



SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW  
Legislative Office Building - Room 502  
1021 N. Street  
Sacramento, CA 95814

**Senator John Laird, Chair**

**OVERVIEW OF THE MAY REVISION**  
May 14, 2026

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 20, 2026.

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Overview of Governor’s May Revision .....</b>	<b>3</b>
<b>K-12 Education .....</b>	<b>12</b>
<b>Higher Education .....</b>	<b>16</b>
<b>Natural Resources .....</b>	<b>19</b>
<b>Environmental Protection .....</b>	<b>20</b>
<b>Health .....</b>	<b>22</b>
<b>Human Services .....</b>	<b>27</b>
<b>General Government .....</b>	<b>29</b>
<b>Corrections, Public Safety, and the Judiciary .....</b>	<b>36</b>
<b>Labor, Public Employment and Retirement .....</b>	<b>41</b>
<b>Transportation .....</b>	<b>42</b>

**OVERVIEW OF THE GOVERNOR'S 2026-27 MAY REVISION**

On May 14, 2026, the Governor released his May Revision for budget year 2026-27. The Governor now projects budget year General Fund expenditures of \$246.6 billion, available resources of \$279.1 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 increased by approximately \$16.5 billion as compared to the Governor's January budget proposal, before accounting for any new revenue proposals. While the January budget estimated a shortfall of \$2.9 billion, the May Revision, after accounting for updated revenues and expenditures, new revenue proposals, and various reduction and reform proposals, proposes a balanced budget for both 2026-27 and 2027-28. The May Revision also projects the impact of these actions will significantly reduce the out-year deficits estimated at the Governor's January budget. Finally, the May Revision reflects very limited new ongoing spending proposals.

The May Revision reflects a revision in Big Three Revenues (personal income, corporate, and sales taxes) estimates across the 2024-25 through 2026-27 fiscal years of an increased \$16.5 billion (2.5 percent). Of this total (excluding the impact of the Pass-Through Entity Elective Tax, or PTET), personal income tax, accounts for \$15.7 billion, corporation tax decreases by \$1.6 billion, sales tax increases by \$244 million, and the PTET impact is an increase of \$2.1 billion. According to the Administration, the gains in personal income tax result from large increases in capital gain realizations, particularly in 2025. The Administration notes although these are large spikes in capital gains as a share of personal income, the May Revision estimates a moderation in stock market growth over the multi-year period.

**Overview of the Governor’s 2026-27 May Revision**

The General Fund budget summaries for January and May are listed below:

**2025-26 and 2026-27  
General Fund Summary  
(Dollars in Millions)**

	January Budget		May Revision	
	2025-26	2026-27	2025-26	2026-27
<b>Prior Year Balance</b>	<b>\$55,951</b>	<b>\$53,451</b>	<b>\$56,576</b>	<b>\$56,190</b>
Revenues and Transfers	235,162	227,385	245,442	232,617
Surplus Account Transfer	-	-	-	-9,743
<b>Total Resources</b>	<b>291,113</b>	<b>280,836</b>	<b>302,018</b>	<b>279,064</b>
Non-Proposition 98 Exp.	155,749	158,453	158,227	154,569
Proposition 98 Exp.	81,913	89,877	87,601	91,997
<b>Total Expenditures</b>	<b>237,662</b>	<b>248,330</b>	<b>245,828</b>	<b>246,566</b>
<b>Fund Balance</b>	<b>53,451</b>	<b>32,506</b>	<b>56,190</b>	<b>32,498</b>
Encumbrances	27,998	27,998	27,998	27,998
Special Fund for Economic Uncertainties	25,453	4,508	28,192	4,500
Public School System Stabilization Account	4,509	4,102	10,325	10,325
Budget Stabilization Act	\$11,327	14,350	11,496	15,075
Surplus Account Set-Aside for 2027-28	-	-	-	9,743
<b>Total Reserves/Set-Asides</b>				<b>\$39,643</b>

**Reserves and Long-Term Liabilities.** The May Revision reflects \$19.6 billion in regular budgetary reserves. These reserves include: \$15.1 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 also reflects an increase in the balance in the Public School System Stabilization Account to \$10.3 billion at the end of 2026-27. The May Revision maintains the withdrawal of \$7.1 billion from the Rainy Day Fund as included in the 2025-26 Budget agreement.

**Surplus Set-Aside.** The May Revision also includes the transfer of \$9.7 billion in General Fund revenues into the Projected Surplus Temporary Holding Account in 2026-27 to be used in 2027-28.

**Overview of the Governor’s 2026-27 May Revision**

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

**2025-26 and 2026-27  
General Fund Revenue Sources  
(Dollars in Millions)**

<b>Revenue Source</b>	<b>January Budget</b>		<b>May Revision</b>	
	<b>2025-26</b>	<b>2026-27</b>	<b>2025-26</b>	<b>2026-27</b>
Personal Income Tax	\$137,840	\$142,202	\$146,847	\$145,609
Sales and Use Tax	34,401	35,095	34,588	35,629
Corporation Tax	41,702	43,528	43,287	45,017
Other Revenues*	14,119	9,583	13,620	198
BSA Transfer	7,100	-3,023	7,100	-3,579
<b>Total</b>	<b>\$235,162</b>	<b>\$227,385</b>	<b>\$245,442</b>	<b>\$222,874</b>

\*Other revenues reflect the transfer of \$9.7 billion to the Surplus Holding Account.  
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:

**2025-26 and 2026-27  
General Fund Expenditures  
(Dollars in Millions)**

<b>Agency</b>	<b>January Budget</b>		<b>May Revision</b>	
	<b>2025-26</b>	<b>2026-27</b>	<b>2025-26</b>	<b>2026-27</b>
Legislative, Judicial, Executive	\$10,460	\$7,364	\$10,519	\$7,556
Business, Consumer, Housing	2,632	1,038	2,618	1,090
Transportation	764	455	816	552
Natural Resources	6,400	4,895	6,711	4,870
Environmental Protection	274	122	277	117
Health and Human Services	89,144	93,709	91,371	90,187
Corrections and Rehabilitation	14,268	13,955	14,483	14,413
K-12 Education	81,286	88,557	82,384	91,069
Higher Education	22,444	25,974	22,551	26,254
Labor and Workforce	1,127	983	1,127	991
Government Operations	3,169	4,683	3,303	5,102
General Government	5,694	6,595	9,668	4,365
<b>Total</b>	<b>\$237,662</b>	<b>\$248,330</b>	<b>\$245,828</b>	<b>\$246,566</b>

## Overview of the Governor's 2026-27 May Revision

**Budget Stabilizing Actions.** Overall, the May Revision proposes to balance both the 2026-27 and 2027-28 budgets and reduces projected out-year deficits in 2028-29 and beyond. Specific solutions to stabilize the budget over multiple years include:

- Revenue proposals resulting in \$3.6 billion in total solutions in 2026-27, growing to \$5.1 billion in 2027-28 and decreasing slightly to \$4.4 billion in 2029-30. These proposals include a Business Credit Usage Limitation, Taxation of Digital Prewritten Software and a revised 2027 Managed Care Organization Tax (details in the following summary).
- Spending reductions and reforms resulting in \$411 million in total solutions in 2026-27, growing to \$711.9 million by 2029-30 are proposed mainly in the Medical program.
- General Fund offsets resulting in \$390.7 million in total solutions in 2026-27 decreasing slightly to \$256.5 million by 2029-30; includes using Behavioral Health Services Fund (BHSF) in lieu of General Fund.

**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 increase of approximately \$6.4 billion in Proposition 98 funding from the Governor's January budget for the three-year period of 2024-25 to 2026-27. More specifically, the May Revision estimates the Proposition 98 guarantee for the 2024-25 through 2026-27 fiscal years at \$124.9 billion, \$125.1 billion, and \$127.1 billion, respectively. In the Governor's January budget, the Proposition 98 guarantee for the 2024-25 through 2026-27 fiscal years was estimated to be \$123.8 billion, \$121.4 billion, and \$125.5 billion, respectively. The May Revision proposes to decrease the settle-up amount in the 2025-26 Proposition 98 fiscal year from \$5.6 billion at Governor's budget to \$3.9 billion. This means that the May Revision proposes to appropriate \$121.2 billion, instead of the currently calculated level of \$125.1 billion.
- The May Revision eliminates the mandatory withdrawal that was included in the Governor's budget from the Proposition 98 Reserves and instead includes mandatory deposits across all three years in the budget window totaling \$8.7 billion. The May Revisions also maintains a discretionary deposit, and increases this deposit from \$240 million proposed at the Governor's budget to \$1.6 billion at

## Overview of the Governor's 2026-27 May Revision

May Revision. The balance of the Public School System Stabilization Account at the end of 2026-27 is proposed to be \$10.3 billion.

- The May Revision includes a Local Control Funding Formula cost-of-living adjustment (also known as a “Super COLA”) of 4.31 percent, which is above the statutory cost-of-living adjustment of 2.87 percent for the May Revision. The 4.31 percent cost-of-living adjustment provides an increase of approximately \$2.21 billion Proposition 98 General Fund. The May Revision proposes the statutory cost-of-living adjustment for other TK-12 categorical programs of 2.87 percent, and reduces the cost-of-living adjustment for the California State Preschool Program to 2.01 percent.
- The May Revision increases the one-time Proposition 98 General Fund available for the Student Support and Professional Development discretionary block grant from \$2.8 billion to \$5 billion.
- The May Revision includes \$197.7 million Proposition 98 General Fund ongoing to reflect an increase in the California Community Colleges (CCC) Student Centered Funding Formula (SCFF) COLA from 2.41 percent to 4.31 percent. The total SCFF COLA in 2026-27 is \$438.3 million.
- The May Revision requires all TK-12 public schools and California Community Colleges to provide all employees with up to 14 weeks of paid pregnancy disability leave beginning in 2026-27. Costs of this benefit are intended to be absorbable within the COLAs provided to the LCFF and SCFF.

### **Health**

- The May Revision includes expenditure authority of \$575 million in 2026-27, \$2.3 billion in 2027-28 and 2028-29, and \$1.7 billion in 2029-30 from a revised managed care organization (MCO) tax that complies with federal requirements, beginning January 1, 2027. These resources would support targeted rate increases for primary, maternal, and non-specialty mental health care, as well as offset General Fund expenditures in the Medi-Cal program.
- The May Revision assumes savings of \$583.8 million (\$471.6 million General Fund) in 2026-27 and \$1.5 billion (\$1.2 billion General Fund) annually thereafter from transitioning Medi-Cal beneficiaries with unsatisfactory immigration status from the managed care delivery system to the fee-for-service delivery system,

## Overview of the Governor's 2026-27 May Revision

effective January 1, 2027. The Administration reports this transition is due to changes in federal Medicaid policies.

- The May Revision includes the following budget cuts to various Medi-Cal eligibility, benefits, and provider rates to address the long-term General Fund shortfall:
  - The May Revision includes General Fund savings of \$427.3 million in 2027-28, decreasing to \$314.3 million annually in 2029-30, from increasing the monthly premium for adults with unsatisfactory immigration status (UIS) from \$30, as approved in the 2025 Budget Act, to \$50 effective July 1, 2027.
  - The May Revision includes General Fund savings of \$278.3 million in 2026-27 and \$495.6 million annually thereafter from reducing eligibility for seniors and persons with disabilities in the Medi-Cal program by lowering the allowable asset limit from \$130,000 to \$2,000. The May Revision assumes this change would be effective January 1, 2027.
  - The May Revision includes General Fund savings of \$68.3 million in 2026-27, \$158 million in 2027-28, and \$150.2 million annually thereafter from reforms to CalAIM, including refinement of eligibility criteria, service definitions, utilization management criteria, and payment adjustments for enhanced care management and community supports.
  - The May Revision includes General Fund savings of \$33.7 million in 2026-27 and \$80.9 million annually thereafter to implement a rate cap for Programs for All-Inclusive Care for the Elderly (PACE), effective January 1, 2027.
  - The May Revision includes General Fund savings of \$25 million annually beginning in 2027-28 to redirect medical loss ratio remittances from Medi-Cal managed care plans to the General Fund.
  - The May Revision includes General Fund savings of \$5.4 million in 2026-27 and \$13.1 million annually thereafter from eliminating acupuncture benefits in Medi-Cal, effective January 1, 2027.
- The May Revision includes expenditure authority of \$262 million (\$74 million General Fund) in 2026-27, and \$33 million (\$16.7 million General Fund) in 2027-

## **Overview of the Governor's 2026-27 May Revision**

28 and 2028-29, to support county workload for implementation of Medi-Cal eligibility changes related to HR 1.

- The May Revision includes General Fund expenditure authority of up to \$50 million in 2026-27 to provide short-term support for hospitals in immediate and significant financial distress. These resources are in addition to the \$25 million General Fund expenditure authority authorized by the Legislature in May through AB 108 (Gabriel), Chapter 8, Statutes of 2026.
- The May Revision includes additional expenditure authority from the Health Care Affordability Reserve Fund of \$110 million to support expansion of state premium subsidies to support health care affordability in the Covered California health benefit exchange. These resources, combined with ongoing resources approved by the Legislature in the 2025 Budget Act, would provide a total of \$300 million to improve affordability in the exchange.

### **Human Services**

- The May Revision includes a 30 percent reduction to the revised 2026-27 child care cost-of-living adjustment (COLA), reducing the child care COLA to 2.01 percent.
- The May Revision includes a \$30 million one-time General Fund augmentation to the CalFood program which supports food bank purchasing.
- The May Revision includes a \$30 million one-time General Fund augmentation for county administration to support workload associated with implementation of CalFresh time limits as a result of House Resolution (HR) 1.

### **Resources, Environmental Protection, Energy, and Transportation**

- The May Revision updates the Greenhouse Gas Reduction Fund estimates based on recent cap-and-invest auctions. The May Revision estimates \$3.4 billion in 2025-26 and \$3.4 billion in 2026-27, which is a downward adjustment compared to Governor's budget, which estimated \$3.8 billion in 2025-26 and \$3.8 billion in 2026-27. However, these estimates do not reflect the proposed amendments currently under consideration at the California Air Resources Board, as these are not yet adopted.

## **Overview of the Governor’s 2026-27 May Revision**

- The May Revision proposes to appropriate \$125 million one-time from the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (Proposition 4) to assist in acquiring the 161-acre Golden Gate Fields property, which is a former horse racing track in the Bay Area along the shoreline.
- The May Revision appropriates \$100 million Beverage Container Recycling Fund (BCRF) one-time for the Beverage Container Quality Infrastructure Grant Program to upgrade sorting and processing infrastructure in order to produce cleaner, higher-quality material streams
- The May Revision includes a one-time increase of \$40 million General Fund in 2026-27 for Clean California for litter abatement, proper waste disposal, and encampment resolution along California’s highways and roadways.
- The May Revision proposes \$25 million General Fund one-time for the Healthy Rivers and Landscapes Program. These arrangements with water agencies are a meant to achieve regulatory goals in the Sacramento and San Joaquin River water systems and the Bay-Delta watershed. The funding would support water flow commitments, habitat restoration, and monitoring.

### **Housing and Homelessness**

- The May Revision contains no new funding for the Homeless Housing, Assistance, and Prevention (HHAP) program or the state’s affordable housing development programs, but does indicate that the Administration “looks forward to working with the Legislature in the coming weeks to continue to prioritize the state’s investments in addressing the housing and homelessness crisis.”
- The May Revision creates and provides \$100 million for a Disaster Rebuilding Fund to assist homeowners seeking to rebuild in the wake of natural disasters, such as wildfire, through a combination of a loan loss guarantee program, an interest rate buydown program, and additional tools that reduce borrowing costs and facilitate access to private financing.
- The May Revision includes trailer bill proposals to reduce the imposition of local development fees on affordable housing projects by: (1) treating the waiver of local development fees as a local contribution to affordable housing projects; and (2) prohibiting local governments from imposing development fees on affordable

## Overview of the Governor's 2026-27 May Revision

housing projects when the local government is one of the applicants seeking state funding for the project.

### **General Government**

- The May Revision proposes a permanent business tax credit limitation beginning in the 2027 tax year. The proposed limit would be the greater of \$5 million per company per year or 50 percent of a company's tax liability and would result with increased General Fund revenues of \$850 million in 2026-24, \$1.7 billion in 2027-28 and similar ongoing revenue increases.
- The May Revision proposes to apply sales tax to sales of electronically delivered pre-written software, commencing January 1, 2027. The Administration estimates this proposal would increase General Fund revenues by \$450 million in 2026-27 and by \$900 million annually thereafter. This proposal is also estimated to increase revenues for local jurisdictions by \$560 million in 2026-27 and by \$1.1 billion per year thereafter.
- The May Revision provides \$10 million each in 2026-27 and 2027-28 for the California Civic Media Program, a public-private partnership supporting journalism across the state.

### **Corrections, Public Safety, and the Judiciary**

- The 2025 Budget Act reflected California Department of Corrections and Rehabilitation (CDCR) operational savings of \$125 million in 2025-26, \$480 million in 2026-27, \$554 million in 2027-28, and \$635 million in 2028-29 and ongoing through operational improvements, to be identified with the assistance of the Boston Consulting Group. The May Revision revises these savings down to \$20 million in 2025-26, \$42 million in 2026-27, \$82 million in 2027-28, \$100 million in 2028-29, and \$116 million in 2029-30 and ongoing. The May Revision also assumes an ongoing reduction of \$100 million General Fund beginning in 2027-28 from unspecified savings.
- The May Revision includes \$141.9 million one-time State Emergency Telephone Number Account to continue the state's transition to Next Generation (NG) 9-1-1. The funding would be available to maintain the current regional system during a transition to a statewide system, update call handling equipment at dispatch centers,

## Overview of the Governor's 2026-27 May Revision

and transition the greater Los Angeles region to the new system in advance of the 2028 Olympic and Paralympic Games.

### **K-12 EDUCATION**

#### **PROPOSITION 98 – K-14 EDUCATION**

- **Proposition 98 - Changes to the Minimum Guarantee.** The May Revision reflects an overall increase of approximately \$6.4 billion in Proposition 98 funding from the Governor's January budget for the three-year period of 2024-25 to 2026-27. More specifically, the May Revision estimates the Proposition 98 guarantee for the 2024-25 through 2026-27 fiscal years at \$124.9 billion, \$125.1 billion, and \$127.1 billion, respectively. In the Governor's January budget, the Proposition 98 guarantee for the 2024-25 through 2026-27 fiscal years was estimated to be \$123.8 billion, \$121.4 billion, and \$125.5 billion, respectively.

The May Revision proposes to decrease the settle-up amount in the 2025-26 Proposition 98 fiscal year from \$5.6 billion at Governor's budget to \$3.9 billion. This means that the May Revision proposes to appropriate \$121.2 billion, instead of the currently calculated level of \$125.1 billion.

The revised levels reflect the estimated increases 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 1 for all three years in the budget window, 2024-25, 2025-26, and 2026-27.

- **Public School System Stabilization Account.** The May Revision eliminates the mandatory withdrawal that was included in the Governor's budget from the Proposition 98 Reserves and instead includes mandatory deposits across all three years in the budget window totaling \$8.7 billion. The May Revision also maintains a discretionary deposit, and increases this deposit from \$240 million proposed at the Governor's budget to \$1.6 billion at the May Revision. The balance of the Public School System Stabilization Account at the end of 2026-27 is proposed to be \$10.3 billion.
- **Local Control Funding Formula.** The May Revision includes a Local Control Funding Formula cost-of-living adjustment (COLA) of 4.31 percent, which is above the statutory COLA of 2.87 percent for the May Revision. The 4.31 percent

## Overview of the Governor's 2026-27 May Revision

COLA provides an increase of approximately \$2.21 billion Proposition 98 General Fund.

### **K-12 EDUCATION – OTHER CHANGES**

- **Student Support and Professional Development Discretionary Block Grant.** The May Revision increases the one-time Proposition 98 General Fund available for this block grant from \$2.8 billion to \$5 billion.
- **Special Education.** The May Revision proposes a total increase of \$2.4 billion in special education funding, which reflects a 43 percent increase over the 2025 Budget Act.
- **Paid Pregnancy Leave.** The May Revision includes statutory changes that requires all TK-12 local educational agencies and community colleges to provide all employees with up to 14 weeks of paid pregnancy disability leave beginning in 2026-27. The May Revision proposes that costs are absorbed by the increased COLA for the Local Control Funding Formula.
- The May Revision re-appropriates \$485 million from the existing California Community Schools Partnership Program for the following initiatives:
  - **Community Schools Planning and Implementation Grants.** \$401 million in one-time grants for eligible schools to support planning and implementation of the community schools model, including the implementation of the Children and Youth Behavioral Health Initiative Fee Schedule.
  - **Middle and High School Redesign.** \$50 million in one-time grants to expand the redesign pilot program in the context of community schools.
  - **Community School State Transformational Assistance Center.** A total of \$28 million, of which \$15 million is to support the statewide level activities for the Statewide Technical Assistance Center, and \$13 million is to develop and implement an ongoing process to certify that community schools are implemented with fidelity and for the long-term accountability of this program.

## Overview of the Governor's 2026-27 May Revision

- o **Transforming Together.** \$6 million toward the Transforming Together campaign to strengthen collaboration between county offices of education and community partners to better meet the behavioral health needs of students and families.
- **Multi-Tiered System of Support.** The May Revision includes \$50 million one-time Proposition 98 General Fund to support the state's Multi-Tiered System of Support framework.
- **Support for Students Experiencing Homelessness.** The May Revision proposes \$30 million in one-time Proposition 98 General Fund for grants to local educational agencies to increase identification of and improve outcomes for students experiencing homelessness.
- **Literacy Coaches and Reading Specialists Grants.** The May Revision proposes \$428.8 million to extend funding for the Literacy Coaches and Reading Specialists Grant program for all grantees until June 30, 2031.
- **Literacy Coaches and Reading Specialists Educator Training Competitive Grant.** The May Revision proposes \$11.2 million for a competitive grant to train and support new and existing literacy coaches.
- **University of California, San Francisco Dyslexia Center and the Multitudes Screener.** The May Revision proposes \$5 million ongoing Proposition 98 General Fund for Sacramento County Office of Education to partner with the University of California, San Francisco (UCSF) Dyslexia Center to support the Multitudes screener.
- **Mathematics Professional Learning Partnership.** The May Revision proposes \$60 million for the Mathematics Professional Learning Partnership, administered by Kern County Office of Education.
- **Statewide Teacher Residency Technical Assistance Center.** The May Revision provides \$30 million one-time Proposition 98 General Fund for the statewide teacher residency technical assistance center to support teacher residency programs, National Board for Professional Teaching Standards Certification Incentive Program, and other grow-your-own educator preparation programs through 2034.

## Overview of the Governor's 2026-27 May Revision

- **21<sup>st</sup> Century California School Leadership Academy.** The May Revision proposes \$15 million one-time Proposition 98 General Fund for the 21<sup>st</sup> Century California School Leadership Academy to provide support in implementing initiatives.
- **Statewide College Transcript Review for Teacher Candidates.** The May Revision proposes \$5 million one-time Proposition 98 General Fund to build and validate a system for statewide college transcript review by the California Commission on Teacher Credentialing. Transcript review allows teacher candidates to use their college coursework to prove their subject matter competency.
- **Teacher Fee Increase.** The May Revision proposes to increase the fee that teachers pay to renew their clear teaching credential from \$100 to \$125. This fee is paid every five years. Revenues from this fee increase will backfill lost testing revenues from the subject matter competency exam exemption.
- **Pupil Nutrition and Food Assistance.** The May Revision proposes \$2.8 million in additional ongoing Proposition 98 General Fund to fully fund the universal school meals program in 2026-27.
- **Cost-of-Living Adjustments.** The May Revision proposes \$261 million ongoing Proposition 98 General Fund to reflect growth adjustments and fund a 2.87 percent cost-of-living adjustment for the LCFF Equity Multiplier and specified categorical programs.
- **Preschool Cost-of-Living-Adjustment.** The May Revision reduces the COLA for California State Preschool Programs from 2.41 percent to 2.01 percent.
- **Quality Rating and Improvement System.** The May Revision proposes \$20 million ongoing Proposition 98 General Fund for the state's Quality Rating and Improvement System, which provides technical assistance and fiscal support for improving the quality of early care and education programs.
- **Holocaust and Genocide Education.** The May Revision propose \$10 million one-time Proposition 98 General Fund for the Holocaust and Genocide Education Grant Program to support professional development and provide resources on Holocaust and genocide education.

## Overview of the Governor's 2026-27 May Revision

- **Menstrual Products Mandate Costs.** The May Revision includes \$1.7 million ongoing Proposition 98 General Fund to reimburse mandate costs related to the menstrual products mandate.
- **Office of the Superintendent of Public Instruction.** The May Revision proposes an ongoing shift of \$1.5 million General Fund in 2026-27, growing to \$3 million beginning in 2027-28 from the Department of Education to the new Office of the Superintendent of Public Instruction.

## HIGHER EDUCATION

### UNIVERSITY OF CALIFORNIA

- **Base Funding Augmentation.** The May Revision maintains the proposed increase of \$254.3 million ongoing General Fund, representing a five-percent base increase for the fifth and final year of the Compact. The May Revision also maintains the proposed increase of \$96.3 million ongoing General Fund, representing partial funding of the fourth year Compact payment, per the 2025 Budget Act.
- **Compact Funding Deferral.** The May Revision maintains the one-time deferral of \$240.8 million General Fund from 2025-26 to 2027-28, representing the five percent base increase in the fourth year of the Compact. The May Revision also maintains the one-time deferral of \$31 million from 2025-26 to 2027-28, representing funding for replacement of 902 nonresident undergraduate students at three campuses, with an equivalent number of California resident undergraduate students.
- **One-Time Base Deferral.** The May Revision maintains the delay of repayment of \$129.7 million one-time General Fund from 2025-26 to 2027-28, representing a one-time, three percent deferral from 2025-26.
- **Foster Youth Support Services.** The May Revision includes \$1.5 million one-time General Fund to support First Star Academy Youth Cohorts at UC campuses.

### CALIFORNIA STATE UNIVERSITY

- **Base Funding Augmentation.** The May Revision maintains the proposed increase of \$264.8 million ongoing General Fund, representing a five-percent base increase

## Overview of the Governor's 2026-27 May Revision

for the fifth and final year of the Compact. The May Revision also maintains the proposed increase of \$100.9 million ongoing General Fund, representing partial funding of the fourth year Compat payment, per the 2025 Budget Act.

- **Compact Funding Deferral.** The May Revision maintains the one-time deferral of \$252.3 million General Fund from 2025-26 to 2027-28, representing the five percent base increase in the fourth year of the Compact.
- **One-Time Base Deferral.** The May Revision maintains the delay of repayment of \$143.8 million one-time General Fund from 2025-26 to 2027-28, representing a one-time three percent deferral from 2025-26.

### CALIFORNIA COMMUNITY COLLEGES

- **Student Centered Funding Formula (SCFF) Cost-of-Living-Adjustment (COLA).** The May Revision includes \$197.7 million Proposition 98 General Fund ongoing to reflect an increase in the COLA from 2.41 percent to 4.31 percent. The total SCFF COLA in 2026-27 is \$438.3 million.
- **Paid Pregnancy Leave.** The May Revision requires all California Community Colleges, as well as TK-12 public schools, to provide all employees with up to 14 weeks of paid pregnancy disability leave beginning in 2026-27. Costs of this benefit are intended to be absorbable within the 1.4 percent discretionary SCFF COLA.
- **Local Property Tax Adjustments.** The May Revision includes \$122.8 million Proposition 98 General Fund ongoing as a result of decreased offsetting local property tax revenues.
- **Adult Learner Demonstration Project.** The May Revision includes \$9.7 million Proposition 98 General Fund one-time, available over three years, to support the Adult Learner Demonstration Project.
- **Categorical Programs COLA.** The May Revision includes \$6.1 million Proposition 98 General Fund ongoing for select categorical programs and the Adult Education Program, to reflect a change in the COLA from 2.41 percents to 2.87 percent.

## Overview of the Governor's 2026-27 May Revision

- **SCFF Growth Adjustment.** The May Revision includes \$2 million Proposition 98 General Fund ongoing to maintain the Governor's budget proposal to fund 0.5 percent enrollment growth. The May Revision also maintains the addition of one percent ongoing growth beginning in 2025-26.
- **Student Support Block Grant.** The May Revision includes an increase of \$607,000 Proposition 98 General Fund one-time for a flexible block grant for the community colleges. This increases the total amount proposed for 2026-27 to \$100.6 million.

### CALIFORNIA STUDENT AID COMMISSION

- **Cal Grant Program Caseload Adjustments.** The May Revision includes estimated Cal Grant expenditures of approximately \$2.5 billion in 2024-25, \$2.9 billion in 2025-26, and \$3.2 billion in 2026-27 based on the latest estimates of enrollment of Cal Grant-eligible students. These estimates reflect an increase of \$4.8 million one-time General Fund in 2025-26 and \$31.5 million ongoing General Fund in 2026-27.
- **Middle Class Scholarship Program.** The May Revision includes a one-time decrease of \$90.5 million General Fund to reflect the revised estimate for Middle Class Scholarship Program awards issued in the 2025-26 academic year as costs are paid in arrears in accordance with the 2025 Budget Act.
- **Golden State Teacher Grant Program (GSTG).** The May Revision withdraws the Governor's budget proposal to reappropriate \$14.4 million General Fund to support the GSTG. Revised program estimates reflect the full expenditure of these funds in 2025-26.
- **Workforce Pell Implementation.** The May Revision includes \$664,000 General Fund one-time to support Commission implementation activities to enable California to participate in the new federal Workforce Pell Grant program as authorized under House Resolution (HR) 1 of 2025.

### BUREAU OF PRIVATE POSTSECONDARY EDUCATION

- **Bureau of Private Postsecondary Education: Legal Costs.** The May Revision includes \$10 million one-time General Fund in 2026-27 to fully repay a loan from the High Polluter Repair or Removal Account to the Bureau's Private

## Overview of the Governor's 2026-27 May Revision

Postsecondary Education Administration Fund. The loan, executed in December 2025, was intended to cover legal expenses and settlement costs incurred by the Bureau resulting from a recent judgment.

### **COLLEGE OF THE LAW, SAN FRANCISCO**

- **Campus Safety and Security Resources.** The May Revision includes \$1 million General Fund ongoing to support campus public safety and security programs.

## **RESOURCES**

### **CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)**

### **DEPARTMENT OF WATER RESOURCES (DWR)**

### **CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)**

### **STATE WATER RESOURCES CONTROL BOARD (SWRCB)**

- **Healthy Rivers and Landscapes Program.** The May Revision proposes to appropriate \$25 million General Fund one-time for purposes of the Healthy Rivers and Landscapes Program, which is commonly referred to as Voluntary Agreements. Ideally, these arrangements with water agencies are a means of achieving regulatory goals in the Sacramento and San Joaquin River water systems and the Bay-Delta watershed. The funding would support water flow commitments, habitat restoration, and monitoring.

### **DEPARTMENT OF PARKS AND RECREATION (Parks)**

- **Fort Ord Dunes State Park New Campground.** The May Revision proposes to appropriate \$3.6 million General Fund one-time and \$3.3 million State Parks Recreation Fund ongoing to support operations at a new campground at Ford Ord Dunes State Park.
- **Golden Gate Fields.** The May Revision proposes to appropriate \$125 million one-time from the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (Proposition 4) to assist in acquiring the 161-acre Golden Gate Fields property, which is a former horse racing track in the Bay Area along the shoreline.

## Overview of the Governor's 2026-27 May Revision

- **State Parks Forward.** The May Revision proposes to establish a new initiative, State Parks Forward, which is intended to begin the planning and acquisition process for three new state parks and expand existing parks by 30,000 acres. Parks intends to use available Proposition 4 funding for future improvements to the new parks. Parks intends to expand the size of existing state parks through low-cost acquisitions through partnerships with local land trusts and conservation organizations.

### **CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)**

- **Coexisting with Wildlife.** The May Revision proposes to appropriate \$1 million one-time special funds to support the Coexisting with Wildlife initiative to mitigate human-wildlife conflict.

### **STATE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION (California Energy Commission)**

- **Salary Range Trailer Bill Language.** The May Revision includes a trailer bill proposal that would require the vice chair of the California Energy Commission to receive an annual salary that is at the midpoint between the annual salary of the other commission members and that of the chairperson.

## **ENVIRONMENTAL PROTECTION**

### **CALIFORNIA AIR RESOURCES BOARD (CARB)**

### **OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (OEHHA)**

- **Cancer-Causing Air Toxics.** The May Revision proposes to appropriate \$2.5 million one-time special funds for scientific research to support additional actions to reduce cancer risk from acrolein and ethylene oxide (EO). Acrolein is a colorless or yellow liquid, which dissolves in water and changes to a vapor when heated; and burns easily. Acrolein is used as a pesticide to control algae, weeds, bacteria, and mollusks. EO is a colorless and flammable gas. EO is released into air, water, and soil at places where it is produced or used. Occupational sources include factories where EO is produced or used to make other chemicals, and facilities performing medical device sterilization or fumigation of foods, clothing, and cosmetics.

## **CALIFORNIA RESOURCES RECYCLING AND REUSE (CalRecycle)**

- **Beverage Container Recycling (BCR): Improving Material Quality and Program Efficiency.** The May Revision appropriates \$100 million Beverage Container Recycling Fund (BCRF) one-time for the Beverage Container Quality Infrastructure Grant Program to upgrade sorting and processing infrastructure in order to produce cleaner, higher-quality material streams.
- **BCR: Expanding Redemption Access in Underserved Areas.** The May Revision appropriates \$50 million BCRF one-time for the Rural Recycling Incentive Payments Program to support locally driven bottle recycling that increases participation and promotes equitable access to California Redemption Value refunds.
- **BCR: Enhancing Market Conditions for In-State Remanufacturing.** The May Revision proposes to appropriate \$75 million BCRF spread over three years to expand in-state manufacturing for recycling products. Of the \$75 million, the proposal includes \$60 million for the Plastic Market Development Payment Program and trailer bill language increasing the payment among other things; and \$5 million for the Plastic Reclaimers and Manufacturers Grant Program to invest in new or improved plastic processing infrastructure and equipment.

## **VARIOUS DEPARTMENTS in CalEPA**

- **Ongoing Shift of General Fund Expenditures to Special Funds.** The May Revision shifts \$9.6 million of various ongoing General Fund appropriations for boards, departments, and offices within CalEPA to alternative fund sources. The proposed shifts include emergency response for the Department of Toxic Substances Control, various operational costs for the Office of the Secretary for Environmental Protection, and various administrative activities at CARB

## **HEALTH AND HUMAN SERVICES**

The May Revision includes a total of \$334.2 billion (\$90.4 billion General Fund and \$243.8 billion other funds) in 2026-27 for health and human services programs that serve low-income, vulnerable individuals and families.

## HEALTH

### DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

- **Medi-Cal Local Assistance Expenditures.** The May Revision estimates local assistance expenditures for Medi-Cal of \$194.4 billion (\$48.6 billion General Fund) in 2025-26 and \$216.7 billion (\$44.9 billion General Fund) in 2026-27. These figures represent an increase of General Fund expenditures of \$1.5 billion in 2025-26 and a decrease of General Fund expenditures of \$4.6 billion in 2026-27 compared to estimates included in the Governor's January budget.

The May Revision estimates Medi-Cal caseload will be 14.4 million in 2025-26 and 13.9 million in 2026-27.

- **Revised Managed Care Organization (MCO) Tax.** The May Revision includes expenditure authority of \$575 million in 2026-27, \$2.3 billion in 2027-28 and 2028-29, and \$1.7 billion in 2029-30 from a revised managed care organization (MCO) tax that complies with federal requirements, beginning January 1, 2027. These resources would support targeted rate increases for primary, maternal, and non-specialty mental health care, as well as offset General Fund expenditures in the Medi-Cal program.
- **Transition of Medi-Cal Beneficiaries with Unsatisfactory Immigration Status (UIS) to Fee-for-Service.** The May Revision assumes savings of \$583.8 million (\$471.6 million General Fund) in 2026-27 and \$1.5 billion (\$1.2 billion General Fund) annually thereafter from transitioning Medi-Cal UIS beneficiaries from the managed care delivery system to the fee-for-service delivery system, effective January 1, 2027. The Administration reports this transition is due to changes in federal Medicaid policies.
- **Budget Cuts to Medi-Cal Eligibility, Benefits, and Provider Rates.** The May Revision includes the following budget cuts to various Medi-Cal eligibility, benefits, and provider rates to address the long-term General Fund shortfall:
  - *Barriers to Coverage for UIS Beneficiaries – Higher Monthly Premiums.* The May Revision includes General Fund savings of \$427.3 million in 2027-28, decreasing to \$314.3 million annually in 2029-30, from increasing the monthly premium for adults with UIS from \$30, as approved in the 2025 Budget Act, to \$50 effective July 1, 2027.

## Overview of the Governor's 2026-27 May Revision

- *Reduced Eligibility for Seniors and Persons with Disabilities – Asset Limit.* The May Revision includes General Fund savings of \$278.3 million in 2026-27 and \$495.6 million annually thereafter from reducing eligibility for seniors and persons with disabilities in the Medi-Cal program by lowering the allowable asset limit from \$130,000 to \$2,000. The May Revision assumes this change would be effective January 1, 2027.
- *Reforms to California Advancing and Innovating Medi-Cal (CalAIM).* The May Revision includes General Fund savings of \$68.3 million in 2026-27, \$158 million in 2027-28, and \$150.2 million annually thereafter from reforms to CalAIM, including refinement of eligibility criteria, service definitions, utilization management criteria, and payment adjustments for enhanced care management and community supports.
- *Capped Rates for Programs for All-Inclusive Care for the Elderly (PACE).* The May Revision includes General Fund savings of \$33.7 million in 2026-27 and \$80.9 million annually thereafter to implement a rate cap for Programs for All-Inclusive Care for the Elderly (PACE), effective January 1, 2027.
- *Medical Loss Ratio Remittances – Redirection to General Fund.* The May Revision includes General Fund savings of \$25 million annually beginning in 2027-28 to redirect medical loss ratio remittances from Medi-Cal managed care plans to the General Fund.
- *Elimination of Medi-Cal Benefits – Acupuncture.* The May Revision includes General Fund savings of \$5.4 million in 2026-27 and \$13.1 million annually thereafter from eliminating acupuncture benefits in Medi-Cal, effective January 1, 2027.
- **House Resolution (HR) 1 Caseload and Expenditure Impacts on Medi-Cal.** The May Revision continues to generally accept the changes to federal Medicaid statutes and regulations contained in HR 1, but assumes a slightly lower, but still significant, reduction in caseload in the Medi-Cal program over time. Specifically, the May Revision reflects the following impacts from HR 1:
  - *Work and Community Engagement Requirements.* The May Revision estimates savings of \$357.6 million (\$90.3 million General Fund) in 2026-27, growing to \$9.6 billion (\$2.4 billion General Fund) by 2029-30, from the new work and community engagement requirements for the Affordable Care Act (ACA)

## Overview of the Governor's 2026-27 May Revision

expansion population implemented by HR 1 effective January 1, 2027. The May Revision continues to assume the work and community engagement requirements apply to UIS individuals, which is not required by federal law. These figures represent an erosion of savings from these requirements compared to the January budget of \$12 million in 2026-27 and \$1.2 billion by 2029-30 due to lower expected disenrollments from Medi-Cal than previously estimated. The May Revision projects disenrollment of 43,000 in 2026-27, a reduction of 190,000 compared to the January budget, growing to 1.1 million by 2029-30, a reduction of 337,000 compared to the January budget. These reductions in disenrollments are related to federal guidance regarding allowable exemptions from the work and community engagement requirements.

- *Federal Match Reduction for Emergency Services.* The May Revision includes General Fund costs of approximately \$669 million in 2026-27 as a result of the reduction of federal matching funds from 90 percent to 50 percent for emergency services for Affordable Care Act adult expansion population members with UIS, effective October 1, 2026. These figures represent an increase in these costs of approximately \$11 million in 2026-27 compared to the January budget.
- *Delay of Loss of Full-Scope Medi-Cal Coverage for Qualified Immigrants.* The May Revision delays the loss of full-scope Medi-Cal coverage for qualified immigrants (e.g. asylees, victims of human trafficking, and others) until July 1, 2027, resulting in General Fund costs of \$668.1 million in 2026-27 and General Fund savings of \$294 million by 2029-30. This population would also be required to transition from the managed care delivery system to the fee-for-service delivery system on January 1, 2027, as part of the UIS population. According to the Administration, continuing to provide full-scope fee-for-service Medi-Cal to this population would result in additional General Fund costs of \$1.3 billion beginning in 2027-28.
- *Six-Month Redeterminations.* The May Revision assumes that no Medi-Cal beneficiaries will be disenrolled from Medi-Cal coverage in 2026-27 due to the increase in frequency of eligibility redeterminations from annual to every six months. This results in increased General Fund costs compared to the January budget of \$74.1 million. Beginning in 2027-28, the May Revision assumes savings of \$747.3 million (\$186.4 million General Fund) in 2027-28, growing to \$2.5 billion (\$633 million General Fund) by 2029-30, as a result of this change in eligibility redetermination frequency. These changes are estimated to reduce Medi-Cal enrollment by 278,600 beneficiaries by 2029-30.

## Overview of the Governor's 2026-27 May Revision

- *Reduced Retroactive Medi-Cal Timeframes.* The May Revision includes savings of \$34.6 million (\$14.7 million General Fund) in 2026-27, growing to \$75.5 million (\$32.1 million General Fund) by 2029-30, from the reduction of retroactive Medi-Cal coverage from three months to one month prior to application, for the ACA population, and from three months to two months prior to application, for all other populations, beginning January 1, 2027. These figures represent an increase in savings of \$11.6 million (\$5.1 million General Fund) in 2026-27.
- **Hospital Quality Assurance Fee Delayed Federal Approval.** The May Revision estimates additional General Fund expenditures of \$1.2 billion in 2025-26 and General Fund savings of \$286.8 million in 2026-27 compared to the January budget due to delays in federal approval of the state's resubmission of a modified waiver request for the hospital quality assurance fee program.
- **County Medi-Cal Administration.** The May Revision includes expenditure authority of \$262 million (\$74 million General Fund) in 2026-27, and \$33 million (\$16.7 million General Fund) in 2027-28 and 2028-29, to support county workload for implementation of Medi-Cal eligibility changes related to HR 1.
- **Medi-Cal Efficiencies.** The May Revision includes General Fund savings of \$68 million in 2026-27, increasing to \$552 million in 2029-30 to establish utilization management for applied behavioral analysis and transportation benefits, and eliminating the quality withhold incentive component of the quality withhold and incentive program for Medi-Cal managed care. The January budget included a placeholder of \$120 million General Fund in 2026-27 for this purpose.

### **DEPARTMENT OF PUBLIC HEALTH (DPH)**

- **Aids Drug Assistance Program (ADAP) Rebate Fund Program Investments.** The May Revision includes expenditure authority from the ADAP Rebate Fund of \$60 million in 2026-27 to support services for those living with and at risk of HIV, as well as support for LGBTQ+ community centers.
- **Women, Infants, and Children (WIC) Program Estimate.** The May Revision includes total expenditures in the Women, Infants, and Children (WIC) Program of \$1.4 billion (\$1.2 billion federal funds and \$165.6 million WIC Rebate Funds) in 2025-26, a decrease of \$48.4 million or 3.4 percent compared to estimates in the January budget, and \$1.4 billion (\$1.2 billion federal funds and \$147.5 million WIC Rebate

## Overview of the Governor's 2026-27 May Revision

Funds) in 2026-27, a decrease of \$71.7 million or 5.1 percent compared to estimates in the January budget. The decrease in 2025-26 is primarily due to reduced inflation rates and decreased participation, while the decrease in 2026-27 is primarily due to decreased participation offset by slightly increased expected inflation.

- **Menopause Public Awareness Campaign.** The May Revision includes General Fund expenditure authority of \$3 million in 2026-27 to support a statewide public awareness campaign to support greater understanding of perimenopause and menopause. This augmentation is related to the January budget proposal to implement requirements for health care coverage, provider education, and patient information programs for perimenopause, menopause, and postmenopausal care.
- **Sickle Cell Centers of Excellence.** The May Revision includes General Fund expenditure authority of \$30 million, available over five years, to support Sickle Cell Centers of Excellence to provide treatment and health care for individuals with sickle cell disease.

### **DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION (HCAI)**

- **Distressed Hospital Support.** The May Revision includes General Fund expenditure authority of up to \$50 million in 2026-27 to provide short-term support for hospitals in immediate and significant financial distress. These resources are in addition to the \$25 million General Fund expenditure authority authorized by the Legislature in May through AB 108 (Gabriel), Chapter 8, Statutes of 2026.

### **COVERED CALIFORNIA**

- **Increased Health Care Premium Subsidies.** The May Revision includes additional expenditure authority from the Health Care Affordability Reserve Fund of \$110 million to support expansion of state premium subsidies to support health care affordability in the Covered California health benefit exchange. These resources, combined with ongoing resources approved by the Legislature in the 2025 Budget Act, would provide a total of \$300 million to improve affordability in the exchange.

## HUMAN SERVICES

### DEPARTMENT OF SOCIAL SERVICES (CDSS)

- **In-Home Supportive Services (IHSS).** The May Revision contains the following changes to the IHSS program:
  - Reinstates the Medi-Cal asset limit for seniors and disabled adults of \$2,000 for individuals and \$3,000 for couples, effective January 1, 2027. This results in \$62.6 million General Fund savings from disabled adults and seniors who would no longer be eligible for IHSS.
  - Includes an increase of \$30.8 million General Fund in 2026-27 to reflect IHSS costs associated with the delayed transition to restricted-scope Medi-Cal for individuals impacted by the federal eligibility change for qualified non-citizens to July 1, 2027.
  - Maintains the Governor's proposed reductions to IHSS proposed in the January budget, including shifting costs associated with the growth in statewide hours per case to counties, eliminating the IHSS Back-up Provider System, and aligning IHSS termination with Medi-Cal termination.
- **Child Care.** The May Revision contains the following changes to child care programs administered by CDSS:
  - Includes a 30 percent reduction to the revised 2026-27 child care cost-of-living-adjustment (COLA), resulting in a 2.01 percent COLA for CDSS child care programs (compared to the 2.41 percent COLA proposed in the Governor's January budget proposal). This maintains \$112 million General Fund for the child care COLA.
  - Includes an increase of \$65.1 million General Fund in 2026-27 to increase allowable in-contract administration costs for child care alternative payment program agencies by 1.5 percent of their total contract amount.
  - Includes a one-time increase of \$28 million in federal funds for child care facilities affected by natural disasters in 2023 and 2024.

## Overview of the Governor's 2026-27 May Revision

- **CalFresh and Food Programs.** The May Revision contains the following changes to CalFresh and food programs administered by CDSS:
  - Includes a \$30 million one-time General Fund augmentation for county administration to support workload associated with implementation of CalFresh time limits as a result of House Resolution (HR) 1.
  - Includes a \$30 million one-time General Fund augmentation for the CalFood program, which supports food bank purchasing.
  - Includes an increase of \$37 million General Fund in 2025-26 and \$30.6 million General Fund in 2026-27 for CalFresh administration costs that currently exceed the federal match target.
- **Adult Protective Services.** The May Revision includes a reduction of \$70 million General Fund in 2026-27 and ongoing to reverse the expansion of Adult Protective Services adopted in 2021. This change raises the age of eligibility for Adult Protective Services from age 60 to age 65.
- **Immigration Legal Services.** The May Revision includes an augmentation of \$20 million General Fund one-time in 2026-27 to support programs that increase legal capacity to help Californians who are facing immigration court proceedings, particularly for individuals in civil immigration detention.
- **California Work Opportunity and Responsibility to Kids (CalWORKs).** The May Revision includes a 1.8 percent increase to CalWORKs Maximum Aid Payment levels, effective October 1, 2026. This cost is estimated at \$59.5 million in 2026-27 and is funded by the Child Poverty and Family Supplemental Support Subaccount of the Local Revenue Fund.
- **Child Welfare.** The May Revision includes the following changes to the child welfare budget:
  - Includes \$357.3 million (\$179.8 million General Fund) for continued development and implementation of the state's new child welfare case management system, Child Welfare Services – California Automated Response and Engagement System.

## Overview of the Governor's 2026-27 May Revision

- Includes a one-time augmentation of \$18.4 million General Fund to provide continuity for individuals currently enrolled in Bachelors of Social Work or Masters of Social Work programs under the Title IV-E Stipend Project.

### **DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)**

- **Standardized Intake Process and Clinical Needs Assessment.** The May Revision includes an increase of \$11.4 million (\$9.1 million General Fund) in 2026-27, \$9.4 million (\$7.1 million General Fund) in 2027-28, and \$2.8 million (\$2.4 million General Fund) ongoing to develop a clinical needs assessment tool for use by regional centers at intake. This includes corresponding trailer bill language.
- **Center-Based Early Intervention Services.** The May Revision includes an increase of \$15 million (\$12.4 million General Fund) to update the current rate model methodology for certain early intervention services for infants and toddlers.
- **Home and Community-Based Services Federal Access Rule.** The May Revision includes an increase of \$1.1 million (\$779,000 General Fund) to address increased workload at regional centers associated with the implementation of the Federal Access Rule grievance process, which will be implemented in February 2027.

## **GENERAL GOVERNMENT**

### **CANNABIS**

- **Short-term Cash Loan** – The May Revision proposes to allow a short-term cash loan of up to \$52 million from the Cannabis Control Fund to the Cannabis Tax Fund – Department of Cannabis Control Fund, which is to be repaid before the end of the fiscal year. The Administration states that this temporary cashflow loan will support enforcement staff and operations costs, including track and trace contract costs, for the first five months of the fiscal year before the department receives its Cannabis Tax Fund allocation.
- **May Allocation of the Cannabis Tax Fund.** The May Revision estimates \$414.1 million will be available for Allocation 3 programs in 2026-2027 as follows:

## Overview of the Governor's 2026-27 May Revision

- Education, prevention, and treatment of youth substance use disorders and school retention – 60 percent (\$248.5 million)
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation – 20 percent (\$82.8 million)
- Public safety-related activities – 20 percent (\$82.8 million)
- Consistent with the Governor's January budget, the May Revision maintains a one-time shift of \$11.8 million in 2026-27 (an increase of \$308,000 from the Governor's January budget), within the youth, education, prevention, early intervention, and treatment account, from the California Natural Resources Agency to the Department of Social Services (DSS). This one-time shift to DSS will be invested in child-care infrastructure, specifically targeted toward communities impacted by recent fires.

### **DEPARTMENT OF TECHNOLOGY**

- **Middle Mile Broadband Initiative (MMBI) Contingency Funding** – The May Revision includes provisional language to authorize an increase of the California Department of Technology's (CDT) General Fund appropriation by up to \$30 million to fund the cost to operate the Middle Mile Broadband Network in fiscal year 2026-27. The May Revision also includes statutory reimbursement authority of \$25 million to allow the MMBI to receive reimbursements for joint-build projects.
- **Poppy: California's Digital Assistant** – The May Revision includes \$1 million to provide funding authority for Poppy, California's Digital Assistant, a generative artificial intelligence service designed for use by the state workforce.

### **DEPARTMENT OF CONSUMER AFFAIRS (DCA)**

- **Bureau of Private Postsecondary Education: Legal Costs.** The May Revision includes \$10 million one-time General Fund in 2026-27 to fully repay a loan from the High Polluter Repair or Removal Account to the Bureau's Private Postsecondary Education Administration Fund. The loan, executed in December 2025, was needed to cover legal expenses and settlement costs incurred by the Bureau resulting from a recent judgment.

## Overview of the Governor's 2026-27 May Revision

- **California State Board of Pharmacy: Business Modernization.** The May Revision includes \$1.7 million one-time Pharmacy Board Contingent Fund, Professions and Vocations Fund in 2026-27 to support the Board of Pharmacy's initial business modernization activities, including updating outdated information technology systems.

### **DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION**

- **Franchise Brokers Registration System Enhancements.** The May Revision includes \$125,000 one-time Financial Protection Fund in 2026-27 for costs associated with modifying the Franchise Registration and Securities Electronic Submissions System. Pursuant to SB 919 (Umberg) Chapter 518, Statutes of 2024, the funding will allow Department of Financial Protection and Innovation to collect applications for registration/contact information, registration documents, and fee payments, for third-party franchise brokers, beginning July 1, 2027.

### **DEPARTMENT OF FOOD AND AGRICULTURE**

- **Plant Health and Pest Prevention Programs.** The May Revision includes an increase of \$10.5 million General Fund to maintain pest detection activities targeted at certain invasive species. Invasive fruit flies are a threat to California's natural and working lands. California Department of Food and Agriculture (CDFA) runs a statewide program in partnership with the U.S. Department of Agriculture (USDA) and County Agricultural Commissioners to rapidly detect, identify, and eradicate these invasive pests before they can irreparably harm valuable state resources.
- **Industrial Hemp Program Transition.** The May Revision includes an increase of \$8.4 million General Fund one-time to offset lower than expected fee revenues for the implementation of the Industrial Hemp Program. The program was originally intended to be funded through fees. The May Revision will also propose statutory changes to shift industrial hemp from a state-managed program to the federal hemp program established by the USDA.
- **Animal Care Program (Proposition 12).** The May Revision includes an increase of \$7.9 million General Fund, including \$2.8 million ongoing, to implement the Animal Care Program and comply with Proposition 12. Passed by the voters in 2018, Proposition 12 established the Animal Care Program, and a portion of this program was intended to be supported by fees. The Administration states, in consideration of multiple, ongoing legal challenges to this law, including from the federal government, CDFA has held off from setting these fees.

## Overview of the Governor's 2026-27 May Revision

- **Statutory Changes.** The May Revision includes trailer bill proposals regarding the transition of the Industrial Hemp Program, the State Racetrack Licensing Authority, and Exemptions for Administrative Caps.

### ARTS COUNCIL

- **Keep Arts in Schools.** The May Revision includes trailer bill language related to the “Keep Arts in Schools Voluntary Tax Contribution Fund.”

### FRANCHISE TAX BOARD (FTB)

- **Permanent Credit Limitation.** The May Revision proposes a permanent business tax credit limitation commencing with the 2027 tax year. The proposed limit would be the greater of \$5 million per company per year or 50 percent of a company's tax liability. This limit structure is intended to ensure small businesses still have access to the credits, and larger businesses may still utilize a significant portion of credits before being limited by the cap. Businesses impacted by the current temporary cap limitation from 2024 through 2026, would still retain refundability provisions related to those foregone credits. The Administration estimates this proposal results in increased General Fund revenues of \$850 million in 2026-27, \$1.7 billion in 2027-28 and similar ongoing revenue increases.
- **Reduction of New Business Tax.** The May Revision proposes to reduce the \$800 annual tax paid by limited liability companies (LLCs), limited partnerships (LPs), and limited liability partnerships (LLPs) in their first year of existence to \$400. This reduction would be effective for tax years 2027, 2028, and 2029 and the Administration estimates a General Fund revenue loss of \$100 million for each of those tax years.
- **Tax Conformity for Trump Accounts.** The May Revision proposes to conform state tax treatment of the newly created Trump accounts with federal law. Trump accounts are individual retirement accounts for the benefit of children under the age of 18 who are U.S. citizens with a Social Security number. The tax conformity proposed by the Administration would align treatment of these accounts with conformity for similar tax-advantaged savings and retirement accounts. The

## Overview of the Governor's 2026-27 May Revision

Administration estimates this proposal would decrease General Fund revenues by \$1 million in 2026-27, growing to \$3 million in 2029-30.

- **CalFile Resources Realignment.** The May Revision proposes a reduction of \$921,000 General Fund in 2026-27, \$2.3 million in 2027-28, and \$2.7 million in 2028-29 and ongoing to reflect savings from linking California's CalFile system for free tax filing to the federal Internal Revenue Service's Direct File system. The current federal Administration has ended use of the Direct File system. FTB would retain some resources to complete user experience upgrades to CalFile, including uploading of federal information.

### **CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION (CDTFA)**

- **Digital Prewritten Software Tax.** The May Revision proposes to apply sales tax to sales of electronically delivered pre-written software, commencing January 1, 2027. Electronically delivered prewritten software refers to computer programs not designed to the specifications of any single user and the tax would apply regardless of how the product is delivered to the purchaser, whether on a disc or physical medium, electronically delivered and hosted locally by the customer, or accessed remotely through the internet as Software-as-a-Service (SaaS). The Administration estimates this proposal would increase General Fund revenues by \$450 million in 2026-27 and by \$900 million annually thereafter. This proposal is also estimated to increase revenues for local jurisdictions by \$560 million in 2026-27 and by \$1.1 billion per year thereafter.
- **Operational Savings.** The May Revision proposes an ongoing reduction of \$10 million General Fund to CDTFA's operation budget, beginning in 2026-27. This reduction would not impact CDTFA's operations or ability to complete statutorily required workload.

### **CIVIL RIGHTS**

- **Additional Staff and Resources for Enforcement and Conciliation.** The May Revision proposes annual General Fund appropriations of \$838,000 each year in 2026-27, 2027-28, and 2028-29 for the Civil Rights Department (CRD) to reduce the time the Department takes to respond to allegations of employment and housing discrimination.

## ECONOMIC DEVELOPMENT

### Governor's Office of Business & Economic Development (GO-Biz)

- **Resources for Two Additional Years of the California Civic Media Program (CCMP).** Administered by GO-Biz, the CCMP is a public-private partnership designed to foster and support journalism statewide. The 2025 Budget Act established the CCMP and provided an initial General Fund appropriation of \$10 million with the understanding that Google would match this amount as a private contribution. The May Revision proposes additional General Fund appropriations to the program of \$10 million each in 2026-27 and 2027-28. Google is again expected to make a matching private contribution to the program.

### Governor's Office of Land Use & Climate Innovation (GO-LCI)

- **Statutory Authority to Charge Fees for Submission of CEQA Documents to State Clearinghouse.** GO-LCI operates the State Clearinghouse system for California Environmental Quality Act (CEQA) compliance documents. The May Revision proposes budget trailer bill language that would authorize GO-LCI to charge fees for the submission of these documents. The Administration states that the resulting revenue would be used to support ongoing system modernization and improvements.

## HOUSING

- **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 the state. The Governor's January budget contained no new funding for these programs. The May Revision does not either, though the Administration does indicate that it "looks forward to working with the Legislature in the coming weeks to continue to prioritize the state's investments in addressing the housing and homelessness crisis."

## Overview of the Governor's 2026-27 May Revision

- **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 \$130 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, though the Administration does indicate that it "looks forward to working with the Legislature in the coming weeks to continue to prioritize the state's investments in addressing the housing and homelessness crisis."
- **Transfer of Resources to Support State Housing Systems Reorganization.** In 2025, the Governor proposed, and the Legislature acquiesced to the Governor's Reorganization Plan to restructure state administration of housing and homelessness programs. The 2025 Budget Act included resources to support this reorganization. The Governor's January 2026 Budget proposed additional restructuring and a corresponding transfer of positions between departments. The May Revision proposes the transfer of additional positions and resources consistent with the restructuring proposals.
- **Establishment and Resources for Disaster Rebuilding Fund.** The May Revision proposes the creation of a new California Housing Finance Agency program intended to reduce borrowing costs and facilitate access to private financing for homeowners seeking to rebuild in the wake of natural disasters, such as wildfire, through a combination of a loan loss guarantee program, an interest rate buydown program, and "additional tools." The May Revision provides a total of \$100 million for the Fund, split between \$44 million in National Mortgage Settlement funds and \$56 million in General Fund.
- **Statutory Changes to Reduce the Imposition of Local Development Fees on State-Funded Affordable Housing Projects.** The May Revision proposes budget trailer bill language intended to reduce the imposition of local development fees on state-funded affordable housing projects by: (1) treating the waiver of local development fees as a local contribution to affordable housing projects; and (2) prohibiting local governments from imposing development fees on an affordable housing project when the local government is one of the applicants seeking state funding for the project.

## Overview of the Governor's 2026-27 May Revision

- **Reappropriation of Infill Infrastructure Grant (IIG) Program Funds.** The May Revision reappropriates \$7 million to the Housing and Community Development Department (HCD) for IIG awards. This funding was previously awarded but was not used. The reappropriation enables the funding to be awarded to other projects instead.

### **HOMELESSNESS**

- **The May Revision Contains No New State Funding Commitments for the Homeless Housing, Assistance, and Prevention (HHAP) program.** The HHAP program provides relatively flexible, formula-based grants to large cities, continuums of care, counties, and tribal entities 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 2025 Budget Act committed the state to just \$500 million in funding for a seventh round of HHAP, contingent on the enactment of a governance framework containing specified terms (see next bullet). The Governor's January budget did not include any additional funding for HHAP. The May Revision does not either, though the Administration does indicate that it "looks forward to working with the Legislature in the coming weeks to continue to prioritize the state's investments in addressing the housing and homelessness crisis."
- **Statutory Framework to Govern Administration of Round of the Homeless Housing, Assistance, and Prevention (HHAP) program.** The 2025 Budget Act committed the state to funding a seventh round of the HHAP program through a \$500 million 2026-27 General Fund appropriation. However, the appropriation was contingent on the enactment of a statutory framework to govern administration of the seventh round, including specified terms. The May Revision proposes corresponding budget trailer bill language.

## **CORRECTIONS, PUBLIC SAFETY, and the JUDICIARY**

### **CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION**

The May Revision proposes total funding of \$14.6 billion (\$14.2 billion General Fund and \$400 million other funds) for California Department of Corrections and Rehabilitation (CDCR) in 2026-27.

## Overview of the Governor's 2026-27 May Revision

- **Adult Institution Population.** The May Revision reflects a projected average daily adult incarcerated population of 90,126 in 2025-26 and 87,611 in 2026-27. The population is expected to decrease in the long-term, to 85,210 in June 2030. This reflects Proposition 36 (2024) impacts, which are estimated at 592 individuals in 2025-26 and 1,547 upon full implementation. The projected average daily parolee population is 33,785 in 2025-26, declining to 33,125 in 2026-27 and 31,028 by June 2030.
- **Corcoran State Prison Honor Housing.** The May Revision includes \$9.7 million General Fund and 49 positions in 2026-27 and \$12.6 million and 65 positions in 2027-28 and ongoing to reactivate a facility for honor housing at Corcoran State Prison. The behavioral-based housing unit will focus on normalization and dynamic security, two aspects of the California Model. The unit will have a single-cell setting and provide dedicated access to reentry support.
- **Prison Facilities.** The May Revision includes a reduction of \$2.4 million General Fund in 2026-27 and an increase of \$0.6 million General Fund in 2027-28 and ongoing, reflecting a net reduction of 75 beds due to various deactivations and reactivations of facilities and housing units at California State Prison, Solano; Avenal State Prison; and the California Institution for Men.
- **Operational Savings.** The 2025 Budget Act reflected savings of \$125 million in 2025-26, \$480 million in 2026-27, \$554 million in 2027-28, and \$635 million in 2028-29 and ongoing through operational improvements, to be identified with the assistance of the Boston Consulting Group. The May Revision reflects updated savings of \$20 million in 2025-26, \$42 million in 2026-27, \$82 million in 2027-28, \$100 million in 2028-29, and \$116 million in 2029-30 and ongoing from streamlining various programs and eliminating 136.8 positions. The May Revision also assumes an ongoing reduction of \$100 million General Fund beginning in 2027-28 from unspecified savings.
- **Industrial Workers' Compensation.** In order to implement one aspect of the operational savings described above, the May Revision includes \$7.2 million General Fund and 34 positions in 2026-27, decreasing to \$5.6 million in 2030-31 and ongoing, to regionalize and augment CDCR staffing related to workers' compensation.
- **Incarcerated Firefighter Pay.** The May Revision includes \$15.8 million (\$5.2 million General Fund and \$10.6 million in reimbursement authority) in 2026-27 and \$13.3 million (\$2.6 million General Fund and \$10.6 million in reimbursement

## Overview of the Governor's 2026-27 May Revision

authority) in 2027-28 and ongoing to implement AB 247 (Bryan), Chapter 681, Statutes of 2025 and pay incarcerated firefighters the federal minimum wage while on an active fire incident.

- **Food Funding Adjustment.** The May Revision includes \$10.9 million ongoing General Fund and a change in methodology to account for increased food costs for the incarcerated population.
- **Health Care Costs.** CDCR's proposed budget includes \$4.2 billion General Fund for health care services for incarcerated individuals. This includes:
  - \$14.6 million General Fund in 2026-27 and \$12.2 million in 2027-28 and ongoing to purchase medical supplies and adjust the subsistence and personal care budget.
  - \$8.9 million General Fund and 60.6 positions in 2026-27 and ongoing for medical appointments and medication, related to the medical classification model.
  - A net-zero shift of \$11.8 million in 2026-27 and \$7.2 million in 2027-28 and ongoing from General Fund to reimbursement authority to allow CDCR to collect reimbursements related to the California Advancing and Innovating Medi-Cal (CalAIM) Justice Involved Initiative.
  - \$2.2 million General Fund in 2026-27 growing to \$4.5 million in 2028-29 and ongoing to pay for artificial intelligence-based medical note taking in CDCR's electronic health records.
  - \$1.1 million General Fund in 2026-27 to improve access to menopause education and clinical care for aging incarcerated women.
- **Mental Health Receivership.** The May Revision includes additional resources from the Mental Health Services Deposit Fund (SDF) to support the *Coleman* Receiver and related changes and programs, and estimates that the SDF will be exhausted by 2027-28. The additional resources include:
  - \$6.4 million from the SDF, \$5.2 million General Fund, \$1 million Behavioral Health Services Act (BHSA) in 2026-27; \$39.1 million SDF, \$5.1 million General Fund, \$2.6 million BHSA in 2027-28; \$9.9 million SDF, \$26.8 million General Fund, \$2.6 million BHSA in 2028-29, and \$40.2 million

## Overview of the Governor's 2026-27 May Revision

General Fund in 2029-30 and ongoing and 26 positions to expand internships and other training programs for mental health clinicians, and support administrative positions to improve hiring and retention.

- \$3.6 million General Fund, \$1.2 million BHSA, and 18.9 positions in 2026-27 and \$7.3 million General Fund, \$1.2 million BHSA, and 37.8 positions in 2027-28 and ongoing to expand Resource Teams from three to nine institutions, which help coordinate care and resources for high-risk, high-needs mental health patients.
- \$7.4 million General Fund and 36 positions in 2026-27 and ongoing for Crisis Intervention Teams at three institutions.
- **Community Corrections Performance Incentive Grant.** The proposed budget contains \$132.2 million General Fund in 2026-27 to support the Community Corrections Performance Incentive Grant, initially established by SB 678 (Leno), Chapter 608, Statutes of 2009, which provides incentives for counties to reduce the number of felony probationers sent to state prison.

### **BOARD OF STATE AND COMMUNITY CORRECTIONS**

- **Proposition 47 State Savings.** The Administration estimates net savings of \$89.1 million General Fund in 2026-27 associated with Proposition 47, the Reduced Penalties for Some Crimes Initiative (2014).
- **Vertical Prosecution Grant to Combat Human Trafficking.** The May Revision includes \$10 million one-time General Fund for a grant to support vertical prosecutions to prevent human trafficking.
- **Missing and Murdered Indigenous People (MMIP) Grant Program.** The May Revision includes \$10 million one-time General Fund for the MMIP Grant Program.

### **THE JUDICIAL BRANCH**

The May Revision includes total funding of \$5.3 billion (\$3.3 billion General Fund) in 2026-27 for the Judicial Branch. Of this, \$3 billion is provided to support trial court operations.

## Overview of the Governor's 2026-27 May Revision

- **State Court Facilities Construction Fund (SCFCF) Backfill.** The May Revision includes a reduction of \$10 million General Fund in 2026-27 and 2027-28 to backfill the SCFCF, based on updated revenue estimates.
- **Language Access.** The May Revision includes \$20 million Trial Court Trust Fund (TCTF) annually in 2026-27 and 2027-28 to address rising interpreter costs and support language access.
- **Appellate Court Security.** The May Revision includes \$1.6 million Appellate Court Trust Fund in 2026-27 through 2029-30 for appellate court security.

### DEPARTMENT OF JUSTICE

The May Revision includes total funding of approximately \$1.4 billion (\$514.2 million General Fund) to support the Department of Justice (DOJ) in 2026-27.

- **Antitrust Litigation.** The May Revision includes \$14.3 million from various special funds in 2026-27, declining to \$10.5 million 2029-30, to address antitrust workload.
- **Medi-Cal Fraud and Elder Abuse: Federal Grant Authority.** The May Revision includes \$16.2 million ongoing (\$4.1 million False Claims Act Fund and \$12.1 million Federal Trust Fund) to accept a federal grant award to support investigations and prosecutions related to Medi-Cal fraud and elder abuse.
- **Legal Services Revolving Fund Ongoing Workload.** The May Revision includes \$10.8 million ongoing Legal Services Revolving Fund to allow DOJ to continue to represent other state agencies and maintain service levels.
- **Completing Organized Retail Criminal Enterprise Investigations.** The May Revision includes \$2.2 million one-time General Fund to resolve existing cases related to organized retail crimes that were started with limited-term resources provided in 2022-23.
- **Fingerprint System Modernization.** The May Revision includes \$4.3 million Fingerprint Fees Account in 2026-27, \$5.5 million in 2027-28, and \$1.1 million in 2028-29 and ongoing to update the fingerprint system.
- **Registry of Charities and Fundraisers.** The May Revision includes \$260,000 Registry of Charities and Fundraisers Fund in 2026-27 and \$251,000 in 2027-28

## Overview of the Governor's 2026-27 May Revision

and ongoing to manage infrastructure, provide technical support, and assist with other tasks related to the registry.

### **OFFICE OF EMERGENCY SERVICES (CAL-OES)**

The May Revision includes total funding of \$3.2 billion (\$567.8 million General Fund) and 1,927.8 positions for Cal OES in 2026-27.

- **Next Generation 9-1-1 (NG 9-1-1) Transition.** The May Revision includes \$141.9 million one-time State Emergency Telephone Number Account (SETNA) to continue NG 9-1-1 development and transition. The funding is proposed to support a transition to a statewide system, update call handling equipment at dispatch centers, and transition the greater Los Angeles region to the new system.
- **Southern Emergency Operations Facility.** The May Revision includes \$12.5 million ongoing General Fund to staff and operate the Southern Emergency Operations facility.
- **Nonprofit Security Grant.** The May Revision includes \$40 million one-time General Fund for the Nonprofit Security Grant Program, which provides grants for physical security enhancements to nonprofit organizations at risk of hate-motivated violence.
- **Victims of Crime Act Supplemental Funding.** The May Revision includes \$25 million one-time General Fund to supplement federal funding for victim services.

### **LABOR, PUBLIC EMPLOYMENT AND RETIREMENT**

#### **STATE RETIREMENT CONTRIBUTIONS**

- **Proposition 2.** The May Revision reflects \$3.6 billion in available Proposition 2 funding, including a \$3 billion supplemental pension payment to help reduce the state plans' unfunded liabilities.

#### **CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)**

- **CalPERS Contributions.** The May Revision includes \$9.6 billion (\$5.2 billion General Fund) for the state's contribution to CalPERS. This is a decrease of \$107.2

## Overview of the Governor's 2026-27 May Revision

million (\$66.8 million General Fund) from the Governor's budget. Included in the total contributions is \$737.4 million one-time General Fund for the California State University retirement costs.

### **CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CALSTRS)**

- **CalSTRS Contributions.** The May Revision includes \$4.8 billion General Fund for state contributions to CalSTRS. This is roughly \$6.5 million more than the contributions included in the Governor's budget, due to revised creditable compensation increases to the Defined Benefits Program and Supplemental Benefits Maintenance Account.

### **EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING**

- **Employee Compensation and Healthcare and Dental Premiums.** The May Revision includes \$307.2 million (\$138.1 million General Fund) in 2026-27 to reflect updated employee compensation and projected health care and dental premiums for active state employees for the 2027 plan year. This represents an increase of \$40.4 million (\$15.2 million General Fund) as compared to the Governor's budget.

### **TRANSPORTATION**

- **Clean California.** The May Revision includes a one-time increase of \$40 million General Fund in 2026-27 for litter abatement, proper waste disposal, and encampment resolution along California's highways and roadways.
- **Homeless Encampment Liaisons.** The May revision includes a one-time increase of \$6.2 million General Fund in 2026-27 and 2027-28 to sustain efforts addressing homelessness and encampments on the state highway right-of-way.
- **Generative Artificial Intelligence (GenAI) for Safer and Smarter Roads.** The May Revision includes a one-time increase of \$16.4 million from the State Highway Account in 2026-27 for GenAI solutions to enhance safety for vulnerable roadway users and to gain traffic mobility insights on the State Highway System.
- **Games Route Network Trailer Bill.** The May Revision includes a trailer bill proposal to establish and administer an automated enforcement program to deter

## Overview of the Governor's 2026-27 May Revision

the unauthorized use of the Games Route Network on the State Highway System. The Games Route Network is a planned network of dedicated lanes to transport athletes, coaches, and Games stakeholders across the dozens of Olympic venues through the greater Los Angeles region.

- **SR-710 Rehabilitation Account Trailer Bill.** The May Revision includes a trailer bill proposal that would authorize an increase in the amount of the total funds maintained in the SR-710 Rehabilitation Account from \$1.2 million to \$15 million. California Department of Transportation is required to deposit proceeds from the sale of surplus residential property into this account.
- **California Highway Patrol (CHP) Operational Cost Increases.** The May Revision includes a one-time increase of \$40.4 million from the Motor Vehicle Account (MVA) for equipment and increased operating costs. This is in addition to resources proposed for operational costs in the Governor's Budget.
- **CHP Body-Worn Cameras and Wireless Recording System 5G Upgrade.** The May Revision includes a one-time increase of \$3.1 million from the Motor Vehicle Account to upgrade CHP's wireless mobile video/audio recording systems and body-worn cameras.
- **Department of Motor Vehicles (DMV) Operational Cost Increases.** The May Revision includes a one-time increase of \$24.5 million from the Motor Vehicle Account for increased operating costs across DMV's facilities, such as existing leases, security services, as well as scheduled and deferred maintenance projects.
- **DMV Mobile Driver License (mDL).** The May Revision includes a one-time increase of \$5 million from the Motor Vehicle Account for information technology and consulting resources to continue the mDL pilot program. In addition, the May Revision includes a trailer bill language proposal to remove the participation cap in the mDL pilot program.
- **DMV San Clemente Field Office.** The May Revision includes a one-time increase of \$4.1 million from the Motor Vehicle Account to relocate the San Clemente Field Office.

## Overview of the Governor's 2026-27 May Revision

- **MVA Related Trailer Bills.** The May Revision includes trailer bill language proposals to support operational improvements that also reduce costs at the DMV. This includes reducing statutory requirements for the department to provide physical paper copies of reports, handbooks, manuals, and notices; modernizing disabled person parking placard processes; authorizing digital titles; and eliminating rush registration documents. This is to address the ongoing structural deficit of the MVA.