



To: CHEAC General Membership

From: [Michelle Gibbons](#), Executive Director
[Jack Anderson](#), Senior Fiscal & Policy Analyst
[Thera Hearne](#), Fiscal & Policy Analyst

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RE: Governor’s 2026-27 May Revision Budget Proposal

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Overview

Governor Gavin Newsom on Thursday released his Administration’s May Revision to the 2026-27 State Budget, updating revenue forecasts and policy [proposals first introduced in January](#). The revised projections reflect a significant upward adjustment in the state’s “Big Three” revenue sources – Personal Income Tax, Corporation Tax, and Sales and Use Tax – totaling \$16.5 billion more in General Fund revenue than estimated in the January proposal.

The May Revision proposes total spending of \$349.9 billion (\$246.6 billion General Fund), representing a reduction of approximately \$1.8 billion from the January budget.

In his final May Revision press conference, Governor Newsom highlighted California’s continued leadership across multiple sectors, including manufacturing, agriculture, innovation, initial public offerings and venture capital, and job growth. He also emphasized that his budget plan maintains fiscal balance through the 2027-28 fiscal year, leaving no projected deficit, and reduces the anticipated shortfall in the following year by approximately half.

To address projected structural deficits in 2027-28 and beyond, the Governor's proposal relies on a combination of increased revenues, targeted spending reductions, and shifts to offset General Fund costs:

Revenue Solutions

The May Revision includes new revenue proposals totaling \$3.6 billion in 2026-27, increasing to \$5.1 billion in 2027-28 and \$4.4 billion by 2029-30. Key proposals include:

- *Limiting business tax credits* to the greater of \$5 million or 50 percent of tax liability, projected to generate \$850 million in 2026-27 and grow to \$1.8 billion by 2029-30.
- *Expanding taxation of digital software and Software-as-a-Service (SaaS)*, expected to generate \$450 million in General Fund revenue in 2026-27, increasing to \$900 million by 2029-30. Local sales tax revenues are projected to rise by \$560 million in 2026-27 and \$1.1 billion annually thereafter. During his press conference, the Governor indicated these revenues would help support cities and counties in addressing impacts associated with H.R. 1. However, because these funds flow through existing 1991 Realignment structures, they would not represent a significant new net investment.
- *Extension of the Managed Care Organization (MCO) tax* beginning in 2027 (see below).

Spending Reductions

The May Revision includes \$411 million in spending reductions and programmatic reforms in 2026-27, growing to \$711 million by 2029-30. Key proposals include changes to Medi-Cal, such as reinstating the asset limit and increasing monthly premiums for certain adults (ages 19-59) with unsatisfactory immigration status. Additional details are outlined below.

General Fund Offsets

The proposal also includes General Fund offsets totaling \$390.7 million in 2026-27, declining to \$256.6 million by 2029-30. These include strategies such as utilizing the Behavioral Health Services Fund in place of the General Fund for select program investments.

Reserves

The Governor's May Revision proposal increases total state reserves to \$29.9 billion in 2026-27 (up from \$23 billion in January), including:

- \$15.1 billion in the Budget Stabilization Account (Rainy Day Fund),
- \$4.5 billion in the Special Fund for Economic Uncertainties, and
- \$10.3 billion in the Public School System Stabilization Account.

Finally, the Governor signaled his intent to continue working with the Legislature on potential reforms to Proposition 2, aimed at enabling the state to build larger reserves during periods of elevated revenue growth.

CHEAC [released a statement](#) on the Governor’s May Revision budget proposal applauding investments to maintain public health information technology systems and highlighting the need for sustainable investments in county indigent care programs.

Public Health Workforce & Infrastructure

Future of Public Health (FoPH). The Governor’s May Revision budget proposal maintains the \$276.1 million ongoing Future of Public Health (FoPH) General Fund investment in state and local public health infrastructure and workforce, providing \$188.2 million ongoing General Fund for local health departments.

Public Health Information Technology Systems. The Governor’s May Revision provides \$113.3 million in various funding to maintain critical public health information technology systems in 2026-27 that were originally not funded in the January budget proposal. As a reminder, funding for CDPH public health IT systems was one of CHEAC’s top budget priorities.

Systems to be funded include:

System	System Description	January Budget Proposal	May Revision Proposal
SaPHIRE System	Case and laboratory reporting for over 80 infectious disease conditions in the state	15 positions and \$24.5 million General Fund in 2026-27	Withdraws January proposal; funded for 2026-27 (included in \$113.3m proposal)
California Vaccine Management System (myCAvax)	Statewide vaccine distribution, appointment scheduling, clinic management, and records management/sharing	No funding	Funded for 2026-27
CalCONNECT	Disease surveillance, contact tracing, and outbreak investigation capabilities	No funding	Funded for 2026-27
California Immunization Registry (CAIR)	California’s electronic immunization registry	No funding	Funded for 2026-27
Future Disease Surveillance System (FDSS)	Cloud-based replacement of California’s electronic disease reporting and surveillance system (CalREDIE)	No funding	Funded for 2026-27

Proposed revenue sources for public health IT systems include:

- State General Fund – \$96.3 million
- Clinical Laboratory Improvement Fund – \$5 million
- Health Statistics Special Fund – \$8 million
- ADAP Rebate Fund – \$2 million
- Licensing and Certification Program Fund – \$2 million

H.R. 1 County Multi-Year Budget Request

While additional details on the Administration's May Revision proposals in response to H.R. 1 are provided in the sections below, the following chart offers a high-level overview of [county budget requests](#) and their status in the May Revision.

Item		2026-27 County Request	2027-28 County Request	2026-27 May Revision Proposal	2027-28 May Revision Proposal
Indigent Care		\$761 million	\$2.4 billion	No funding	No funding
Public Hospital Systems		\$500 million	\$850 million	No funding	No funding
County Eligibility	Medi-Cal	\$158 million	\$328 million	\$74 million	\$16.7 million ongoing
	CalFresh	\$102.8 million	\$57.9 million	\$30 million one time	No funding
	Eligibility Total	\$260.8 million	\$385.9 million	\$104 million	\$16.7 million ongoing
County Behavioral Health		\$224 million	\$828 million	No funding	No funding
Total Funds		\$1.9 billion	\$4.5 billion	\$104 million	\$16.7 million ongoing

1991 Realignment

1991 Realignment. The Governor's May Revision updates projected state sales tax and vehicle license fees for 1991 Realignment. Specifically, 1991 Realignment state sales tax and vehicle license fees revenues increase by approximately 2.64 percent from 2024-25 to 2025-26 and 3.26 percent from 2025-26 to 2026-27. 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 Governor's budget proposal estimates \$746.7 million will be redirected from counties in 2026-27, up from \$669.9 million in January. Final reconciliation figures for 2023-24 are anticipated to be released by DOF 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 projections 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 updated county-by-county 2026-27 interim redirection figures are [available here](#).

Medi-Cal & Health Care Programs

Medi-Cal Budget & Caseload. The Governor's May Revision reflects a \$2.2 billion General Fund increase for Medi-Cal expenditures in 2025-26 compared to the Governor's January Budget. The increase is driven primarily by a delay in federal approval for the 2025 Hospital Quality Assurance Fee program, federal funds repayment and deferrals for state-only populations, and increased costs for managed care, fee-for-service, and Medicare. The Medi-Cal shortfall in 2025-26 at the May Revision is estimated to be \$4.2 billion General Fund.

Additionally, the May Revision projects General Fund expenditures of \$44.9 billion in 2026-27, a decrease of \$3.7 billion compared to revised 2025-26 expenditures. The decrease is primarily driven by reduced costs from budgetary solutions, lower managed care base costs associated with a projected decline in caseload, and revised timing assumptions for the Hospital Quality Assurance Fee and federal repayments.

H.R. 1 Implementation. The Governor's May Revision reflects costs of approximately \$1.5 billion General Fund in 2026-27 and reduced General Fund costs of \$1.9 billion by 2029-30. Compared to the January budget, this reflects an increase of \$363.1 million General Fund in 2026-27 and reduced savings of \$157.6 million in 2029-30. The May Revision projects total disenrollment from H.R. 1 of 44,000 in 2026-27 and 1.3 million by 2029-30, a decrease of 478,000 in 2026-27 and 446,000 by 2029-30 compared to the Governor's January Budget.

H.R. 1-related policy changes include:

- **Work Requirements.** The Governor's May Revision reflects an estimated reduction of \$357.6 million (\$90.3 million General Fund) in 2026-27 and \$9.6 billion (\$2.4 billion General Fund) by 2029-30 resulting from the new work and community engagement requirements for the Affordable Care Act adult expansion population, effective January 1, 2027. From the Governor's January Budget, this reflects an increase of \$12 million in 2026-27 and \$1.2 billion in 2029-30. Projected disenrollments are 43,000 in 2026-27 and 1.1 million by 2029-30, a decrease of 190,000 in 2026-27 and 337,000 by 2029-30 compared to the January Budget. The May Revision reflects an increase in the number of individuals projected to retain Medi-Cal coverage by meeting specified exemption criteria, including for medical frailty and CalFresh Able Bodied Adults Without Dependents (ABAWD) requirements.
- **FMAP Reduction for Emergency Services.** The May Revision includes General Fund costs of approximately \$669 million General Fund annually beginning in 2026-27 due to the federal match reduction from 90 percent to 50 percent for emergency

services for the ACA adult expansion population members with UIS, effective October 1, 2026. These figures slightly increased from the January Budget, which projected increased costs of \$658 million General Fund in 2026-27 and \$872 million General Fund by 2029-30.

- **Restrictions on Immigrant Eligibility.** The May Revision reflects General Fund costs of \$668.1 million in 2026-27 and savings of \$294 million in 2029-30 and ongoing for a July 1, 2027, transition to restricted-scope Medi-Cal for individuals impacted by federal eligibility changes for qualified non-citizens. The July 1, 2027, transition is a nine-month delay compared to the January Budget. This population will transition to FFS effective January 1, 2027. Recall, effective October 1, 2026, federal policy will exclude individuals with certain immigration statuses from federal eligibility for full-scope Medi-Cal. If the state were to provide full-scope Medi-Cal to this population, the cost is estimated to \$1.3 billion General Fund ongoing.
- **Six-Month Redeterminations.** The May Revision assumes impacts of the required federal eligibility redetermination frequency changing from once per year to every six months for the ACA adult expansion population beginning 2027-28 based on federal guidance issued in March 2026 indicating six-month renewals will not be effectuated until six months from March 2027. The May Revision reflects a reduction of \$747.3 million (\$186.4 million General Fund) in 2027-28 and \$2.5 billion (\$633 million General Fund) by 2029-30. Compared to the January Budget, projected disenrollments have decreased to zero in 2026-27 and are estimated to be approximately 278,600 in 2029-30.
- **Reduced Retroactive Medi-Cal Coverage.** The May Revision reflects a reduction of \$34.6 million (\$14.7 million General Fund) in 2026-27 and \$75.5 million (\$32.1 million General Fund) in 2029-30 and ongoing from the reduction of retroactive Medi-Cal coverage from three months before an individual's Medi-Cal application date to one month for the ACA adult expansion population and two months for all other members, effective no sooner than January 1, 2027. Compared to the January budget, the May Revision figures reflect greater reductions.
- **County Administration.** The Governor's May Revision includes a one-time augmentation of \$262 million (\$74 million General Fund) in 2026-27, \$33 million (\$16.7 million General Fund) in 2027-28 and 2028-29 to support county workload for the implementation of Medi-Cal eligibility changes pursuant to H.R. 1. This augmentation includes optional surge staffing capacity to provide additional support to counties with workload such as application, renewal, call center, and work requirements. The optional surge staffing is intended for supporting activities only; the county eligibility worker retains the final authority to make the Medi-Cal eligibility determination. In total, the May Revision includes a total of \$2.8 billion (\$705.3 million General Fund) for Medi-Cal county administration in 2026-27.

Medi-Cal Efficiencies. The Governor's May Revision includes a General Fund reduction of \$68 million in 2026-27, increasing to \$552 million in 2029-30, to establish utilization management for applied behavioral analysis and transportation and eliminating the quality withhold incentive component of the quality withhold and incentive program for Medi-Cal managed care plans. The Administration continues to work to identify efficiencies in select areas of Medi-Cal.

Transition of UIS Individuals to FFS. Based on [federal guidance](#) issued in September 2025, DHCS must transition approximate two million enrollees with unsatisfactory immigration status (UIS) from the managed care delivery system to the fee-for-service delivery system, effective January 1, 2027. DHCS must discontinue federally funded coverage of Medicaid emergency services for UIS members, resulting in decreased General Fund costs associated with no longer paying managed care plans for administration, underwriting, and select services such as Enhanced Care Management and Community Supports. As such, the May Revision reflects a reduction of \$583.8 million (\$471.6 million General Fund) in 2026-27 and \$1.5 billion (\$1.2 billion General Fund) ongoing. If the state were to otherwise provide emergency Medi-Cal services to this population in a state-only managed care program, the cost is estimated at \$6 billion General Fund annually.

UIS Monthly Premiums. The May Revision seeks to increase the monthly premium amount for adults ages 19-59 with UIS from \$30 to \$50 effective July 1, 2027, resulting in a General Fund reduction of approximately \$427.3 million in 2027-28 and decreasing to approximately \$314.3 million annually in 2029-30. Recall, the 2025 Budget Act included monthly premiums for this population as a General Fund cost-savings measure.

Medi-Cal Asset Limits. The May Revision includes a General Fund reduction of \$94 million in 2025-26, \$278.3 million in 2026-27 and \$495.6 million ongoing, including IHSS impacts, to reinstate the Medi-Cal asset limit for seniors and disabled adults to \$2,000 for an individual or \$3,000 for a couple, effective no sooner than January 1, 2027. The 2025 Budget Act included a partial reinstatement of the Medi-Cal asset limit that went into effect January 1, 2026.

CalAIM Waiver Renewal. The May Revision requests DHCS contract authority of \$17.5 million (\$8.75 million General Fund, \$8.75 million federal funds) in 2026-27 and requests conversion of 10 limited-term positions to permanent positions in 2027-28 to support planning and ongoing implementation of the CalAIM Section 1115 and 1915(b) waivers that expire on December 31, 2026. This investment is intended to support ongoing policy development, implementation efforts, technical assistance, and stakeholder engagement. Additional details are [available here](#).

Enhanced Care Management. The Governor reflects a General Fund reduction of \$41.4 million in 2026-27 and \$99.2 million ongoing to refine eligibility criteria, service definitions, utilization management criteria, and payment adjustments for the Medi-Cal ECM benefit, effective January 1, 2027.

Community Supports. The May Revision reflects a General Fund reduction of \$26.9 million in 2026-27, \$58.8 million in 2027-28, and \$51 million ongoing to refine referral pathways, eligibility criteria, service definitions, and utilization management criteria for select Medi-Cal Community Support services, effective January 1, 2027.

Adult Acupuncture Benefit. The May Revision seeks to eliminate the optional adult acupuncture benefit from Medi-Cal, resulting in a General Fund reduction of approximately \$5.4 million in 2026-27 and \$13.1 million ongoing, effective January 1, 2027.

Hospital Quality Assurance Fee. The May Revision assumes \$84.7 million in 2025-26 and \$1.7 billion in 2026-27 to support children's coverage, resulting in General Fund costs of \$1.2 billion in 2025-26 and General Fund savings of \$286.8 million in 2026-27 compared to the January Budget. Based on the federal government's notification that California tax waiver request would not be approved as submitted, the Administration submitted a modified waiver request in March 2026 that is still pending approval. The 2025 Hospital Quality Assurance Fee program is estimated to provide hospital net-benefit payments of \$5.5 billion.

Managed Care Organization (MCO) Tax. The May Revision reflects MCO tax revenue of \$4.5 billion in 2025-26 and \$2.5 billion in 2026-27 to support the Medi-Cal program. The May Revision additional includes \$1.3 billion in 2025-26, \$2.4 billion in 2026-27, and \$150 million in 2027-28 to support increases in managed care and other payments for calendar year 2024 for hospital, community clinics, behavioral health, and other services provider payments. This includes an increase of \$1.9 billion from excess MCO tax revenues from calendar years 2025 and 2026 after fulfilling the provider payment increases required by Proposition 35. The existing MCO tax expires on December 31, 2026.

Recall, Proposition 35, enacted by voters in November 2024, requires the state to seek federal approval to continue an MCO tax that complies with the structure of the existing MCO tax and limits non-Medicaid tax liability of future taxes to \$36 million annually. H.R. 1 policy changes prohibit taxes that assess higher tax rates on Medi-Cal plans than commercial plans or otherwise place a disproportionately high tax on Medi-Cal plans.

To align with federal law, the May Revision proposes to seek renewal of an MCO tax effective January 1, 2027, that includes two components: 1) a substantially similar tax authorized by Proposition 35 that complies with and is governed by Proposition 35, and 2) a substantially dissimilar tax authorized by the Legislature that is not subject to Proposition 35. The May Revision includes \$575 million in 2026-27, \$2.3 billion in 2027-28 and 2028-29, and \$1.7 billion in 2029-30 from this renewed tax. Tax revenues would support the Medi-Cal program and maintain targeted rate increases for primary, maternal, and non-specialty mental health care implemented on January 1, 2024.

Covered California Premium Assistance. The Governor's May Revision includes a proposed \$300 million ongoing in Health Care Affordability Reserve Fund to offset monthly premium costs for Covered California enrollees up to 200 percent of the federal poverty level, an increase of \$110 million compared to the January Budget. Recall, Congress earlier this year failed to extend

premium assistance for health care insurance exchanges resulting in increased costs for many consumers. The Health Care Affordability Reserve Fund consists of revenues from the state’s Individual Shared Responsibility Penalty Assessment for individuals without qualifying health insurance.

Hospitals in Immediate Finance Distress. The May Revision seeks to authorize an augmentation of up to \$50 million General Fund in 2026-27 for HCAI to provide short-term support for hospitals in immediate and significant financial distress. The Administration plans to continue to work with the Legislature on the issue of financially distressed hospitals.

Public Health Programs

CDPH Funding. The May Revision provides updated total budget resource figures for the California Department of Public Health (CDPH). CDPH’s budget for 2026-27 totals nearly \$5.4 billion, including \$2.0 billion in state operations and \$3.3 billion in local assistance. The breakdown of funding for state operations and local assistance from January and May is provided in the chart below:

Fund Type	January Budget		May Revision	
	State Operations	Local Assistance	State Operations	Local Assistance
General Fund	\$300 million	\$325 million	\$400 million	\$350 million
Federal Funds	\$602 million	\$1.7 billion	\$602 million	\$1.7 billion
Special Funds and Reimbursements	\$884 million	\$1.3 billion	\$1.0 billion	\$1.2 billion
Total Funds	\$1.8 billion	\$3.3 billion	\$2.0 billion	\$3.3 billion

Menopause Awareness Campaign. The May Revision includes a \$3 million one-time General Fund investment in CDPH for a statewide public awareness campaign to support greater understanding of perimenopause and menopause.

AIDS Drug Assistance Program (ADAP). The Governor’s May Revision includes updates to ADAP estimates, as well as additional investments:

- ADAP Estimates.** The May Revision ADAP estimates reflect a decrease of \$7.6 million in local assistance for 2025-26, driven primarily by lower medication and medical out-of-pocket expenditures due to decreased caseload and/or decreased cost per client per month than previously estimated. For 2026-27, the May Revision reflects an increase of \$7.3 million in local assistance, driven primarily by the funding extension for the Disease Intervention Specialist (DIS) Workforce initially introduced in the 2025-26 Health Trailer Bill (AB 116, Chapter 21, Statutes of 2025). CHEAC is working to gather additional details on the DIS Workforce investment.
- ADAP Rebate Fund Investments.** The May Revision reflects an increase of \$60 million local assistance expenditure authority from the ADAP Rebate Fund. Of this amount, \$50

million will support services for those living with and at risk of HIV, especially services impacted by loss of federal funds, and \$10 million will support LGBTQ+ community centers in California experiencing a loss of federal funds.

Proposition 99 Health Education Account. For 2026-27, the May Revision reflects a decrease of \$6.1 million in Proposition 99 Health Education Account, including a decrease of \$2.2 million in state operations and a decrease of \$3.9 million in local assistance as a result of the updated Proposition 99 revenue projections. This represents a decrease of \$3.9 million in competitive grants (local assistance), a decrease of \$549,000 in competitive grants (state operations), \$1.4 million in evaluation, and \$200,000 in media campaign. Recall, these funds are allocated to state and local government agencies, tribes, universities and colleges, community-based organizations, and other entities for implementation, evaluation, and dissemination of tobacco-related evidence-based health promotion and health communication activities.

Proposition 56 State Dental Program Account. For 2026-27, the May Revision reflects an increase of \$7.6 million in state operations in State Dental Program Account, as a result of updated Proposition 56 revenue projections. Recall, these funds are used for the CDPH Local Oral Health Program (LOHP) and other dental workforce initiatives such as Community Based Clinical Education (CBCE) to train providers to serve Californians in designated dental health professional shortage areas.

Proposition 56 Tobacco Prevention and Control Programs Account. For 2026-27, the May Revision reflects a decrease of \$1.5 million in Tobacco Prevention and Control Programs Account including a combined increase of \$178,000 in State Operations and decrease of \$1.7 million in local assistance as a result of updated Proposition 56 revenue projections. Recall, these funds are utilized for a comprehensive statewide tobacco control program to reduce illness and premature death attributable to the use of tobacco products.

Women, Infants, and Children (WIC) Program. For 2025-26, the May Revision reflects a decrease of \$48.4 million in local assistance, including a decrease of \$67.7 million in the Federal Trust Fund and an increase of \$19.3 million in the WIC Manufacturer Rebate Fund. The decrease in federal food expenditure is based on a slight decrease in both food inflation rate and projected participation growth. The increase in rebate revenue and expenditures is attributed to the subsidized amounts from the new infant formula rebate contracts not decreasing as much as initially projected.

For 2026-27, the May Revision reflects a decrease of \$71.7 million in local assistance, including a decrease of \$84.8 million in the Federal Trust Fund and an increase of \$13.1 million in the WIC Manufacturer Rebate Fund. The decrease in federal food expenditures is driven by a decrease in participation projections, offset by a slight increase in food inflation projections. The increase in rebate revenue and expenditures is attributed to the subsidized amounts from the new infant formula rebate contracts not decreasing as much as initially projected.

Childhood Lead Poisoning Prevention Program (CLPPP). The May Revision includes an increase of \$1.8 million in local assistance in Childhood Lead Poisoning Prevention Fund for each

year between 2026-27 and 2028-29 for local health jurisdictions to provide services to children with blood lead levels that meet or exceed the CDC's Blood Lead Reference Value.

Behavioral Health

CDPH BHSF Population-Based Prevention. The Governor's May Revision reflects an increase of \$174.8 million Behavioral Health Services Fund (BHSF) for CDPH, of which \$119.8 million will support implementation of CDPH Population-Based Prevention funding and operations in 2026-27. \$55 million BHSF will support existing behavioral health programming currently supported by General Fund, of which \$5.6 million is within CDPH's budget.

With these updated figures, the May Revision withdraws the CDPH proposal for a \$50 million BHSF-General Fund placeholder that was included in the January Budget.

CYBHI Fund Shifts. The May Revision reflects several General Fund offsets associated with the Children and Youth Behavioral Health Initiative (CYBHI). Specifically, the Administration proposes using \$5.1 million BHSF for the CYBHI Wellness Coach Benefit and \$56.5 million BHSF for CYBHI services and digital platforms in lieu of General Fund.

Social Services Programs

IHSS Immigrant Eligibility. The May Revision includes an increase of \$30.8 million General Fund in 2026-27 to conform IHSS to the delayed transition to restricted-scope Medi-Cal for individuals impacted by the federal eligibility change for qualified non-citizens to July 1, 2027.

ABAWD County Administration. As a result of changes imposed by H.R. 1, CalFresh Able-Bodied Adults Without Dependents (ABAWD) recipients are limited to three countable months of benefits if recipients are not meeting the work requirements or do not qualify for an exemption. The May Revision includes an additional \$30 million one-time General Fund to support county administration workload in 2026-27. The planned triennial CalFresh reassessment in 2026-27 will inform county administrative needs for the 2027-28 Governor's Budget.

CalWORKs Grant Increase. The Governor's May Revision reflects a 1.8 percent increase to CalWORKs Maximum Aid Payment levels, effective October 1, 2026. This increase is estimated to cost \$59.5 million in 2026-27 to be funded entirely by the Child Poverty and Family Supplemental Support Subaccount.

CalFood. The May Revision includes an increase of \$30 million one-time General Fund for food banks in 2026-27, augmenting the existing \$8 million ongoing General Fund for food banks.

Housing and Homelessness

Homelessness and Housing Assistance Program (HHAP). The Governor's May Revision maintains the planned seventh round of HHAP funding of \$500 million and proposes detailed statutory requirements, including maintaining a compliant general plan housing element, aligning with state guidance to address encampments, advancing pro-housing policies, and leveraging local resources to scale HHAP investments. The budget proposal states the enhanced conditions of HHAP funding are designed to reinforce the connection between local funding and housing policies.

Homeless Encampment Liaisons. The May Revision includes a two-year limited term investment of \$6.2 million General Fund annually to sustain efforts addressing homelessness and encampments on the state highway right-of-way. With this funding, Caltrans will be able to build on progress made in addressing encampments and collaborative efforts with local governments, social service providers, and state agency partners to link individuals to appropriate health and human services and safe housing options.

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 budget proposal estimates \$414.1 million will be available for allocation across the following programs in 2026-27:

- **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 (20 percent)** – \$82.8 million
- **Public Safety-Related Activities (20 percent)** – \$82.8 million

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 2026-27 May Revision Budget: <http://www.ebudget.ca.gov/>

Governor's Press Conference Presentation: <https://www.gov.ca.gov/wp-content/uploads/2026/05/California-2026-27-Budget-May-Revise-Presentation-5.14.26.pdf>

CDPH May Revision Budget Highlights: <https://www.cdph.ca.gov/Documents/CDPH-2026-27-May-Revision-Highlights.pdf>

DHCS May Revision Budget Highlights: <https://www.dhcs.ca.gov/Budget/Documents/DHCS-FY-2026-27-May-Revise-Highlights.pdf>

Senate Highlights of 2026-27 May Revision: <https://sbud.senate.ca.gov/system/files/2026-05/overview-of-the-governor-s-may-revision-2026-27-final.pdf>

Assembly Highlights of 2026-27 May Revision: <https://abgt.assembly.ca.gov/system/files/2026-05/highlights-of-governor-s-proposed-2026-27-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, 20, and 21 and June 4. 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 email admin@cheac.org for assistance.