California and Texas State Spending Comparison

Posted on September 20, 2019

California and Texas are the two most populous U.S. states and operate budgets large enough to influence national economic and policy debates. The original comparison focuses on education, corrections, welfare, cost of living, and the balance of federal and state power. Those categories remain appropriate, but several older figures are inconsistent or misleading. A fair comparison must use the same fiscal period, distinguish annual from biennial appropriations, separate state funds from federal funds, adjust for population and service need, and avoid assuming that lower spending automatically means greater efficiency. California's 2026–27 budget is organized annually, while Texas enacted a two-year 2026–27 budget. The states also differ in revenue systems, demographics, geography, labor costs, healthcare policy, and constitutional rules. Spending therefore reflects both political choices and the cost of delivering services in different environments.

Why Direct State Comparisons Are Difficult

Budget totals can create an illusion of precision while comparing unlike numbers. One state may report all funds, another only state funds, and another include federal pass-through money. Education figures may exclude teacher pensions, school construction, or local property taxes. Correctional spending may include healthcare in one state and report it separately in another. Texas adopts a biennial General Appropriations Act, while California produces an annual budget with revisions. A meaningful comparison should specify the unit, source, year, and included funds. Per-capita figures are useful but still do not account for age, poverty, disability, immigration, urban density, or cost of living.

Overall Budget Scale

California's enacted 2025–26 budget reported approximately $321.1 billion in state funds, excluding federal and certain other funds. Its May 2026 revision for 2026–27 proposed roughly $349.4 billion in state-fund expenditures. Texas's 2026–27 General Appropriations Act covers a two-year period and allocates hundreds of billions across education, health and human services, public safety, transportation, and other functions. The larger California annual total reflects population, prices, program choices, and accounting scope. It should not be divided mechanically against a Texas biennial total without converting both to comparable annual and fund bases. (California Department of Finance; Texas Legislative Budget Board; Texas Legislature)

Revenue Systems

California relies heavily on a progressive personal income tax, along with sales, corporate, and other taxes. This system can generate strong revenue during periods of capital gains and high-income growth but can also be volatile. Texas has no broad individual state income tax and relies more heavily on sales taxes, business taxes, severance-related revenue, property-tax-supported local government, and federal funds. The absence of an income tax does not mean Texans pay no taxes; it changes who pays, which levels of government collect revenue, and how the burden is distributed. California's higher revenue capacity supports broader programs but also exposes the budget to financial-market cycles.

Cost of Living and Public-Service Costs

The original essay cites monthly food costs as evidence that California is more expensive. Food is one component, but housing, wages, land, insurance, energy, transport, and healthcare matter more to overall state and household budgets. California's high housing costs increase public employee salaries, construction expenses, homelessness pressure, and the cost of contracted services. Texas generally has lower statewide housing costs, though Austin, Dallas, Houston, and other metros have experienced major increases. Cost differences mean that equal dollar spending may purchase different quantities of service. They also mean that low public benefits may be less adequate in high-cost regions.

K–12 Education Spending

Education is one of the largest functions in both states. California's 2026–27 May Revision listed approximately $93.0 billion in state funds for K–12 education, excluding substantial local and federal resources. Texas's 2026–27 biennial appropriations assigned approximately $126.3 billion to agencies of education, a category that includes public and higher education components according to the state budget structure. These totals cannot be compared directly without disaggregating years and functions. (California Legislative Analyst's Office)

Per-pupil spending should include state, local, and federal funds and should account for pensions, facilities, special education, transportation, and student needs. California serves many English learners and students in high-cost labor markets. Texas serves a rapidly growing and diverse student population across large urban and rural areas. The number of schools or employees alone does not reveal quality or efficiency. Class size, teacher qualifications, turnover, facilities, instructional resources, and student outcomes should be examined.

Teacher and Non-Teacher Staffing

The original essay suggests that only about half of Texas public-school employees are teachers and treats non-teaching staff as possible excess. Schools also require counselors, nurses, librarians, special-education aides, bus drivers, custodians, food-service workers, administrators, security staff, and technology specialists. The proper question is whether staffing supports student needs effectively, not whether every employee teaches a classroom. Administrative growth should be scrutinized, but eliminating support roles can shift noninstructional duties onto teachers and reduce learning time.

School Finance and Local Property Wealth

Both states face inequalities among districts. Local property values influence revenue and facilities, while state formulas attempt to equalize opportunity. Texas's school-finance system includes recapture mechanisms and remains politically contested. California's Local Control Funding Formula directs additional resources toward low-income students, English learners, and foster youth. Funding formulas can reduce disparities but do not eliminate differences in local fundraising, housing segregation, teacher recruitment, or special needs. State comparison should therefore ask how money is distributed within each state, not only how much is spent statewide.

Higher Education

California maintains a large public system including the University of California, California State University, and community colleges. Texas supports multiple university systems and community colleges. Spending choices influence tuition, research, workforce development, and regional access. California's 2026–27 May Revision listed approximately $27.7 billion in state funds for higher education. The return on this spending includes degree completion, research, healthcare, innovation, and earnings, but benefits vary by institution and student. Both states need to address affordability, transfer pathways, completion gaps, and alignment with labor demand without reducing education to immediate job placement.

Health and Human Services

California's May 2026 budget revision reported approximately $142.1 billion in state funds for health and human services, with total spending higher when federal funds are included. Texas's biennial budget allocated about $105.6 billion to health and human services across the two-year period. Differences reflect population, Medicaid eligibility, state policy, provider rates, public-health programs, and accounting. California expanded Medicaid under the Affordable Care Act; Texas has not adopted the same broad expansion. Lower Texas spending therefore partly reflects narrower eligibility, not necessarily lower cost for an identical set of services.

Welfare and the Safety Net

The original essay frames welfare mainly as dependency and suggests that generous assistance may weaken families. Safety-net programs include food assistance, cash aid, childcare, disability support, housing, healthcare, and employment services. Their effects depend on benefit design, phase-out rules, administration, and labor-market conditions. Benefits can reduce hardship and support children while poorly designed cliffs can discourage earnings increases. California generally funds a broader safety net, while Texas uses more restrictive eligibility in several programs. Evaluating success should include poverty, child wellbeing, employment, health, administrative access, and housing costs—not only reduced caseloads.

Federal Block Grants and State Flexibility

Programs such as Temporary Assistance for Needy Families provide states with flexibility within federal rules. Flexibility can support local innovation, but fixed block grants lose real value with inflation and may allow funds to be redirected away from direct assistance. States differ in how much they spend on cash support, work programs, childcare, and other authorized purposes. Reduced spending can mean efficiency, but it can also mean that eligible families receive less help or face harder application processes. Transparency is essential.

Corrections Spending

California's 2026–27 May Revision listed approximately $18.6 billion in state funds for corrections and rehabilitation. Texas's public safety and criminal justice article allocated approximately $19.8 billion over the biennium, covering more than prisons alone. Older claims that California spends $75,000 per prisoner while Texas spends $22,012 should not be repeated without a year and consistent methodology. Incarceration cost depends on salaries, healthcare, security level, facility age, pension accounting, population age, and included administration. California's court-ordered prison healthcare and high labor costs affect spending, while Texas's lower per-person costs may reflect different wages, services, and accounting.

Prison Population and Policy

Texas has historically incarcerated a large number of people because of its population and criminal-justice policies. The original statement that it both "tops on incarcerations" and has the fewest inmates is contradictory. Both states have adopted reforms affecting sentencing, parole, diversion, and prison populations. California's realignment, voter initiatives, and court pressure reduced state-prison crowding while shifting responsibilities toward counties. Texas expanded treatment and diversion in some periods while maintaining substantial prison capacity. Success should be measured through public safety, recidivism, conditions, fairness, and cost.

Alternatives to Incarceration

Drug treatment, mental-health services, problem-solving courts, probation, electronic monitoring, restorative programs, and pretrial reform can cost less than imprisonment when used for appropriate people. They are not suitable for every offense and require quality implementation. Detaining people merely because they cannot afford bail can disrupt employment and families and pressure defendants to plead guilty. Both states should use risk and legal standards carefully while protecting due process. Savings should be reinvested in services that reduce future harm rather than assumed to occur automatically.

Transportation and Geography

California and Texas both maintain extensive highways, ports, airports, and metropolitan systems, but geography and policy create different needs. California invests heavily in transit, rail, climate programs, and road systems, while Texas devotes major resources to highways and rapidly growing urban regions. Transportation spending affects housing, labor access, emissions, safety, and economic development. A lower cost per mile may reflect land price and design rather than superior management.

Housing and Homelessness

California's severe housing shortage and high rents drive substantial spending on homelessness, affordable housing, and behavioral health. Texas has generally lower statewide housing costs but also faces homelessness and affordability pressure in growing cities. California's budget included a separate housing and homelessness category, while Texas programs are distributed differently. High spending does not guarantee results when zoning, construction costs, local opposition, land, and treatment capacity constrain supply. Likewise, lower spending may leave needs unmet.

Environmental and Disaster Costs

California budgets for wildfire response, drought, water systems, earthquakes, and coastal climate risk. Texas faces hurricanes, floods, drought, heat, wildfire, and electric-grid challenges. Disaster spending can vary sharply by year and may be shared with federal agencies. Resilience investments should be evaluated over long periods because prevention can appear expensive before a disaster and invaluable afterward. Comparing one budget year may capture an emergency rather than a stable policy difference.

State Employees and Service Capacity

Employee counts should be connected to workload and contracting. A state may appear to have fewer employees because it contracts services to private providers, which still creates public cost and oversight responsibility. California’s salary and pension expenses are affected by higher labor-market costs. Texas may pay lower wages but face turnover or vacancies in demanding occupations. Efficient government requires enough trained staff to administer benefits, inspect facilities, maintain infrastructure, and enforce law.

Fiscal Reserves and Volatility

California’s recent budgets emphasize reserves and managing volatile revenue. Its June 2026 budget agreement described a balanced plan and funds set aside for future uncertainty. Texas also uses reserve mechanisms, including the Economic Stabilization Fund, and benefits from energy-related revenue during favorable periods. Reserves reduce the need for sudden cuts during recession or disaster. Excessive reserves, however, can coexist with unmet public needs. Governments need transparent rules about deposits and withdrawals.

Do States Need More Power or More Uniformity?

The original conclusion asks for greater state power and greater uniformity at the same time. Federalism creates space for experimentation but also produces unequal rights and services based on residence. States hold broad police powers concerning health, safety, and welfare, while the federal government has enumerated powers and can influence states through spending, regulation, constitutional rights, and preemption. The U.S. Constitution does not simply give the federal government “more power” in every area. Authority depends on the subject and legal source.

When National Standards Are Appropriate

National minimum standards are valuable when basic rights, interstate spillovers, or national markets are involved. Examples include civil rights, environmental pollution crossing borders, food safety, and federal program requirements. States can exceed some federal floors or adapt implementation. Uniformity should not prevent innovation, but residence should not determine whether a child has access to basic education, healthcare, or constitutional protection.

Recommendations

Both states should publish comparable, machine-readable budget data linking appropriations to outcomes. Education comparisons should include full costs and student need. Corrections policy should prioritize safety, lawful conditions, and evidence-based alternatives. Health and welfare programs should reduce administrative barriers while measuring employment and wellbeing. Budget reserves should follow clear rules, and long-term liabilities should be reported transparently. Federal support should recognize differences in population and need without rewarding inefficiency.

Conclusion

California generally raises and spends more per resident than Texas and operates a broader safety net, but the difference cannot be interpreted as simple generosity versus efficiency. California faces higher costs and has chosen wider coverage in areas such as Medicaid, education, environmental protection, and social services. Texas relies on a different tax structure and often provides narrower public benefits while funding rapid growth, education, transportation, and public safety. Lower spending may indicate lower prices or a smaller program; it may also indicate reduced access. Higher spending may finance valuable services or reflect high costs and weak management. A fair comparison uses consistent data, evaluates outcomes, and recognizes that state budgets embody political choices about risk, opportunity, and responsibility.

Works Cited

California Department of Finance. *2026–27 State Budget*. 2026.

California Legislative Analyst’s Office. *The 2026–27 Budget*. 2026.

Texas Legislative Budget Board. *Fiscal Size-Up: 2026–27 Biennium*. 2025.

Texas Legislature. *General Appropriations Act, 2026–27 Biennium*. 2025.