



2025-26 Budget Package Highlights

June 13, 2025

On Friday, June 13 (ahead of the constitutional deadline of June 15th to pass a balanced budget for the next fiscal year), the Legislature passed the Budget Act of 2025 (Senate Bill 101). The measure now heads to the Governor's Desk, where he must act by June 27th. While the 2025-26 fiscal year begins July 1st, ongoing uncertainty over federal funding has raised the possibility of a special session to revisit the budget later in the year when the picture is clearer. It is expected that budget-related negotiations will continue into the summer. The resulting agreements of ongoing negotiations are likely to be reflected in other bills, known as budget trailer bills.

Below are some key highlights of the Budget Act of 2025, by topic area, that may be of interest to California's rural counties:

Air Quality

The Budget Act of 2025, passed by the Legislature:

- Contains \$500 million in the 2025-26 budget year and 2026-27 budget year from the Greenhouse Gas Reduction Fund for CAL FIRE operations; Rejects the Governor's proposed \$1.5 billion annual allocation through 2030.
- Defers reauthorization of the state's Cap-and-Trade program to the summer, along with further allocations of funds derived from the program.

California Environmental Quality Act (CEQA)

The Legislature made clear in their budget summaries their commitment to addressing the California Environmental Quality Act in a budget trailer bill. RCRC co-sponsored SB 607 (Wiener), which made broad and transformative changes to CEQA to reduce the risk of litigation abuse, focus environmental reviews, and reduce the scope of the administrative record.

Governor Newsom, Senate President Pro Tempore McGuire, and Assembly Speaker Robert Rivas have pulled SB 607 and a broad infill housing CEQA exemption contained in AB 609 (Wicks) into the budget process for inclusion in trailer bills. The Legislative

budget package includes placeholder trailer bill language into which negotiated CEQA provisions will be included. RCRC is strongly advocating that SB 607 and AB 609 serve as the building blocks for those negotiations. It is unclear whether the CEQA trailer bill will be approved by the end of June or will instead be included among other trailer bills that are typically acted upon in the closing days of the legislative session.

Forest and Public Lands Stewardship

The Budget Act of 2025, passed by the Legislature includes:

- \$12.5 million for a new community home hardening program consisting of \$9.5 million for the Wildfire County Coordinator Program and \$3 million for a new home hardening certification program under the Office of the State Fire Marshal.

Healthcare and Social Services

The Budget Act of 2025, passed by the Legislature does the following:

- Provides \$500 million for the Homeless Housing, Assistance and Prevention (HHAP) Program through formula distribution for cities, counties, CoCs and tribes for 2026-27.
- Redirects \$20.5 million in Infill Infrastructure Grant (IIG) Proposition 1C (2006) bond funds for the 2025 Tribal Super NOFA in 2025-26, and extends the liquidation deadline for specified Infill Infrastructure Grant (IIG) awardees for an additional three years from June 30, 2026, to June 30, 2029, to fully liquidate the funds they received.
- Restores the Medi-Cal Asset Limit at \$130,000, rather than adopting the Governor's \$2,000 proposal. \$45 million savings in 2025-26, \$343 million in 2026-27, \$510 million ongoing.
- Modifies the Governor's Medi-Cal enrollment freeze proposal, applying it to those with unsatisfactory immigration status (UIS) 19 years of age and older beginning January 1, 2026, specifying that there is no "age out", and establishing a 6-month re-enrollment grace period for those that fall off the rolls. This proposal results in estimated savings of \$86.5 million in 2025-26, \$857.5 million in 2026-27, \$2 billion in 2027-28, and \$3.3 billion ongoing.
- Modifies the Governor's proposal to establish Medi-Cal premiums for UIS by lowering the Governor's proposal from \$100 per month to \$30 per month, limiting the age range from 19-59, and starting July 1, 2027. This proposal results in estimated costs of \$30 million in 2026-27, and estimated savings of \$250 million in 2027-28 and \$675 million ongoing.
- Delays the Governor's proposal to cut \$1.1 billion ongoing from Health Centers and Rural Health Clinics until July 1, 2027.
- Modifies the Governor's proposal to pass In-Home Supportive Services (IHSS) reassessment late penalties to counties, with counties and the state sharing

penalty costs in 2025-26, and fully passing the penalty to counties beginning in 2026-27, to achieve \$41 million in savings.

- Rejects the Governor's proposal to cap overtime hours for IHSS providers.
- Rejects the Governor's proposal to eliminate IHSS for undocumented Californians.
- Provides \$31.5 million (\$23 million General Fund) in bridge funding for Foster Family Agencies to prevent agency closures, including matching federal funds.

Public Safety and Emergency Management

The Budget Act of 2025, passed by the Legislature includes:

- \$50 million General Fund for Behavioral Health;
- \$30 million for judicial workload, including collaborative courts;
- \$15 million for pre-trial services*; and
- \$15 million for public defenders in 2025-26 to support the implementation of Proposition 36.

** The \$15 million for pre-trial services is only a partial restoration of the cut proposed in the May Revision; pre-trial funds go to courts, not directly to counties.*

The Budget Act of 2025 also:

- Approves the Governor's proposal to close one (unnamed) prison to achieve \$150 million in annual savings.
- Rejects the Governor's proposal on Senate Bill 678 (Community Corrections Performance Incentive Grant), and instead freezes the levels to incorporate the cut from last year. The legislative proposal also includes a placeholder for a trailer bill related to this program.

It should be noted, as in the past, this is budget legislation representing the Legislature's priorities in negotiations with the Governor. The June 15 deadline was created in a [1970 voter-approved measure](#) to require a legislative budget bill for gubernatorial action about two weeks before the start of the state fiscal year. In addition to the

Budget Act, the legislature may also pass additional legislation, known as budget trailer bills. To learn more about the trailer bill content, visit the [Department of Finance](#) website where most of the content has been posted for the past several weeks or months. Although the trailer bills may address budget implementation, due to differences between the Legislative proposal and the Governor's proposed May Revise, the "serious" conversations between the Governor and Legislative leaders continue in private.

For additional insight about the Budget Act of 2025, [see here](#) for analysis by RCRC's advocacy partners, *Hurst Brooks Espinoza, LLC*.