



SUMMARY OF THE GOVERNOR’S MAY REVISION TO THE PROPOSED STATE BUDGET 2025-2026

This is a brief summary of the Governor’s May Revise Proposed Budget and details will be added as they develop. (5/15/25)

<p>OVERALL BUDGET</p>	<ul style="list-style-type: none"> • In January, the Governor’s Budget showed the state was in a better financial position than in recent years, with a balanced budget and a small surplus expected for 2025–26 • The Governor’s Proposed Budget says that new federal tariffs and rising Medi-Cal costs have created a budget shortfall of about \$16 billion over two years. It also says the budget doesn’t yet include deep cuts that Congress is still considering. <ul style="list-style-type: none"> ○ The Proposed Budget also says tariffs are the reason the state’s corporate tax, which is income, changed from growing by 4% to dropping by 2% in 2025. At the same time, Medi-Cal spending has gone up and is now higher than the state’s income. • The current budget plan includes a mix of spending cuts, borrowing, raising revenue, and moving money around to close the gap. Half of the \$16 billion in lower spending come from the health and human services area.
<p>DEPT. OF DEVELOPMENTAL SERVICES (DDS) AND REGIONAL CENTERS</p>	<ul style="list-style-type: none"> • End implicit bias training, saving \$5.6 million • Cancel the Direct Service Professional Workforce Training and Development Program, which has not yet started, saving \$54.4 million overall • A reduction to the Self-Determination Program, saving \$22.5 million • End the rate reform hold harmless policy, saving \$75 million • A cut in funding because of the new requirements to use electronic visit verification, do annual audits, and follow HCBS rules for quality incentives in the rate models, saving \$221.7 million
<p>HEALTH</p>	<ul style="list-style-type: none"> • Starting on or after 1/1/26, stop allowing undocumented adults 19 years or older to sign up for full state-funded health coverage. Saves \$86.5 million in 2025-26, saves \$3.3 billion by 2028-29. <ul style="list-style-type: none"> ○ This freeze would not apply to: <ul style="list-style-type: none"> ▪ undocumented individuals who are pregnant ▪ people who are considered “qualified non-citizens” but are still within the five-year waiting period, or ▪ people who say they are “permanently residing under color of law”, a particular immigration category. • Starting 1/1/27, make undocumented individuals 19 years or older pay premiums of \$100/month for their Medi-Cal, saving \$1.1 billion in 2026-27 and \$2.1 billion in 2028-29



<p>HEALTH (CONTINUED)</p>	<ul style="list-style-type: none"> • Stop paying clinics special higher rates (called “Prospective Payment System rates”) for services provided to undocumented individuals, when those services are paid for by the state only. Instead, clinics will be paid the regular Medi-Cal rates – either the standard fee-for-service rate or the rate negotiated by managed care plans. Saves \$452.5 million in 2025-26 and \$1.1 billion in 2026-27. • Starting 1/1/26, stop providing state-funded long-term care for undocumented individuals, saving \$333 million in 2025-26 and \$800 million in 2026-27 • Starting 1/1/26, the state will stop paying for regular dental care for undocumented individuals aged 19 years and older, saving \$308 million in 2026-27 and \$336 million in 2028-29. Emergency dental services will still be covered for these individuals. • Stop providing the acupuncture optional benefit, saving \$5.4 million in 2025-26 and \$13.1 million annually thereafter • Starting 1/1/26, restart Medi-Cal asset limits (\$2000 for individuals, \$3000 for couples), saving \$94 million in 2025-26, \$540 million in 2026-27, and \$791 million annually thereafter • Collect drug rebates together (in a group or total amount) for undocumented individuals, saving \$300 million in 2025-26 and \$362 million ongoing • Stop covering GLP-1 medications when they are used for weight loss, saving \$85 million in 2025-26 and growing to \$680 million by 2028-29 • Stop Proposition 56 supplemental payments to providers of dental care, family planning, and women’s health services, saving \$504 million in 2025-26 and \$550 million ongoing • End the Workforce and Quality Incentive Program for skilled nursing facilities and pause the rule that requires them to have backup power for at least 96 hours, saving \$168.2 million in 2025-26 and \$140 million ongoing
<p>IHSS</p>	<ul style="list-style-type: none"> • Cap overtime and travel hours at 50 hours/week, saving \$707.5 million • Make the timing of coverage in the IHSS Residual Program match the timing of Medi-Cal coverage, saving \$110.6 million • Save \$158.8 million by stopping IHSS for undocumented adults over 19 who got those services through the recent Medi-Cal expansion that allowed full benefits regardless of immigration status • Reduce funding by \$81 million that was set aside to help counties pay penalties for late IHSS reassessments under the Community First Choice Options program • Cut \$25.5 million by making IHSS follow the same rules as Medi-Cal when the asset limit is reinstated (see in “HEALTH” above)
<p>CHILDCARE AND EDUCATION</p>	<ul style="list-style-type: none"> • Pause the cost-of-living adjustment (COLA) for childcare in 2025-26, saving \$60.7 million



<p>CHILDCARE AND EDUCATION (CONTINUED)</p>	<ul style="list-style-type: none"> • Pause the state preschool COLA, saving a total of \$29.5 million from various funds • Fully expand universal transitional kindergarten (TK) to make it accessible to all four-year-olds in the 2025-26 school year • Provides \$525 million to support expanded learning programs, \$200 million in one-time funds to improve literacy skills, \$30 million for Special Olympics over three years, and \$10 million for tools to screen for reading difficulties
<p>POSTSECONDARY EDUCATION</p>	<ul style="list-style-type: none"> • Shrink a planned reduction for the UCs from \$396.6 million to \$129.7 million, representing an ongoing reduction of approximately 3% • Shrink a planned reduction for the CSUs from \$375.2 million to \$143.8 million, representing an ongoing reduction of approximately 3%
<p>HOUSING</p>	<ul style="list-style-type: none"> • Create a new California Housing and Homelessness Agency to coordinate efforts impacting housing and homelessness, which will include the Dept. of Housing and Community Development, the CA Interagency Council on Homelessness, the CA Housing Finance Agency, the Civil Rights Department, and the Housing and Development and Finance Committee • Provide \$416.6 million in one-time federal funds to help with long-term recovery from natural disasters in 2023 and 2024 • Provide \$200 million over two years from Proposition 35 for rental help and housing support for people with serious behavioral health issues who are homeless or at risk of homelessness, to help them find and keep stable housing

Note: a new term is being used in budget documents, “unsatisfactory immigration status”, which means individuals whose immigration status is undocumented. You may start to see this phrase in other places.

Budget Resources

- [2025-2026 May Revision](https://ebudget.ca.gov/FullBudgetSummary.pdf)
 - <https://ebudget.ca.gov/FullBudgetSummary.pdf>
- [Department of Health Care Services 2025-26 May Revision Highlights](https://www.dhcs.ca.gov/Budget/Documents/DHCS-FY-2025-26-May-Revision-Budget-Highlights.pdf)
 - <https://www.dhcs.ca.gov/Budget/Documents/DHCS-FY-2025-26-May-Revision-Budget-Highlights.pdf>
- [State Superintendent Tony Thurmond Releases Statement on May Revision to the Governor's Proposed Budget](https://www.cde.ca.gov/nr/ne/yr25/yr25rel26.asp)
 - <https://www.cde.ca.gov/nr/ne/yr25/yr25rel26.asp>