

**CWDA**Advancing Human Services  
for the Welfare of All Californians

# State Budget Update #2

## May Revision 2025-26 Budget

May 14, 2025 | 20 Pages

Governor Newsom released the May Revision to his proposed Fiscal Year (FY) 2025-26 Budget today, Wednesday May 14. The following budget update summarizes what we know so far about the proposals and issues of interest in the health and human services area. CWDA staff will continue to keep you updated in the coming days and weeks as we learn more details and as budget actions are taken in the Legislature.

## Overall Budget Picture

California's overall revenue outlook has deteriorated compared to January's revenue forecast and the state continues to face a structural multi-year deficit. In order to balance the budget and provide for prudent discretionary reserves, the May Revision aims to close a shortfall of \$12 billion in FY 2025-26, which is about 5.8% of the total FY 2025-26 Budget of \$321.9 billion (\$226.4 billion General Fund).

As previously noted, the Governor's Budget in January projected a modest General Fund surplus of \$363 million. Since then, actual revenues and state cash receipts have exceeded the Governor's Budget projection by \$7.9 billion. However, increased economic uncertainty is expected to reverse that trendline. The State is now projecting a \$16 billion revenue downturn across FYs 2025-26 and 2026-27. The Governor noted this is largely attributable to growing economic uncertainty as a result of economic and financial decisions from the White House, primarily its tariff policy, which have chilled investment, led to market volatility, and are projected to result in significant declines in tax revenues associated with capital gains. Additionally, the U.S. is now projected to experience a "growth recession," which is a period of below-trend growth along with rising unemployment. Consistent with coverage over the last few months, the Budget picture is exacerbated by significant cost growth in state programs such as Medi-Cal. Notably, the May Revision does not incorporate any potential impacts of federal cuts that are currently under consideration in Congress.

Moreover, the Administration's updated May Revision multi-year forecast anticipates annual

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General Fund operating deficits of \$14 billion in FY 2026-27, \$19 billion in FY 2027-28, and \$13 billion in FY 2028-29; these figures assume legislative adoption of the May Revision's budget solutions in the final Budget Act.

To address the \$12 billion budget shortfall in FY 2025-26, the Administration proposes the below solutions, in addition to the planned withdrawal, as assumed in the 2024 Budget Act, of approximately \$7.1 billion from the Budget Stabilization Account in FY 2025-26. Unlike the last two years, the May Revision proposes reductions to ongoing programs to partially address the out-year structural deficit.

- \$5 billion in spending reductions or cuts in FY 2025-26, growing to \$14.8 billion by FY 2028-29.
  - As detailed below, the most significant reductions are from health and human services programs and concentrated in the Medi-Cal and the In-Home Supportive Services (IHSS) programs. These include but are not limited to: enrollment freeze for full-scope Medi-Cal of undocumented adults 19 and older effective January 2026; requirement of Medi-Cal premiums for those with unsatisfactory immigrant status effective January 2027; reinstatement of Medi-Cal asset test limits for seniors, disabled adults, and IHSS consumers; and elimination of IHSS as a benefit for undocumented adults 19 and older. These reductions and other noteworthy cuts are expanded on in the below sections.
- \$5.3 billion in revenue and borrowing solutions in FY 2025-26.
  - This includes \$3.4 billion due to extending the repayment deadline for the Medical Providers Interim Payment Fund loan and \$1.3 billion in revenues from Proposition 35, as approved by the voters in November 2024.
- \$1.7 billion in fund shifts, primarily from cap-and-trade revenues to support CAL FIRE operating costs.
- Additionally, the May Revision includes triggers (total of \$456.1 million) for two spending commitments, both in human services. These commitments would be triggered on in FY 2027-28 contingent upon sufficient resources.
  - California Food Assistance Program (CFAP) Expansion
  - Foster Care Tiered Rate Structure

**REALIGNMENT REVENUES**

As with the state's revenues in general, realignment revenues are projected to be lower than originally projected at the Governor's Budget. Growth in both 1991 and 2011 Realignment is

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significantly lower in FY 2024-25 relative to the Governor's Budget. While growth in FY 2025-26 recovers and is higher relative to Governor's Budget, cumulative growth across both FYs is below Governor's Budget levels. The details for each realignment are provided below.

**1991 REALIGNMENT**

At the Governor's Budget, 1991 Realignment sales tax revenues were estimated to grow by 2.28 percent in FY 2024-25 over the FY 2023-24 base, and another 2.58 percent in FY 2025-26. Vehicle License Fee (VLF) revenues were estimated to grow by 3.39 percent in FY 2024-25 and another 2.66 percent in FY 2025-26. As of the May Revision, 1991 Realignment revenue estimates for the current year and budget year projections have slowed on the net. Relative to Governor's Budget, sales tax revenues are now estimated to decline by about 1.85 percent in FY 2024-25 and decrease by about 1.31 percent in FY 2025-26. VLF revenues are estimated to grow by 1.03 percent in FY 2024-25 and another 2.10 percent in FY 2025-26.

There is still projected to be growth funding in both the FYs 2024-25 and 2025-26, though relative to Governor's Budget, sales tax revenues for the Social Services Subaccount decreased by 3.42 percent in FY 2024-25 and 1.67 percent in FY 2025-26. The VLF funding in the Social Services Subaccount will remain flat in FY 2024-25 and FY 2025-26 because the Social Services Subaccount does not receive General Growth funding.

**Family Support Subaccount**

With implementation of the Affordable Care Act (ACA), county costs and responsibilities for indigent health care have decreased as more individuals gained access to health care coverage through the Medi-Cal expansion. The Family Support Subaccount within 1991 Realignment enables counties' indigent health care savings to be captured and redirected to pay for CalWORKs General Fund assistance costs, thereby freeing up General Fund that can be used to pay for the state's Medi-Cal expansion costs. Counties' indigent health care savings is redirected from counties' 1991 Realignment Health Subaccounts and moved to the Family Support Subaccount at the state level. Funds are then allocated to counties from the Family Support Subaccount in lieu of General Fund for CalWORKs assistance payments and the Single Allocation. The distribution of the funds from the Family Support Subaccount to counties is based on counties' CalWORKs expenditures. The May Revision estimates savings of \$630.6 million in FY 2024-25 (unchanged from Governor's Budget) and \$724.8 million in FY 2025-26 (higher than Governor's Budget).

**Child Poverty and Family Supplemental Support Subaccount**

The Child Poverty and Family Supplemental Support Subaccount within 1991 Realignment is used to fund CalWORKs assistance grant increases, which total about 31 percent from this

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subaccount since 2013-14, as well as the repeal of the Maximum Family Grant (MFG) rule, which took effect January 1, 2017. There is estimated to be \$1.1 billion in the Child Poverty and Family Supplemental Support Subaccount in FYs 2024-25 and 2025-26, respectively. We are awaiting confirmation as to whether there is enough to fully fund the previous grant increases and MFG repeal in 2025-26, and will follow-up in a subsequent update.

**2011 REALIGNMENT**

At the Governor's Budget, 2011 Realignment sales tax revenues were estimated to grow by 3.37 percent in FY 2024-25, and another 2.90 percent in FY 2025-26. As with 1991 Realignment, 2011 Realignment revenue projections have declined as of the Governor's Budget. Specifically, relative to Governor's Budget, 2011 Realignment sales tax revenues have decreased by 2.12 percent in FY 2024-25 and by 1.67 percent in FY 2025-26. However, sales tax revenues continue to grow between FYs, with a 1.21 percent increase from FY 2023-24 to FY 2024-25 and a 3.37 percent increase between FY 2024-25 and FY 2025-26. This translates into growth of \$29.1 million for the Protective Services Subaccount and \$32.3 million for the Behavioral Health Subaccount in FY 2024-25. For FY 2025-26, growth is projected to be \$94.1 million and \$104.6 million for the Protective Services and Behavioral Health Subaccounts, respectively.

**HOUSING AND HOMELESSNESS****California Housing and Homelessness Agency**

The Governor's January Budget proposed establishing a new California Housing and Homelessness Agency (CHHA) to integrate administration of the state's housing and homelessness programs. The May Revision provides additional details and funding to support this reorganization.

It includes \$4.2 million in FY 2025-26, \$6.4 million in FY 2026-27, and \$6.2 million ongoing to support the reorganization of the Business, Consumer Services, and Housing Agency, as well as the administration of CHHA and the creation of the Housing Development and Finance Committee (HDFC). The reorganization is intended to streamline housing efforts, reduce development costs, and improve outcomes. CHHA will oversee:

- Department of Housing and Community Development
- California Interagency Council on Homelessness
- California Housing Finance Agency
- Civil Rights Department
- Housing Development and Finance Committee

**STATE BUDGET UPDATE | MAY REVISION 2025-26 BUDGET****California Department of Social Services (CDSS)-Administered Housing Programs**

CDSS will continue to administer the four county-run housing and homelessness programs:

- CalWORKs Housing Support Program (HSP)
- Bringing Families Home (BFH)
- Home Safe
- Housing Disability Advocacy Program (HDAP)

The May Revision continues to include \$95 million in ongoing funding for HSP. The May Revision also continues to include \$25 million General Fund in ongoing HDAP funding. The May Revision increases this amount to \$37.5 million due to additional federal funding available through Title XIX of the Social Security Act, which can be used for the HDAP program.

BFH and Home Safe remain without ongoing funding as identified in the Governor's January Budget.

**MEDI-CAL AND HEALTH CARE SERVICES****Program Funding and Caseload**

The total Medi-Cal budget is estimated to be \$179 billion (\$37.4 billion General Fund) in FY 2024-25 and \$194.5 billion (\$44.6 billion General Fund) in FY 2025-26.

The May Revision estimates a caseload of slightly under 15 million beneficiaries for FY 2024-25, reflecting a modest increase from the 14.9 million projected in the Governor's January Budget. From FY 2024-25 to FY 2025-26, the May Revision projects a caseload decrease of 0.89 percent, with an estimated 14.8 million beneficiaries in FY 2025-26. This represents an increase from the 14.5 million beneficiaries projected for FY 2025-26 in the Governor's January Budget.

**County Administration Funding**

The May Revision includes a total of \$2.34 billion (approximately \$1.19 billion General Fund) in county administrative funding for FY 2025-26. Due to the budget deficit, the Budget Act of 2024 implemented a freeze on California CPI adjustment increases, also referred to as COLA adjustments, for county administration funding through FY 2027-28. Both the Governor's January Budget and the May Revision continue to reflect this freeze.

**Managed Care Organization Tax and Provider Payment Increases**

Proposition 35, approved by the voters in November 2024, specifies permissible uses of

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specified tax revenues starting with the 2025 tax year, for which DHCS must consult with a stakeholder advisory committee to develop and implement. The May Revision includes Managed Care Organization (MCO) Tax revenue of \$9 billion in 2024-25, \$4.2 billion in 2025-26, and \$2.8 billion in 2026-27 to support 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 \$804 million in 2024-25, \$2.8 billion in 2025-26, and \$2.4 billion in 2026-27 for the MCO Tax and Proposition 35 expenditure plan. In addition to the amounts supporting the Medi-Cal program, \$1.6 billion across 2025-26 and 2026-27 will support increases in managed care payments relative to calendar year 2024 for primary care, specialty care, ground emergency medical transportation, and community and hospital outpatient procedures.

**Budget Solutions in Medi-Cal**

Caseload and cost trends in Medi-Cal have significantly impacted the overall state budget. The May Revision has proposed the following solutions to address the projected budget shortfall:

**Premiums for Adults with Unsatisfactory Immigration Status**

The policy changed for adults aged 19 and over with unsatisfactory immigrant status, requiring a \$100 monthly premium per person for each member with unsatisfactory immigration status, effective January 1, 2027. The state is responsible for 100% of this population's costs, other than emergency and pregnancy-related services. Once this is implemented, projected for a January 1, 2027, implementation date, members who fail to pay the premium will be discontinued from full scope coverage but will still have access to restricted scope services. Budget includes \$30 million for system updates and to procure capacity to manage collection and tracking activities.

**Full-Scope Medi-Cal Expansion Enrollment Freeze**

The policy changed to freeze new enrollment for the young adult expansion, the 26-49-year-olds expansion, and 50-year-olds and over expansion for individuals regardless of their immigration status. All members who are currently enrolled will not be immediately affected and will maintain their full scope Medi-Cal. The freeze would start no sooner than January 1, 2026. After that time, individuals new to the program will no longer be enrolled in full scope Medi-Cal, even if they were previously enrolled. They would be eligible for restricted scope for emergency and pregnancy services. This is expected to result in savings of approximately \$86.5 million General Fund in FY 2025-26, increasing to \$3.3 billion by 2028-29.

**STATE BUDGET UPDATE | MAY REVISION 2025-26 BUDGET****Eliminations of Some Coverage**

The May Revision calls for the elimination of state-only long-term care benefits for individuals who do not have a satisfactory immigration status, effective as of January 1, 2026. The population of adults aged 19 and over with unsatisfactory immigration status would also have full scope dental coverage eliminated, but those individuals would still have access to restricted-scope emergency dental coverage.

**Reinstatement of Asset Limit**

The policy change will reverse AB 133 in 2021. California will revert to asset limits that align with those of the federal Supplemental Security Income which is \$2,000 for an individual and \$3,000 for a couple. The department must seek federal approval to implement these limits for applicants and members. New asset limits would not go into effect until January 1, 2026, or whenever systems have been programmed. This is expected to result in savings of approximately \$94 million General Fund in FY 2025-26.

**Medi-Cal Unwinding Flexibilities**

The Governor's Budget proposes ending the discretionary Continuous Coverage Unwinding flexibilities on June 30, 2025. These flexibilities were initiated to reduce coverage loss following the restarting of Medi-Cal redetermination after the ending of the COVID-19 pandemic pause. The Governor's Budget assumes the ending of these flexibilities will result in an increase in discontinuances in FY 2025-26. Flexibilities ending on June 30, 2025, with significant impact are the Zero Income waiver, the 100 percent federal poverty level (FPL waiver), and the stable income waiver. The elimination of these flexibilities continues.

**IN-HOME SUPPORTIVE SERVICES (IHSS)****Caseload and Overall Funding**

The May Revision includes \$283.0 billion (\$10.3 billion General Fund) for IHSS in FY 2025-26, a decrease of \$205.1 million compared to the Governor's Budget. This decrease reflects a reduction in provider overtime and travel hours, conforming the IHSS residual program with the timing of Medi-Cal coverage, eliminating IHSS benefits for undocumented individuals age 19 or older, updated costs for counties to cover the IHSS Community First Choice Option (CFCO) reassessment late penalties currently covered by the State, conforming IHSS with the reinstatement of the Medi-Cal asset limit, and lower projected caseload growth, offset by growth in the hours per case. Average monthly caseload is estimated to grow by 10.2 percent in FY 2024-25, resulting in 735,702 cases, and by 7.8 percent in FY 2025-26, resulting in 793,316 cases. This is an increase of 2.5 percent in FY 2024-25 and 2.8 percent in FY 2025-

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26 compared to Governor's Budget. Average weighted hours per case are estimated to be 124.6 hours in FY 2024-25 and 126.4 hours in FY 2025-26. The average cost per hour in the Individual Provider mode is estimated to be \$21.03 in FY 2024-25 and \$21.65 in FY 2025-26.

**County IHSS and Public Authority Administration**

The May Revision includes \$776.5 million (\$396.3 million General Fund) in FY 2024-25 for IHSS county administration funding, an increase compared to the Governor's Budget due to a growth in projected caseload. For FY 2025-26 the May Revision includes \$752.7 million (\$343.7 million General Fund) for IHSS county administration funding, a decrease of approximately \$75 million General Fund compared to the Governor's Budget due to a lower growth in projected caseload and assumed costs for counties to cover IHSS CFCO reassessment late penalties. Funding for Public Authority administration includes \$69.5 million (\$35.4 million General Fund) in FY 2025-26.

**County IHSS Maintenance of Effort (MOE)**

The May Revision includes an estimated county IHSS MOE amount of \$2.2 billion in FY 2025-26.

**Permanent Back-up Provider System**

The May Revision maintains both FY 2024-25 and FY 2025-26 funding for the permanent back-up provider system at the FY 2025-26 Governor's Budget levels. The May Revision includes \$597 million GF for back-up provider system services and \$4.1 million GF for back-up provider system administration in FY 2025-26.

**Budget Solutions in IHSS****Elimination of IHSS for Undocumented Adults 19 and Older (Medi-Cal Full Scope Expansion Population)**

Beginning January 1, 2026, the May Revision eliminates IHSS benefits for undocumented adults aged 19 or older and includes a reduction of \$158.7 million General Fund (including \$4.3 million General Fund in administrative funding) in FY 2025-26 and ongoing to implement that change. Note that this change will be implemented halfway through FY 2025-26, but no administrative funding for the full scope Medi-Cal expansion is included in the May Revision for FY 2025-26.

**Medi-Cal Asset Test Limits**

The May Revision reinstates the Medi-Cal asset limit for seniors and disabled adults of \$2,000

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for an individual or \$3000 for a couple, beginning January 1, 2026. Asset limits will be reinstated upon annual renewal in the Medi-Cal program. The May Revision includes a reduction of \$25.5 million General Fund in FY 2025-26 to conform IHSS with the reinstatement of the Medi-Cal asset test limit.

**Provider Overtime and Travel Hours**

The May Revision institutes a cap on IHSS provider overtime and travel hours at 50 hours per week, beginning in FY 2025-26. Currently, the maximum amount of time an IHSS provider can provide services for two or more IHSS recipients in a week is 66 hours. The May Revision includes a reduction of \$707.5 million General Fund in FY 2025-26 and ongoing for this change.

**IHSS Residual Program Conformity with Medi-Cal Coverage**

The May Revision includes a reduction of \$110.6 million General Fund in FY 2025-26 to conform IHSS Residual program coverage with the timing of Medi-Cal coverage. This would result in auto-termination of IHSS recipients when their Medi-Cal is discontinued due to a failure to complete the annual Medi-Cal redetermination.

**Community First Choice Option (CFCO) Late Penalties**

The May Revision includes a reduction of \$81 million General Fund in FY 2025-26 to reflect costs for counties to cover the IHSS CFCO reassessment late penalties which are currently covered by the State. Counties are required to perform CFCO reassessments every 12 months. The State receives a 56 percent federal funding match for these cases, compared to 50 percent for other IHSS cases.

**CALWORKS****Caseload**

The May Revision projects a 2.6 percent increase in the CalWORKs caseload from FY 2023-2024 to FY 2024-25. This increase is slightly lower than what was projected in the Governor's January Budget. The May Revision estimates 358,942 cases for FY 2024-25, reflecting this growth rate. For FY 2025-26, the May Revision estimates 363,766 cases, representing a 1.3 percent year-over-year increase. This projected growth is higher than the 0.6 percent increase estimated in the Governor's Budget.

Additionally, the May Revision projects a 5 percent increase in the Employment Services caseload from FY 2023-24 to FY 2024-25, which is 4.5 percent higher than the Governor's

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January Budget projection of 149,467 cases, estimating 156,215 cases for FY 2024-25 in the May Revision. For FY 2025-26, the Governor's Budget estimated an Employment Services caseload of 150,946, while the May Revision estimates caseload at 158,099, reflecting a 1.2 percent year-over-year increase.

**TANF Work Participation Rate (WPR) Penalty Resolution**

The May Revision includes a one-time General Fund allocation of \$21.1 million to cover California's penalty for not meeting the two-parent Work Participation Rate (WPR) requirements in Federal Fiscal Years (FFY) 2012 through 2014. The \$21.1 million reflects the reduction in FFY 2026 TANF Block Grant amount that was agreed to between CDSS and the previous federal administration for the penalty based on the completion of a corrective compliance plan.

Pursuant to Welfare and Institutions Code Section 10544(b), "if the state does not achieve the outcomes required by federal law and is therefore subject to a fiscal penalty, the penalty shall be shared equally by the state and the counties after all reasonable and available federal administrative remedies have been exhausted." Statute also requires the Department to consult with CWDA on the county share of the penalty. The Department of Social Services notes that a portion of the penalty may be passed on to counties.

**CalWORKs Policy Proposals**

The May Revision includes funding to further streamline the CalWORKs program, with one-time automation costs of \$1.5 million from TANF funds and ongoing cost savings of \$18.2 million. The proposed policy changes are as follows:

- Expand the list of Welfare-to-Work (WTW) activities: This proposal would include activities such as case plan development, WTW plan revisions, and caseworker coaching.
- Optional Job Club: This proposal would eliminate Job Club as a required activity under certain conditions.
- Simplify the WTW cure sanction plan: This proposal would eliminate the signature requirement for the plan.
- Eliminate CalWORKs RADEP and E2Lite: This proposal would remove county WTW data reporting requirements. The cost savings for this proposal is \$18.2 million.

**Single Allocation.**

The May Revision includes \$1.7 billion Total Funds in FY 2024-25 for the Single Allocation, which reflects no change from the Governor's Budget estimate for FY 2024-25.

For FY 2025-26, the May Revision includes \$1.6 billion Total Funds, reflecting an increase of

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about \$24.3 million compared to Governor's Budget. Specifically, this increase is due to a faster-than-expected growth in the employment services caseload and reductions in the Shared Eligibility and Medi-Cal Common Costs shifts.

**Increase to the CalWORKs Maximum Aid Payment**

The Governor's January Budget estimated a 0.2 percent increase to the Maximum Aid Payment (MAP), with funding to come from the Child Poverty and Family Supplemental Support Subaccount. However, due to projected revenue levels in the subaccount, the 0.2 percent increase is not included in the May Revision. As a result, there will be no grant increase in October 2025.

**CHILD CARE AND EARLY EDUCATION****Stage 1 Child Care**

The May Revision projects a slightly higher caseload for FY 2024-25 and a slightly lower caseload for FY 2025-26 compared to the Governor's January Budget estimates, with projected caseloads of 51,871 and 52,505 children, respectively. The average monthly caseload for FY 2024-25 represents a 0.9 percent decrease compared to FY 2023-24, followed by a projected year-over-year increase of 1.2 percent in FY 2025-26.

The May Revision estimates costs of \$610.3 million for FY 2024-25 and \$617.8 million for FY 2025-26. The higher estimates are attributed to increased caseloads in FY 2024-25 and a higher cost per case in FY 2025-26.

**Stage 2 and 3 Child Care**

The May Revision increases projected caseloads for both FY 2024-25 and FY 2025-26. Average monthly caseloads are projected at 48,110 for FY 2024-25 and 56,575 for FY 2025-26. This change results in higher projected costs: \$548.8 million for FY 2024-25 and \$657.4 million for FY 2025-26.

For Stage 3, May Revision projections reflect a larger decrease in caseloads from the previous fiscal year than was estimated in the Governor's Budget. The average monthly caseload for FY 2025-26 is projected at 45,970, with associated costs revised downward to \$515.5 million.

**Budget Solutions in Child Care**

The May Revision includes proposals in the child care development area to address the statewide budget shortfall. These proposals are outlined below:

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This proposal would suspend the COLA in FY 2025-26 and ongoing for certain child care programs.

**Emergency Child Care Bridge Program**

This program supports stable child care placements for children in the foster care system and was implemented in 2018. The May Revision proposes reducing funding to \$51 million in FY 2025-26, a General Fund reduction of \$42.7 million.

**CALFRESH****Caseload**

The total CalFresh caseload is projected to increase by 4.7 percent in FY 2024-25 from the prior year. Caseload is projected to continue to increase by an additional 3.4 percent from FY 2024-25 to FY 2025-26. It is projected that the CalFresh caseload will reach 3.3 million in 2025-26.

**CalFresh Administrative Funding**

The proposed budget includes \$2.2 billion in CalFresh Administrative Funding for FY 2025-26. The increase is largely driven by the increase in activities associated with applications.

**CalFresh Administration Funding for Reimbursement of Food Benefit Theft**

The Governor's Budget includes separate administrative funding for reimbursement of food benefit theft of \$13.5 million (\$9.5 million General Fund) in FY 2024-25, and \$10.4 million (all General Fund) in FY 2025-26. CWDA will continue to engage with CDSS regarding the sufficiency of the administrative funding for theft reimbursement activities.

**SUN Bucks**

SUN Bucks is the Summer Electronic Benefit program that provides \$120 per child in federally-funded food benefits to children during the summer months. The May Revision includes \$115.8 (\$57.5 General Fund) for transactions cost and administration.

**Budget Solutions in Food & Nutrition**

The May Revision includes a budget solution to address the statewide budget shortfall.

**STATE BUDGET UPDATE | MAY REVISION 2025-26 BUDGET****The California Food Assistance Program (CFAP) Expansion**

CFAP Expansion for adults 55 and over, regardless of immigration status, would be subject to a trigger-on, based on the availability of General Fund in the Spring of 2027.

**CHILD WELFARE / FOSTER CARE / ADOPTION ASSISTANCE**

The May Revision includes \$9.8 billion total funds (\$981.2 million General Fund) in FY 2025-26 for child welfare and foster care services and programs, inclusive of 1991 and 2011 Realignment funding. This is a decrease of \$856.4 million (\$4.5 million General Fund) from the Governor's proposed January Budget.

**Caseload**

The May Revision estimates average monthly child welfare caseload (Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement) of 74,303, reflecting a continuing decline in year-over-year caseloads for FY 2025-26, with the most significant actual and projected decline in Permanent Placement caseloads (14.2 percent in FY 2024-25, and 14.7 percent in FY 2025-26). The average AFDC-FC caseload representing youth in out-of-home placements (including county resource family homes, FFAs and group care) continues to decline and is projected to equal 25,525 in FY 2025-26. Significant declines are noted for foster family agency (FFA) placements, with the May Revision projecting steeper declines than projected in the Governor's Budget, of 12.6 percent in FY 2024-25 and 10.7 percent in FY 2025-26 to 6,216 youth in FFAs, and a slowing decline of placements into congregate care of 4.9 percent in FY 2025-26 to 2,148 youth (this figure however also includes youth receiving wraparound).

The caseload of non-federally eligible relatives who are supported through the Approved Relative Caregivers Program continues to decrease given overall foster care caseload trends and is projected to decrease by 15.6 percent in FY 2024-25 and by 6.9 percent in FY 2025-26 to 3,289 cases. Kin-GAP/Fed-GAP caseload is projected to remain nearly the same, decreasing by 0.3 percent to 17,073 cases in FY 2025-26. The Adoption Assistance Program (AAP) caseload will also remain mostly unchanged, increasing by 0.2 percent to 86,298 cases in FY 2025-26.

**Continuum of Care Reform (CCR)**

The May Revision provides a total of \$574.1 million (\$381.3 million GF) to continue implementation of CCR, which is nearly identical to the Governor's January Budget. Administrative costs to implement various CCR components (RFA, CANS, and Child and Family Teams) are largely unchanged. Two specific components worth noting given their

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connection to the implementation of the Tiered Rate Structure:

- **Child and Family Teams (CFT):** The May Revision continues to reflect an updated methodology for CFT meetings (4 hours, on average) as adopted in FY 2024-25, an outdated social worker hourly rate of \$99.46 per hour (actual county cost is \$192.46 per hour), and an overall reduction in the number of children and families served due to continued year-over-year caseload decreases in foster care. As a result, CFT funding is projected to decrease from \$72.9 million General Fund in FY 2024-25 to \$64.5 million General Fund in FY 2025-26. Of this total, \$62.5 million General Fund is for Child Welfare Departments.
- **Child and Adolescent Needs and Strengths (CANS) assessment tool:** Overall funding for the CANS component is proposed to increase in the May Revision, from \$3.0 million GF in FY 2024-25, to \$4.4 million GF in FY 2025-26, based on an increased projection of caseloads that are expected to receive a CANS assessment.

### **Tiered Rate Structure**

The May Revision provides updated estimates for implementation of the Tiered Rate Structure (TRS), which implements on July 1, 2027, proposing no funding in FY 2024-25 and \$23.5 million (15.5 million General Fund) in FY 2025-26 to begin implementation and support county administrative activities. The May Revision will also propose trailer bill language to make implementation of the TRS subject to a trigger based on availability of state funding, to be determined Spring 2027. If revenues are insufficient, the May Revision projects reduced TRS expenditures by \$338.9 million General Fund in 2027-28, growing to \$522.1 million in reduced expenditures in 2028-29.

For FY 2025-26, TRS-funded components include:

CalSAWS and CWS-CARES: To support automation of the multiple tiers and transitioning from the current Level of Care (LOC) rate structure, the May Revision provides \$6.1 million (entirely General Fund) in FY 2025-26 for CalSAWS automation, which is unchanged from the Governor's January Budget. For CWS-CARES automation, the May Revision provides \$14.5 million (\$7.2 million General Fund) in FY 2025-26, which is also unchanged in total amount, but all costs are now shifted to FY 2025-26.

CANS Fidelity and Training: The May Revision increases funding for this component to \$2.9 million (\$2.1 million General Fund), from the Governor's January Budget proposal of \$1.7 million (\$1.2 million General Fund), in FY 2025-26 to support implementation of the CANS system-level and case-level fidelity tools, including the County Practice and Implementation Profile and CFT Observation Tool, to monitor and improve practice quality, in preparation

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for the implementation of the TRS.

**Funding Extensions**

The May Revision extends the availability of Flexible Family Supports for Home-Based Care (\$50.0 million General Fund) from June 30, 2025 to June 30, 2026. The May Revision also extends the availability of \$4.0 million General Fund for the Children's Crisis Continuum Pilot Program, through June 30, 2027.

**Caregiver Approval**

The May Revision maintains \$50 million General Fund which supports mandated activities associated with the Resource Family Approval (RFA) process.

**Family First Prevention Services Act (FFPSA)**

Part 1 Prevention: Pursuant to the Budget Act of 2024, \$222.4 million GF continues to be available to counties to implement Part 1 prevention services for expenditure to June 30, 2028.

Part IV: The May Revision continues funding the various components for Part IV implementation, including county administration associated with social worker activities in support of the required review by Qualified Individuals and social worker activities related to obtaining court authorization for placement into congregate care facilities. A total of \$44.9 million (\$23.3 million General Fund and \$17.2 million county funds) is proposed in FY 2025-26 to support administrative activities to meet FFPSA requirements under Part IV of the law. This reflects a slight decrease from FY 2024-25 due to overall declines in projected foster care caseloads.

**Social Security Administration (SSA) Benefits for Foster Youth (AB 2906, Statutes of 2024)**

AB 2906, which prohibits counties from utilizing a child's SSA benefits to offset costs related to the child's care and instead requires counties to conserve those funds for the child, will implement July 1, 2025. The May Revision does not fund counties for their increased local costs as a result of this new law. CWDA estimates the net loss to counties as a result to be \$5 million annually. The May Revision continues to reflect funding to counties only for the administrative component adopted through AB 2906, which requires social workers to send written notice of intent to be appointed as representative payee to the child's counsel and parents or legal guardians, requires counties to establish and maintain dedicated accounts for foster youth receiving SSA benefits and provide an accounting report upon request. Funding for this component is proposed at \$244,000 (\$179,000 General Fund) beginning

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**Health Care Program for Children in Foster Care (HCPCFC)**

The May Revision continues to provide funding to support the administrative costs of HCPCFC as a stand-alone program after the sunset of the Child Health and Disability Prevention Program (CHDP) on June 30, 2024. The Governor's Budget provides \$23.8 million (\$11.9 million General Fund) in FY 2025-26 for administrative costs to support HCPCFC.

**Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT)**

BH-CONNECT is a five-year demonstration approved December 2024 and includes a number of initiatives designed to expand the continuum of community-based behavioral health care services for Medi-Cal children and youth, including for foster youth. As part of the BH-CONNECT proposal (visit the [DHCS BH-CONNECT website](#) for the full proposal), the May Revision continues to propose investments in both the DHCS and CDSS budgets for child welfare agencies and county mental health plans.

The May Revision continues to reflect new implementation activities to implement child welfare-related components of BH-CONNECT, including CFTs for Family Maintenance (FM) cases, activity stipends for foster children, and joint home visits by social workers and a mental health worker. While overall funding remains nearly identical to the Governor's January Budget, the May Revision shifts funding for activity stipends out of the CDSS budget to the DHCS budget, reflecting a change to shift administration of the funds out of county child welfare agencies. The May Revision proposes \$30.5 million (\$22.4 million General Fund) for county child welfare administration of CFTs for FM cases and delayed implementation of joint home visits to July 1, 2025. The May Revision is also proposing to adopt trailer bill to implement CFTs for FM cases.

**New Premise Items**

The following are new items proposed for funding beginning FY 2025-26:

- Youth Missing from Care Notification (AB 2108, Statutes of 2024): The May Revision provides funding to implement this legislation beginning in FY 2025-26, equaling \$848,000 (\$623,000 GF), to support county administrative activities associated with providing notification to law enforcement, child's parents or guardians, child's attorney, and others, and to contact individuals known to the child to inquire of the child's whereabouts.

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- Documentation of Family Finding Efforts (AB 2929, Statutes of 2024): The May Revision provides \$1.1 million (\$796,000 GF) beginning in FY 2025-26 to support the on-going effort by social workers to locate relatives for a child or non-minor dependent not residing with relatives, and to submit a supplemental report to the court documenting those efforts.

**Budget Solutions In Child Welfare Services****Emergency Child Care Bridge (ECCB) Funding**

The May Revision proposes to decrease ECCB funding by \$42.7 million GF in FY 2025-26 and annually ongoing to address the budget shortfall. This equates to a 45 percent reduction of the overall funding and rolling back of the expansion that was approved in the FY 2022-23 budget. This would leave a net \$51 million total funds (\$40.8 million GF) for the program in 2025-26. The CWS administrative funding to support county administration of the program is proposed to be reduced by 53 percent, from \$7.6 million GF to \$3.5 million GF.

**Family Urgent Response System (FURS)**

The May Revision proposes a reduction of \$13 million GF in FY 2025-26 and on-going to address the projected budget shortfall. This would leave \$17 million GF for on-going funding for FURS. FURS provides 24/7 conflict resolution, de-escalation, and in-person response to current and former foster children and their caregivers to preserve families via a state-level hotline and a county-based mobile response team.

**Tiered Rate Structure (TRS)**

As noted above, the May Revision includes a trigger for implementation of TRS. The funding commitment would be triggered on in 2027-28 contingent upon sufficient resources.

**ADULT PROTECTIVE SERVICES (APS)****APS Federal Grants**

The May Revision extends the APS Elder Justice Act Grant from March 31, 2025, to March 31, 2026.

**STATE BUDGET UPDATE | MAY REVISION 2025-26 BUDGET****SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP) AND CAPI****SSI/SSP Caseload and Grants**

The May Revision includes \$11.5 billion (\$3.5 billion General Fund) in FY 2025-26 for SSI/SSP programs. This reflects an increase of \$242.5 million (-\$50.3 million General Fund) from the Governor's budget due to a slower decline in the projected SSI/SSP caseload, partially offset by a decline in the projected average SSI/SSP grant.

The average SSI monthly grant (absent the 2025 CPI COLA), are \$438.55 for aged recipients, \$591.69 for blind recipients, and \$635.52 for disabled recipients. The SSP average grant are \$250.66 for aged recipients, \$315.74 for blind recipients, and \$238.27 for disabled recipients. The projected caseloads for both SSI and SSP in FY 2025-26 are 341,583 for aged recipients, 12,993 for blind recipients, and 720,933 for disabled recipients.

**CAPI Caseload and Grants**

The May Revision proposes a decrease in the Base CAPI Funding and an increase in Extended CAPI funding in FY 2025-26 compared to the Governor's Budget. The decrease in Base CAPI reflects a lower administrative fee and a decline in projected caseload, partially offset by a higher average grant. The increase for Extended CAPI funding reflects growth in the average grant and projected caseload, partially offset by a lower administrative fee. The average Base CAPI monthly grant amount is \$1,095.53 for 2025-26 and the average Extended CAPI monthly grant amount is \$1,1127.95 for 2025-26.

The average SSI monthly grant (absent the 2025 CPI COLA), are \$438.55 for aged recipients, \$591.69 for blind recipients, and \$635.52 for disabled recipients. The SSP average grant are \$250.66 for aged recipients, \$315.74 for blind recipients, and \$238.27 for disabled recipients. The average monthly caseload for Base CAPI is 929 in FY 2025-26 and the average monthly caseload for Extended CAPI is 17,991 in FY 2025-26.

**AUTOMATION**

The key automation projects appear to be funded at the levels needed to proceed as expected, with significant changes as noted below, based on the information currently available. Future budget updates will provide additional information as it becomes available.

**Child Welfare Services – California Automated Response and Engagement System (CWS-CARES)**

The May Revision reflects total funding of \$173.4 million (\$88 million General Fund) in FY

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2024-25 and \$256.5 million (\$130 million General Fund) in FY 2025-26. This is consistent with the May 2023 approval of the CARES budget by the Department of Finance. The CWS/CMS budget continues to include funding of \$1.5 million total funds (\$485,000 General Fund) per year for the removal of duplicate data in CWS/CMS, to prepare for conversion to CARES. Additional support for Tribal Engagement remains at \$100,000 (all General Fund) per year in FY 2024-25 and FY 2025-26.

**Electronic Benefits Transfer (EBT) Theft and Security Improvements**

The proposed budget increases current year total funding for EBT card technology improvements to \$60.7 million (\$19 million General Fund), reflecting a shift of funds from FY 2023-24 to the current year, with no change to the total cost. There is no funding in the budget year, reflecting CDSS' plan to complete the issuance of replacement EBT cards with Chip EMV/Tap Pay technologies this FY. This effort is expected to improve security and reduce benefit theft.

The Governor's proposal contains a decrease in funding for reimbursement of benefit theft in the current year, to \$71.8 million General Fund for cash theft, and total funds of \$38 million (\$15.2 million General Fund) for food theft due to lower than previously projected rates of theft. Funding in the budget year is considerably lower, in anticipation that the card security improvements will reduce theft, at \$8.8 million (all General Fund) for cash theft, and \$4 million (all General Fund) for food theft. The proposal also includes administrative funding for reimbursement of food benefit theft of \$11.4 million (\$7.3 million General Fund) in the current year, and \$1 million (all General Fund) in the budget year. CWDA will continue to engage with CDSS regarding the sufficiency of the administrative funding for theft reimbursement activities

**CalSAWS**

The Governor's proposal includes the anticipated funding to support the CalSAWS project in the current year, with a total of \$369.4 million (\$106 million General Fund), and a total of \$377 million (\$108 million General Fund) in the budget year. As is typically the case, some premise items will require further discussion with state partners and may require adjustments to the estimate amounts and/or timing, or modification of planned automation changes. CWDA will continue to work with the Administration and CalSAWS so that CalSAWS automation impacts, costs, timing, and the resultant impacts on county workload, are considered as various budget and policy changes are discussed with the Legislature.

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### ADDITIONAL RESOURCES

A summary of the May Revision proposed 2025-26 budget can be found [here](#).

This budget update was created by CWDA Staff. Direct questions to the contact at right.

For more information, visit:  
[cwda.org](https://cwda.org)

County Welfare Directors Association of California

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