

Overview of the Governor's 2025-26 May Revision



SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
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OVERVIEW OF THE MAY REVISION

May 14, 2025

Staff of the Senate Committee on Budget and Fiscal Review prepared the attached Overview of the May Revision. More detailed program information follows these highlights as described in the Table of Contents. Please note that this is not a comprehensive analysis of the May Revision. Staff is currently working on detailed analyses for legislative hearings beginning May 19, 2025.

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OVERVIEW OF THE GOVERNOR'S 2025-26 MAY REVISION

On May 14, 2025, the Governor released his May Revision for budget year 2025-26. The Governor now projects budget year General Fund expenditures of \$226.4 billion, available resources of \$248.9 billion (prior year balance, revenues and transfers), and \$4.5 billion in the Special Fund for Economic Uncertainties (SFEU), the state's general budget reserve.

Across the prior year, current year, and budget year, General Fund revenues decreased by approximately \$5.2 billion as compared to the Governor's January Budget proposal. General Fund expenditures have also increased since January, most notably for health care services. The budget shortfall identified in the May Revision is approximately \$12 billion (includes an ending balance of \$4.5 billion in the SFEU). In addition, significant out year deficits were estimated at the Governor's January Budget and remain. However many of the solutions proposed in the May Revision result in larger impacts in the out years to reduce structural deficits.

The budget shortfall is driven by higher than anticipated expenditure increases, due mostly to recent health care expansions and lower revenue estimates in 2025-26 and future years related to dampened economic indicators as a result of federal policies. The May Revision reflects a revision in Big Three revenue (personal income, corporate, and sales taxes) estimates across the 2023-24 through 2025-26 fiscal years of a negative \$4.8 billion. The General Fund budget summaries for January and May are listed below:

2024-25 and 2025-26 General Fund Summary (Dollars in Millions)

	January Budget		May Revision	
	2024-25	2025-26	2024-25	2025-26
Prior Year Balance	\$35,877	\$26,299	\$41,886	\$34,321
Revenues and Transfers	222,473	225,095	225,673	214,559
Total Resources	258,350	251,394	267,559	248,880
Non-Proposition 98 Exp.	146,998	144,290	147,933	145,629
Proposition 98 Exp.	85,053	84,602	85,305	80,747
Total Expenditures	232,051	228,892	233,238	226,376
Fund Balance	26,299	22,502	34,321	22,504
Encumbrances	18,001	18,001	18,001	18,001
Special Fund for Economic Uncertainties	8,298	4,501	16,320	4,503

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Safety Net Reserve	-	-	-	-
Public School System Stabilization Account	1,157	1,533	-	-
Budget Stabilization Act	\$18,045	\$10,945	\$18,292	\$11,192

Reserves and Long-Term Liabilities. The May Revision reflects \$15.7 billion in budgetary reserves. These reserves include: \$11.2 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund) for fiscal emergencies and \$4.5 billion in the state's operating reserve. The May Revision maintains the withdrawal of \$7.1 billion from the Rainy Day Fund as proposed in Governor's January Budget in 2025-26. The May Revision also reflects a reduction to a zero balance in the Public School System Stabilization Account (\$1.5 billion remained at Governor's January Budget) due to a reduction in required deposits and a mandatory withdrawal.

The General Fund revenue forecasts for the January budget and the May Revision are compared in the following table:

2024-25 and 2025-26 General Fund Revenue Sources (Dollars in Millions)

Revenue Source	January Budget		May Revision	
	2024-25	2025-26	2024-25	2025-26
Personal Income Tax	\$121,106	\$133,685	\$125,706	\$125,977
Sales and Use Tax	34,110	35,121	33,706	34,862
Corporation Tax	43,199	37,697	41,296	35,613
Other Revenues	19,201	11,492	20,063	11,006
BSA Transfer	4,857	7,100	4,902	7,100
Total	\$222,473	\$225,095	\$225,673	\$214,558

Totals may not add due to rounding.

Change in General Fund Expenditures. The overall General Fund expenditures by program area as proposed in January, and revised in May, are presented below:

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**2024-25 and 2025-26
General Fund Expenditures
(Dollars in Millions)**

Agency	January Budget		May Revision	
	2024-25	2025-26	2024-25	2025-26
Legislative, Judicial, Executive	\$10,862	\$8,198	\$11,013	\$8,195
Business, Consumer, Housing	3,951	517	3,917	491
Transportation	721	754	718	724
Natural Resources	8,164	5,426	9,244	3,836
Environmental Protection	594	137	627	121
Health and Human Services	76,248	83,385	76,494	85,362
Corrections and Rehabilitation	14,044	13,637	13,992	13,406
K-12 Education	84,135	83,087	84,813	80,344
Higher Education	23,064	23,324	22,963	23,058
Labor and Workforce	1,121	963	1,108	946
Government Operations	3,778	3,590	3,770	2,698
General Government	5,369	5,875	4,580	7,195
Total	\$232,051	\$228,892	\$233,238	\$226,376

Closing the Budget Gap. Overall, the proposed budget includes a total of \$12 billion budget solutions as follows:

**May Revision Proposed Solutions
(In Billions)**

May Revision Solutions	
Reductions	5.0
Revenues/Borrowing	5.3
Fund Shifts	1.7
Triggers	(0.5)
Total Solutions:	\$12.0
*Triggers would delay future spending to be funded if revenues allow.	

Key Features of the May Revision. Highlights of the May Revision are outlined in the sections below.

K-14 Education and Higher Education

- The May Revision reflects an overall decrease of approximately \$4.6 billion in Proposition 98 funding from the Governor's January Budget for the three-year period of 2023-24 to 2025-26. More specifically, the May Revision estimates the Proposition 98 guarantee for the 2023-24 through 2025-26 fiscal years at \$98.5 billion, \$118.9 billion, and \$114.6 billion, respectively. In the Governor's January Budget, the Proposition 98 guarantee for the 2023-24 to 2025-26 fiscal years were estimated to be \$98.5 billion, \$119.2 billion, and \$118.9 billion, respectively. The May Revision continues to appropriate the 2024-25 Proposition 98 Guarantee at \$117.6 billion, instead of the currently calculated level of \$118.9 billion. However, the difference between the appropriated level and the calculated level is reduced from Governor's January Budget from \$1.6 billion to \$1.3 billion.
- The May Revision proposes to defer \$1.8 billion in Local Control Funding Formula funding from June 2026 to July 2026, shifting costs from the 2025-26 fiscal year to the 2026-27 fiscal year.
- The May Revision proposes to revert unallocated General Fund dollars of \$177.5 million that was appropriated from a \$2 billion one-time General Fund allocation to the School Facility Program. Proposition 2 facilities funds will be available for fire-impacted LEAs to access, as needed.
- The May Revision includes a \$210.2 million one-time increase in Proposition 98 General Fund to fully fund Student Centered Funding Formula (SCFF) for California Community Colleges in 2024-25 and an ongoing increase of \$104.7 million to fully fund SCFF in 2025-26. In addition, the May Revision includes an ongoing increase of \$109.5 million to fund 2.35 percent enrollment growth (increased from 0.5 percent in January) in the SCFF in 2025-26.
- The May Revision includes a shift in the distribution of Transitional Kindergarten (TK) expansion funds between TK-12 schools and community colleges. Specifically, the May Revision shifts the full amount of funding for TK expansion to the TK-12 education side of the Proposition 98 budget, reducing resources for community colleges by \$492.4 million over the three-year budget window.

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- The May Revision revises the ongoing General Fund base reductions for the University of California (UC) and the California State University (CSU) from 7.95 percent to three percent, lowering the UC reduction from \$396.6 million to \$129.7 million and the CSU reduction from \$375.2 to \$143.8 million.
- The May Revision includes estimated increases of \$94.7 million one-time General Fund in 2024-25 and \$228.7 million ongoing General Fund for the Cal Grant Program based on the latest estimates of enrollment of Cal Grant-eligible students.
- The May Revision includes a one-time General Fund increase of \$77 million in 2024-25 to support unanticipated caseload increases in the Middle Class Scholarship program.

Health

- The May Revision proposes to make the following changes to Medi-Cal eligibility, coverage, and benefits for undocumented Californians
 - Freeze enrollment for age 19 and over, beginning January 1, 2026, resulting in General Fund savings of \$86.5 million in 2025-26, increasing to \$3.3 billion by 2028-29.
 - \$100 monthly premiums for age 19 and over, beginning January 1, 2027, resulting in no General Fund savings in 2025-26, \$1.1 billion of General Fund savings beginning in 2026-27, increasing to \$2.1 billion by 2028-29.
 - Eliminate per visit payments to community clinics and instead pay fee-for-service rates for services provided to undocumented Californians, resulting in General Fund savings of \$452.5 million in 2025-26 and \$1.1 billion annually thereafter.
 - Reduce long-term care, dental, and in-home supportive services benefits, resulting in General Fund savings of \$491.8 million in 2025-26 and \$1.3 billion annually thereafter.
 - Implement a rebate aggregator to secure state rebates for drugs provided to undocumented Californians, resulting in General Fund savings of \$375 million in 2025-26 and \$512 million annually thereafter.

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- The May Revision includes additional General Fund savings of \$1.1 billion in 2024-25, and decreased General Fund savings of \$200 million in 2025-26 and \$400 million in 2026-27 from the Managed Care Organization (MCO) Tax approved by the Legislature and approved by voters in November 2024 as Proposition 35. The May Revision \$804 million in 2024-25, \$2.8 billion in 2025-26, and \$2.4 billion in 2026-27 will be available for provider rate increases for primary care, specialty care, ground emergency medical transportation, and hospital outpatient procedures.
- The May Revision proposes to restore the asset limit of \$2,000 for an individual, and \$3,000 for a couple for seniors and persons with disabilities to qualify for Medi-Cal, resulting in General Fund savings for this proposal of \$94 million in 2025-26, \$540 million in 2026-27, and \$791 million annually thereafter.
- The May Revision proposes to eliminate Medi-Cal coverage for Glucagon-Like Peptide-1 (GLP-1) agonist drugs, such as Ozempic or Wegovy, for weight loss, beginning January 1, 2026. GLP-1 agonist drugs would continue to be covered for diabetes and obesity. The May Revision reflects General Fund savings for this proposal of \$85 million in 2025-26 and increasing to \$680 million annually by 2028-29.

Human Services

- The May Revision eliminates the In-Home Supportive Services (IHSS) Medi-Cal benefit for undocumented individuals age 19 and over, resulting in \$158.8 million General Fund savings.
- The May Revision caps IHSS provider overtime and travel hours at 50 hours per week beginning in 2025-26, resulting in \$707.5 million General Fund savings.
- The May Revision makes the Foster Care Tiered Rate Structure subject to a “trigger” based on the availability of General Fund in spring 2027.
- The May Revision makes the expansion of California Food Assistance Program to adults 55 and over, regardless of immigration status, subject to a “trigger” based on the availability of General Fund in spring 2027.

Resources, Environmental Protection, Energy, and Transportation

- The May Revision proposes trailer bill language intended to do the following: streamline permitting for the Delta Conveyance Project (DCP) by

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eliminating certain deadlines from existing State Water Project water right permits; specify that DWR has authority to issue bonds for the cost of DCP, which are to be repaid by participating water agencies; streamline judicial review of litigation; and, streamline authorization to acquire land that supports construction of DCP. The intended purposes of these statutory changes are to prevent delays and reduce costs.

- The May Revision proposes to extend the Cap-and-Trade program and rename the program to the “Cap-and-Invest” program. This proposal will include clear guiding principles that enable a stable and predictable price on carbon pollution to drive deeper investments in carbon reduction and clean technologies. In addition, it will include the following:
 - **California Climate Credit.** A continuation of the California Climate Credit, resulting in approximately \$60 billion available for utility bill credits to California residents over the duration of the extension.
 - **High-Speed Rail.** \$1 billion annually for the High-Speed Rail Project to establish a stable and predictable funding stream, which will enable the High-Speed Rail Authority to plan with greater certainty and deliver the project more efficiently.
 - **Department of Forestry and Fire Protection (CalFire) Operations Costs.** A shift of \$1.54 billion from the General Fund to the Greenhouse Gas Reduction Fund to support CalFire’s fire prevention, fire control, and resource management activities on an ongoing basis. This proposal also includes a General Fund backstop to protect CalFire’s operations in the event “Cap-and-Invest” auction proceeds fall below projected revenues.

Housing and Homelessness

- The May Revision contains no new funding for affordable housing or addressing homelessness.

General Government

- The May Revision withdraws the Governor’s January Budget proposal to provide \$60 million General Fund for CalCompetes Grant awards.

Workforce and Labor

- The May Revision includes a loan of \$400 million from the Labor and Workforce Development Fund to the General Fund.

Corrections, Public Safety, and the Judiciary

- The May Revision includes updated projections of California Department of Corrections and Rehabilitation (CDCR) average daily adult incarcerated population at 91,471 in 2024-25, 91,205 in 2025-26, 92,179 in 2027-28, and declining to 89,692 by June 2029. This reflects a slower ramp-up related to Proposition 36 compared to the fall projections. Reflecting this long-term decline, the May Revision includes the closure of one additional prison by October 2026, resulting in savings of roughly \$150 million annually.

K-12 EDUCATION

PROPOSITION 98 – K-14 EDUCATION

- **Proposition 98 - Changes to the Minimum Guarantee.** The May Revision reflects an overall decrease of approximately \$4.6 billion in Proposition 98 funding from the Governor's January Budget for the three-year period of 2023-24 to 2025-26. More specifically, the May Revision estimates the Proposition 98 guarantee for the 2023-24 through 2025-26 fiscal years at \$98.5 billion, \$118.9 billion, and \$114.6 billion, respectively. In the Governor's January Budget, the Proposition 98 guarantee for the 2023-24 to 2025-26 fiscal years were estimated to be \$98.5 billion, \$119.2 billion, and \$118.9 billion, respectively.

The May Revision continues to appropriate the 2024-25 Proposition 98 Guarantee at \$117.6 billion, instead of the currently calculated level of \$118.9 billion. However, the difference between the appropriated level and the calculated level is reduced from Governor's January Budget from \$1.6 billion to \$1.3 billion.

The revised levels reflect the estimated decrease in General Fund revenues over the three-year period in comparison with the Governor's January Budget proposal. The Proposition 98 Guarantee is in Test 2 in 2023-24 (although suspended to \$98.5 billion), and 2024-25 and 2025-26 continues to be calculated under Test 1 (equal to approximately 39.6 percent of General Fund revenues, accommodating the rebench

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of the Proposition 98 Guarantee related to the expansion of transitional kindergarten, plus local property taxes).

- **Public School System Stabilization Account.** The May Revision maintains the withdrawal of \$8.4 billion in 2023-24. The 2024 Budget Act made a discretionary deposit of \$1.1 billion into the Public School System Stabilization Account. The Governor's January Budget estimated mandatory deposits of \$1.2 billion and \$376 million in 2024-25 and 2025-26, respectively. The May Revision estimates that the mandatory deposit in 2024-25 is reduced to \$540 million, with a mandatory withdrawal of \$540 million 2025-26, exhausting the remaining reserve balance.
- **Deferrals.** Budgetary deferrals that were included in the 2024 Budget Act for 2023-24 and 2024-25 will be fully repaid. The May Revision, however, proposes to defer \$1.8 billion in Local Control Funding Formula funding from June 2026 to July 2026, shifting costs from the 2025-26 fiscal year to the 2026-27 fiscal year.
- **Local Control Funding Formula.** The May Revision includes a Local Control Funding Formula cost-of-living adjustment of 2.3 percent, which is reduced from 2.43 in the Governor's January Budget.

K-12 EDUCATION – OTHER CHANGES

- **Student Support and Professional Development Discretionary Block Grant.** The May Revision reduces the one-time Proposition 98 General Fund available for this block grant from \$1.8 billion to \$1.7 billion.
- **Expanded Learning Opportunities Program.** The May Revision maintains the full implementation of the Expanded Learning Opportunities Program, which increased the number of local educational agencies serving TK-6 grade by requiring those with an unduplicated pupil percentage of 55 percent (changed from 75 percent) to offer universal access to students. Adjusted average daily attendance estimates increased the estimated cost of this change from \$435 million to \$515.5 million. The May Revision also includes an additional \$10 million to increase the minimum grant amount from \$50,000 to \$100,000.
- **Literacy.** The Governor's January Budget included \$545.3 million in literacy-related initiatives. The May Revision adds the additional investments:

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- o \$200 million one-time Proposition 98 General Fund to support professional learning for elementary school educators aligned with the English Language Arts/English Language Development Framework.
- o \$10 million one-time Proposition 98 General Fund for a county office of education to partner with the University of California, San Francisco (UCSF) Dyslexia Center to support the Multitudes screener.
- o Authority for the Department of Education to draw down funding awarded through the federal Comprehensive Literacy State Development Grant.
- **Teacher Incentives and Support.** The May Revision repurposes \$150 million one-time Proposition 98 General Fund for the Teacher Recruitment Incentive Grant Program, and instead provides \$100 million one-time Proposition 98 General Fund to fund stipends for student teachers.
- **Teacher Credentialing Proposals.** The May Revision proposes to extend the deadlines by one year, for clear credential candidates who received a related waiver during the COVID-19 Pandemic to complete an induction program or two years of service, and for teacher candidates who received a related waiver during the COVID-19 Pandemic to pass the Reading Instruction Competence Assessment.

The May Revision also allows credential candidates who completed preparation programs that were aligned to the Reading Instruction Competence Assessment to take that assessment on or before October 31, 2025, and allows the Commission on Teacher Credentialing to adopt and administer an off-the-shelf reading instruction competence assessment that meets the requirements outlined in statute for candidates who have yet to pass a reading assessment and cannot take the state's literacy performance assessment.

- **Pupil Nutrition and Food Assistance.** The May Revision proposes the following adjustments for pupil nutrition and food assistance programs:
 - o \$90.7 million in additional ongoing Proposition 98 General Fund to fully fund the universal school meals program in 2025-26.
 - o \$21.9 million in additional Proposition 98 General Fund to support the SUN Bucks program to support the match required for federal funds to support the program.

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- **Special Olympics.** The May Revision proposes one-time \$30 million General Fund to support the Special Olympics of Northern and Southern California.
- **Secondary School Redesign Pilot Program.** The May Revision proposes one-time \$15 million Proposition 98 General Fund for a county office of education to administer a pilot program to redesign middle and high schools to better serve the needs of students.
- **TK Multilingual Learner Supplemental Funding.** The May Revision proposes \$7.5 million one-time Proposition 98 General Fund, available through the 2026-27 fiscal year, to mitigate reductions in supplemental and concentration grant funds to LEAs resulting from the recent exemption of TK students from the English Language proficiency assessment.
- **Regional English Learner Lead Agencies.** The May Revision proposes \$2 million ongoing Proposition 98 General Fund to support Regional English Learner lead agencies that assist schools in providing focused support to English Learners.
- **Wildfire-Related Property Tax Backfill.** The May Revision proposes a one-time fire-related property tax backfill of \$1.2 million in 2024-25 and \$8.5 million in 2025-26 for impacted basic aid school districts.
- **California Association of Student Councils.** The May Revision proposes \$500,000 one-time Proposition 98 General Fund to support the California Association of Student Councils.
- **School Facilities Aid Program.** The May Revision proposes to revert unallocated General Fund dollars of \$177.5 million that was appropriated from a \$2 billion one-time General Fund allocation to the School Facility Program. Proposition 2 facilities funds will be available for fire-impacted LEAs to access, as needed.
- **Preschool Cost-of-Living-Adjustment.** The May Revision reduces funding for California State Preschool by \$19.3 million ongoing Proposition 98 General Fund and \$10.2 million ongoing General Fund to reflect the suspension of the statutory cost-of-living adjustment for the California State Preschool Program in 2025-26.

HIGHER EDUCATION

UNIVERSITY OF CALIFORNIA

- **Revised Base Funding Reduction.** The May Revision includes a revised ongoing base of reduction \$129.7 million General Fund for the University of California (UC), which reflects an approximately three percent ongoing base reduction. The Governor's January Budget previously included a proposed ongoing General Fund base reduction of \$396.6 million, representing an ongoing 7.95 percent reduction.
- **Compact Funding Deferral.** The May Revision maintains the planned deferral of the 2025-26 Compact investment of \$240.8 million, representing a five percent base increase in the fourth year of the Compact, to 2027-28. The May Revision also maintains the planned 2025-26 deferral of \$31 million to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three campuses with an equivalent number of California resident undergraduate students, from 2025-26 to 2027-28.
- **Foster Youth Support Services.** The May Revision includes \$1.8 million one-time General Fund to support First Star Youth Cohorts at UC campuses.

CALIFORNIA STATE UNIVERSITY

- **Revised Base Funding Reduction.** The May Revision includes a revised ongoing base reduction of \$143.8 million General Fund for the California State University (CSU), which reflects an approximately three percent ongoing base reduction. The Governor's January Budget previously included a proposed ongoing General Fund base reduction of \$375.2 million, representing an ongoing 7.95 percent reduction.
- **Compact Funding Deferral.** The May Revision maintains the planned deferral of the 2025-26 Compact investment of \$252.3 million, representing a five percent base increase in the fourth year of the Compact, to 2027-28.

STUDENT HOUSING

- **Debt Service Savings.** The May Revision includes a reduction of \$3.6 million ongoing General Fund debt service savings from the Higher Education Student Housing Grant Program.

CALIFORNIA COMMUNITY COLLEGES

- **Student Centered Funding Formula (SCFF) Base Adjustment.** The May Revision includes a \$210.2 million one-time increase to fully fund SCFF in 2024-25 and an ongoing increase of \$104.7 million to fully fund SCFF in 2025-26.
- **SCFF Growth Adjustment.** The May Revision includes an ongoing increase of \$109.5 million to fund 2.35 percent enrollment growth in the SCFF in 2025-26. The Governor's January Budget previously included 0.5 percent enrollment growth.
- **SCFF and Categorical Programs Cost-of-Living Adjustment.** The May Revision, includes an ongoing decrease of \$12.9 million Proposition 98 General Fund for the SCFF and an ongoing decrease of \$122,000 Proposition 98 General Fund for select categorical programs and the Adult Education Program. This is to reflect a change in the cost-of-living adjustment from 2.43 percent to 2.3 percent.
- **Local Property Tax Adjustments.** The May Revision includes an ongoing increase of \$89.6 million Proposition 98 General Fund as a result of the decreased offsetting local property tax revenues.
- **Fire-related Property Tax Backfill.** The May Revision includes one-time fire-related property tax backfill for \$3.8 million in 2024-25 and \$8.1 million in 2025-26 for impacted community colleges.
- **SCFF Deferral.** The May Revision includes a deferral of \$531.6 million in SCFF funding from 2025-26 to 2026-27. Budgetary deferral of \$243.7 million for the CCCs from the 2024 Budget Act are fully repaid in the three-year budget window.
- **Proposition 98 Rainy Day Fund.** The May Revision includes \$59 million from the Proposition 98 Rainy Day Fund to support SCFF costs in 2025-26.
- **Collaborative Enterprise Resource Planning (ERP) Project.** The May Revision withdraws a one-time investment of \$168 million Proposition 98 General Fund for the Collaborative ERP Project, which was previously included in Governor's January Budget.
- **Common Cloud Data Platform.** The May Revision includes a \$150.5 million reduction to a one-time investment of \$162.5 million previously in the Governor's January Budget, of which \$29 million was ongoing, for the Common Cloud Data

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Platform. This reduction results in \$12 million one-time Proposition 98 General Fund for this initiative.

- **Career Passport and Credit for Prior Learning.** The May Revision reduces the Career Passport proposal from \$50 million to \$25 million one-time and the Credit for Prior Learning proposal from \$50 million to \$15 million one-time and from \$7 million to \$5 million ongoing.
- **Rising Scholars.** The May Revision reduces the \$30 million ongoing augmentation for the Rising Scholars Network in Governor's budget to \$10 million ongoing.

PROPOSITION 98 FUNDING SPLIT

- **TK Expansion Split.** The May Revision includes a shift in how TK expansion funds were distributed between TK-12 schools and community colleges. Specifically, the May Revision shifts the full amount of funding for TK expansion to the TK-12 education side of the Proposition 98 budget, reducing resources for community colleges by \$492.4 million over the three-year budget window.

CALIFORNIA STUDENT AID COMMISSION

- **Cal Grant Program Caseload Adjustments.** Estimated Cal Grant expenditures of approximately \$2.3 billion in 2023-24, \$2.5 billion in 2024-25, and \$2.8 billion in 2025-26 based on the latest estimates of enrollment of Cal Grant-eligible students. These estimates reflect an increase of \$94.7 million one-time General Fund in 2024-25 and \$228.7 million ongoing General Fund in 2025-26.
- **Middle Class Scholarship Program.** The May Revision includes a one-time General Fund increase of \$77 million in 2024-25 to support unanticipated caseload increases in the Middle Class Scholarship program.
- **Golden State Teacher Grant Program.** The May Revision updates total available one-time funding of \$64.2 million for the Golden State Teacher Grant Program, up from \$50 million in the Governor's January Budget. This increase reflects carryover of unused funds from 2024-25.

COLLEGE OF THE LAW, SAN FRANCISCO

- **Revised Base Funding Reduction.** The May Revision includes a revised ongoing base reduction of \$695,000 General Fund for the College of the Law, San Francisco, reflecting a three percent ongoing reduction. The Governor's January Budget previously included a proposed ongoing base reduction of \$1.8 million, representing a 7.95 percent reduction.

STATE LIBRARY

- **Loss of Federal Funds.** Due to termination of a \$15.7 million grant from the federal Institute of Museum and Library Services (ILMS) in April 2025, the May Revision includes a reduction of \$15.7 million ongoing, beginning in 2025-26. The May Revision also includes \$4.3 million one-time General Fund, reallocated from the 2022 Budget Act, from the Comprehensive Digitization Strategy Initiative.

NATURAL RESOURCES

DEPARTMENT OF WATER RESOURCES (DWR)

STATE WATER RESOURCES CONTROL BOARD (SWRCB)

- **Delta Conveyance Project (DCP).** The May Revision proposes trailer bill language intended to do the following: streamline permitting for DCP by eliminating certain deadlines from existing State Water Project water right permits; specify that DWR has authority to issue bonds for the cost of DCP, which are to be repaid by participating water agencies; streamline judicial review of litigation; and, streamline authorization to acquire land that supports construction of DCP. The intended purposes of these statutory changes are to prevent delays and reduce costs.

DEPARTMENT OF WATER RESOURCES (DWR)

- **High Priority Project Funding for Salton Sea Restoration Projects.** The May Revision proposes a total of \$178 million of Federal Trust Fund Authority for fiscal years 2025-29 from the Department of Interior's funding in the Inflation Reduction Act. This funding is intended to support the construction and administration of up to 6,000 acres of aquatic and wetland habitat projects as required by the SWRCB Stipulated Order 2017-0134.

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- **Urban Flood Risk Reduction.** The May Revision proposes to appropriate \$12.5 million General Fund one-time for state operations to support and manage US Army Corps of Engineers and Urban Flood Risk Reduction projects.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CalFire)

- **CalFire Operation Costs.** The May Revision proposes to shift \$1.54 billion ongoing from the General Fund to the Greenhouse Gas Reduction Fund for purposes supporting CalFire's fire prevention, fire control, and resource management activities. The proposal includes a General Fund backstop to protect CalFire operations if Cap-and-Trade auction proceeds fall below projected revenues.
- **CalFire Training Center.** The May Revision proposes to revert \$31.5 million General Fund that was appropriated for the acquisition of property for a new CalFire training center. CalFire is exploring more cost-effective alternatives that will meet the same training capacity goals as the new, additional training project.

DEPARTMENT OF PARKS AND RECREATION

- **Parks Federal Background Checks.** The May Revision proposes trailer bill language to authorize Parks to require employees, volunteers, and contractors to undergo a fingerprint-based state and national criminal history background check. The proposal requires Parks to submit to the Department of Justice fingerprint images and related information for these individuals who are subject to a state and national criminal history background check, as specified.

ENVIRONMENTAL PROTECTION

DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

- **Exide Cleanup Fund Shift.** The May Revision proposes to revert \$75 million remaining of the \$132 million General Fund appropriated in the 2021 Budget Act for cleanup activities at the Exide Facility in the City of Vernon; and appropriate \$35 million Lead-Acid Battery Cleanup Fund and \$40 million General Fund to loan to the Toxic Substances Control Account to fund continued cleanup activities. This proposal also includes provisional language to allow flexibility to spend those funds on residential cleanup or facility remediation related to Exide Facility cleanup.

STATE WATER RESOURCES CONTROL BOARD (SWRCB)

- **Replacing, Removing, or Upgrading Underground Storage Tanks (RUST) Program Augmentation.** The May Revision proposes to appropriate \$23 million one-time from the Petroleum Underground Storage Tank Financing Account to provide sufficient expenditure authority to meet current funding demand for the removal or replacement of petroleum underground storage tanks. SWRCB requests trailer bill language to allow tank owners to begin projects while waiting for a final funding agreement to be executed for purposes of administrative efficiencies.

DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CalRecycle)

- **CalRecycle Integrated Information System.** The May Revision proposes to appropriate \$45 million from various funds one-time to implement the CalRecycle Integrated Information System (CRIIS) project. CRIIS is a comprehensive initiative to modernize and migrate 30 program applications across multiple business processes into a single enterprise-wide system.

ENERGY, UTILITIES, and AIR QUALITY

- **“Cap-and-Invest”.** The May Revision proposes to extend the Cap-and-Trade program and rename the program to the “Cap-and-Invest” program. This proposal will include clear guiding principles that enable a stable and predictable price on carbon pollution to drive deeper investments in carbon reduction and clean technologies. In addition, it will include the following:
 - **California Climate Credit.** A continuation of the California Climate Credit, resulting in approximately \$60 billion available for utility bill credits to California residents over the duration of the extension.
 - **High-Speed Rail.** \$1 billion annually for the High-Speed Rail Project to establish a stable and predictable funding stream, which will enable the High-Speed Rail Authority to plan with greater certainty and deliver the project more efficiently.

- **Department of Forestry and Fire Protection (CalFire) Operations Costs.** A shift of \$1.54 billion from the General Fund to the Greenhouse Gas Reduction Fund to support CalFire's fire prevention, fire control, and resource management activities on an ongoing basis. This proposal also includes a General Fund backstop to protect CalFire's operations in the event "Cap-and-Invest" auction proceeds fall below projected revenues.
- **Community Renewable Energy and Storage.** The May Revision includes a reversion of \$33 million General Fund for programs funding community renewable energy projects at the California Public Utilities Commission (CPUC). This is a part of the Clean Energy Reliability Investment Plan (CERIP), a \$1 billion commitment to clean energy programs as part of the Diablo Canyon Power Plant extension agreement.
- **Offshore Wind.** The May Revision includes a shift of \$42.8 million from the General Fund to Proposition 4 climate bond funds in 2025-26 to support a program for the development of offshore wind at the California Energy Commission. This was originally a part of a \$45 million appropriation for offshore wind infrastructure investments in the 2022 Budget Act.
- **Safe Battery Energy Storage Systems.** The May Revision includes \$3.7 million Public Utilities Commission Utilities Reimbursement Account (PUCURA) in 2025-26 and 2026-27, and \$2.9 million ongoing PUCURA and 12 positions in 2027-28 to support compliance and enforcement of safety standards for large-scale, electric grid connected battery energy storage systems at the California Public Utilities Commission (CPUC).
- **Expediting Clean Energy Development.** The May Revision includes \$1.9 million Energy Facility Licensing and Compliance Fund and nine positions through 2028-29 to support the California Energy Commission's Opt-in clean energy and advanced manufacturing permitting program. Additionally, the May Revision includes statutory changes to the program's project application fee structure to align it with current program needs.

HEALTH AND HUMAN SERVICES

The May Revision includes a total of \$283.9 billion (\$76.8 billion General Fund and \$207.1 billion other funds) in 2024-25 and \$302.4 billion (\$85.6 billion General Fund and \$216.8 billion other funds) in 2025-26 for health and human services programs that serve low-income, vulnerable individuals and families.

HEALTH

DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

Proposed General Fund Solutions

- **Medi-Cal Coverage for Undocumented Californians – Freeze Enrollment.** The May Revision proposes to freeze enrollment in full-scope Medi-Cal coverage for undocumented Californians age 19 and over, beginning January 1, 2026. The May Revision reflects General Fund savings for this proposal of \$86.5 million in 2025-26, increasing to \$3.3 billion by 2028-29. These savings are achieved primarily from expected reductions in enrollment in Medi-Cal coverage for undocumented Californians over time.
- **Medi-Cal Coverage for Undocumented Californians – Premiums.** The May Revision proposes to impose a \$100 monthly premium for undocumented Californians age 19 and older enrolled in full-scope Medi-Cal coverage, effective January 1, 2027. The May Revision reflects no General Fund savings for this proposal in 2025-26, with \$1.1 billion of General Fund savings beginning in 2026-27, increasing to \$2.1 billion by 2028-29. These savings are achieved primarily from expected reductions in enrollment in Medi-Cal coverage for undocumented Californians who cannot afford the \$100 monthly premium.
- **Medi-Cal Coverage for Undocumented Californians – Clinic Access.** The May Revision proposes to eliminate per visit payments to federally qualified health centers and rural health clinics for services provided to undocumented Californians. The May Revision reflects General Fund savings for this proposal of \$452.5 million in 2025-26 and \$1.1 billion annually thereafter.

- **Medi-Cal Coverage for Undocumented Californians – Benefit Reductions.** The May Revision proposes to eliminate the following benefits for undocumented Californians enrolled in full-scope Medi-Cal coverage: long term care, dental services, and in-home supportive services (IHSS). Long-term care coverage would be eliminated for all undocumented Californians, beginning January 1, 2026. Dental services coverage would be eliminated for undocumented Californians age 19 and older, beginning July 1, 2026. IHSS coverage would be eliminated for undocumented Californians age 19 and older. The May Revision reflects the following General Fund savings for each of these benefit reductions:
 - *Long-Term Care Benefit Reduction.* \$333 million in 2025-26 and \$800 million annually thereafter
 - *Dental Benefits Reduction.* No savings in 2025-26, \$308 million in 2026-27, and \$336 million annually thereafter.
 - *In-Home Supportive Services Benefit Reduction*.* \$158.8 million annually, beginning in 2025-26
* General Fund savings reflected in the Department of Social Services budget
- **Medi-Cal Coverage for Undocumented Californians – Pharmacy Rebates.** The May Revision proposes to implement a rebate aggregator to secure state rebates for prescription drugs provided to undocumented Californians in Medi-Cal. The May Revision reflects General Fund savings for this proposal of \$300 million in 2025-26, and \$362 million annually thereafter. In addition, the May Revision proposes to increase the minimum rebate for HIV/AIDS and cancer drugs. The May Revision reflects General Fund savings for this proposal of \$75 million in 2025-26 and \$150 million annually thereafter.
- **Managed Care Organization (MCO) Tax General Fund Offset.** The May Revision includes additional General Fund savings of \$1.1 billion in 2024-25, and decreased General Fund savings of \$200 million in 2025-26 and \$400 million in 2026-27 from the managed care organization tax approved by the Legislature and approved by voters in November 2024 as Proposition 35. The May Revision \$804 million in 2024-25, \$2.8 billion in 2025-26, and \$2.4 billion in 2026-27 will be available for provider rate increases for primary care, specialty care, ground emergency medical transportation, and hospital outpatient procedures.

Overview of the Governor's 2025-26 May Revision

- **Medi-Cal Eligibility for Seniors and Persons with Disabilities - Restoration of the Asset Limit.** The May Revision proposes to restore the asset limit of \$2,000 for an individual, and \$3,000 for a couple for seniors and persons with disabilities to qualify for Medi-Cal. The Legislature increased the asset limit to \$130,000 in January 2022, and eliminated the limit entirely in January 2024. The May Revision reflects General Fund savings for this proposal of \$94 million in 2025-26, \$540 million in 2026-27, and \$791 million annually thereafter. These savings are achieved by significantly reducing Medi-Cal coverage for seniors and persons with disabilities.
- **Medi-Cal Rx – Glucagon-Like Peptide-1 (GLP-1) Agonist Drugs for Weight Loss.** The May Revision proposes to eliminate Medi-Cal coverage for Glucagon-Like Peptide-1 (GLP-1) agonist drugs, such as Ozempic or Wegovy, for weight loss, beginning January 1, 2026. GLP-1 agonist drugs would continue to be covered for diabetes and obesity. The May Revision reflects General Fund savings for this proposal of \$85 million in 2025-26 and increasing to \$680 million annually by 2028-29.
- **Medi-Cal Rx – Pharmacy Utilization Management.** The May Revision proposes to implement utilization management restrictions on certain drugs, including step therapy and prior authorization. The May Revision reflects General Fund savings for this proposal of \$200 million in 2025-26 and \$400 million annually thereafter.
- **Proposition 56 Tobacco Tax – Eliminate Supplemental Provider Payments.** The May Revision eliminates supplemental Medi-Cal provider payments for dental services, family planning services, and women's health services supported by Proposition 56 tobacco tax revenue. The May Revision reflects General Fund savings for this proposal of \$504 million in 2025-26 and \$550 million annually thereafter. These savings are achieved by utilizing Proposition 56 tobacco tax revenue to support the non-federal share of expenditures in the Medi-Cal program, rather than supplemental provider payments.
- **Proposition 56 Tobacco Tax – Suspend Loan Repayment Program.** The May Revision suspends the final cohort of the physician and dentist loan repayment program supported by Proposition 56 tobacco and e-cigarette tax revenue. The May Revision reflects General Fund savings for this proposal of \$26 million in 2025-26. These savings are achieved by redirecting funding to support the non-federal share of expenditures in the Medi-Cal program, rather than the loan repayment program.

Overview of the Governor's 2025-26 May Revision

- **Medical Providers Interim Payment Fund Loan.** In March 2025, the Administration notified the Joint Legislative Budget Committee that it would make use of its statutory General Fund loan authority to make a mid-year loan to support the Medi-Cal program of \$3.4 billion to address unexpected costs. The May Revision proposes to utilize \$2.1 billion of the loan in 2024-25 and \$1.3 billion in 2025-26, and to begin repayment of the loan in 2027-28.
- **Medi-Cal Managed Care Plans – Increase Medical-Loss Ratio.** The May Revision proposes to increase the medical-loss ratio on Medi-Cal managed care plans, beginning January 1, 2026. The May Revision reflects General Fund savings for this proposal of \$200 million annually, beginning in 2028-29.
- **Skilled Nursing Facilities – Elimination of Quality Incentives.** The May Revision proposes to eliminate the Skilled Nursing Facility Workforce and Quality Incentive Program, as well as the requirement to maintain a backup power system pursuant to the requirements of AB 2511 (Irwin), Chapter 788, Statutes of 2022. The May Revision reflects General Fund savings from these proposals of \$168.2 million in 2025-26 and \$140 million annually thereafter.
- **Elimination of Acupuncture Benefit in Medi-Cal.** The May Revision proposes to eliminate acupuncture as a benefit in the Medi-Cal program. The May Revision reflects General Fund savings from this proposal of \$5.4 million in 2025-26 and \$13.1 million annually thereafter.
- **Program for All-Inclusive Care for the Elderly (PACE) Organization Payments.** The May Revision proposes to limit payments to programs for all-inclusive care for the elderly (PACE) to the midpoint of actuarial ranges, except for newly enrolled providers receiving enhanced rates for two years. The May Revision reflects General Fund savings for this proposal of \$13 million in 2025-26 and \$30 million annually thereafter.
- **Hospice Services – Utilization Management Efficiencies.** The May Revision proposes to implement prior authorization requirements for hospice services. The May Revision reflects General Fund savings for this proposal of \$25 million in 2025-26 and \$50 million annually thereafter.
- **Behavioral Health Services Fund – General Fund Offsets.** The May Revision proposes to offset General Fund expenditures for the Behavioral Health Bridge Housing Program and Behavioral Health Transformation County Funding with

Overview of the Governor's 2025-26 May Revision

Behavioral Health Services Fund. The May Revision reflects General Fund savings for this proposal of \$40 million in 2024-25 and \$100 million in 2025-26.

Medi-Cal and Other Program Expenditures

- **Medi-Cal Local Assistance Expenditures.** The May Revision estimates local assistance expenditures for Medi-Cal of \$179 billion (\$37.4 billion General Fund, \$108.6 billion federal funds, and \$32.9 billion special funds and reimbursements) in 2024-25 and \$194.5 billion (\$44.6 billion General Fund, \$118.8 billion federal funds, and \$31.1 billion special funds and reimbursements) in 2025-26. These figures represent a decrease of General Fund expenditures of \$200.9 million in 2024-25 and an increase of General Fund expenditures of \$2.5 billion in 2025-26 compared to estimates included in the Governor's January budget. According to the Administration, the increase in General Fund expenditures in 2025-26, compared to the January budget, are primarily attributable to:
 - \$5 billion in additional costs related to coverage for undocumented Californians.
 - \$1 billion in additional pharmacy costs
 - \$280 million in additional managed care costs
 - \$200 million in additional fee-for-service costs
 - \$180 million in additional dental services costs

The May Revision estimates Medi-Cal caseload will be 14,970,700 in 2024-25, an increase of 0.1 percent compared to estimates in the January budget, and 14,837,900 in 2025-26, an increase of 2.4 percent compared to estimates in the January budget, and a decrease of 0.9 percent compared to the revised 2024-25 estimate.

- **Family Health Local Assistance Expenditures.** The May Revision estimates total expenditures for Family Health Programs of \$297.6 million (\$270.8 million General Fund, \$5.5 million federal funds, and \$21.3 million special funds and reimbursements) in 2024-25 and \$274.6 million (\$248.3 million General Fund, \$5.8 million federal funds, and \$20.5 million special funds and reimbursements) in 2025-26. Expenditures for each of these programs are as follows:

Overview of the Governor's 2025-26 May Revision

- *California Children's Services (CCS)*. The May Revision estimates total expenditures for CCS of \$83.7 million (\$76.2 million General Fund and \$7.5 million special funds and reimbursements) in 2024-25 and \$91.4 million (\$85.2 million General Fund and \$6.3 million special funds and reimbursements) in 2025-26. In addition, counties are estimated to contribute \$83.6 million in 2024-25 and \$91.4 million in 2025-26 to State-Only CCS expenditures. The CCS Medi-Cal caseload is estimated to be 174,837 in 2024-25 and 174,064 in 2025-26, and the CCS State-Only caseload is estimated to be 13,965 in 2024-25 and 14,284 in 2025-26.
- *Genetically Handicapped Persons Program (GHPP)*. The May Revision estimates total expenditures for GHPP of \$195.1 million (\$194.5 million General Fund, \$535,000 special funds and reimbursements) in 2024-25 and \$163.6 million (\$163.2 million General Fund, \$459,000 special funds and reimbursements) in 2025-26. The GHPP Medi-Cal caseload is estimated to be 641 in 2024-25 and 612 in 2025-26, and the GHPP State-Only caseload is estimated to be 624 in 2024-25 and 599 in 2025-26.
- *Every Woman Counts (EWC)*. The May Revision estimates total expenditures for EWC of \$18.8 million (\$5.5 million federal funds, and \$13.3 million special funds and reimbursements) in 2024-25 and \$19.5 million (\$5.8 million federal funds, and \$13.8 million special funds and reimbursements) in 2025-26. The EWC caseload is estimated to be 8,786 in 2024-25 and 9,255 in 2025-26.
- **CalHOPE Warm Line Funding**. The May Revision includes annual expenditure authority from the Behavioral Health Services Fund of \$5 million to support the CalHOPE Warm Line.
- **Adverse Childhood Experiences (ACEs) Provider Trainings**. The May Revision includes expenditure authority of \$2.9 million (\$1.5 million Behavioral Health Services Fund and \$1.5 million federal funds) to support additional provider trainings for adverse childhood experiences (ACEs).

DEPARTMENT OF PUBLIC HEALTH (DPH)

- **AIDS Drug Assistance Program (ADAP) Estimate**. The May Revision includes total expenditure in the AIDS Drug Assistance Program (ADAP) of \$356.3 million (\$115.2 million federal funds and \$241.1 million ADAP Rebate Fund) in 2024-25, a decrease of \$36.2 million or 9.2 percent compared to estimates in the Governor's January budget, and \$411.7 million (\$110.3 million federal funds and \$301.4 million

Overview of the Governor's 2025-26 May Revision

ADAP Rebate Fund) in 2025-26, a decrease of \$50.6 million or 10.9 percent compared to estimates in the Governor's January budget. The decreased costs in 2024-25 and 2025-26 are primarily attributable to reduced medication and insurance premium expenditures than previously estimated.

- **Genetic Disease Screening Program (GDSP) Estimate.** The May Revision includes estimated savings in the Genetic Disease Testing Fund of \$735,000 in 2025-26 for the Genetic Disease Screening Program, primarily due to updated caseload projections.
- **Women, Infants, and Children (WIC) Program Estimate.** The May Revision includes total expenditures in the Women, Infants, and Children (WIC) Program of \$1.2 billion (\$1.1 billion federal funds and \$192.7 million WIC Rebate Funds) in 2024-25, a decrease of \$9.9 million or 0.8 percent compared to estimates in the January budget, and \$1.3 billion (\$1.1 billion federal funds and \$186.3 million WIC Rebate Funds) in 2025-26, a decrease of \$20.2 million or 1.7 percent compared to estimates in the January budget. The decrease in 2024-25 and 2025-26 is primarily due to reduced inflation rates and decreased participation in 2025-26.
- **myCAVax – California Vaccine Management System.** The May Revision includes General Fund expenditure authority of \$31.5 million in 2025-26 to support maintenance and operations of information technology systems that support statewide vaccine distribution, appointment scheduling, vaccine clinic management, and vaccination records management and sharing.
- **Acute Psychiatric Hospitals Enforcement.** The May Revision includes five positions and expenditure authority from the Licensing and Certification Fund of \$1 million to support investigations of complaints against acute psychiatric hospitals.

DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION (HCAI)

- **Proposition 35 Reproductive Health Investments.** The May Revision includes expenditure authority of \$90 million from the Health Care Oversight and Accountability Subfund authorized by Proposition 35, approved by voters in November 2024, to support reproductive health investments for emergent needs including loan repayments, scholarships, and education capacity expansion for midwifery.

Overview of the Governor's 2025-26 May Revision

- **CalRx – Biosimilar Insulin Initiative Reduction.** The May Revision proposes to reduce General Fund expenditure authority by \$45 million for CalRx that had originally been approved to support a California-based manufacturing facility for biosimilar insulin.

DEPARTMENT OF MANAGED HEALTH CARE

- **Pharmacy Benefit Managers (PBMs) Licensure.** The May Revision proposes trailer bill language to establish licensure and data reporting requirements for pharmacy benefit managers (PBMs) to increase transparency in the pharmacy supply chain, understand cost drivers, and develop approaches to improve affordability of prescription drugs in California.

DEPARTMENT OF STATE HOSPITALS

- **Incompetent to Stand Trial (IST) Infrastructure Grant Program.** The May Revision includes a reduction of \$232.5 million one-time General Fund included in the 2022 Budget Act from unspent grant funds for counties to increase residential treatment housing capacity for individuals designated IST.
- **General Fund Solutions.** The May Revision includes reduced resources for various state hospital programs based on actual expenditures, including the IST program, Community-Based Restoration and Felony Diversion programs, and isolation unit needs. Estimated savings are \$195.5 million general fund in 2025-26, \$273.1 million general fund in 2026-27, and \$191.6 million general fund in 2027-28 and ongoing.

BEHAVIORAL HEALTH OVERSIGHT AND ACCOUNTABILITY COMMISSION

- **Elimination of Mental Health Wellness Act Funding.** The May Revision proposes to eliminate Behavioral Health Services Act expenditure authority of \$20 million annually that supports peer respite, maternal behavioral health, and full-service partnership performance contracting programs.

HUMAN SERVICES

DEPARTMENT OF SOCIAL SERVICES (CDSS)

- **In-Home Supportive Services (IHSS).** The May Revision contains the following reductions to the IHSS program:
 - Eliminates the IHSS Medi-Cal benefit for undocumented individuals age 19 and over, resulting in \$158.8 million General Fund savings.
 - Caps IHSS provider overtime and travel hours at 50 hours per week beginning in 2025-26, resulting in \$707.5 million General Fund savings.
 - Eliminates the IHSS Residual Program, which provides IHSS for about two percent of the IHSS caseload with state and county only funds, resulting in \$110.6 million General Fund savings in 2025-26.
 - Requires counties to assume costs to cover IHSS Community First Choice Option reassessment late penalties, resulting in \$81 million General Fund savings in 2025-26.
 - Reinstates the Medi-Cal asset limit for seniors and disabled adults of \$2,000 for individuals and \$3,000 for couples, effective January 1, 2026. This results in \$25.5 million General Fund savings from disabled adults and seniors who would no longer be eligible for IHSS.
- **Foster Care Permanent Rate Structure.** The May Revision makes the foster care Tiered Rate Structure subject to a “trigger” based on the availability of General Fund in spring 2027.
- **Family Urgent Response System (FURS).** The May Revision reduces FURS by \$13 million General Fund in 2025-26 and ongoing, and maintains \$17 million General Fund ongoing for FURS, which provides 24/7 mobile response for children in foster care and their caregivers.
- **Emergency Child Care Bridge.** The May Revision reduces funding for the Emergency Child Care Bridge program, which provides child care for children in foster care, by \$42.7 million General Fund in 2025-26 and ongoing.

Overview of the Governor's 2025-26 May Revision

- **Child Care Cost-of-Living Adjustment.** The May Revision suspends the child care cost-of-living adjustment in 2025-26, resulting in \$60.7 million General Fund savings.
- **Child Care Up-front Pay.** The May Revision includes \$52 million General Fund to align with a federal rule that requires states to pay child care providers prospectively prior to the delivery of child care services.
- **Child Care Rates.** The May Revision includes \$70 million General Fund for administrative costs to continue implementation of the Memorandum of Understanding between the state and Child Care Providers United and rate reform start-up costs, and \$21.8 million one-time federal funds to start automation of the new single rate structure as early as July 1, 2027.
- **California Food Assistance Program (CFAP).** The May Revision makes the expansion of CFAP to adults 55 and over, regardless of immigration status, subject to a “trigger” based on the availability of General Fund in spring 2027.
- **California Work Opportunity and Responsibility to Kids (CalWORKs).** The May Revision includes several proposed statutory changes to streamline elements of the CalWORKs program. These changes include: (1) expanding the allowable welfare-to-work activities, (2) making Job Club an optional welfare-to-work activity, (3) simplifying the curing of sanctions, and (4) replacing the county welfare-to-work reporting requirements with administrative data extracts. This results in \$18.2 million in ongoing total fund savings.

DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)

- **Direct Service Professional University.** The May Revision eliminates the Direct Services Professional (DSP) Workforce Training and Development program, also known as DSP University, resulting in \$17.6 million General Fund savings in 2025-26 and 2026-27, and \$36.8 million General Fund savings in 2027-28 and ongoing.
- **Rate Reform Hold Harmless.** The May Revision pushes forward the end of the service provider rate reform “hold harmless” policy from June 2026 to February 2026, resulting in \$75 million General Fund savings in 2025-26.
- **Require Provider Mandates for Quality Incentive Program Eligibility.** The May Revision includes compliance requirements for developmental service providers to qualify for the quality incentive component of the fully funded rate model, including

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compliance with Electronic Visit Verification and Home and Community-Based Services rules and audits. This results in \$221.7 million General Fund savings in 2026-27 and ongoing.

- **Self-Determination Program.** The May Revision establishes new guardrails for spending on the Self-Determination Program, resulting in \$22.5 million in General Fund savings in 2025-26 and \$45.5 million General Fund savings ongoing.
- **Porterville Developmental Center.** The May Revision reduces the budget for Porterville Developmental Center by \$10 million General Fund in 2026-27 and ongoing.
- **Increased Reimbursements and Cost Recovery.** The May Revision assumes out-year savings associated with recouping costs for certain services.
- **Implicit Bias Training.** The May Revision eliminates \$5.6 million General Fund ongoing for Regional Center implicit bias training.
- **Health and Safety Waiver Assistance.** The May Revision eliminates health and safety waiver application assistance, resulting in \$3 million General Fund savings ongoing.

GENERAL GOVERNMENT AND LOCAL GOVERNMENT

ECONOMIC DEVELOPMENT

GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

- **Withdrawal of Proposal to Fund CalCompetes Grants.** The CalCompetes Grant program provides competitively-based awards to businesses in exchange for agreements to create new jobs or make new investments in California. The 2021, 2022, and 2023 Budget Acts included \$120 million in General Fund annually for the CalCompetes Grant Program. No funding was appropriated to the program in 2024. The Governor's January Budget proposed a \$60 million allocation. The May Revision withdraws that proposal.
- **Savings Through Reversion of Unspent Balance in Performing Arts Equitable Payroll Fund.** The Performing Arts Equitable Payroll Fund grant program was designed to support the workers behind live performances by reimbursing many payroll expenses. The May Revision proposes to save \$12 million by reverting the currently unspent balance in the program fund.

GOVERNOR'S OFFICE OF LAND USE AND CLIMATE INNOVATION

- **Savings Through Phase-Out and Elimination of California Education Learning Lab.** The May Revision withdraws the Governor's Budget Proposal to transfer the California Education Learning Lab from the Governor's Office of Land Use and Climate Innovation to the Government Operations Agency and instead proposes to eliminate the program over two years. The proposal maintains \$250,000 General Fund and one position for one additional year in 2025-26 for phase out costs and reduces \$5.3 million General Fund in 2025-26 and \$4 million and one position in 2026-27 and ongoing, fully eliminating the program in 2026-27.

HOUSING

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- **No New Funding for Affordable Housing Production.** The state's affordable housing funding programs (the Multifamily Housing Program (MHP), CalHome, the Joe Serna, Jr. Farmworker Housing Grant Program, among several others) subsidize the construction, rehabilitation, and operation of affordable housing units throughout

Overview of the Governor's 2025-26 May Revision

the state. The Governor's January Budget contained no new funding for these programs. The May Revision does not either.

- **No New State Supplemental Low-Income Housing Tax Credits (LIHTC).** LIHTC is another key source of funding for the development of affordable housing in California. The LIHTC program provides critical investments to a variety of affordable housing projects, helping to leverage federal affordable housing resources in the process. By statute, the state must allocate a specified amount to state LIHTC each year; currently around \$125 million. In recent years, the state budget has also included a \$500 million supplement to the statutory threshold. The Governor's January Budget did not include such a supplement for this budget. The May Revision does not either.
- **New Expenditures for Reorganization of the Business, Consumer Services, and Housing (BCSH) Agency.** The Governor's January Budget proposed to split BCSH in to a California Housing and Homelessness Agency and a Business and Consumer Services Agency. The Governor submitted a plan for this proposed reorganization to the Little Hoover Commission on April 4, 2025. The May Revision indicates that the reorganization, if approved by the Legislature, would cost \$4 million in General Fund in this budget, and \$6 million every year after that.
- **Savings from Reversion of Unexpended Balances in Existing Affordable Housing Programs.** The May Revision proposes to save \$32 million by reverting unspent balances left in the Infill Infrastructure Grant Catalytic Program, the Commercial Property Pilot Program, and the 2021 Infill Infrastructure Grant Program.
- **Distribution of Previously-Allocated Federal Disaster Relief Funds.** The May Revision includes the necessary technical budget adjustments to facilitate distribution of \$417 million in federal Community Development Block Grant – Disaster Recovery (CDBG-DR) assistance beginning in 2025-26. These federal funds relate to natural disasters that occurred in 2023 and 2024.
- **Openness to Housing Bond Measure.** The May Revision indicates that the Governor is open to working with the Legislature to get a statewide housing bond measure onto an upcoming ballot.
- **Hints at Housing Streamlining and Innovative Housing Financing Strategies.** The May Revision suggests that the Governor will seek to include “targeted improvements to existing streamlining tools” and “innovative financing strategies that

reduce vehicle miles traveled by supporting affordable, transit-oriented housing” in the 2025 Budget Act.

HOMELESSNESS

- **The May Revision Contains No New State Funding for the Homeless Housing, Assistance, and Prevention (HHAP) program.** The HHAP program provides relatively flexible, formula-based grants to large cities, continuums of care, and counties to support local efforts to address homelessness. There have been six rounds of HHAP funding to date; each of the last four consisting of \$1 billion each. The Governor's January Budget did not include any funding for a seventh round of HHAP. The May Revision does not either.
- **Allocation of Proposition 35 Funds for Flexible Housing Pool.** The May Revision includes a \$200 million allocation for rental assistance and housing support for individuals with behavioral health conditions who are experiencing or at risk of homelessness.

BUSINESS AND CONSUMER SERVICES

- **New Business and Consumer Services Agency.** The Governor's January Budget included a proposal to establish a new Business and Consumer Services Agency (BCSA). The May Revision proposes \$456,000 in reimbursements in 2025-26 and ongoing for the proposed BCSA. The reorganization proposal focuses on Departments, Boards, and Agencies previously under the umbrella of the California Business, Consumer Services and Housing Agency (BCSH). The Governor's January Budget also proposed the creation of the California Housing and Homelessness Agency in its reorganization proposal for BCSH. Please see the Housing and Homelessness section of this summary for additional details.
- **Agency Overview.** The May Revision proposes including the following Departments, Boards, and Agencies in BCSA.
 - Department of Alcoholic Beverage Control
 - Alcoholic Beverage Control Appeals Board
 - Department of Cannabis Control

Overview of the Governor's 2025-26 May Revision

- Cannabis Control Appeal Panel
- Department of Consumer Affairs
- Department of Financial Protection and Innovation
- California Horse Racing Board
- Department of Real Estate

CANNABIS

CANNABIS ENFORCEMENT

- **Illicit Cultivation Enforcement.** The May Revision proposes statutory changes that shift the Department of Cannabis Control's illicit enforcement funding from the Cannabis Control Fund to the Cannabis Tax Fund and authorize the Department of Cannabis Control to seal unlicensed premises when those premises are involved in illicit commercial cannabis activities.
- **Enforcement Funding.** The May Revision includes \$7.1 million between the Cannabis Control Fund and the Cannabis Tax Fund in 2025-26, \$4.9 million in 2026-27, and \$6.1 million ongoing beginning in 2027-28 to support additional inspections and other departmental activities by adding 27 staff over the next three years.
- **Board of State and Community Corrections (BSCC) Grants.** The BSCC Proposition 64 Public Health and Safety Grant Program, funded through Allocation 3 of the Cannabis Tax Fund, provides grant funds to local governments that assist with law enforcement, fire protection, or other programs to address public health and safety associated with implementation of the Control, Regulate and Tax Adult Use of Marijuana Act. The May Revision proposes statutory changes authorizing BSCC to award grants to local governments that prohibit cannabis cultivation if they authorize retail cannabis sales and prioritizes grants for local illicit cannabis enforcement efforts.

UPDATED ALLOCATION OF CANNABIS TAX FUND

- **January Allocation of the Cannabis Tax Fund.** The Governor's January Budget estimated \$468.2 million would be available for Allocation 3 programs in 2025-26 as follows:
 - Education, prevention, and treatment of youth substance use disorders and school retention – 60 percent (\$281 million)
 - Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation – 20 percent (\$93.6 million)
 - Public safety-related activities – 20 percent (\$93.6 million)
- **May Allocation of the Cannabis Tax Fund.** The May Revision estimates \$454.3 million will be available for Allocation 3 programs in 2025-2026 as follows:
 - Education, prevention, and treatment of youth substance use disorders and school retention – 60 percent (\$272.5 million)
 - Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation – 20 percent (\$90.9 million)
 - Public safety-related activities – 20 percent (\$90.9 million)

GOVERNMENT OPERATIONS AGENCY

GENERATIVE ARTIFICIAL INTELLIGENCE (GENAI) PROJECTS AND THE PROJECT DEVELOPMENT LIFECYCLE

- **Executive Order.** On September 6, 2023, the Governor signed Executive Order N-12-23 (EO), which directed the Government Operations Agency, the California Department of General Services, and the California Department of Technology to update California's project approval, procurement, and contracting processes for GenAI related efforts from GenAI pilot projects. In February 2025, CDT updated its statewide policies, and designed the Project Delivery Lifecycle (PDL) to update the state's approval process for GenAI.

Overview of the Governor's 2025-26 May Revision

- **Development Funding.** The May Revision includes up to \$8 million one-time Internal Departmental Quality Improvement Account to support the development of GenAI in relation to health facility quality and safety inspections at the Department of Public Health.

LOS ANGELES 2028 OLYMPICS

- **Supportive Statutory Changes.** The May Revision includes statutory changes to support planning and preparation for the 2028 Olympic and Paralympic Games in Los Angeles. See the Transportation section of this summary for additional details on related funding.

EDUCATION INTERAGENCY COUNCIL

- **California Education Interagency Council.** The May Revision withdraws the proposal of \$5 million for the California Education Interagency Council, which was proposed in the Governor's January Budget.

MILITARY DEPARTMENT

- **Deferred Maintenance.** The May Revision withdraws \$4.8 million one-time General Fund in 2025-2026 related to the deferred maintenance projects at the Azusa, Sacramento-Okinawa, and Fresno-Hammer Field Armories.

CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS

- **Veterans Homes Deferred Maintenance.** The May Revision withdraws the Governor's January Budget Proposal for \$819,000 ongoing General Fund related to deferred maintenance for the Veterans Homes of California.
- **Administrative Services Staffing.** The May Revision withdraws the Governor's January Budget Proposal for \$285,000 ongoing General Fund and two positions related to augmenting staffing support for their Administrative Services Division.

CALIFORNIA ARTS COUNCIL

- **Staffing Resources.** The May Revision withdraws the Governor's January Budget Proposal of \$153,000 ongoing General Fund and 1 position related to staffing support for human resources at the California Arts Council.

STATE TREASURER'S OFFICE

- **Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Program Board.** The May Revision proposes a reduction of \$50 million one-time General Fund in 2025-26 of the amount available for future use by the HOPE Program.

CORRECTIONS, PUBLIC SAFETY, and the JUDICIARY

CALIFORNIA DEPARTMENT OF CORRECTIONS & REHABILITATION

The May Revision proposes total funding of \$13.6 billion (\$13.2 billion General Fund and \$385.4 million other funds) for the CDCR in 2025-26, a slight decrease as compared to the Governor's January Budget. This includes \$4.1 billion General Fund for health care programs.

- **Adult Institution Population.** The average daily adult incarcerated population is projected to be 91,471 in 2024-25 and 91,205 in 2025-26, both slight decreases compared to fall projections. This reflects a slower ramp up related to Proposition 36 compared to the fall projections, leading to a peak population of 92,179 in 2027-28. However, the population is still expected to decrease in the long-term, to 89,692 in June 2029.
- **Prison Closure.** The May Revision reflects the closure of one additional prison by October 2026, resulting in savings of roughly \$150 million annually.
- **San Quentin Rehabilitation Center.** The proposed budget maintains \$7.8 million General Fund in 2025-26 and \$13 million General Fund in 2026-27 and ongoing to increase staffing, add and expand rehabilitative programs, and provide staff training for the San Quentin Rehabilitation Center and the new Educational and Vocational Center.
- **Operational Savings.** The May Revision reflects additional savings of \$125 million General Fund in 2025-26, growing to over \$600 million General Fund by 2027-28, through additional operational improvements.
- **Statewide Roofs Replacement Funding.** The May Revision repurposes \$50.8 million in roof replacement funding from the 2023 Budget Act and \$62 million from

Overview of the Governor's 2025-26 May Revision

the 2024 Budget Act for use on various statewide roof replacement projects and for kitchen repairs at two prisons which were damaged by roof leaks.

- **Statewide Fire Alarm Replacements and Fire Watch.** The May Revision includes \$37.3 million in 2025-26 and \$44.2 million in 2026-27 and 2027-28 to replace fire alarm control panels and systems at two institutions that require staff to patrol for fires, as mandated by the Office of the State Fire Marshal.
- **California Advancing and Innovating Medi-Cal (CalAIM) Justice-Involved Initiative Program Support.** The May Revision includes reimbursement authority of \$21.5 million in 2025-26 and \$11 million ongoing and 65 positions ongoing to support implementation of the CalAIM Justice-Involved Initiative and to account for federal reimbursements. The May Revision also includes a reduction of \$6.2 million General Fund in 2025-26, an increase of \$3.8 million General Fund in 2026-27, and a reduction of \$11 million General Fund ongoing.
- **Statutory Changes.** The May Revision includes statutory changes to (1) increase the ability for full-time incarcerated students to also hold a job or participate in programming, (2) broaden the pre-licensure employment waiver options for all mental health professionals employed by CDCR, and (3) revise the tuberculosis testing requirements for employees.
- **Solutions.** The May Revision reflects the following modifications to Governor's January budget proposals to address the projected shortfall:
 - Reduction of \$7.8 million one-time General Fund for COVID-19 mitigation costs, maintaining \$5 million for this purpose.
 - Reduction of \$6 million General Fund in 2025-26 and \$25.4 million General Fund in 2026-27 related to the air cooling pilot, maintaining \$17.6 million General Fund in 2025-26 and \$20 million General Fund in 2026-27 for this purpose.
 - Withdrawal of \$23.1 million one-time General Fund for accessibility improvements, which will be incorporated into CDCR's master planning process that is currently underway.
 - Withdrawal of \$19.8 million ongoing General Fund for public safety radio replacements.

Overview of the Governor's 2025-26 May Revision

- Withdrawal of \$500,000 General Fund for statewide planning.
- **Community Corrections Performance Incentive Grant.** The proposed budget contains \$127.9 million General Fund in 2025-26 to support the Community Corrections Performance Incentive Grant, SB 678 (Leno), Chapter 608, Statutes of 2009, which provides incentives for counties to reduce the number of felony probationers sent to state prison. The Governor's January Budget proposes to update the methodology for calculating the incentive payments to counties.

BOARD OF STATE AND COMMUNITY CORRECTIONS

- **Proposition 47 State Savings.** The Administration estimates net savings of \$91.5 million General Fund in 2025-26 associated with Proposition 47, the Reduced Penalties for Some Crimes Initiative (2014). This is an increase of \$3.2 million compared to the Governor's January Budget.

THE JUDICIAL BRANCH

The May Revision includes total funding of \$5.2 billion (\$3.2 billion General Fund) in 2025-26 for the Judicial Branch, a slight increase as compared to Governor's January Budget. Of this, \$2.9 billion is provided to support trial court operations.

- **State Court Facilities Construction Fund (SCFCF) Backfill.** The May Revision includes a reduction of \$20 million General Fund for backfilling the SCFCF in 2025-26. The May Revision also includes a transfer of accumulated savings and accumulated interest revenue totaling \$34.3 million from the Court Facilities Architectural Revolving Fund to the SCFCF, resulting in a one-time reduction of the General Fund backfill to the SCFCF by the same amount in 2025-26.
- **Tribal Nations Access to Justice Act (SB 549).** The May Revision includes \$2.7 million in 2025-26, \$1.5 million in 2026-27, and \$784,000 in 2027-28 for courts to handle workload resulting from lawsuits filed by California Indian tribes against California gambling establishments and third-party providers pursuant to SB 549 (Newman), Chapter 860, Statutes of 2024.
- **Judge and Trial Court Employee Benefits.** The May Revision includes a reduction of \$9 million ongoing General Fund to reflect updated health benefit and retirement rate changes for trial court employees, bringing the total amount available for this purpose to \$19.8 million in 2025-26. The May Revision also includes a decrease of

Overview of the Governor's 2025-26 May Revision

\$5.4 million General Fund in 2025-26 in state contributions to the Judges' Retirement System II due to a projected larger employer contribution.

- **Solutions.** The May Revision includes the following additional solutions in the Judicial Branch's budget:
 - Reduction of \$38 million in 2025-26 from the unrestricted fund balance of the Trial Court Trust Fund.
 - Reversion of \$20 million General Fund from 2024-25 and a reduction of \$20 million ongoing General Fund beginning in 2025-26 related to the Judicial Branch's pretrial services. The May Revision maintains \$50 million General Fund in 2025-26, consistent with the current expenditure level.
 - Reversion of \$9.1 million General Fund in 2023-24 and 2024-25 associated with unspent funds provided to the Judicial Branch for improvements to Incompetent to Stand Trial evaluations.
 - Reversion of \$27.5 million General Fund in 2023-24 and 2024-25 in unspent funds and statutory changes related to a pilot program for juror compensation pursuant to AB 1981 (Lee), Chapter 326, Statutes of 2022.
 - Withdrawal of capital outlay proposals, including \$500,000 General Fund for statewide planning and \$2.9 million General Fund for the San Joaquin County: New Tracy Courthouse.
 - Statutory changes related to court surplus property disposition.

DEPARTMENT OF JUSTICE

The May Revision maintains total funding of approximately \$1.3 billion (\$496 million General Fund) to support the Department of Justice (DOJ) in 2025-26.

- **Federal Accountability Workload.** The May Revision includes \$14.4 million ongoing (\$13.3 million General Fund and \$1.1 million Special Fund) and 44 positions to defend California against adverse federal actions.
- **Unfair Competition Law Fund Loan.** The May Revision proposes an additional loan of \$150 million from the Unfair Competition Law Fund to the General Fund in 2025-26 to address the budget shortfall.

Overview of the Governor's 2025-26 May Revision

- **Various Chaptered Legislation Adjustments.** The May Revision includes a reduction of \$729,000 (\$656,000 General Fund and \$73,000 Special Fund) in 2025-26, decreasing to \$563,000 (\$492,000 General Fund and \$71,000 Special Fund) in 2028-29 and ongoing to withdraw proposals from the Governor's January Budget related to chaptered legislation that DOJ intends to implement within existing resources.
- **California Law Enforcement Telecommunications System (CLETS) – Department of Motor Vehicle Enhancements.** The May Revision includes \$3.2 million General Fund in 2025-26 and \$1.6 million in 2026-27 to connect CLETS and the Department of Motor Vehicles.
- **FI\$Cal Resources.** The May Revision includes \$2.7 million (\$1.1 million General Fund and \$1.6 million Special Fund) in 2025-26 and \$3.2 million (\$1.2 million General Fund and \$2 million Special Fund) in 2026-27 for DOJ to transition to FI\$Cal by 2026-27.
- **Juveniles: Sealing Records (AB 1877).** The May Revision includes \$2.4 million General Fund and four positions in 2025-26 and \$812,000 in 2026-27 and ongoing to implement AB 1877 (Jackson), Chapter 811, Statutes of 2024.
- **Registry of Charities and Fundraisers Workload.** The May Revision includes \$1.2 million Registry of Charities and Fundraisers Fund and eight positions and \$1.4 million in 2026-27 and ongoing to address the program workload within the Registry.

OFFICE OF EMERGENCY SERVICES

The May Revision includes total funding of \$4.4 billion (\$613 million General Fund) and 1,911 positions for Cal OES in 2025-26. This is an increase of \$1.3 billion (\$50.5 million General Fund) as compared to Governor's January Budget.

- **Flexible Cash Assistance for Survivors of Crime Delay.** The May Revision proposes to revert \$49.7 million General Fund provided in the 2022 Budget Act for assistance to survivors of violent crimes.

OFFICE OF THE STATE PUBLIC DEFENDER

- **Public Records Act Workload.** The May Revision withdraws the proposal for \$148,000 General Fund and one position in 2025-26, and \$141,000 ongoing to address Public Records Act workload.

LABOR, PUBLIC EMPLOYMENT AND RETIREMENT

DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

- **Subsequent Injuries Benefits Trust Fund.** The May Revision maintains the \$2.7 million Special Fund and 15 positions for the DIR Division of Workers' Compensation Fund. According to the Administration, without changes to the program, claim payments are expected to increase from \$87 million in 2019-20 to \$1.3 billion in 2029-30 and impact to the employer assessment is expected to grow from \$112 million to \$1.5 billion.
- **DIR Apprenticeship Training Grant.** The May Revision includes an increase of \$18.2 million one-time from the Apprenticeship Training Contribution Fund for DIR to support apprenticeship training in construction and related trades. This is in addition to the \$3 million included in the Governor's January Budget for this purpose, bringing total investments up to \$21.2 million.
- **DIR Public Works Information Technology System Enhancements.** The May Revision includes an increase of \$19.1 million Labor and Workforce Development Fund to continue modernization of DIR's Public Works information technology system.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

- **Unemployment Insurance Trust Fund Loan Interest.** The May Revision includes an increase of \$8.5 million one-time General Fund in 2025-26 to align with updated estimates for the annual interest payment on the state's Unemployment Insurance loan balance. This adjustment will bring the total estimated interest payment for 2025-26 to \$642.8 million General Fund.

Overview of the Governor's 2025-26 May Revision

- **Workforce Innovation and Opportunity Act.** The May Revision includes an increase of \$20.4 million one-time in 2024-25 and an increase of \$119.6 million one-time in 2025-26 to align with anticipated federal Workforce Innovation and Opportunity Act funding that will be available to support various workforce development programs.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

- **CalPERS State Contributions.** The May Revision includes a decrease of \$103.9 million in 2025-26 for state contributions to CalPERS relative to Governor's January Budget.
- **Proposition 2.** The May Revision estimates \$573 million in one-time Proposition 2 debt repayment funding in 2025-26 to further reduce unfunded liabilities of the CalPERS state plans.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CALSTRS)

- **CalSTRS State Contributions.** The May Revision includes an increase of \$7.2 million in 2025-26 for state contributions to CalSTRS, relative to Governor's January Budget, due to increases to the Defined Benefits Program and Supplemental Benefits Maintenance Account.

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

- **State Employee Bargaining Units.** Seven state employee bargaining units have contracts that expire in July 2025. Collective bargaining negotiations are ongoing and the May Revision includes provisions to achieve savings of \$767 million (\$283 million General Fund) for salaries and wages. However, funding is maintained for negotiated increases in health care premiums and enrollment for state employees for the 2026 calendar year.

BUDGET SOLUTIONS

- **Labor and Workforce Development Fund Loan.** The May Revision includes a loan of \$400 million from the Labor and Workforce Development Fund to the General Fund.

Overview of the Governor's 2025-26 May Revision

- **Regional Coordination for Career Education.** The May Revision includes a reduction of \$3 million one-time General Fund for the Labor and Workforce Development Agency in 2025-26 for the Labor and Workforce Development Agency to support evaluation of the expansion of regional coordination models for purposes of implementation of the Master Plan for Career Education. The Governor's January Budget included \$4 million one-time General Fund for this purpose, bringing the total investment to \$1 million with this reduction.

TRANSPORTATION

- **Highway Violence Task Force.** The May Revision includes \$4.8 million from the Motor Vehicle Account (MVA) in 2025-26 for an additional year of funding for the California Highway Patrol's Highway Violence Task Force to continue addressing violent crimes occurring on state highways.
- **Digital eXperience Platform (DXP) Project.** The May Revision includes \$53 million from the MVA one-time to complete the vehicle registration phase of the DXP project for the Department of Motor Vehicles (DMV).
- **Delayed Implementation of Legislation.** The May Revision includes trailer bill language that will delay several recently chaptered pieces of legislation so that DMV can first complete the DXP project that replaces many of its aging IT components.
- **2028 Olympics.** The May Revision includes \$17.6 million one-time from the State Highway Account to support transportation project planning associated with the 2028 Olympic Games, including work on the Games Route Network project.