

## General Fund Spending Solutions (Fund Shifts) Proposed in the 2026-27 May Revision

(In Millions)

Department or Program	Description	2025-26	2026-27
CARB	Ongoing shift to special funds	—	\$2
CalEPA	Ongoing shift to special funds	—	3
DHCS	Behavioral Health Services Fund offsets	\$9	182
DPH	Behavioral Health Services Fund offsets	—	6
DSH	Behavioral Health Services Fund offsets	—	10
DTSC	Ongoing shift to special funds	—	4
HCAI	Behavioral Health Services Fund offsets	—	9
Medi-Cal	Proposition 35 (2024) support for provider rate increases	—	1,700
Medi-Cal	Managed care tax for behavioral health	—	122
<b>Totals</b>		<b>\$9</b>	<b>\$2,038</b>

CARB = California Air Resources Board; CalEPA = California Environmental Protection Agency; DHCS = Department of Health Care Services; DPH = Department of Public Health; DSH = Department of State Hospitals; DTSC = Department of Toxic Substances Control; and HCAI = Department of Health Care Access and Information.

## General Fund Spending Solutions (Reductions) Proposed in the 2026-27 May Revision

(In Millions)

Department or Program	Description	2025-26	2026-27
APS	Reduction of Adult Protective Services Expansion	—	\$70
CDTFA	Operational savings	—	10
Child Care	Cost of Living Adjustment percentage reduction	—	48
Child Care	Alternative Payment administration shift into contract	—	5
Child Care	Rescind prospective pay support	\$30	—
CSAC	0.5 position swept as authorized under Control Section 4.12	—	—
DOJ	Prior funding for federal-related litigation made limited term	—	—
HBEX	One-Dollar Premium Subsidy Program	20	20
HCD	Encampment Resolution funding reversion	1	—
IHSS	Stricter Medi-Cal asset limit for seniors and disabled adults	—	63
IHSS	Streamlining of IHSS eligibility to align with Medi-Cal	—	56
IHSS	Elimination of IHSS Permanent Back-up Provider System	—	3
IHSS	Authorized hours per case cost shift <sup>a</sup>	—	—
Medi-Cal	Stricter asset limit for seniors and disabled adults	—	216
Medi-Cal	Work requirements and 6-month renewals for adults with UIS	—	60
Medi-Cal	Restructured Enhanced Care Management benefit	—	41
Medi-Cal	Opioid Settlement Fund offsets	—	35
Medi-Cal	Rate reduction for PACE providers	—	34
Medi-Cal	Restructured Community Supports services	—	27
Medi-Cal	Medi-Cal loss ratio remittance redirection	—	25
Medi-Cal	End of acupuncture benefit	—	5
Medi-Cal	End of comprehensive coverage for certain groups	—	—
Medi-Cal	Monthly \$50 premium for UIS adults	—	—
State Preschool	Cost of Living Adjustment percentage reduction	—	8
State Preschool	Rescind prospective pay support	—	—
<b>Totals</b>		<b>\$51</b>	<b>\$727</b>

<sup>a</sup> Administration estimates the Governor's proposal to remove the states share of cost associated with growth in IHSS hours per case to yield a savings of \$361 million in 2027-28, increasing to \$415 million in 2029-30.

Note: The Governor also proposes solutions that yield savings in the out-years. Notably, the administration proposes reducing Middle Class Scholarship award coverage by half in 2026-27, for ongoing General Fund savings of \$524 million. Given the program is being funded in arrears, this savings would be achieved in 2027-28.

APS = Adult Protective Services; CDTFA = California Department of Tax and Fee Administration; CSAC = California Student Aid Commission; DOJ = Department of Justice; HBEX = California Health Benefit Exchange; HCD = Department of Housing and Community Development; IHSS = In-Home Supportive Services; and UIS = unsatisfactory immigration status

## General Fund Spending Solutions (Reversions) Proposed in the 2026-27 May Revision

(In Millions)

Department or Program	Description	2025-26	2026-27
EDD	Reversion of unused EDDNext project funding	\$71	—
SSGP	Unspent State Supplemental Grant Program Funds related to Los Angeles Fires	65	—
<b>Totals</b>		<b>\$136</b>	<b>—</b>

EDD = Employment Development Department and SSGP = State Supplemental Grant Program.

## Other General Fund Solutions Proposed in the 2026-27 May Revision

(In Millions)

Solution Type	Description	2025-26	2026-27
Revenue Related	Require delivery network companies to register as marketplace facilitators	—	\$30
Revenue Related	Permanent business tax credit limit	—	850
Revenue Related	Digital software tax	—	450
Revenue Related	New managed care organization tax	—	575
Borrowing	Proposition 98 settle up	\$3,940	—
Reserves	Suspend BSA true up in 2025-26	5,413	—
<b>Totals</b>		<b>\$9,353</b>	<b>\$1,905</b>

BSA = Budget Stabilization Account.