

Governor Newsom's May Revision: Key Proposals Affecting Families with Young Children

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Today we will:

- Provide some key context for the governor's revised budget
- Highlight May Revision proposals affecting families with young children
- Review next steps in the state budget process



May Revision Toplines

Gov. Newsom Projects a \$7.5 Billion Deficit for the 2025-26 Fiscal Year

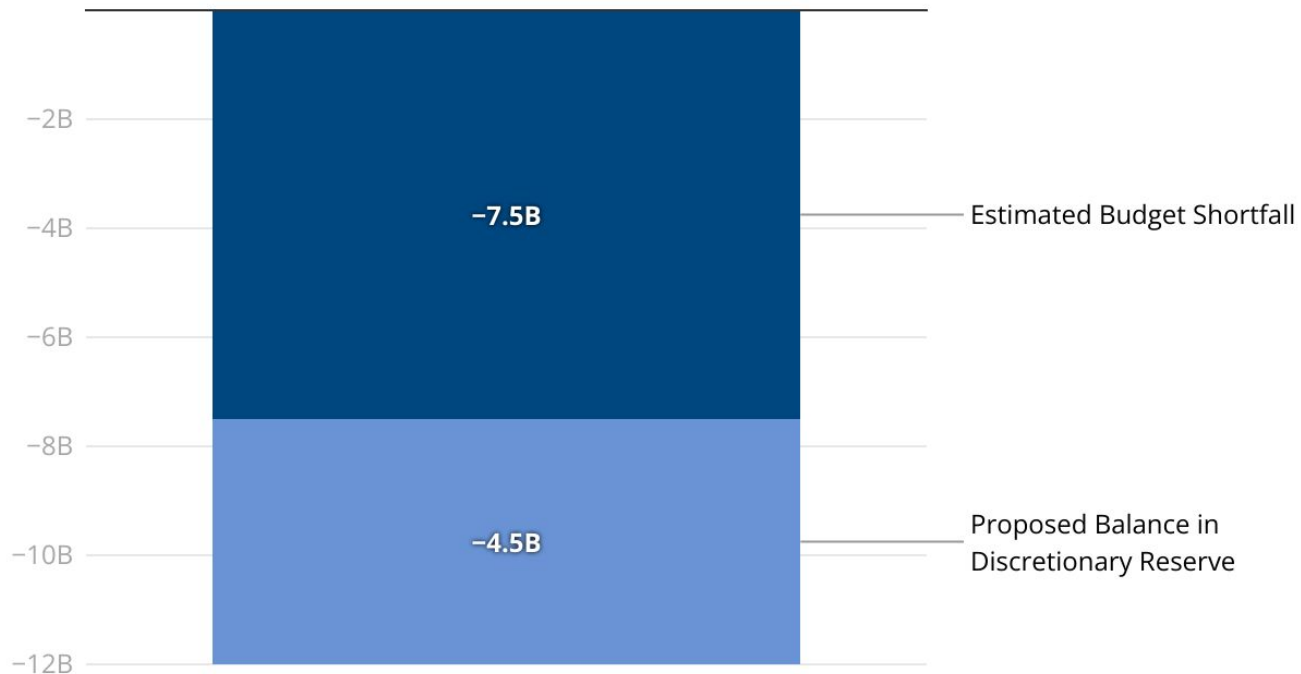
Major causes of the deficit:

- **Revenues** are projected to be billions of dollars **lower** by due to economic and stock market uncertainty stemming from Trump's tariffs and other federal actions.
- Baseline state **spending** is projected to be billions of dollars **higher**.



California Faces an Estimated \$7.5 Billion Shortfall

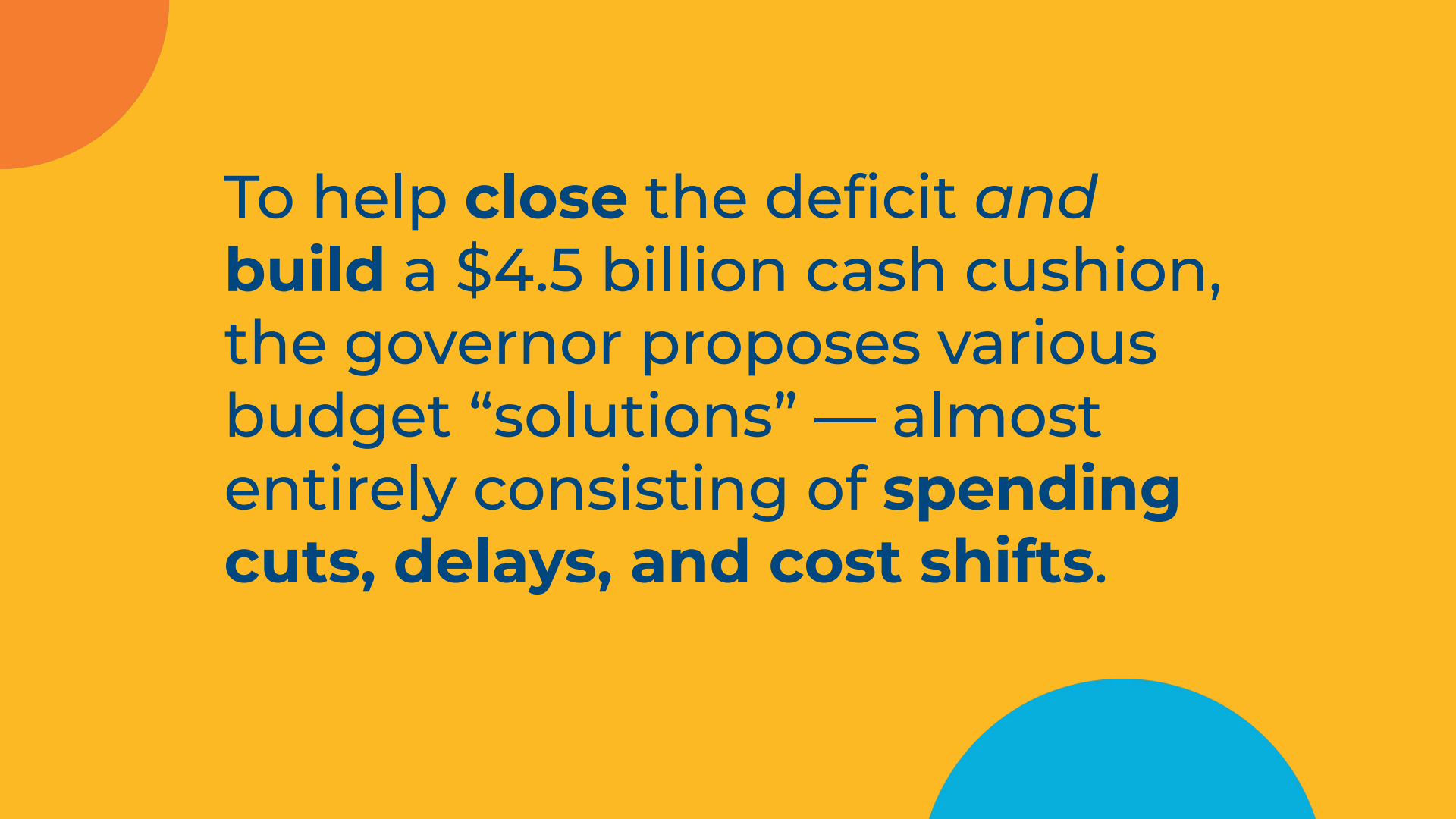
Governor Cites \$12 Billion Shortfall that Includes Discretionary Reserve Choice



Source: Budget Center analysis of Governor's revised 2025-26 budget

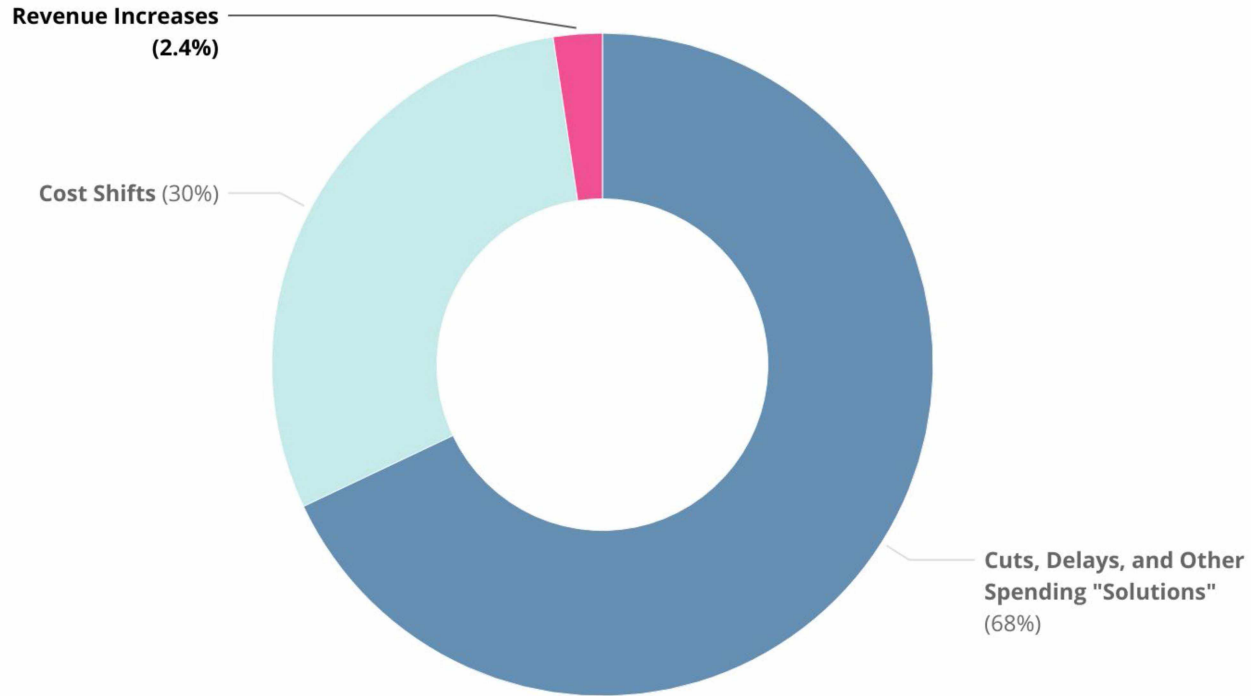


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To help **close** the deficit *and* **build** a \$4.5 billion cash cushion, the governor proposes various budget “solutions” — almost entirely consisting of **spending cuts, delays, and cost shifts.**

Revenue Increases Only Make Up Around 2% of Governor's Proposed 2025-26 Budget Actions



Source: Legislative Analyst's Office



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Key May Revision Proposals Affecting Families with Young Children

Child Care Expansion Stalled, Urgent Work Ahead on Fair Pay

- **Child care slots:**
 - No new slots added since 2022-23.
 - May Revision assumes expansion of slots will resume in 2026-27.
- **Child care rate reform:**
 - May Revision sustains temporary provider rate increases, but lacks finalized pay structure.
- **Universal Transitional Kindergarten (UTK):**
 - UTK will be fully implemented in 2025-26 with class size reductions (from 1:12 down to 1:10).

Governor Proposes Cuts Affecting Foster Care Youth

- **HOPE for Children Trust Account (“baby bonds”):**
 - May Revision cuts \$50 million General Fund in 2025-26 from the amount available for future use.
- **Emergency Child Care Bridge:**
 - May Revision cuts General Fund support by nearly \$43 million across 2025-26 and 2026-27, with this cut proposed to be ongoing.
- **Family Urgent Response System (FURS):**
 - May Revision cuts General Fund support by \$13.1 million in 2025-26 and ongoing.

Governor Proposes to Reduce Cap on IHSS Overtime

- In-Home Supportive Services workers **currently are allowed to work up to 66 hours per week (or in some cases 70)**, receiving overtime pay for each hour worked beyond 40.
- Governor Newsom **wants to reduce the overtime cap to 50 hours**, cutting General Fund spending by about \$700 million in 2025-26 and ongoing.
- Reducing the overtime cap would:
 - **Cut critical financial support** for parents who spend long hours caring for a child with a disability.
 - **Require these families to find an additional caregiver** for their child, which would be challenging in many cases.

Next Steps in the State Budget Process

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- **Late May to Early June:** Legislative leaders finalize their budget plan.
 - **Early June:** Legislature's lawyers (Legislative Counsel) prepare budget bill for floor votes.
 - **By June 15:** Legislature passes the unified Assembly-Senate budget, typically *without* the governor's full support.
 - **Late June:** Governor + Assembly and Senate leaders (the "Big Three") continue to negotiate, reach a compromise on the budget, and revise the budget passed by the Legislature just days before.
 - **Late June to Early July:** Governor signs the bills in the budget package, possibly with line-item vetoes.
 - **August/September:** State leaders revise the budget package ("clean-up" + substantive changes).
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Thank you!

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