



California's 2025-26 Approved State Budget – Final Detailed Summary

Governor Newsom's initial January budget proposal was a relatively status quo budget; however, his May Revision budget proposed drastic cuts to important programs for Californians with disabilities, including Medi-Cal and In Home Supportive Services (IHSS). According to the Governor and the Legislature, this year California faced a significant budget shortfall driven by three key factors:

- First and foremost, the policies of the new federal Administration – in particular the tariff increase policies – have caused economic forecasts throughout the world to be significantly downgraded. The federal policies have greatly impacted California's economic forecast as well, with the May Revision projecting slower growth and the Newsom Administration indicating that federal economic policy changes have reduced state General Fund revenues by \$16 billion. The state budget condition may be further adjusted downward based on additional adverse federal policies in the coming weeks and months, such as major cuts to Medicaid.
- Second, to a modest degree, the baseline costs of key programs – particularly Medi-Cal – have grown faster than projected.
- And third, to a smaller degree, the devastating LA fires have had a negative economic impact and resulted in increased state spending.

In response to Governor Newsom's proposed cuts the Legislature successfully pushed back against most of the drastic reductions to health and human services programs. The final state budget signed by the Governor represents a negotiated compromise. In the end, the proposed 2025-26 California state budget plan includes \$228 billion of spending from the state's General Fund in 2025-26, an estimated \$89 billion of special fund spending, and \$4 billion of spending from bond accounts. In addition, as of the May Revision, \$174 billion of federal funds spending was projected to flow through the state treasury, but that amount may change significantly based on actions by Congress and the White House.

The Arc & UCP California Collaborative has provided the following detailed summary of California's enacted 2025-26 budget and its impact on people with intellectual and developmental disabilities (IDD) and their families:

REGIONAL CENTER SERVICES

- **Service Provider Quality Incentive Payment:** Approves the May Revision proposal regarding the Provider Mandates for Quality Incentive Payment Eligibility. Includes a reduction of \$221.7 million General Fund in 2026-27 and ongoing associated with requiring compliance with Electronic Visit Verification, financial review/annual audits, and Home and Community-Based Services (HCBS) rules as a pre-condition for eligibility of the quality incentive component of the rate models.

- **Rate Model Implementation, Hold Harmless:** Approves the May Revision proposal regarding the Service Provider Rate Reform Hold Harmless Provision. Approves a reduction of \$75 million General Fund in 2025-26, and a decrease to reimbursements by \$37,952,000, one-time to end service provider rate reform hold harmless policy as of February 28, 2026, instead of June 30, 2026.
- **Self-Determination Program:** Approves a reduction of \$22.5 million General Fund in 2025-26, and \$45.5 million General Fund ongoing by making various changes to the Self-Determination Program, including, among others, establishing the participants' individual budget generally based on the services authorized instead of being based on purchase of service expenditures, requiring a regional center to certify that participants' spending plans satisfy certain criteria, and requiring the department to establish statewide standardized processes and procedures for the program, with community input, no later than March 1, 2027.
- **Tailored Day Services:** Existing law requires the hourly rate for the tailored day service option to be calculated in a specified manner. The budget will end use of the above-described calculation methodologies on June 30, 2025, and, commencing on July 1, 2025, would require the hourly rate for the tailored day service option for vendored programs to be set by the department and posted on its internet website.
- **Direct Support Professional Training (aka DSP University):** Rejects the Governor's May Revision proposal to eliminate the Regional Centers Direct Service Professional Workforce Training and Development Program.
- **Repeal of Regional Center Monthly Parental Fee:** The budget repeals the existing monthly parent fee, which currently requires the department to assess a monthly fee to parents of children under 18 years of age who are receiving 24-hour out-of-home care services through a regional center or who are residents of a state hospital when the family's gross income is above 200% of the federal poverty level, as specified.
- **Supported Employment:** Existing law sets the hourly rate for supported employment services provided to consumers receiving individualized services and for group services at \$36.57 and requires job coaching hours for group services to be allocated on a prorated basis between a regional center and the Department of Rehabilitation when consumers are served in the same group. Existing law also requires that a new work activity program receive the statewide average rate, as determined by the department. The budget removes the hourly rate for both supported employment services and group services and would instead require the department to set a rate and post the rate to its internet website. The bill would also remove the requirements that job coaching hours for group services be allocated on a prorated basis and that a new work activity program receive the statewide average rate, and would instead require that the program receive the rate posted on the department's internet website.
- **Health & Safety Waiver Assistance:** Approves the May Revision proposal regarding Health and Safety Waiver Assistance. Approves a reduction of \$3.0 million General Fund in 2025-26, with reimbursements to decrease by \$1,412,000, and ongoing for resources related to providing consumers and families assistance in applying for health and safety waivers. Approves associated, corresponding trailer bill language.

MASTER PLAN ON DEVELOPMENTAL SERVICES

This bill would require the Master Plan for Developmental Services Committee to meet at least 2 times each year, as specified, and would set forth the information to be included in the initial report and recommendation updates, including, among other things, a narrative summary of the master plan committee meetings.

IN-HOME SUPPORTIVE SERVICES (IHSS):

- Approves \$3.3 million and adopts trailer bill language that would require the Department of Human Resources, in collaboration with the State Department of Social Services, to appoint a statewide bargaining advisory committee to review the full cost of care for IHSS provided through the IHSS program under a statewide collective bargaining model. Authorizes \$3.3 million for funding one-time from the General Fund.
- Rejects the May Revision proposal regarding In-Home Supportive Services (IHSS) Provider Overtime and Travel Hours.
- Rejects the May Revision proposal regarding In-Home Supportive Services for Undocumented Adults.
- Modifies the May Revision Proposal to require the asset test limit as it was in the prior interim step, which permitted assets up to \$130,000 for individuals and \$195,000 for couples, that was in effect from July 1, 2022 to December 31, 2023, starting January 1, 2026, consistent with the same change in Medi-Cal under the Department of Health Care Services. This results in savings for IHSS of \$15.96 million in 2025-26, \$220.3 million in 2026-27, and \$317.2 million in 2027-28 (all General Fund) and ongoing. This change would apply to all IHSS consumers, as IHSS is a Medi-Cal benefit.

MEDI-CAL

- Freezes enrollment in Medi-Cal for individuals with undocumented immigration status, ages 19 and older, beginning January 1, 2026. Includes a three-month grace & cure period allowing for re-enrollment. Individuals already enrolled in the program cannot "ageout."
- Implements a \$30 per-month Medi-Cal premium, effective July 1, 2027, for individuals with Unsatisfactory Immigration Status, ages 19 to 59.
- Eliminates full-scope, state-only dental coverage for Medi-Cal enrollees with Unsatisfactory Immigration Status, ages 19 and older no sooner than July 1, 2026.
- Rejects the proposal to eliminate long-term care benefits for Medi-Cal enrollees with Unsatisfactory Immigration Status.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP) BASE GRANTS: Approves the May Revision estimates adjustments with no major changes for SSI/SSP.

HOUSING

Approves \$44.6 million General Fund for 2025-26 on a one-time basis for the [Housing and Disability Advocacy Program](#) (above the \$25 million base amount for this program already included in the Governor's Budget), with budget bill language.

MISCELLANEOUS

Special Olympics: Appropriates \$30 million, one-time Proposition 98 for the Special Olympics.