



To: CHEAC General Membership

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Date: May 14, 2025

RE: Governor’s 2025-26 May Revision Budget Proposal

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Overview

Governor Gavin Newsom today unveiled his Administration’s May Revision Budget for 2025-26, updating revenue projections and proposals from the [Governor’s January Budget](#). The revised proposal outlines a \$321.9 billion budget (\$226.4 billion General Fund) and anticipates a deficit of approximately \$12 billion, representing 5.8 percent of the budget.

As you may recall, the Governor’s January proposal projected a balanced budget with no shortfall. However, several developments have since altered the state’s fiscal outlook—including increased Medi-Cal costs, the projected \$16 billion impact of new federal tariffs and growing concerns regarding a potential national recession.

The Governor’s May Revision includes roughly \$5 billion in reductions to health and human services programs in 2025-26 growing to \$14.8 billion by 2028-29, \$5.3 billion in revenue/borrowing, and \$1.7 billion in fund shifts. The Administration also includes triggers for two future social services commitments (\$451.1 million) which would be contingent on sufficient resources in 2027-28.

The Governor's May Revision maintains the Governor's January proposal to withdraw \$5.1 billion in 2024-25 and \$7.1 billion in 2025-26 from the Budget Stabilization Account (BSA), and maintaining reserve balances of \$16.9 billion at the end of 2025-26, including (\$11.2 billion in BSA and \$4.5 billion in the Special Fund for Economic Uncertainties).

The Governor's May Revision does not account for anticipated federal funding cuts. During the press conference, the Governor did acknowledge that tough decisions are on the horizon as the state responds to future federal actions.

1991 Realignment

1991 Realignment. The Governor's May Revision updates projected state sales tax and vehicle license fees for 1991 Realignment. From 2023-24 to 2024-25, sales tax and vehicle license fees revenues are anticipated to increase by approximately 1.83 percent; from 2024-25 to 2025-26, sales tax and vehicle license fees revenues are anticipated to increase by approximately 3.36 percent. Estimates of 1991 Realignment revenues at May Revision can be [viewed here](#).

AB 85 1991 Realignment Diversions. The Governor's May Revision updates the estimated redirection from the Governor's January Budget estimate. The Administration now estimates that \$724.8 million will be redirected from counties in 2025-26, up from \$628 million estimated in January. No update to the estimated net true-up for 2022-23 was provided at May Revision; the Department of Finance (DOF) is anticipated to release these figures this summer.

As a brief background, after the passage of the Affordable Care Act and Medi-Cal expansion, the State anticipated counties would be spending less on indigent care, given more individuals would qualify for insurance through Medi-Cal or Covered California. Under this assumption, the State enacted AB 85 (Chapter 24, Statutes of 2013), which diverted health realignment dollars from the counties to the State. The State diverted either: 1) 60 percent of health realignment funding received each year; or 2) a specified amount of health realignment funding based on a formula that considered county revenues and costs. The State estimates the redirection in the Governor's January Budget proposal and updates those revisions in the May Revision.

AB 85 includes a true-up mechanism two years after the close of the fiscal year to determine what the actual county diversion should have been based on updated county data.

The county-by-county 2025-26 interim redirection figures are available [here](#).

Public Health Workforce & Infrastructure

Future of Public Health (FoPH). The Governor's May Revision does not propose changes to the ongoing \$276.1 million Future of Public Health (FoPH) General Fund investment in state and local public health workforce and infrastructure and continues to provide \$188.2 million ongoing General Fund to local health departments. CHEAC, along with partner organizations, [applauds](#)

[the Newsom Administration](#) for maintaining this critical investment in our California local health departments. Maintaining and bolstering FoPH funding continues to be a top priority for CHEAC.

Public HERO Initiative Workforce Funding. The Governor's May Revision proposes to pull back unspent public health workforce training funding, provided as one-time funding in the 2022 Budget Act. For a refresher on these workforce investments, please see our [summary](#) of the 2022 Budget Bill Jr. (AB 178). Specific programs impacted include:

- **California Pathways into Public Health (Cal-PPH).** Up to \$840,000 in unspent funds is proposed to be reverted to the state General Fund. These funds support fellowships for early-career public health professionals and students in local health departments.
- **California Lab Aspire.** Up to \$1.7 million in unspent funds is proposed to be reverted to the state General Fund. These funds support training and preparation of qualified professionals to direct California Public Health Laboratories.
- **California Microbiologist Training.** Up to \$1.27 million in unspent funds is proposed to be reverted to the state General Fund. These funds support training for qualified individuals to meet microbiologist certification requirements as required by the state.
- **California Epidemiologic Intelligence Service (Cal-EIS).** Up to \$1.7 million in unspent General Fund is proposed to be reverted to the state General Fund. Funding supports one-year fellowships for epidemiologists to gain hands-on experience in local or state health departments.
- **Public Health Career Ladder Upskill Program.** Up to \$1.42 million in unspent funds is proposed to be reverted to the state General Fund. Additionally, the Governor's May Revision proposes to revert \$3.2 million for the fourth and final year of the one-time Public Health Career Ladder Upskill Program in 2025-26. The funding supports state and local public health workforce upskilling to improve retention of the public health workforce and help incumbent workers develop skills to meet future public health demands.

Public Health Programs

CDPH Funding. The Governor's May Revision updates anticipated resources to the California Department of Public Health (CDPH) for 2025-26. At May Revision, CDPH is anticipated to receive \$5.02 billion in total funds, including approximately \$742.2 million General Fund, \$1.9 billion special funds, and \$2.3 billion in federal funds. CDPH additionally reflects a decrease of \$55 million state operations expenditures in 2024-25 and ongoing and reduced position authority by 283 positions at May Revision for a total of 4,927 positions in 2025-26 and ongoing. For 2024-25, CDPH reflects a total decrease of \$31 million General Fund of unspent funds, including \$19.9 million in local assistance and \$11.1 million in state operations.

California Vaccine Management System (myCAVax). The Governor's May Revision proposes to invest \$31.45 million one-time General Fund to support the maintenance and operation of the California Vaccine Management System, also known as myCAVax, in 2025-26. This system is critical for statewide vaccine distribution, appointment scheduling, vaccine clinic management, and vaccine records management and sharing. As a reminder, sustaining myCAVax was one of CHEAC's top budget priorities.

Avian Flu and Marburg Response. The Governor's May Revision reflects a net increase of \$1.6 million General Fund in state operations to support CDPH emergency preparedness and response efforts to Avian Flu and Marburg. This net increase includes a decrease of \$8.3 million in current year unanticipated costs included in the 2025-26 Governor's January Budget and an increase of \$9.9 million associated with the Governor's executive order related to avian flu emergency response.

Los Angeles Wildfire Response. The Governor's May Revision reflects an increase of \$10.7 million General Fund in CDPH state operations to support ongoing response efforts to the 2025 Southern California wildfires. This includes various increases from various executive orders issued by Governor Newsom.

Wastewater Surveillance for Infectious Diseases. The Governor's May Revision seeks \$3.25 million one-time General Fund to support a CDPH statewide wastewater surveillance program of routine wastewater testing for detection of infectious diseases.

Syndromic Surveillance Reappropriation. The Governor's May Revision seeks to reappropriate up to \$2.5 million in Opioid Settlements Funds (OSF) from the 2022 Budget Act originally intended for a CDPH Opioid Public Awareness Campaign. Using these reappropriated funds, the Administration seeks to extend encumbrance or expenditure authority through June 2028 to launch the California Syndromic Surveillance Program.

Opioid Prevention and Harm Reduction Initiative. The Governor's May Revision seeks to increase \$4.2 million Opioid Settlements Funds to support the CDPH Overdose Prevention and Harm Reduction Initiative (COPHRI). Recall, the Governor's January Budget proposed a reduction of \$8.4 million to CDPH for COPHRI.

Naloxone Distribution Project (NDP). The Governor's May Revision proposes to decrease \$4.2 million Opioid Settlements Funds one-time in 2025-26 to the Department of Health Care Services (DHCS) Naloxone Distribution Project. Recall, the Governor's January Budget previously proposed an increase of \$8.4 million to DHCS for NDP.

Proposition 99 Health Education Account. The Governor's May Revision reflects a decrease of \$6.3 million in Proposition 99 Health Education in 2025-26 as a result of updated Proposition 99 revenue projections. This includes a decrease of \$3.5 million in competitive grants (local assistance) and \$2.7 million in committee and evaluation (state operations). Revenues in this account support comprehensive statewide tobacco control programs and are provided to state

and local government agencies and other entities for evidence-based health promotion and health communications activities related to tobacco.

Proposition 56 State Dental Program Account. The Governor's May Revision reflects no changes in allocations in the State Dental Program Account. This includes a shift to increase \$3.4 million in state operations and a decrease of \$3.4 million in local assistance as a result of shifting unspent funds from reduced local assistance expenditures to cover state contracts and salaries. These funds support local oral health programs (LOHPs) and other dental workforce initiatives.

Proposition 56 Tobacco Prevention and Control Programs Account. The Governor's May Revision reflects a decrease of \$3.6 million in the Tobacco Prevention and Control Programs Account as a result of updated revenue projections. The decrease includes \$1 million in contracts (state operations) and \$2.6 million in contracts (local assistance). Revenues are used for a comprehensive statewide tobacco control program and are provided to state and local government agencies and other entities.

STD Funding. The Governor's May Revision proposes to revert up to \$1 million General Fund, originally appropriated in the 2023 Budget Act, in unspent state operations for CDPH to oversee a grant program to address sexually transmitted diseases in specified jurisdictions.

Hepatitis C Virus (HCV) Funding. The Governor's May Revision seeks to revert up to \$1 million General Fund, originally appropriated in the 2023 Budget Act, in unspent state operations to support administration of investments to end the epidemic of Hepatitis C virus.

HCV Testing Kits. The Governor's May Revision seeks to revert up to \$328,000 General Fund of \$1 million originally appropriated in the 2021 Budget Act in unspent local assistance to support Hepatitis C virus testing kits, related supplies, and training. This investment was a component of a larger appropriation intended to address HIV, viral hepatitis, sexually transmitted infection, and harm reduction interventions.

ADAP Estimate. The Governor's May Revision reflects decreased expenditure authority for the CDPH AIDS Drug Assistance Program (ADAP) of \$50.6 million in 2025-26 due to decreased caseload projection and lower medication and insurance premium expenditures. For 2024-25, the May Revision reflects a decrease of \$36.2 million primarily due to lower medication and insurance premium expenditures.

Title XIX for Maternal, Child, & Adolescent Health. The Governor's May Revision reflects an increase of Title XIX funding for maternal, child, and adolescent health programs within CDPH and implemented by our local health departments. For 2024-25, Title XIX slightly decreased to \$69.0 million in federal funds based on updated actuals and adjusted projections of anticipated payments. For 2025-26, Title XIX increases to \$101.5 million in federal funds based on adjusted projections from DHCS.

Medi-Cal Lead Program. The Governor's May Revision reflects a slight decrease in federal matching funds provided to CDPH for the Medi-Cal Lead Program for 2025-26. Specifically,

federal matching funds in 2024-25 are \$4.46 million and in 2025-26 are \$4.36 million. These funds support administrative case management costs associated with the CDPH Childhood Lead Poisoning Prevention Program (CLPPP).

Vital Records Staffing. CDPH, as part of the Governor's May Revision, seeks an increase of \$2.4 million in 2025-26 through 2027-28 and \$1.7 million annually in 2028-29 and ongoing to reduce response times for vital records requests, including during emergencies when records requests increase.

Transgender Wellness and Equity Reappropriation. The Governor's May Revision proposes to reappropriate up to \$7.2 million from the 2022 Budget Act and extend encumbrance or expenditure authority through June 2028 to support existing gender health equity programs, grant agreements, and contracts related to transgender-inclusive health care for individuals who identify as transgender, gender nonconforming, or intersex.

Gender Health Equity Savings. The Governor's May Revision reflects estimated savings of \$15.5 million in General Fund in 2024-25, including a decrease of \$1.5 million in state operations and \$14 million in local assistance that supports gender health equity programs within the CDPH Office of Health Equity, Gender Health Equity Section.

Medi-Cal & Health Care Programs

Medi-Cal Budget & Caseload. The Governor's May Revision reflects a net \$1.9 billion increase in Medi-Cal expenditures in 2024-25 compared to the Governor's January Budget. This overage amount, according to the Newsom Administration, is covered by the \$3.44 billion Medi-Cal Provider Interim Payment Loan and the \$2.8 billion General Fund early action appropriation by the Legislature in April 2025. The Administration proposes utilizing \$2.2 billion of the Medi-Cal Provider Interim Payment Loan in 2024-25 and \$1.2 billion in 2025-26. Repayment of the loan would begin in 2027-28.

The Governor notes that increases in Medi-Cal expenditures are primarily associated with continuation of COVID-19 pandemic eligibility-related flexibilities, costs for providing full-scope Medi-Cal to income-eligible individuals regardless of immigration status, retroactive managed care rate adjustments, and higher overall costs in managed care, fee-for-service, and pharmacy.

The May Revision additionally reflects Medi-Cal General Fund expenditures of \$44.6 billion in 2025-26, an increase of \$7.2 billion, compared to revised 2024-25 expenditures. This increase is primarily due to lower MCO tax revenues, growth in managed care costs, and increased costs for individuals with certain statuses.

Managed Care Organization Tax and Proposition 35. Recall, California voters approved Proposition 35 in November 2024 to permanently continue the state's managed care organization (MCO) tax and specify permissible uses of tax revenues. Provider payment increases and

investments that were previously authorized in the 2024 Budget Act were repealed as of January 1, 2025, as a result of the passage of Proposition 35.

The Governor's May Revision reflects MCO tax revenues of \$9 billion in 2024-25, \$4.2 billion in 2025-26, and \$2.8 billion in 2026-27 to support existing and increased costs in the Medi-Cal program. Compared to the Governor's Budget, this is an increase of \$1.1 billion in 2024-25 and decreases of \$200 million in 2025-26 and \$400 million in 2026-27.

The May Revision reflects MCO Tax and Proposition 35 expenditures of \$804 million in 2024-25, \$2.8 billion in 2025-26, and \$2.4 billion in 2026-27. This includes \$1.6 billion across 2025-26 and 2026-27 to support increases in managed care base rates relative to calendar year 2024 for primary care, specialty care, ground emergency medical transportation, and hospital outpatient procedures. A spending plan overview for Proposition 35 from DHCS is [available here](#).

Medi-Cal Asset Test Limits. The Governor's May Revision proposes reinstating the Medi-Cal asset limit to consider resources, including property and other assets, when determining Medi-Cal eligibility for applicants or members whose eligibility is not based on modified adjusted gross income (MAGI) financial methods. Per the Newsom Administration, the asset limit for a household is \$2,000 for an individual and \$3,000 for a couple. This policy change would take effect no sooner than January 1, 2026, and would result in estimated General Fund savings of \$94 million in 2025-26, \$540 million in 2026-27, and \$791 million ongoing, inclusive of In-Home-Supportive Services (IHSS).

Health Care Coverage for UIS Individuals. The Governor's budget proposal includes two significant policy changes affecting individuals with unsatisfactory immigration status aged 19 and older. No sooner than January 2026, new Medi-Cal enrollments for this population would no longer be allowed. This proposal is anticipated to save \$86.5 million General Fund in 2025-26, increasing to \$3.3 billion by 2028-29. While those already enrolled in Medi-Cal will be allowed to maintain their coverage, starting in 2027, they will be required to pay a \$100 monthly premium. According to the Newsom Administration, General Funds savings are anticipated to be \$1.1 billion in 2026-27, increasing to \$2.1 billion by 2028-29.

Elimination of UIS Long-Term Care Coverage. The May Revision proposes to eliminate state-only long-term care benefits for individuals with unsatisfactory immigration status, effective January 1, 2026. Estimated General Fund savings associated with this change are \$333 million in 2025-26 and \$800 million in 2026-27 and ongoing.

Elimination of UIS Adult Dental Benefits. The May Revision proposes to eliminate full-scope state-only dental coverage for Medi-Cal members with unsatisfactory immigration status aged 19 and older, effective July 1, 2026. According to the Newsom Administration, this population will continue to have access to restricted-scope emergency dental coverage. This change would provide General Fund savings of \$308 million in 2026-27 and \$336 million in 2028-29 and ongoing.

FQHC/RHC Prospective Payments for UIS Individuals. The Newsom Administration proposes to eliminate Prospective Payment System (PPS) rates to federally qualified health centers (FQHCs) and rural health centers (RHCs) for state-only funded services to individuals with unsatisfactory immigration status. Clinics would receive reimbursement at the applicable Medi-Cal schedule rate in the fee-for-service delivery system and the applicable negotiated rate in Medi-Cal managed care delivery system. This proposal is estimated to provide General Fund savings of \$452.5 million in 2025-26 and \$1.1 billion in 2026-27 and ongoing.

Elimination of Over-the-Counter Drug Coverage. The Governor's May Revision proposes to eliminate Medi-Cal pharmacy coverage for certain drug classes, including COVID-19 antigen tests, over-the-counter vitamins, and certain antihistamine products. These eliminations are anticipated to provide General Fund savings of \$3 million in 2025-26 and \$6 million in 2026-27 and ongoing.

Elimination of Acupuncture Medi-Cal Benefits. The Governor's May Revision proposes to eliminate acupuncture as an optional benefit resulting in estimated General Fund savings of \$5.4 million in 2025-26 and \$13.1 million ongoing.

Elimination of Specialty Drug Coverage for Weight Loss. The Governor's May Revision seeks to eliminate Medi-Cal coverage for GLP-1 drugs for weight loss, effective January 1, 2026. Estimated General Fund savings are anticipated to be \$85 million in 2025-26, growing to \$680 million by 2028-29 and ongoing.

Elimination of Proposition 56 Supplemental Payments. The May Revision proposes to eliminate approximately \$504 million in 2025-26 and \$550 million ongoing for Proposition 56 supplemental payments to Medi-Cal dental, family planning, and women's health providers.

Proposition 56 Loan Repayment Program. The Governor's May Revision seeks to suspend a final cohort of the Proposition 56 provider loan repayment program to provide anticipated General Fund savings of \$26 million in 2025-26.

Pharmacy Drug Rebates. The Governor's May Revision proposes to establish a rebate aggregator to secure state rebates for individuals with unsatisfactory immigration status. This change is anticipated to provide \$300 million in General Fund savings in 2025-26 and \$362 million ongoing. The May Revision additionally reflects \$75 million General Fund in 2025-26 and \$150 million ongoing associated with the minimum rebate amount for HIV/AIDS drugs and cancer drug rebates.

Pharmacy Benefit Manager (PBM) Oversight. The Governor's May Revision proposes new state oversight of pharmacy benefit managers (PBMs) – actors involved in transactions between drug manufacturers, pharmacies, and insurers – to increase transparency and reduce pharmacy expenditures. The Governor proposes to require that PBMs be licensed and regulated by the Department of Managed Health Care (DMHC), as well as require PBMs to report operational and financial data and have fiduciary responsibility to clients. Under the proposal, DMHC would review

PBM contracts and perform regular financial audits of PBMs. As part of PBM licensure with DMHC, PBMs must also report detailed drug pricing data to the Department of Health Care Access and Information (HCAI).

CalRx Expansion. Governor Newsom proposes to expand the authority of CalRx, the state's initiative to make prescription medications more affordable for residents, to purchase brand-name drugs. This expansion would enable the state to secure an affordable supply of both generic and name-brand drugs, maintain uninterrupted access to medications, and strengthen the state's ability to protect reproductive health options, including mifepristone and other medications used in pregnancy termination.

CalRx Reduction for Biosimilar Insulin. The Governor's May Revision seeks a reduction of \$45 million General Fund to CalRx, originally approved to enable the state to support a California-based manufacturing facility for a biosimilar insulin product.

Prescription Drug Utilization Management. Governor Newsom's May Revision proposes to implement utilization management and prior authorization requirements for prescription drugs. This proposal results in estimated General Fund savings of \$25 million in 2025-26 and \$50 million in 2026-27 and ongoing.

Step Therapy Protocols. The May Revision proposes to implement a step therapy protocol to promote utilization management of prescription drugs and better control prescription drug costs. This change is anticipated to provide General Fund savings of \$87.5 million in 2025-26 and \$175 million ongoing.

Prior Authorization for Continuation of Drug Therapy. The Governor's May Revision proposes to eliminate the continuing care status for pharmacy benefits under Medi-Cal Rx. The policy, effective January 1, 2026, requires members to obtain drugs no longer on or removed from the Medi-Cal Rx [contracted drug list](#) (CDL) through the prior authorization process rather than allow continuing care based on prior drug usage. Estimated General Fund savings are \$62.5 million 2025-26 and \$125 million in 2026-27 and ongoing.

Hospice Utilization Management. The May Revision proposes implementing prior authorization requirements for hospice services, resulting in estimated General Fund savings of \$25 million in 2025-26 and \$50 million ongoing.

Skilled Nursing Facilities. The Governor's May Revision seeks to eliminate the Workforce and Quality Incentive Program (WQIP) and suspend the requirement for skilled nursing facilities to maintain a backup power system for no fewer than 96 hours. This change is anticipated to provide General Fund savings of \$168.2 million in 2025-26 and \$140 million ongoing.

Medi-Cal Minimum Loss Ratio. The Governor's May Revision seeks to increase the minimum medical loss ratio for Medi-Cal managed care plans, beginning January 1, 2026. This change is anticipated to provide General Fund savings of \$200 million in 2028-29 and ongoing.

CMS Interoperability. As part of the Governor's May Revision, DHCS seeks resources and expenditure authority to plan and implement federal Centers for Medicare & Medicaid Services (CMS) interoperability and patient access final rules issued in January 2024. DHCS requests \$1.1 million in total resources to leverage existing resources approved through previous budget change proposals to enable data exchange and processes pursuant to the federal final rule.

Medicaid Managed Care, Access, and Eligibility Final Rules. DHCS seeks \$7.8 million total funds (\$3.9 million General Fund) to address implementation and planning activities associated with recently released federal regulations related to access to care, transparency, and quality.

Transforming Maternal Health (TMaH) Model. The Governor's May Revision seeks \$1.1 million total funds and two positions to support the state's [Transforming Maternal Health](#) (TMaH) Model that was recently approved by CMS. This 10-year payment and delivery demonstration project is intended to improve maternal health outcomes, reduce costs, and address gaps in access to care. The model is primarily focused on Medi-Cal managed care plans and will be implemented in five Central Valley counties including Fresno, Kern, Kings, Madera, and Tulare.

FQHC Policy Guide. As part of the Governor's May Revision, DHCS requests expenditure authority of \$700,000 from a grant awarded by the California Health Care Foundation (CHCF) to help support the development of a reimbursement policy guide for use by federally qualified health centers. DHCS anticipates developing a consolidated policy manual that comprehensively documents the FQHC Prospective Payment System (PPS) and other relevant Medi-Cal policies.

CalAIM Justice-Involved Initiative. The Governor's May Revision seeks \$21.5 million in 2025-26 and \$11 million ongoing in increased reimbursement authority and an increase of 65 positions in 2025-26 and ongoing. The May Revision reflects 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 to support full implementation of the CalAIM Justice-Involved Initiative.

California Children's Services (CCS). The Governor's May Revision updates projections for caseload and expenditures in the California Children's Services (CCS) program. For 2024-25, CCS case management/administrative costs total \$197.56 million (\$70.2 million General Fund, \$127.4 million Federal Funds). For 2025-26, CCS case management/administrative costs total \$196.5 million (\$69.8 million General Fund, \$126.7 million Federal Funds). DHCS notes that from 2024-25 to 2025-26 a slight decrease in projected caseload is anticipated in the program.

CHEAC was pleased to note that DHCS recently announced it was indefinitely delaying its CCS Monitoring & Oversight Initiative that was set to go-live on July 1, 2025. Despite this announcement, the DHCS Medi-Cal Estimate continues to reflect a county allocation for CCS Monitoring & Oversight of \$10.1 million total funds in 2025-26. CHEAC staff will continue engaging with DHCS leadership to determine the availability of these funds and details associated with the delay of the CCS Monitoring & Oversight Initiative.

Health Care Program for Children in Foster Care. The Governor's May Revision reflects no changes to the allocations for the Health Care Program for Children in Foster Care (HCPCFC). Specifically, allocations consist of \$32.7 million total funds for the Base Allocation, \$6.6 million total funds for Psychotropic Medication Monitoring & Oversight, \$15.4 million total funds for Caseload Relief, and \$23.8 million total funds for HCPCFC Admin.

Targeted Case Management. The Governor's May Revision includes updates to expenditures in the Medi-Cal Targeted Case Management (TCM) program in both 2024-25 and 2025-26. Specifically, in 2024-25, DHCS reflects expenditures of \$22.9 million; in 2025-26, expenditures are projected at \$11.9 million, which reflect an increase compared to the Governor's January budget estimates of \$20.3 million and \$10.9 million, respectively.

Medi-Cal Administrative Activities. The Governor's May Revision increases projections for Medi-Cal Administrative Activities (MAA) for both 2024-25 and 2025-26. In 2024-25, DHCS estimates MAA expenditures of \$132.6 million; in 2025-26, DHCS estimates MAA expenditures of \$131.6 million. County-Based Medi-Cal Administrative Activities (CMAA) comprises the bulk of these estimates of \$132.0 million in 2024-25 and \$131.0 million in 2025-26.

Behavioral Health

CDPH BHSA Planning. The Governor's May Revision reflects a request of \$7.35 million in Behavioral Health Services Act (BHSA) funds one-time to support CDPH planning and implementation of the Behavioral Health Services Act.

Behavioral Health Infrastructure Bond Act. The Governor's May Revision seeks \$13.5 million and 22 permanent positions to continue implementation of the Behavioral Health Continuum Infrastructure Program that was expanded by the Proposition 1 Behavioral Health Bond Act.

Behavioral Health Transformation Implementation. The Governor's May Revision proposes \$131 million and 104 permanent positions to support the continued implementation SB 326 (Chapter 790, Statutes of 2023) to reform the behavioral health system. According to DHCS, this request builds off of previously approved budget change proposals and supports continued policy development, implementation, and readiness activities that over time will transition into ongoing operations, monitoring, and oversight.

Behavioral Health Workforce Initiative. The Governor's May Revision includes \$1.9 billion (\$143 million Behavioral Health Services Fund, \$808 Designed State Health Program funding, and \$950 million federal funds) to the Department of Health Care Access & Information (HCAI) to implement the Behavioral Health Workforce Initiative, established through the state's BH-CONNECT Section 1115 waiver, beginning in January 2026.

Behavioral Health Services Fund General Fund Offset. The Governor's May Revision proposes to swap the funding source for the Behavioral Health Bridge Housing Program (BHBHP) and the Behavioral Health Transformation Funding (BHTF). The Administration replaces the

following General Fund investments with Behavioral Health Services Funding: \$40 million in 2024-25 and \$45 million in 2025-26 for the (BHBHP), and \$55 million for the (BHTF).

CalHOPE Warm Line. The Governor's May Revision includes \$5 million from the Behavioral Health Services Fund (BHSF) to support the continuation of the state's CalHOPE Warm Line in 2025-26 and beyond.

ACEs Provider Training. The Governor's May Revision includes \$2.9 million (\$1.46 million BHSF and \$1.46 million federal funds) in 2025-26 to support additional ACEs trainings for health care providers.

988 Suicide and Crisis Lifeline. The Governor's May Revision seeks one-time resources and expenditure authority to manage the increase in 988 contact volume by providing \$17.5 million total funds.

Nutrition Programs

Women, Infants, & Children (WIC) Program. The Governor's May Revision includes total expenditures for the WIC program of \$1.2 billion in 2024-25 and \$1.3 billion in 2025-26. These figures represent a decrease of approximately \$5.6 million in local assistance expenditure authority in 2024-25 and a decrease of approximately \$20.4 million in local assistance expenditure authority in 2025-26. According to CDPH, these changes are primarily attributed to reduced inflation rates and decreased caseload participation.

Universal School Meals. The Governor's May Revision proposes \$90.7 million in additional ongoing Proposition 98 General Fund to fully fund the universal school meals program in 2025-26.

SUN Bucks. The Governor's May Revision reflects \$115.8 million (\$57.5 million General Fund) in 2025-26 for the Summer Electronic Benefits Transfer (SUN Bucks) for transaction costs and outreach to allow California to provide an estimated \$815.9 million in federal food assistance to children. This represents an increase of \$21.9 million ongoing Proposition 98 General Fund. SUN Bucks support food access to children who lose access to free and reduced-price meals during the summer school closure period.

CFAP Expansion. The Governor's May Revision seeks a statutory change that would make expansion of the California Food Assistance Program (CFAP) to adults 55 and over, regardless of immigration status, subject to a trigger-on based on the availability of General Fund resources in spring 2027.

Housing and Homelessness

California Housing & Homelessness Agency. Recall, the Governor's January Budget proposed creating a new California Housing and Homelessness Agency (CHHA) to create a more

integrated and effective administrative framework for addressing the state's housing-related challenges. The Governor's May Revision includes \$4.2 million (\$4 million General Fund) in 2025-26, \$6.4 million (\$6.2 million General Fund) in 2026-27, and \$6.2 million (\$6.1 million General Fund) in 2027-28 and ongoing to support the reorganization of the Business, Consumer Services, and Housing Agency. The Governor's May Revision proposal seeks to integrate housing- and homelessness-related programs and services by placing in the new agency the Department of Housing & Community Development, California Interagency Council on Homelessness, California Housing Finance Agency, Civil Rights Department, and Housing Development and Finance Committee.

Flexible Housing Subsidy Pools. The Governor's May Revision reflects \$200 million Proposition 35 funding over two years for Flexible Housing Pool rental assistance and housing supports for individuals with significant behavioral health conditions who are experiencing or at risk of experiencing homelessness.

Cannabis

Cannabis Tax Revenues. Proposition 64 specifies the allocation of resources in the Cannabis Tax Fund. After meeting various allocation requirements, remaining funds are available for youth education, prevention, early intervention, and treatment; environmental protection, and public safety-related activities. The Governor's May Revision updates revenue estimates to \$454.3 million in 2025-26:

- 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 (20 percent) – \$90.9 million
- Public Safety-Related Activities (20 percent) – \$90.9 million

The Board of State and Community Corrections' (BSCC) Proposition 64 Public Health and Safety Grant Program, funded through the Cannabis Tax Fund, provides grants to local governments to address public health and safety issues associated with the implementation of Proposition 64. The Governor's May Revision includes 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 efforts. Per the Administration, these changes are anticipated to expand collaboration with local law enforcement and encourage retail participation in the legal market.

Climate Health

Extreme Heat Action Plans. The Governor's May Revision proposes to revert up to \$900,000 General Fund, originally appropriated in the 2022 Budget Act, in unspent state operations to CDPH for implementation of the Extreme Heat Action Plan.

General Government & Operations

Business & Consumer Services Agency. The Administration maintains its proposal to establish a new Business and Consumer Services Agency (BCSA), similar to the proposal to establish a new Housing & Homelessness Agency (CHHA) described above. The Governor's May Revision reflects \$456,000 in reimbursements in 2025-26 and ongoing in the new agency. The new agency will include entities such as the Department of Alcoholic Beverage Control, Department of Cannabis Control, and the Department of Consumer Affairs, among other entities.

Budget Resources

Budget Background:

For additional information on the state budget process, we encourage CHEAC Members to view the California Budget & Policy Center (CBPC) "Dollars & Democracy: A Guide to the State Budget Process." This primer provides a succinct overview of key processes, dates, and participants in the California state budget. The resource can be [viewed here](#).

Budget Links:

Governor's 2025-26 May Revision Budget: <http://www.ebudget.ca.gov/>

Governor's Press Conference Presentation: <https://www.gov.ca.gov/wp-content/uploads/2025/05/MAY-REVISE-2025-2026-Governor-Budget-Slides-PRESS.pdf>

CDPH May Revision Budget Highlights: <https://www.cdph.ca.gov/Documents/CDPH-2025-26-May-Revision-Highlights.pdf>

DHCS May Revision Budget Highlights:
<https://www.dhcs.ca.gov/Budget/Documents/DHCS-FY-2025-26-May-Revision-Budget-Highlights.pdf>

Senate Highlights of 2025-26 May Revision: <https://sbud.senate.ca.gov/system/files/2025-05/overview-of-the-governors-2025-26-may-revision.pdf>

Assembly Highlights of 2025-26 May Revision:
<https://abgt.assembly.ca.gov/system/files/2025-05/highlights-of-governor-s-proposed-2025-26-may-revision.pdf>

Next Steps. Over the coming weeks, the Legislature will convene budget hearings to consider the updated proposals set forth in the Governor's May Revision. The Senate Budget & Fiscal Review Subcommittee No. 3 on Health & Human Services will convene hearings on May 19 and 20 and May 28 and 29. The Assembly Budget Subcommittee No. 1 on Health will convene hearings on May 19 and 20.

The Legislature must pass a budget bill by June 15. The Governor, Senate President pro Tempore, and Assembly Speaker will then begin negotiations to finalize a state budget by the beginning of the new fiscal year on July 1.

Questions. For questions on the items highlighted above or other budget-related inquiries, please feel free to contact Michelle Gibbons (mgibbons@cheac.org) and Jack Anderson (janderson@cheac.org) via email.