additional resources toward students with greater identified needs. Both states also support large public higher-education systems. California maintains the University of California, California State University, and community-college systems, while Texas supports multiple university systems, health-related institutions, and community colleges. A useful comparison therefore asks how funds are distributed, which costs are borne by local government, and whether spending improves access, staffing, completion, facilities, and student outcomes.

Health and human services also reveal major policy differences. Texas appropriates about \$105.6 billion to health and human services for the 2026–27 biennium, while California operates a broader public health and social-service structure and has expanded Medicaid under the Affordable Care Act. Texas has not adopted the same broad Medicaid expansion. These differences influence eligibility, state spending, federal matching funds, provider payments, and the number of residents receiving publicly financed care. Lower spending can therefore reflect narrower eligibility as well as lower cost. Safety-net programs should be evaluated through outcomes such as health access, child wellbeing, poverty, employment, administrative burden, and service quality rather than by caseload size alone. At the same time, broader programs create larger fiscal commitments and require strong administration to ensure that funds reach intended recipients efficiently.

Public Safety, Corrections, and Infrastructure

Texas's enacted 2026–27 budget allocates approximately \$19.8 billion to public safety and criminal justice for the biennium. California also devotes substantial resources to corrections, courts, public safety, and rehabilitation, but direct per-prisoner comparisons are difficult because accounting

practices, labor costs, healthcare obligations, facility age, security classifications, and pension treatment differ. California has faced significant court oversight concerning prison conditions and healthcare, while Texas operates one of the country's largest correctional systems by population. Both states have used combinations of incarceration, probation, treatment, diversion, and reentry programs. Evaluating corrections policy therefore requires more than a spending figure. Public safety, lawful conditions, recidivism, due process, rehabilitation, and long-term cost all matter.

Infrastructure needs are similarly shaped by geography and growth. California and Texas both maintain extensive highway networks, ports, airports, water systems, and rapidly growing metropolitan areas. California also devotes significant resources to transit, climate-related programs, wildfire response, drought, water resilience, and earthquake preparedness. Texas faces major costs involving highways, hurricanes, floods, drought, wildfire, rapid metropolitan expansion, and electric-grid resilience. A lower construction cost in one state may reflect land prices, wages, environmental requirements, or project type rather than superior management. Disaster spending can also vary sharply by year, making long-term resilience investment more informative than a single annual comparison.

Cost of Living, Staffing, and Service Delivery

Public services cost different amounts to provide in different places. California's housing, land, labor, insurance, and construction costs are high in many metropolitan areas, increasing the expense of hiring public employees, building facilities, providing housing assistance, and purchasing contracted services. Texas generally has lower statewide housing costs, although several major metropolitan areas have experienced rapid price increases. Equal dollar spending may therefore purchase different levels of service. This is one reason per-capita comparisons remain incomplete even after adjusting for population.

Employee counts should also be interpreted carefully. A state can appear to operate with fewer public employees because it contracts services to private organizations or shifts responsibility to counties, cities, school districts, or nonprofit providers. Those arrangements still create public costs and oversight responsibilities. Schools, for example, require teachers as well as counselors, nurses, librarians, aides, transportation staff, food-service workers, technology staff, custodians, and administrators. The relevant question is whether staffing supports public objectives efficiently, not whether every employee works in a classroom or whether one state has fewer workers per resident. Contracting can improve flexibility in some cases but may also reduce transparency or create coordination problems if performance standards are weak.

Federalism, State Choice, and Fiscal Evaluation

California and Texas illustrate the flexibility built into American federalism. States exercise broad

authority over many areas involving health, education, public safety, infrastructure, and economic regulation, while the federal government shapes policy through constitutional protections, federal law, grants, matching programs, regulation, and preemption. This creates room for different approaches but also means that residents can experience different levels of public support and different tax structures depending on where they live. Some policy areas benefit from national minimum standards, particularly where constitutional rights, interstate spillovers, or national markets are involved, while states can still experiment with implementation and program design.

Fiscal evaluation should therefore focus on outcomes, transparency, and sustainability rather than simple ideological labels. Useful measures include student achievement and completion, healthcare access, infrastructure condition, processing times, recidivism, public safety, poverty, administrative cost, debt, reserves, and long-term liabilities. Budget data should be machine-readable and structured so that residents can distinguish federal, state, and local contributions. Both states also need sufficient reserves to manage recession and disasters without creating unnecessary cuts, while excessive reserves should be considered alongside unmet needs. Spending can be efficient or wasteful at either a high or low level depending on program design and results.

Conclusion

California and Texas finance public services through different revenue systems and make different policy choices, so their budgets cannot be evaluated accurately through headline totals alone. California's 2026–27 state spending is approximately \$346.6 billion, while Texas's approximately \$337.9 billion budget covers the entire 2026–27 biennium and includes substantial federal funding. Education, health, corrections, transportation, disaster preparedness, and other services are also divided differently among state, local, and federal sources. California generally supports a broader set of public programs and faces high service-delivery costs in many regions, while Texas operates under a different tax structure and narrower eligibility in some programs while funding rapid population and infrastructure growth. Neither pattern proves superior performance by itself. A meaningful comparison requires consistent periods, comparable fund definitions, per-capita context, service needs, and measurable outcomes. State budgets are ultimately expressions of policy priorities, economic conditions, institutional rules, and choices about how public risks and responsibilities should be shared.

Works Cited

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