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California, State of (CA): Fitch New Issue Report

California's 'AA' Issuer Default Rating (IDR) reflects its large, diverse economy, strong revenue growth prospects, and solid fiscal management. The state has managed to build up its budgetary stabilization account and eliminate past budgetary borrowing, enhancing its ability to withstand economic cycles. Despite recent revenue volatility, California's fiscal 2026 budget proposal aims for balance, incorporating a $7.1 billion draw on the rainy day fund. The state faces challenges from slower population growth and increased outmigration, impacting long-term economic expansion. Key fiscal measures include managing pension liabilities and addressing Medi-Cal expenditure increases. Future budget updates will clarify California's fiscal resilience and economic stability.

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