

SUMMARY GOVERNOR'S MAY REVISION



OVERVIEW

On Wednesday, May 14, Governor Newsom presented a [summary of the May Revision](#) of his 2025-26 California state budget proposal. The May Revision shows an estimated shortfall of \$12 billion. The Governor pointed to substantial changes in federal policy, specifically, broad-based tariffs for the downgraded economic and revenue forecasts.

To solve the \$12 billion deficit for 2025-26, the Governor's proposal includes a significant number of reductions to ongoing programs that he hopes will result in greater savings in future years. Some of those reductions are proposed to be made in the following areas:

- Enrollment Freeze for Full-Scope Medi-Cal Expansion for Undocumented Adults, Adults 19 and Older
- Medi-Cal Premiums, Adults 19 and Older
- Prospective Payment System Payments to Federally Qualified Health Centers and Rural Health Clinics
- Specialty Drug Coverage for Weight Loss
- Cap In-Home Supportive Services Overtime and Travel Hours at 50 Hours

The Governor's May Revision also includes a proposed fund shift of \$1.5 billion from the Greenhouse Gas Reduction Fund to CAL FIRE Operations in 2025-26, growing to \$1.9 billion in 2028-29.

CAP-AND-INVEST

In April, the Governor and legislative leaders announced their joint intention to extend California's Cap-and-Trade program that is currently set to expire in 2030. The May Revision proposes an extension of the Cap-and-Trade program and renames the program to the Cap-and-Invest program. The extension of this program will result in a continuation of the California Climate Credit, resulting in approximately \$60 billion available for utility bill credits to California residents over the duration of the extension.

The May Revision notes that the Administration intends to work with the Legislature to design an expenditure plan that invests the program's proceeds in "transformative climate projects", such as the High-Speed Rail Project. Specifically, at least \$1 billion annually is proposed to be provided for the High-Speed Rail Project.

WATER SUPPLY RELIABILITY

The Administration has proposed two sets of Trailer Bill Language to encourage the advancement of the [Healthy Rivers and Landscapes Program](#) and the [Delta Conveyance Project](#).

In the Governor's presentation, he highlighted the proposed statutory changes to streamline administrative processes for the Delta Conveyance Project, which he said will save time and reduce costs to adapt the State Water Project to the effects of climate change and protect against earthquake risk. He explained that the project preserves environmental protections and promotes efficiency and expediency, which will accelerate the state's most important surface water supply and climate adaptation project, saving billions of dollars by avoiding unnecessary delays.

What's Next? The State Legislature will begin legislative budget hearings on the May Revision next week. Both houses will work together on a legislative budget bill to be passed by June, 15.

We will continue to review the provisions of the Governor's May Revision in detail. We are also actively participating in the legislative budget process to help link this funding to ridgetop to river mouth water management in the Sacramento River Basin and the NCWA priorities. If you have any questions or thoughts on the Budget, please contact me at ivyb@norcalwater.org.

To view the Governor's May Revision presentation, [click here](#).