

Governor's proposed State Budget for FY 2025-2026

- Issued January 10. The Legislature now reacts and responds, with hearings on health issues starting February 27.
- The new final budget, as agreed to by the Legislature and the Governor, would start July 1, 2025. End June 30, 2026.
- Very high-level overview
 - No deficit projected for FY 2025-2026
 - Major turnaround from recent years
 - \$47 billion deficit last year, \$32 billion the year before
 - Tax receipts higher than anticipated, from stock market gains, especially to the very wealthy
 - Cuts last year in nearly all state departments, child care subsidies, and other social safety net programs worked to lower the deficit
 - Governor wants to put \$17 billion in the Reserve fund.
 - Existing investments in health, child care, and social services programs largely maintained:
 - Full Scope Medi-Cal for the undocumented of all ages
 - Medi-Cal “unwinding” eligibility protections, but only until June
 - These should be made permanent.
 - Would help retain Medi-Cal for 450,000 people, \$1.1 billion in state funds (feds pay half, so total budget about \$3 billion).
 - Continuous Medi-Cal eligibility for children from ages 0-5
 - Policy in state law but not in the budget. Why not budgeted?
 - Prop 35 (provider rates) was linked to pulling 0-5 funding.
 - Opportunity to add 0-5 back in through the Prop 35 Stakeholder Advisory Committee?
 - Small CaWORKs pilot and small increase in CalWORKs grants
 - Three-month supply of diapers for all newborns, regardless of household income (\$7.4 million in 2025-26, \$12.5 million the following FY).

- More info on CalWORKs, housing, services for homeless people, and access to justice is at [WCLP Analysis of Governor's FY 2025-26 Budget Proposal](#).
- Lots of uncertainty for the fiscal outlook given the new federal administration
 - Key architect of “Project 2025” will be the head of federal OMB.
 - \$2 trillion cut from fed budget? No way to do that without decimating programs.
 - Medicaid (Medi-Cal) funding cuts a top priority for the new feds.
 - Also CalFresh, CalWORKs, Covered CA, and other federally supported programs for low-income people
 - Immigrants especially at risk.
 - Tax, tariff, and deportation efforts would harm communities and the economy.
 - Governor and Legislature support \$25 million to the State Attorney General to combat federal threats.
 - Sen. Scott Wiener (D-SF) would also allocate \$35 million to city attorneys and private legal aid organizations. Not clear if Newsom will support.
- Impact of the LA wild fire disaster on state budget deliberations?

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