



*The Arc and United Cerebral Palsy California Collaboration*

## **California's 2026-27 May Revision State Budget Proposal – Detailed Summary**

Governor Gavin Newsom released the May Revision of California's proposed 2026-27 state budget on May 14, 2026. The May Revision updates the Governor's initial January budget proposal based on revised revenue projections, caseload adjustments, federal actions, and updated spending estimates. Importantly, the May Revision is only a proposal and now serves as the basis for negotiations between the Governor and the Legislature prior to the constitutional deadline to pass a final state budget by June 15.

This year's May Revision proposal is being shaped by several significant factors, including continued uncertainty regarding federal Medicaid funding and federal policy changes, rising Medi-Cal program costs, and broader economic concerns. The Governor's revised proposal estimates General Fund revenues of approximately \$233.6 billion, modestly higher than projected in January, while proposing approximately \$246.6 billion in General Fund expenditures.

For Californians with intellectual and developmental disabilities (IDD) and their families, the May Revision contains a mix of ongoing investments, cost containment proposals, and concerning reductions in health and human services programs. While the proposal does not include major new reductions to regional center services, it does contain significant proposals related to Medi-Cal eligibility, IHSS, and immigration-related health coverage that could have substantial impacts on many Californians with disabilities.

The Arc & UCP California Collaborative will continue working with the Legislature and Administration throughout the remainder of the budget process to protect critical services and supports for Californians with disabilities and their families.

The following is a detailed summary of key May Revision budget proposals impacting Californians with intellectual and developmental disabilities and their families:

### **REGIONAL CENTER SERVICES / DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)**

- The May Revision proposes approximately \$21.6 billion total funding for the Department of Developmental Services to support more than 527,000 Californians with developmental disabilities. This represents an increase of approximately \$500 million over the January proposal.

- The proposal does not include major additional reductions to regional center services or rate reform implementation.
- Includes approximately \$15 million to update rate models for early intervention services provided outside the home.
- Proposes continued funding for implementation and planning related to the Life Outcomes Improvement System (LOIS).
- Includes funding to continue development of a standardized regional center intake and assessment process across the state.
- Provides additional funding to implement the new regional center grievance process scheduled to begin in 2027.
- Includes projected savings associated with increased federal Medicaid reimbursements.

## **IN-HOME SUPPORTIVE SERVICES (IHSS)**

- The May Revision proposes approximately \$33.7 billion total funding for IHSS, serving more than 875,000 Californians.
- The proposal would shift future IHSS cost increases associated with authorized service hour growth to counties beginning in 2027-28. Disability advocates and counties have raised concerns that this proposal could create pressure to reduce access to authorized services.
- Proposes elimination of the IHSS Backup Provider System.
- Proposes ending state-funded IHSS services during Medi-Cal waiting periods prior to eligibility determination.
- The proposal would reinstate significantly lower Medi-Cal asset limits beginning January 1, 2027, which would also impact IHSS eligibility because IHSS is a Medi-Cal benefit. Under the proposal, asset limits would return to \$2,000 for individuals and \$3,000 for couples. Advocates have expressed significant concern that these changes could cause thousands of seniors and people with disabilities to lose access to Medi-Cal and IHSS services.

## **MEDI-CAL**

- The May Revision proposes approximately \$216.7 billion total funding for Medi-Cal, serving approximately 13.9 million Californians.
- The Administration cites major fiscal impacts associated with recent and proposed federal Medicaid policy changes, including reduced federal funding, new work requirements, and increased eligibility redetermination requirements.
- The proposal includes significant reductions and policy changes related to coverage for individuals with unsatisfactory immigration status.
- Proposes transitioning certain Medi-Cal services for individuals with unsatisfactory immigration status to fee-for-service coverage models.
- Proposes increasing monthly Medi-Cal premiums for certain populations with unsatisfactory immigration status beginning July 1, 2027.
- Proposes elimination of optional adult acupuncture benefits effective January 1, 2027.
- Proposes reinstating lower Medi-Cal asset limits for seniors and adults with disabilities beginning January 1, 2027. The Administration estimates these changes would result in substantial General Fund savings, while advocates have raised concerns regarding loss of healthcare access for people with disabilities and older adults.
- The Administration estimates that federal Medicaid policy changes could result in significant enrollment losses over the next several years due to work requirements and more frequent eligibility redeterminations.

## **SPECIAL EDUCATION / EDUCATION**

- The May Revision proposes significant increases in special education funding, including more than \$2 billion in additional investments above prior-year funding levels.
- Includes one-time funding for inclusive postsecondary education and inclusive college programs supporting students with intellectual and developmental disabilities.
- Continues funding for Home-to-School Transportation programs.
- Includes ongoing cost-of-living adjustments for various education-related programs.
- Maintains funding for Learning Recovery Emergency Block Grants and early literacy initiatives.

## **SUPPLEMENTAL SECURITY INCOME / STATE SUPPLEMENTARY PAYMENT (SSI/SSP)**

- The May Revision generally maintains existing SSI/SSP grant structures and includes routine caseload and estimate adjustments without major policy changes.

## **HOUSING**

- Continues implementation of state housing and homelessness restructuring proposals.
- Includes funding shifts related to affordable housing administration and development programs.

## **FEDERAL MEDICAID UNCERTAINTY**

- A major issue influencing this year's May Revision is ongoing uncertainty regarding federal Medicaid funding and policy changes.
- The Administration projects significant fiscal impacts associated with federal actions, including proposed Medicaid work requirements, increased eligibility reviews, and reductions in federal matching funds.
- Additional federal administrative actions impacting California Medicaid funding may further affect budget negotiations during the coming weeks.

## **NEXT STEPS**

The Governor's May Revision proposal now moves into negotiations with the Legislature. Over the next several weeks, the Assembly and Senate budget committees will review the proposal, hold hearings, and negotiate changes prior to the June 15 constitutional deadline for passage of the state budget.

The Arc & UCP California Collaborative will continue advocating throughout the budget process to protect and strengthen services and supports for Californians with intellectual and developmental disabilities and their families.