



# CWDA

Advancing Human Services  
for the Welfare of All Californians

# State Budget Update #1

## Governor's Proposed 2025-26 Budget

January 10, 2025 | 17 Pages

Governor Newsom released his proposed 2025-26 budget this morning. The following budget update summarizes what we know so far about the proposals and issues of interest in the health and human services area. CWDA staff will continue to keep you updated in the coming days and weeks as we learn more details.

### OVERALL BUDGET PICTURE

California's overall economic picture has performed better than projected compared to the 2024 Budget Act. The stronger-than-anticipated performance of the economy, stock market, and cash receipts, combined with an improved economic outlook, have all contributed to an upgraded revenue forecast, with General Fund (GF) revenues coming in higher by approximately \$16.5 billion in the three-year period of 2023-24, 2024-25, and 2025-26, and with the state having a modest surplus of \$363 million. As a result, the Governor's proposed budget maintains core health and human services programs, with no proposed cuts in the health and human services programs counties administer. Total funding for a wide variety of social services and income assistance programs under CDSS in FY 2025-26 is \$62.1 billion total funds (\$22.5 billion GF). The Governor's Budget is balanced and does not currently forecast a recession; however, it anticipates shortfalls in subsequent years driven by expenditures exceeding revenues. It also recognizes that there are several risk factors that could negatively affect the state's economy and revenues. These include stock market and asset price volatility and declines, as well as geopolitical instability. Additionally, the Governor's Budget notes that federal policy changes from the incoming federal administration could also negatively impact the state's economy, especially in the areas of international trade, immigration, and health care, leading to significant fiscal uncertainty for California.

The Governor's proposed 2025-26 budget is built on a framework from the 2024 Budget Act which balanced the budget over both Fiscal Year (FY) 2024-25 and FY 2025-26 to address the budget shortfall, with withdrawals from the Proposition 2 Budget Stabilization Account (BSA or Rainy-Day Fund). The Governor's Budget maintains the planned withdrawal of

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approximately \$7.1 billion from the BSA in FY 2025-26 and withdraws about \$4.9 billion in 2024-25 from the BSA. Accounting for withdrawals, the Budget reflects total reserve balances of approximately \$17 billion at the end of 2025-26. This includes \$10.9 billion in the BSA, \$4.5 billion in the Special Fund for Economic Uncertainties (SFEU), and \$1.5 billion in the Public School System Stabilization Account.

To address the state's revenue volatility, particularly as the state budget is largely dependent on personal income tax, and to bolster the state budget resiliency, the Governor's Budget proposes statutory changes to increase the mandatory deposit level in the BSA from the current 10 percent to 20 percent of General Fund revenues and exempt deposits into the BSA from the State Appropriations Limit. This will allow the state to set aside more funds during economic upswings to protect the state's programs and services during future downturns. Note that the proposed BSA changes cannot take effect immediately as it requires a constitutional amendment on a future state ballot to be voted by voters.

The Governor's Budget notes that the state will need to remain vigilant and prudent, emphasizing that the January budget reflects a point-in-time assessment of the state's finances and the priorities of the Administration, and any changes and impacts to the state's fiscal standing will be adjusted in the May Revision. The Governor notes that May Revision forecasting may be complicated by a delay in tax receipts due to filing extension to accommodate wildfire-impacted regions.

**REALIGNMENT REVENUES**

Similar to GF revenues overall, realignment revenues are projected to be higher than originally projected from the 2024 Budget Act. The details for each realignment are provided below.

**1991 REALIGNMENT**

1991 Realignment is funded through two sources: state sales taxes and Vehicle License Fees (VLF). The Governor's proposed budget has revised the sales tax revenues compared to the estimates adopted in the 2024 Budget Act. Actual sales tax revenues in 2023-24 came in slightly lower than estimates, and 2024-25 sales tax revenue projections are slightly higher than projected last summer. The Governor's Budget estimates that sales tax revenues will increase in the current year (2024-25) over the prior year (2023-24 actuals) by 2.28 percent. For the budget year (2025-26), the proposed budget projects that sales tax revenues will grow by another 2.58 percent. Actual VLF revenues for 2023-24 are slightly lower than projected in the 2024 Budget Act. The Governor's Budget estimates VLF revenues to increase by 3.39 percent in the current year compared to prior year actuals, and another 2.66 percent in the budget year.

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There is projected to be growth funding in both the 2024-25 and 2025-26 FYs. The VLF funding in the Social Services Subaccount will remain flat in FY 2023-24 and FY 2024-25 because the Social Services Subaccount does not receive General Growth funding.

**Family Support Subaccount**

With implementation of the Affordable Care Act (ACA), county costs and responsibilities for indigent health care have decreased as more individuals gained access to health care coverage through the Medi-Cal expansion. The Family Support Subaccount within 1991 Realignment enables counties' indigent health care savings to be captured and redirected to pay for CalWORKs GF assistance costs, thereby freeing up GF that can be used to pay for the state's Medi-Cal expansion costs. Counties' indigent health care savings is redirected from counties' 1991 Realignment Health Subaccounts and moved to the Family Support Subaccount at the state level. Funds are then allocated to counties from the Family Support Subaccount in lieu of GF for CalWORKs assistance payments and the Single Allocation. The distribution of the funds from the Family Support Subaccount to counties is based on counties' CalWORKs expenditures.

The Governor's Budget estimates county savings of \$630.6 million in FY 2024-25 and \$628.1 million in FY 2025-26.

**Child Poverty and Family Supplemental Support Subaccount**

The Child Poverty and Family Supplemental Support Subaccount within 1991 Realignment is used to fund CalWORKs assistance grant increases, which total about 31 percent from this subaccount since FY 2013-14, as well as the repeal of the Maximum Family Grant (MFG) rule, which took effect January 1, 2017. Along with the Governor's Budget in January and the annual May Revision, the Administration provides estimates of the total amount of funding that will be in the subaccount. If that amount is not enough to fully fund the costs of all the CalWORKs assistance grant increases already provided plus the MFG repeal, the GF makes up the difference. If there is more funding in the subaccount than is needed to fund all the CalWORKs assistance grant increases and the MFG repeal, then an additional grant increase is triggered that equals an amount that the available funding is estimated to support.

There is estimated to be about \$1.2 billion in the Child Poverty and Family Supplemental Support Subaccount in FY 2024-25 and 2025-26, respectively. The Administration indicates that there will be enough to fully fund the previous grant increases and MFG repeal in FY 2025-26. As such there is a 0.2 percent grant increase proposed, effective October 1, 2025, which is estimated to cost \$9.1 million in FY 2025-26. The estimated grant increase to be provided in FY 2025-26 will be updated at the May Revision based on revised revenue projections.

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The 2011 Realignment is funded through two sources: a state sales tax of 1.0625 percent (the portion that is used to fund the realigned social services and behavioral health programs) and 0.5 percent of VLF. The actual FY 2023-24 sales tax revenues for 2011 Realignment were slightly lower than estimated in the 2024 Budget Act. The result is that actual FY 2023-24 sales tax revenues available for the Support Services Account were \$15.3 million lower than previously estimated.

As with 1991 Realignment, growth in sales tax revenues is projected to be higher than the projections in the 2024 Budget Act. The proposed budget projects the sales tax growth rate to be about 3.4 percent higher in FY 2024-25 than the revised revenues received for FY 2023-24, and to further increase by approximately 2.9 percent in FY 2025-26 compared to FY 2024-25. These overall sales tax growth rates will translate into growth funding for the Support Services Account of an estimated \$187.7 million in FY 2024-25 (of which \$88.9 million is for the Protective Services Subaccount and \$98.8 million is for the Behavioral Health Subaccount) and an increase of \$179.4 million in FY 2025-26 (of which \$85.0 million is for the Protective Services Subaccount and \$94.4 million is for the Behavioral Health Subaccount).

**HOMELESSNESS**

While the Governor's proposed budget retains many of the housing and homelessness-related investments promised in previous years, it proposes to establish a new California Housing and Homelessness Agency as well as identifying the Administration's policy principles for housing and homelessness programs. The Governor's Budget did not provide funding for this agency. Additional details will be forthcoming as CWDA staff learn more about the proposed new agency.

**CDSS-Administered Housing Programs**

The Department of Social Services oversees four housing and homelessness programs administered by counties: the CalWORKs Housing Support Program (HSP), the Bringing Families Home (BFH) Program, the Home Safe Program, and the Housing Disability Advocacy Program (HDAP).

- **Housing Support Program** – The Governor's Budget includes \$95.0 million General Fund in ongoing funding for the Housing Support Program (HSP) in FY 2026-26.
- **Bringing Families Home (BFH)** – Currently, there is no ongoing funding provided for BFH. The only funding at present is from FY 2022-23. The 2024 Budget Act delayed

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FY 2022-23 funds of \$40.0 million into FY 2025-26 and another \$40.0 million into FY 2026-27, with trailer bill language to extend the local match exemption through June 30, 2027, for any remaining amount of funds for this purpose.

- **Home Safe** –Currently, there is no ongoing funding provided for Home Safe. The only funding at present is from FY 2022-23. The 2024 Budget Act included budget bill language to reappropriate up to \$92.5 million GF from FY 2022-23 funds to be available for spending by June 30, 2026, as well as trailer bill language to extend the match waiver for the funds through June 30, 2026.
- **Housing and Disability Advocacy Program (HDAP)** –The Governor's Budget continues its ongoing annual appropriation of \$25.0 million GF for HDAP.

## MEDI-CAL AND HEALTH CARE SERVICES

### Program Funding and Caseload

The total Medi-Cal budget is estimated to be \$174.6 billion (\$38.4 billion GF) in FY 2024-25 and \$188.1 billion (\$42.7 billion GF) in FY 2025-26. The Governor's Budget estimates a caseload totaling approximately 14.9 million beneficiaries for FY 2024-25, an increase of 3.06 percent from the Budget Act of 2024. This increase is due to the post pandemic caseload decline trend steadying out after June 2024. The proposed budget projects a caseload decrease of 3.09 percent from FY 2024-25 to FY 2025-26, estimating a caseload of 14.4 million beneficiaries. This year-over-year reduction is attributed to the Administration's proposal to end the pandemic related unwinding flexibilities that contributed to limiting the number of Medi-Cal discontinuances.

### County Administration Funding

The Governor's Budget includes a total of \$2.37 billion (approximately \$1.19 billion GF) in county administrative funding for FY 2025-26. The 2024 Budget Act includes a freeze of the COLA for county Medi-Cal Administration from 2025-26 through 2027-28. The Governor's Budget maintains the COLA freeze, resulting in no change in funding from FY 2024-25 to FY 2025-26.

### County Administration Funding to Restart Redeterminations

The proposed budget continues to include funding to support increased county workload, after the PHE is lifted, to conduct eligibility redeterminations for beneficiaries that remained enrolled in Medi-Cal due to the continuous coverage requirement during the PHE. Approximately \$17.4 million total funds (\$8.7 million GF) is budgeted for the current fiscal year for counties to continue the workload associated with the unwinding. There will not be

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any funding for this work effective with the budget year.

**Medi-Cal Unwinding Flexibilities**

The Governor's Budget proposes ending the discretionary Continuous Coverage Unwinding flexibilities on June 30, 2025. These flexibilities were initiated to reduce coverage loss following the restarting of Medi-Cal redeterminations after the ending of the COVID-19 pandemic pause. The Governor's Budget assumes the ending of these flexibilities will result in an increase in discontinuances in FY 2025-26. A few of those flexibilities proposed to be ending on June 30, 2025, with significant impact are the Zero Income waiver, the 100 percent federal poverty level (FPL waiver), and the stable income waiver.

**Managed Care Organization Tax & Proposition 35**

Proposition 35, approved by voters in November 2024, requires DHCS to seek federal renewal and reauthorization of the Managed Care Organization (MCO) Tax to permanently continue the tax. Proposition 35 specifies permissible uses of tax revenues starting with the 2025 tax year, for which DHCS is required with a stakeholder advisory committee to develop and implement. The Budget reflects MCO Tax revenue of \$7.9 billion in 2024-25, \$4.4 billion in 2025-26, and \$3.3 billion in 2026-27 to support the Medi-Cal program. Compared to the 2024 Budget Act, this is an increase of \$1 billion in 2024-25 and decreases of \$2.2 billion in 2025-26 and \$1.8 billion in 2026-27. The amendments to the MCO Tax pursuant to Chapters 6 and 39, Statutes of 2024 (SB 136 and AB 160) were approved by the federal government in late December 2024. The Budget includes the net benefit of funding associated with the MCO Tax amendments to entirely support the Medi-Cal program.

With the passage of Proposition 35, the provider payment increases and investments that were authorized in the 2024 Budget Act are inoperable as of January 1, 2025. The Budget reflects Proposition 35 expenditures for calendar years 2025 and 2026, including the provider rate increases for primary care, maternal care, and non-specialty mental health services that were implemented in calendar year 2024. However, the final spending plan is subject to consultation with the stakeholder advisory committee as required by Proposition 35.

**IN-HOME SUPPORTIVE SERVICES****Caseload and Overall Funding**

The Governor's Budget includes \$28.5 billion (\$10.6 billion GF) for In-Home Supportive Services (IHSS) in FY 2025-26. There are no proposed reductions for the IHSS program. Average monthly caseload is expected to grow by 7.5 percent in FY 2024-25 and by 7.5

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percent for FY 2025-26, resulting in 771,650 cases in FY 2025-26. Average weighted hours per case are also projected to grow to 123.7 in FY 2025-26. The average cost per hour in the Individual Provider mode is estimated to be \$21.03 in FY 2024-25 and \$21.65 in FY 2025-26.

**IHSS Services**

For FY 2025-26, IHSS services costs are projected to increase due to growth in the projected caseload, hours per case, and cost per hour, including costs associated with the increase in minimum wage to \$16.50/hour. Total IHSS Basic Services costs are projected to be \$24.5 billion (\$11.5 billion GF) in FY 2025-26.

**County IHSS Maintenance of Effort (MOE)**

The Governor's Budget for IHSS includes an estimated county IHSS MOE amount of \$2.2 billion in FY 2025-26. The four-percent annual inflation factor applied to the county IHSS MOE is estimated to increase the statewide total county IHSS MOE by \$80.6 million for FY 2024-25 and \$83.8 million for FY 2025-26.

**County IHSS Administration**

The Governor's Budget for IHSS includes \$813.3 million total (\$414.4 million GF) for county IHSS base administration funding, an increase over FY 2024-25, reflecting continued growth in the IHSS monthly caseload. We will have a more precise county IHSS Administration allocation amount when we complete our allocation summaries next week.

**IHSS Administration Funding Rebase**

The 2024 Budget Act required the Department of Social Services (CDSS) to review the IHSS Administration budgeting methodology every three years, beginning with the 2025-26 fiscal year, and provide information to the legislative budget committees regarding this review as part of the budget proposed in either January or May. The methodology was last updated in FY 2017-18 with shortcomings – specifically, the current methodology understates the numbers of persons served and the actual costs of staffing. CWDA staff has been working with CDSS on this process to gather information on workload from counties. The information will inform recommendations for a new statewide IHSS Administration budgeting methodology, with the goal of a new budget methodology to be included in the May Revision.

**Public Authority Administration**

The Governor's Budget for Public Authority administration is proposed to increase to \$67.6 million (\$34.4 million GF) in FY 2025-26 to reflect higher projected caseload.

**STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2025-26 BUDGET****Electronic Visit Verification**

The Governor's Budget continues to provide for Electronic Visit Verification (EVV) county administration funding of \$8.9 million (\$2.2 million GF) in FY 2025-26. The Governor's Budget includes an increase of \$912,000 GF in FY 2024-25 to replace the portion of federal funds which are unavailable due to the temporary loss of the enhanced Federal Medical Assistance Percentage for EVV county administration.

**Minimum Wage Increases**

The Governor's Budget includes \$186.2 million (\$84.4 million GF) in FY 2024-25 and \$389.3 million (\$176.4 million GF) in FY 2025-26 to support the California minimum wage increase to \$16.50 per hour beginning January 1, 2025, and \$200.2 million (\$90.7 million GF) to support the California minimum wage increase to \$16.90 per hour in January 2026.

**Provider Paid Sick Leave**

The Governor's Budget continues to fund Provider Paid Sick Leave, which allows providers up to 40 hours of paid sick leave per year. The cost of this benefit is projected to be \$269.6 million (\$122.1 million GF) in FY 2025-26. County administrative costs are projected to total \$255,000 (\$130,000 GF) in FY 2025-26.

**Impacts on IHSS Caseload - Undocumented Adults Full Scope Medi-Cal Expansion**

The Governor's Budget continues to fund the expansion of full-scope Medi-Cal to adults aged 19 and older regardless of immigration status. This includes a projected average monthly caseload of 3,859 adults aged 50 and older in FY 2025-26, compared to an average monthly caseload of 2,660 in FY 2024-25. The projected IHSS services costs are \$114.4 million GF in FY 2025-26 and \$4.4 million GF for IHSS administration for all expansion populations combined.

**CALWORKS****Caseload**

The Governor's Budget estimates caseloads for FY 2024-25 at 359,789, an increase of 2.7 percent from FY 2023-24. Caseloads are projected to grow slightly by 0.6 percent from FY 2024-25 to FY 2025-26, reaching 361,834 cases. Employment Services caseload is anticipated to slightly increase by 0.5 percent in the current year compared to FY 2023-24 and increase year-over-year by 1 percent in FY 2025-26, resulting in an estimate of 150,946 welfare-to-work participants.



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The Governor's Budget proposes a net \$53 million cut approximately to the current year Single Allocation, a 3.25 percent decrease compared to the 2024 Budget Act. This proposed reduction is comprised of a net \$64.5 million proposed cut to the Employment Services component and \$1.1 million proposed cut to CalLearn, offset by a net increase of \$12.6 million to the Eligibility component due to increases in the shared eligibility costs associated with CalFresh and Medi-Cal.

For FY 2025-26, the Governor's Budget proposes an increase of \$11.5 million, a 0.7 percent increase to the Single Allocation compared to the revised 2024-25 Single Allocation funding. This increase is primarily driven by an increase of \$11.4 million to the Employment Services component due to increased caseload growth assumptions.

**Increase to the CalWORKs Maximum Aid Payment**

The Governor's Budget includes a 0.2 percent increase to the Maximum Aid Payment (MAP), with a cost of \$9.1 million for FY 2025-26. The funding for this increase will come from the Child Poverty and Family Supplemental Support Subaccount in 1991 realignment. This grant amount will be updated at the May Revision and go into effect October 1, 2025.

**Expanded Subsidized Employment (ESE)**

The Budget Act of 2024 appropriated \$97.1 million for the Expanded Subsidized Employment for FY 2024-25, a cut of \$37 million compared to FY 2023-2024. The Governor's Budget proposes a full restoration of \$134.1 million for ESE in FY 2025-26 and annually ongoing.

**Family Stabilization**

The Governor's Budget proposes \$62.5 million for the CalWORKs Family Stabilization program. This reflects an \$8.6 million decrease in funding based on a lower projected caseload for FY 2025-26. The estimated average monthly Family Stabilization caseload is 4,300.

**CalWORKs Home Visiting**

The Governor's Budget continues to reduce FY 2025-26 funding for the CalWORKs Home Visiting Program, by \$25.0 million, maintaining funding at \$74.3 million. Full restoration of funding will begin in FY 2026-27.

**STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2025-26 BUDGET****Mental Health and Substance Abuse Services**

The Governor's Budget includes \$100.6 million for FY 2025-26 for mental health and substance abuse services to CalWORKs Welfare-to-Work participants. This funding reflects a reduction of \$26.0 million per the 2024 Budget Act.

**Family Reunification (FR) Assistance**

The Governor's Budget includes \$14.3 million for FY 2025-26. This is an increase from FY 2024-25 funding attributed to a delay in implementation. Assembly Bill (AB) 135 (Chapter 85, Statutes of 2021) authorized cash aid and child care services to CalWORKs families for up to six months when the family is working towards reunification. Implementation begun on January 1, 2025. The Governor's Budget estimates a FR caseload of 1,011 in FY 2025-26.

**CalWORKs Work and Family Well-Being Pilot**

Absent from the Governor's Budget is any additional local or state funding to implement the federal pilot. The CalWORKs Work and Family Well-Being pilot, which aims to test alternatives to the Work Participation Rate (WPR) was initiated on October 1, 2024, and will end on September 30, 2030. California was selected for this pilot in November 2024. The CDSS is collaborating with the Administration for Children and Families (ACF) to prepare for an October 1, 2025, implementation, using the state's California CalWORKs Outcomes and Accountability Review (Cal-OAR) as the foundation. CWDA staff will engage with CDSS to obtain additional information.

**CHILD CARE AND EARLY EDUCATION**

The Governor's Budget includes \$7.1 billion (\$4.6 billion GF) for child care programs, including CalWORKs Stage One and the Emergency Child Care Bridge Program (see also the Child Welfare section of this update). The Administration continues to allocate funding to support the memorandum of understanding between the state and the Child Care Providers Union (CCPU).

**Stage 1 Child Care**

The Governor's Budget proposal projects slightly increased year-over year costs due to higher projected caseloads; the total estimated costs are \$597.6 million for FY 2025-26 with the FY 2025-26 projected caseload growing to a monthly average of 52,908 cases.

**Stage 2 and 3 Child Care**

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The Governor's Budget includes a total of \$599.0 million in funding for Stage 2 in FY 2025-26, an increase from FY 2024-25. This adjustment reflects a projected increase in the average monthly caseload to 52,356. The Governor's Budget includes \$524.1 million for Stage 3 in FY 2025-26; the total funding is slightly lower than FY 2024-25 despite an increase in the caseload compared to the previous year, totaling 48,076 cases. This lower funding in Stage 3 is attributed to eliminating funding in FY 2024-25 associated with redefining part-time and full-time care.

**CALFRESH****Caseload**

The total CalFresh caseload is projected to increase by 3.2 percent in FY 2024-25 from the prior year, an increase of 3.4 percent compared to the 2024 Budget Act. Caseload is projected to continue to increase by an additional 1.1 percent from FY 2024-25 to FY 2025-26. It is projected that the CalFresh caseload will reach 3.2 million in 2025-26.

**CalFresh Administrative Funding**

The proposed budget includes a year-over-year increase of \$15.1 million in CalFresh county administrative funding in FY 2025-26. This is largely driven by the increase in activities associated with applications.

**CalFresh Administration Funding for Reimbursement of Food Benefit Theft**

The Governor's Budget includes separate administrative funding for reimbursement of food benefit theft of \$11.4 million (\$7.3 million GF) in the current year, and \$1.0 million (all GF) in the budget year. CWDA will continue to engage with CDSS regarding the sufficiency of the administrative funding for theft reimbursement activities.

**CHILD WELFARE / FOSTER CARE / ADOPTION ASSISTANCE**

The Governor's Budget includes \$10.8 billion total funds (\$1.0 billion GF) in FY 2025-26 for child welfare and foster care services and programs, an increase of \$899.0 million (\$85.1 million GF) from the Budget Act of 2024.

**Caseload**

The Governor's Budget estimates average monthly child welfare caseload (Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement) of 82,114, reflecting a trending decline for FY 2025-26. The average AFDC-FC caseload representing youth in out-of-home placements (including county resource family homes, FFAs and group

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care) continues to decline and is projected to equal 26,671 in FY 2025-26. Significant declines are noted for foster family agency (FFA) placements, projecting a 9.2 percent decline in FY 2025-26 to 6,467 youth in FFAs, and a less precipitous decline of 3.4 percent in congregate care placements in FY 2025-26 to 2,245 youth (this figure also includes those receiving wraparound).

The caseload of non-federally eligible relatives who are supported through the Approved Relative Caregivers Program continues to decrease and is projected to decrease by 9.2 percent in FY 2025-26 to 3,460 cases. Kin-GAP/Fed-GAP caseload is projected to remain nearly the same, decreasing by 0.6 percent to 17,336 cases in FY 2025-26. The Adoption Assistance Program (AAP) caseload will also remain mostly unchanged, increasing by 0.1 percent to 86,702 cases in FY 2025-26.

**Tiered Rate Structure**

In the 2024 Budget Act, the Legislature and Governor approved implementation of a new, permanent rate structure for children and youth in foster care. This rate structure will be informed by the child's individual needs and strengths, as identified by the Child and Adolescent Needs and Strengths (CANS) assessment tool, and not tied to the child's placement. The Governor's Budget provides a total of \$5.1 million (\$2.5 million GF) in FY 2024-25 and \$17.2 million (\$12.0 million GF) in FY 2025-26 to begin implementation and support county administrative activities associated with the new Tiered Rate Structure, which implements on July 1, 2027. Components include:

CalSAWS and CWS-CARES: To support automation of the multiple tiers and transitioning from the current Level of Care (LOC) rate structure, the Governor's Budget provides \$6.1 million (entirely GF) in FY 2025-26 for CalSAWS automation. For CWS-CARES automation, the Governor's Budget provides \$5.1 million (\$2.5 million GF) in FY 2024-25 and \$9.4 million (\$4.7 million GF) in FY 2025-26.

CANS Fidelity and Training: The Governor's Budget provides \$1.7 million (\$1.2 million GF) in FY 2025-26 to support implementation of the Child and Adolescent Needs and Strengths (CANS) tool fidelity and training activities.

**Caregiver Approval**

The Governor's Budget continues to provide \$50.0 million GF in FY 2025-26 to counties to support administrative activities associated with the Resource Family Approval (RFA) process.

**Continuum of Care Reform**

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The Governor's Budget provides a total of \$579.4 million (\$376.2 million GF) to continue implementation of CCR. Administrative costs to implement various CCR components (Resource Family Approval (RFA), CANS, and Child and Family Teams) are nearly identical to the prior year, updated only to reflect current caseload estimates.

**Family First Prevention Services Act (FFPSA)**

Part 1 Prevention: Pursuant to the Budget Act of 2024, \$222.4 million GF continues to be available to counties to implement Part 1 prevention services for expenditure to June 30, 2028.

Part IV: The Governor's Budget continues funding the various components for Part IV implementation, including county administrative activities associated with social worker activities in support of the required review by Qualified Individuals, social worker activities related to obtaining court authorization for placement into congregate care facilities, and after care services for youth stepping down from Short-Term Residential Therapeutic Programs. A total of \$44.9 million (\$23.3 million GF and \$17.2 million county funds) is proposed in FY 2025-26 to support these activities. This reflects a slight decrease from FY 2024-25 due to continued projected declines in the STRTP caseloads.

**Family Urgent Response System**

The Governor's Budget continues funding of \$30.0 million GF in FY 2025-26. FURS provides 24/7 conflict resolution, de-escalation, and in-person response to current and former foster children and their caregivers to preserve families via a state-level hotline and a county-based mobile response team.

**Emergency Child Care Bridge (ECCB)**

The Governor's Budget maintains full funding to the ECCB program in FY 2025-26. This includes \$57.8 million (\$57.8 million GF) for the voucher component, \$24.5 million (\$18.0 million GF) for county administrative activities, \$10.0 million GF for navigation, and \$8.0 million for training. There is an additional \$3.8 million Proposition 64 funding for vouchers available in FY 2025-26.

**Health Care Program for Children in Foster Care (HCPCFC)**

The Governor's Budget continues to provide funding to support the administrative costs of HCPCFC as a stand-alone program after the sunset of the Child Health and Disability Prevention Program (CHDP) on June 30, 2024. The Governor's Budget provides \$23.8 million (\$11.9 million GF) in FY 2025-26 for administrative costs to support HCPCFC.

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The Governor's Budget reflects implementation activities for child welfare agencies associated with [BH-CONNECT](#), a Section 1115 demonstration project recently approved by the Centers for Medicare and Medicaid Services (CMS). BH-CONNECT includes a number of initiatives designed to expand the continuum of community-based behavioral health care services for Medi-Cal children and youth, including for foster youth. As part of the BH-CONNECT proposal, the Governor's Budget proposes investments in both the DHCS and CDSS budgets for child welfare agencies and county mental health plans.

Child welfare components of BH-CONNECT include Child and Family Teams for Family Maintenance cases, activity stipends for foster children, and joint home visits by social workers and a mental health provider within 30 days of a call to the child welfare hotline that requires an investigation. Included are \$21.1 million (\$15.5 million GF) in FY 2024-25 and \$49.5 million (\$36.4 million GF) in FY 2025-26 to child welfare agencies to support these components, beginning January 1, 2025.

**New Legislation**

Social Security Administration (SSA) Benefits for Foster Youth (AB 2906, Statutes of 2024): The Governor's Budget provides \$263,000 (\$193,000 GF) beginning July 1, 2025, for administrative activities to implement AB 2906, which prohibits counties from utilizing a child's SSA benefits to offset costs related to the child's care and instead requires counties to conserve those funds for the child. AB 2906 also requires social workers to send written notice of intent to be appointed as representative payee to the child's counsel and parents or legal guardians, requires counties to establish and maintain dedicated accounts for foster youth receiving SSA benefits, and provide an accounting report upon request. The Governor's Budget does not provide funding to counties for the loss of federal funds as a result of the prohibition against offsetting SSA funds for the child's care.

Youth Missing from Care Notification (AB 2108, Statutes of 2024): The Governor's Budget provides \$902,000 (\$663,000 GF) beginning in FY 2025-26 for administrative activities associated with providing notification to law enforcement, child's parents or guardians, child's attorney, and others, and to contact individuals known to the child to inquire of the child's whereabouts.

Documentation of Family Finding Efforts (AB 2929, Statutes of 2024): The Governor's Budget provides \$1.2 million (\$860,000 GF) beginning in FY 2025-26 to support the ongoing effort by social workers to locate relatives for a child or non-minor dependent not residing with relatives, and to submit a supplemental report to the court documenting those efforts.

**STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2025-26 BUDGET****ADULT PROTECTIVE SERVICES (APS)****APS Expansion**

The Governor's Budget reflects continued implementation of AB 135 (Statutes of 2021) to support the APS program in providing longer-term case management for more complex cases, expand eligibility to APS services for persons 60 and older, expand APS multi-disciplinary teams to include housing representatives, and address overall growth in the number of older adults served in the APS program. The proposed budget includes \$70.0 million GF for FY 2025-26 (\$68.7 million GF for services and \$1.3 million GF for contracts).

**APS Training**

The Governor's Budget includes \$9.5 million to continue support for APS Training in FY 2025-26. There is no change from FY 2024-25.

**SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP) AND CAPI****SSI/SSP Caseload and Grants**

A total of \$3.6 billion GF is included for FY 2025-26 in the Governor's Budget for the SSI/SSP programs, including CAPI. This is a decrease of \$61.3 million GF compared to FY 2024-25, reflecting a lower average grant partially offset by a slower caseload decline than previously predicted and the impact of the 2025 COLA. The federal cost-of-living adjustment (COLA) is 2.5 percent for calendar year 2025 and is projected to be 2.3 percent in calendar year 2026. The projected caseloads for both SSI and SSP are 338,974 for aged recipients, 12,772 for blind recipients, and 716,643 for disabled recipients.

The average SSI monthly grant, (absent the 2025 COLA impacts) are \$439.14 for aged recipients, \$592.95 for blind recipients, and \$635.73 for disabled recipients, and for SSP are \$250.67 for aged recipients, \$315.88 for blind recipients, and \$238.57 for disabled recipients. The average increase due to the 2025 COLA are \$10.96 for aged recipients, \$15.46 for blind recipients, and \$16.68 for disabled recipients.

Proposed funding for the CAPI program is \$254.0 million GF in FY 2025-26. The average CAPI monthly grant amount is \$1,061.75 for FY 2024-25 and projected to be \$1,076.34 for FY 2025-26.

**AUTOMATION**

The key automation projects appear to be funded at the levels needed to proceed as

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expected, with significant changes as noted below, based on the information currently available. Future budget updates will provide additional information as it becomes available.

**Child Welfare Services – California Automated Response and Engagement System (CWS–CARES)**

The Governor's proposed budget reflects total funding of \$173.4 million (\$88.1 million GF) in FY 2024-25 and \$256.5 million (\$129.9 million GF) in FY 2025-26. This is consistent with the May 2023 approval of the CARES budget by the Department of Finance. The CWS/CMS budget continues to include funding of \$1.5 million total funds (\$485,000 GF) per year for the removal of duplicate data in CWS/CMS, to prepare for conversion to CARES. Additional support for Tribal Engagement remains at \$100,000 (all GF) per year in FY 2024-25 and FY 2025-26.

**Electronic Benefits Transfer (EBT) Theft and Security Improvements**

The proposed budget increases current year total funding for EBT card technology improvements to \$60.7 million (\$19.1 million GF), reflecting a shift of funds from FY 2023-24 to the current year, with no change to the total cost. There is no funding in the budget year, reflecting CDSS' plan to complete the issuance of replacement EBT cards with Chip EMV/Tap Pay technologies this FY. This effort is expected to improve security and reduce benefit theft.

The Governor's proposal contains a decrease in funding for reimbursement of benefit theft in the current year, to \$71.8 million GF for cash theft, and total funds of \$38.0 million (\$15.2 million GF) for food theft due to lower than previously projected rates of theft. Funding in the budget year is considerably lower, in anticipation that the card security improvements will reduce theft, at \$8.8 million (all GF) for cash theft, and \$4.0 million (all GF) for food theft.

**CalSAWS**

The Governor's proposal includes the anticipated funding to support the CalSAWS project in the current year, with a total of \$369.4 million, (\$105.9 million GF) and a total of \$377 million (\$108.3 million GF) in the budget year. As is typically the case, some premise items will require further discussion with state partners and may require adjustments to the estimate amounts and/or timing, or modification of planned automation changes. CWDA will continue to work with the Administration and CalSAWS so that CalSAWS automation impacts, costs, timing, and the resultant impacts on county workload, are considered as various budget and policy changes are discussed with the Legislature.



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## ADDITIONAL RESOURCES

A summary of the Governor's proposed 2025-26 budget can be found [here](#).

This budget update was created by CWDA Staff. Direct questions to the contact at right.

For more information, visit:  
[cwda.org](https://cwda.org)

County Welfare Directors Association of California

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