



# COUNTY OF SANTA CRUZ

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CARLOS J. PALACIOS, COUNTY ADMINISTRATIVE OFFICER

## NEWS RELEASE



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### COUNTY RELEASES FISCAL YEAR 2026-27 PROPOSED BUDGET

The County of Santa Cruz is pleased to release the Fiscal Year (FY) 2026-27 Proposed Budget, which strives to protect essential public services while strategically using one-time funds to address a structural fiscal imbalance that will have severe and lasting consequences if unaddressed.

The \$1.29 billion Proposed Budget includes an \$843.8 million General Fund and funds 2,683 full-time equivalent positions. It closes an approximately \$23 million structural gap through targeted reductions and countywide restraint such as hiring and travel restrictions, as well \$43 million in one-time funding to cover projected deficits and impacts from federal policy changes. While the Proposed Budget eliminates 58 unfilled positions – a reduction in the County workforce of more than 2 percent – it avoids layoffs and protects core operations.

"This budget reflects extraordinary effort under extraordinarily difficult conditions," County Executive Officer Nicole Coburn said. "County staff across every department helped craft a balanced plan under real fiscal pressure, and their professionalism made it possible to preserve the workforce and protect core services during a period of the most significant fiscal uncertainty since the Great Recession."

The use of one-time funds provides a window for the County to address ongoing fiscal challenges from rising labor and operational costs, inflation, and federal policy changes including from H.R. 1, which shifted millions in costs for safety net services from the federal government to states and counties. If unaddressed, the County's fiscal gap is projected to exceed \$67 million in Fiscal Year 2027-28.

"It is imperative the State step forward and help counties navigate these challenges, particularly in the areas of indigent healthcare, support for public hospitals, new benefits enrollment requirements and behavioral health care programs," Coburn said.

Protecting staff and core operations required difficult trade-offs, including cuts to some community-based contracts. The County also acknowledges that reserve

levels are projected to fall below both Board targets and widely recommended standards for counties, reducing the County's ability to respond to future emergencies.

Despite challenges, the FY 2026-27 Proposed Budget preserves momentum on several major County priorities that reflect the County's mission to strengthen quality of life, expand opportunity, and modernize public service.

It includes the continued rollout of Measure Q, the voter-approved initiative to expand funding for parks and the environment, improve habitat and reduce fire risk. The budget also anticipates several major affordable housing milestones, including the completion of Veterans Village and Park Haven Plaza, as well as progress on a future housing site at 7th Avenue and Brommer Street, helping advance the County's commitment to increasing housing and creating more pathways to stability for working families and vulnerable residents.

Operationally, the County expects completion of its next Strategic Plan, helping define long-term priorities for community services, fiscal sustainability and organizational updates. At the same time, initiatives such as Streamline Santa Cruz County will improve services for residents, while the County's AI Elevation and Standardization Workplan will position the County as a leader in leveraging technology to improve operations.

The County also wishes to recognize local nonprofit and community partners, particularly those facing H.R. 1-related impacts, for their ongoing collaboration and input.

The FY 2026-27 Proposed Budget is intended as a bridge – preserving essential operations now while buying time for more permanent solutions, including structural fiscal reform and long-term sustainability planning, as well as State and federal advocacy to protect the safety net.

### **BUDGET HEARINGS SCHEDULE**

The Santa Cruz County Board of Supervisors will consider the FY 2026-27 Proposed Budget during public hearings on:

- Tuesday, May 5 – Basement Community Room, 701 Ocean St., Santa Cruz
- Wednesday, June 10, 2026 – South County Government Center, 500 Westridge Dr., Watsonville
- Thursday, June 11, 2026 – Board Chambers, 701 Ocean St., Santa Cruz
- Wednesday, June 24, 2026 – South County Government Center, 500 Westridge Dr., Watsonville

For more on the FY 2026-27 Proposed Budget, visit the County's budget site at [www.sccbudget.us](http://www.sccbudget.us).