



2025 Budget Act Agreement June 28, 2025

TO: CSAC Board of Directors
County Administrative Officers and County Executive Officers

FROM: Graham Knaus, CSAC Chief Executive Officer
Jacqueline Wong-Hernandez, CSAC Chief Policy Officer

RE: **CSAC's Summary of the 2025 Budget Act Agreement**

Earlier this week, the Legislature and the Administration reached an [agreement on the 2025-26 spending plan for California](#). Typically, such a pivotal moment would be announced with a flurry of press releases and media engagement from all three parties that landed the deal; a prime opportunity to tout the hard work of their staff and the merits of the funding decisions reached. Instead, on Tuesday, June 24, state budget aficionados and advocates woke up to the quiet, piecemeal roll-out of the revised 2025 Budget Act and dozens of accompanying budget trailer bills, absent any fanfare. Less than 24 hours following the publication of these measures, the Senate and Assembly budget committees convened to hear the collective 2025 Budget Act package. Summaries of the 2025 Budget Act agreement are available on the [Senate](#) and [Assembly](#) websites. The Administration's first acknowledgement that a 2025 Budget Act spending agreement had been reached occurred Friday evening, when [the Governor signed the budget bills](#) and a flurry of accompanying budget trailer bills.

The \$321.1 billion spending plan maintains much of the Legislature's budget architecture, but reflects \$3.9 billion less in total spending compared to the [Senate and Assembly's joint plan](#) released earlier this month. The final budget agreement rejects many of the Governor's proposed cuts to address the estimated \$12 billion deficit and offers different solutions. In addition to changes to appropriations, the revised 2025 Budget Act imparts uncommon trigger language that ties the fate of the entire spending package to be contingent upon the passage of one budget trailer bill.

- **What is a budget trailer bill?** Trailer bills accompany the main budget act by enacting any corresponding changes to state law. While the budget bill includes expenditure authority and sparse provisional language regarding the use of funds, the trailer bills include implementation language for specific appropriations. These bills are called “trailer” bills because they are not subject to the June 15 deadline and therefore trail after the main budget act is passed. Dozens of trailer bills are introduced, negotiated, and passed annually. Although budget trailer bills are not confined to a specific timeline for approval, most of these bills are expected to be passed before the end of June. However, it is not unheard of for Legislative negotiations on trailer bills for controversial issues to extend into July and August.

Mysterious Budget Trailer Bill Unapologetically Causes Drama

Of the thousands of pages of budget trailer bill language introduced earlier in the week, one mysteriously blank budget trailer bill created much tension and handwringing in the capitol community. The main Budget Bill ([SB 102](#)) includes the language: *“if the Governor does not sign one of Assembly Bill 131 or Senate Bill 131 on June 30, 2025, the provisions of the Budget Act of 2025, as enacted in Senate Bill 101 and as amended in this act, and any associated bills providing for appropriations related to the budget... shall be inoperative and repealed in their entirety on June 30, 2025, at 11:59 p.m.”* In other words, the Governor must sign SB/AB 131 on June 30 (the last day of the state’s fiscal year) otherwise the entire 2025 Budget Act package is void. SB/AB 131 was mysteriously blank until it was finally introduced on Friday, June 27. Given the rule that legislation must be in print for 72 hours before it can be acted upon and passed to the Governor for signature, lawmakers introduced SB/AB 131 without a minute to spare to give the Governor enough time to sign it on June 30.

What happened to the Homeless Housing, Assistance, and Prevention (HHAP) Program?

The most notable deviation from the Governor's spending plan—which forfeited new homeless funding entirely—is budget trailer bill language ([SB/AB 131](#)) that appropriates \$500 million for Round 7 of the Homeless Housing, Assistance, and Prevention (HHAP) Program in 2026-27. This development notwithstanding, **we are dismayed that the Legislature and the Administration chose to not fund the HHAP program in 2025-26.** This comes after counties and others were required to submit 3-year homelessness plans and additional onerous application requirements, for “increased accountability.” The lack of funding continues the unreliable, piecemeal approach to addressing the most intractable crisis of our generation. Long-term problems demand long-term solutions. CSAC continues to communicate to the state that this is **UNACCEPTABLE** for Californians. More information on the HHAP program is available in the Homelessness section of this publication.

Proposition 36 (2024)

Passed by nearly 70% of voters across all 58 counties in November 2024, Proposition 36 creates a new offense, a treatment-mandated felony, for repeat offenders, and per proponents, focuses on treatment and rehabilitation of repeat offenders. While the Governor's Budget in January *did not* include funding for implementation, the Joint Legislative Budget Agreement *did*, to the tune of \$110 million.

Ultimately, after the dust settled from budget negotiations, \$100 million in *one-time funding* was included in the 2025 Budget Act for Proposition 36 implementation. However, it is important to note that only \$50 million is specifically earmarked for *county* implementation of Proposition 36. While the inclusion of any funding – in the context of a \$12 billion budget gap is critical – this is *far* from what was estimated to fulfill county department needs as an adequate amount to implement the will of the voters. Absent additional and ongoing funding, it is uncertain how implementation can, or will, successfully unfold statewide. Please refer to the Administration of Justice (AOJ) section of this publication for additional details regarding allocation specifics.

Affordability: What Happens to a Dream Deferred?

As mused by CSAC in late 2024 and early 2025, the collective focus of the Administration and Legislature entering the 2025-2026 Legislative Session appeared to prioritize affordability, with an emphasis on the cost of living, housing, and energy costs. On the heels of the Governor's action to call a special session of the last day of the 2023-2024 Legislative Session to [force a dialogue about addressing oil and gas policy](#), it seemed that the political will in Sacramento was ripe to have more difficult conversations about affordability. However, the conversation was largely forced to take a backseat; first as a result of the devastating wildfires in Los Angeles County that were actively burning during the release of the Governor's proposed budget for 2025-26 in January, and then due to the all-consuming conversations about federal fiscal uncertainty.

Nonetheless, some elements of this dashed desire were preserved in the 2025 Budget Act. Namely, the final budget agreement directs the Legislative Analyst's Office to develop tax reform options that lower taxes for ordinary California families, maximizes federal deductibility, minimizes any negative impacts on the California economy, and strengthens revenues over the long run. The options will be due to the Legislature in November 2025 and be considered in the development of the 2026-27 state budget.

The subsequent sections of this publication provide descriptions of specific budget appropriations by policy area. For questions on these and other items of importance, please [contact the CSAC legislative affairs team](#).

If you have questions regarding the Budget Action Bulletin, please contact Jessica Sankus, CSAC Principal and Fiscal Policy Analyst, at jsankus@counties.org

2025 Budget Act: Budget Bills and Trailer Bills

Bill Number	Topic	Status*
SB 101	2025 Budget Act - Joint Legislative Budget Plan	Chaptered
AB 102	Budget Bill Jr. - Amends SB 101 for 2025-26	Chaptered
SB 103	Budget Bill Jr. - Amends FY 2022, 2023, 2024	Chaptered
SB/AB 116	Health omnibus	Passed
AB 118	Human services	Chaptered
SB/AB 119	Public social services	In committee
SB 120	Early childhood education and childcare.	Chaptered
AB 121	Education omnibus	Chaptered
AB 123	Higher education	Chaptered
SB 124	Public resources	Chaptered
SB 127	Climate change	Chaptered
SB 128	Transportation	Chaptered
SB/AB 129	Labor	On floor
SB/AB 130	Housing	In committee
SB/AB 131	Public resources	In committee
SB 132	Taxation	Chaptered
AB 134	Public Safety	Chaptered
AB 136	Courts	Chaptered
SB/AB 137	State Government	Passed
SB/AB 139	State Bargaining Units 9 & 12	In committee
SB/AB 140	State Bargaining Unit 6	In committee
SB 141	California Cannabis Tax Fund	Chaptered
SB 142	Deaf and Disabled Telecommunications Program	Chaptered
AB 143	Developmental services	Chaptered
<i>*As of 12:00pm on Saturday, June 28, 2025</i>		

The State's Fiscal Condition and Future Uncertainty

Does the State Budget Account for Future Federal Budget Cuts?

No. The 2025 Budget Act spending agreement does not reflect any assumptions about federal cuts. As federal action remains uncertain and the scope of the fiscal effects are ultimately unknown, the state has opted to instead include flexible authority for the California Department of Finance to make midyear adjustments to the Budget Act, explained in more detail below.

The Multiyear Outlook: Future Budget Deficits are Certain

In late May, the Legislative Analyst's Office (LAO) [released an updated assessment of the state's fiscal condition](#), with a focus on the forecasted condition of the General Fund for the three years following the 2025-26 budget under development. The LAO is the California Legislature's nonpartisan fiscal and policy advisor. At critical points during the state budget development process, the LAO provides an independent assessment of the California state budget condition for the upcoming fiscal year and beyond to inform the Legislature's priorities and funding decisions. Although the LAO's most recent analysis does not reflect an assessment of all of the fiscal decisions reflected in the final 2025 Budget Act spending plan, the budget architecture remains consistent enough to rely on the LAO's General Fund forecast. In their assessment, the LAO comments that their fiscal analysis aligns with the Department of Finance's General Fund forecast, which anticipates annual budget deficits ranging from \$10 billion to \$20 billion through 2028-29.

IN THE WEEDS – BUDGET CONTROL SECTIONS

Apart from the items of appropriation in the state Budget Act, the annual budget bill includes dozens of "control sections" that provide additional authority, restrictions, or explanations about how the appropriations in the budget will be managed. If you make it through the hundreds of pages of budget appropriations in the 2025 Budget Act, you'll find two new Control Sections in response to future federal uncertainties:

Preparing for Changes in Federal Funding

In anticipation of the potential, although still unknown in scope, reduction in federal financial participation in 2025-26, the budget includes language (Section 28.30) that authorizes the Director of the California Department of Finance to reduce **any** item of appropriation in the budget in response to federal action that reduces funding for California. This authority is not

limited to reducing federal fund appropriations in the state budget to mirror federal changes; rather, the budget authorizes the Department of Finance to reduce any state appropriation from any funding source, for any program, project, or function to “align” with reduced federal funding. This authority allows the Administration to take swift action following federal funding cuts, and **bypasses** the traditional process to significantly amend the budget mid-year, which would ordinarily include introducing a “Budget Bill Jr” and holding budget committee hearings in both houses, passage by the Legislature, and enactment by the Administration.

Funding for Legislative Priorities: County Litigation Efforts

Under more unprecedented circumstances, during “good” budget years lawmakers will include funding for their personal priorities in Section 19.56 of the Budget Act. These “earmarks” for specific local projects are not agendaized during budget committee hearings in the Senate or the Assembly. During years with funding deficits, legislative priorities in Section 19.56 are forfeited in the interest of reserving all resources to maintain the functions and programs of the core state budget. Surprisingly, although the 2025 Budget Act spending agreement included budget-balancing solutions (cuts, delays, and borrowing) to address a \$12 billion deficit, SB 102 (“Budget Bill Junior”) includes \$77.2 million for a small handful of legislative priorities. The lion’s share of this funding is \$45 million for Sonoma State University for “a long-term turnaround plan focused on aggressive student recruitment, academic program stability and expansion...”

Notable for county governments, the funding for legislative priorities also includes \$6 million for three counties (\$2 million each for Los Angeles, San Francisco, and Santa Clara Counties) for “administrative actions, affirmative litigation, and defense against enforcement and legal actions taken by the federal government.”

Agriculture, Environment, and Natural Resources

The 2025 Budget Act sustains reductions proposed in the Governor's January Budget proposal, but restores funding to several key county-focused programs. The final budget agreement defers broader decisions about the allocation of bond funding and the Greenhouse Gas Reduction Fund (GGRF) (with some exceptions) until later this summer. CSAC core priorities of wildfire prevention and fire protection were sustained while controversial policy proposals related to the Delta Conveyance Project and water quality were rejected.

Forestry and Fire Protection

County Coordinator Program Fully Funded

The final budget agreement includes \$9.5 million General Fund to CAL FIRE for local assistance to the Wildfire County Coordinator Program through the California Fire Safe Council. These local positions increase counties' capacities for wildfire prevention and community safety efforts, leveraging millions of dollars of funding, through a partnership between the county and state agencies.

Year-Round Firefighter Staffing

The final budget agreement sustains \$39 million General Fund in 2025-26 and \$78 million ongoing to transition seasonal firefighter positions to year-round (permanent) positions. The budget agreement includes trailer bill language requiring CAL FIRE to begin employing sufficient permanent firefighting personnel to increase the base period hand crew staffing levels. The budget trailer bill (SB 124) specifies that the department maintain the ability to hire seasonal, temporary firefighters as needed to allow for surge hiring capacity to address emergency fire conditions or other personnel shortages.

Major Shift in Funding for Core Firefighting Budget

The final budget agreement approves a shift of \$1 billion General Fund to the GGRF for core CAL FIRE firefighting and wildfire programs. The fund shift is proposed to taper off over four years through 2027-28 should the state continue to experience General Fund deficits. If the state's fiscal difficulties continue, the following amounts are proposed to be drawn from the GGRF for CAL FIRE operational expenses: \$1.25 billion in 2026-27, \$500 million in 2027-28, and \$500 million in 2028-29. If there is not a projected General Fund deficit, only \$500 million is proposed to be appropriated from the GGRF for CAL FIRE in 2026-27.

CAL FIRE Training Center Cut

The final budget agreement sustains the proposal to revert \$31.4 million in acquisition funding for a new CAL FIRE Training Center. CAL FIRE has stated that they intend to use increased capacity at existing facilities for training, including for the new surge in permanent firefighting forces.

Home Hardening Programs

The final budget agreement sustains \$3 million General Fund onetime for a community home hardening certification program as part of broader wildfire risk mitigation efforts, including measuring risk for communities and individual residential property owners. The funding is contingent upon legislation passed this year to define the program parameters. Funding for home and community hardening is being considered as part of the Cap-and-Trade program and Proposition 4 (2024) bond funding negotiations.

Flood and Water Management

Delta Conveyance Project Trailer Bill Rejected

The final budget agreement rejects the controversial proposal to accelerate the Delta Conveyance Project and to exempt the project from the California Water Quality Act regional water quality control plans (including the Delta Water Quality Control Plan). CSAC advocated that policies of this magnitude should be considered only through the broader legislative policy process.

Voluntary Agreements Funding Restored

The final budget agreement restores \$351 million General Fund that was proposed to be reverted (eliminated) from previous budget years that was directed for water resilience and habitat restoration projects in the Sacramento and San Joaquin watersheds. These projects to improve aquatic habitat are “Voluntary Agreements” between the water rights holder and the state.

Dam Safety

The final budget sustains \$30 million (\$10 million per year for three years) of additional federal trust fund authority for the Federal Emergency Management Agency’s Federal Rehabilitation of High Hazard Potential Dams Grant Program. CSAC has been working with state and federal partners to elevate the issue of dam safety and provide adequate funding for safety improvements at these critical water facilities.

Cannabis

The final budget agreement includes trailer bill language (SB 141) that approves the Governor's May Revision proposal to shift funding for the Department of Cannabis Control's enforcement efforts from the Cannabis Control Fund to the Cannabis Tax Fund and provides additional support staff and greater flexibility in awarding grants to local governments to address illicit cannabis issues.

Energy

The final budget agreement approves the Governor's May Revision proposal to revert \$33 million of General Fund previously allocated for programs funding community renewable energy projects at the California Public Utilities Commission (CPUC). The final budget agreement also approves the Governor's proposal to revert a total of \$315.8 million General Fund from previous Climate-Energy Package appropriations.

Air Quality

The final budget agreement includes \$1 million from the General Fund for the California Air Resources Board (CARB) to be allocated to the South Coast Air Quality Management District to support mobile air monitoring systems. The final budget agreement defers trailer bill language that would have authorized the establishment of fees to cover the regulatory costs to implement the Transport Refrigeration Unit Regulation and the Commercial Harbor Craft Regulation.

Exide Lead-Acid Battery Recycling Facility

The final budget agreement approves the Governor's May Revision proposal for a one-time fund shift of \$35 million from the General Fund to the Lead-Acid Battery Cleanup Fund for the cleanup of residential properties with lead contamination near the former Exide lead-acid battery recycling facility.

Farming, Ranching and Agriculture

Wolf Livestock Compensation Program

The final budget agreement includes \$2 million General Fund to the Department of Fish and Wildlife for the Wolf-Livestock Compensation Program. This program compensates ranchers for direct livestock losses as well as for wolf conflict deterrence.

Farm to School Incubator

The final budget agreement includes \$24.9 million one-time General Fund in 2025-26 for the Farm to School Network and Incubator Grant Program. The program provides funding to support projects that connect local producers with schools, increase educational opportunities related to food and agriculture, and build a more sustainable and equitable food system.

Greenhouse Gas Reduction Fund (GGRF)

As discussed above, the final budget agreement includes a \$1 billion fund shift from the General Fund to the GGRF Discretionary Spending Plan in 2025-26 to support CAL FIRE baseline operations with plans for funding through 2029. Additionally, the final budget agreement includes a one-time fund transfer of \$81 million from the GGRF to the CARB Motor Vehicle Account, which faces insolvency, thereby reducing the amount of GGRF funds available for climate-related activities.

While the long-term reauthorization plan for GGRF remains unresolved at the time of publishing, CSAC has been monitoring conversations and actively advocating for our spending priorities which include local support for organic waste management, wildfire mitigation, transportation, and housing.

Climate Bond

The final budget agreement includes fund shifts around \$300 million from the 2024 Climate Bond (Proposition 4, 2024) to the General Fund for costs related to natural resources and environmental protection. While the final budget agreement rejects the Governor's proposed spending plan for Proposition 4, it also defers details on future expenditures to future budget deliberations.

Administration of Justice

Local Public Safety

Proposition 36 (2024)

The 2025 Budget Act includes \$100 million one-time General Fund that *may* be used for the implementation of Proposition 36. By *entity*, the funding allocations are as follows:

- County behavioral health: \$50 million for the Department of Health Care Services (DHCS) to provide non-competitive grants to counties in adherence with an allocation methodology determined by DHCS and the Judicial Council, focused on planning and capacity building, matching local funds, and other criteria to support implementation of Proposition 36.
- Public defense: \$15 million for the Office of the State Public Defender (OSPD) to provide grants to indigent defense service providers for holistic defense. The final budget agreement removed references to Proposition 36, but the services provided with this funding can be used for implementation.
- Pretrial services: \$15 million for the Judicial Council to fund local pretrial services in 2025-56. This amount is one-time, and pretrial services will be reduced by \$20 million ongoing. As with the above allocation for public defense services, this \$15 million is not earmarked specifically for Proposition 36 implementation.
- Courts: \$20 million for the Judicial Council to distribute to trial courts for the implementation of Proposition 36 based on a methodology that ensures 50% of the funding is allocated based on each trial court's share of non-traffic misdemeanor and felony filings in 2023-24. County and state reporting requirements are also included in the final budget, including, but not limited to, data on the number of Proposition 36 cases filed, the number of individuals treated, and the number of individuals who successfully complete treatment, as well as expenditure reporting.

Proposition 47 Savings Estimate

The 2025 Budget Act includes a Proposition 47 savings estimate of \$88.3 million General Fund in 2025-26. Each year, state savings from the implementation of Proposition 47 (2014) are allocated through grants to public agencies for various recidivism reduction programs such as mental health and substance use treatment services (65% of savings), truancy and dropout prevention (25% of savings), and victims' services (10% of savings). There is an estimated reduction in state savings in future years based on forecasted incarceration

impacts of Proposition 36, passed by voters last November. Proposition 36 repealed portions of Proposition 47, rendering specified drug and theft crimes from misdemeanors to felonies.

Community Corrections Performance Incentive Grant (SB 678)

The Community Corrections Performance Incentive Grant, established by SB 678 (Chapter 608, Statutes of 2009), was created to provide incentives for counties to reduce the number of individuals on felony probation who are admitted to state prison. The 2025 Budget Act does not include an updated funding formula, as negotiations are ongoing.

Juvenile Justice Realignment Block Grant (JJRBG)

The 2025 Budget Act includes trailer bill language (AB 118) to update the JJRBG funding formula to incentivize less restrictive placements (LRPs) over secure youth treatment facilities (SYTF) for youth, as well as various allocation percentage adjustments, such as the per-county percentage of total wards who were *not committed* to an SYTF. Importantly, the total funding amount of \$208 million is maintained, however the new elements included in the updated formula raise significant fiscal, policy, and local public safety considerations.

Office of Emergency Services (Cal OES)

Victims of Crime Act (VOCA)

The 2025 Budget Act includes \$100 million General Fund one-time to supplement the federal Victims of Crime Act, with \$97 million allocated for grants and \$3 million allocated for grant administration via Cal OES.

Importantly, other funds available for victim service providers include \$10 million General Fund for grants to family justice centers throughout the state to provide legal services to victims of domestic violence, intimate partner violence, sexual assault, child abuse, elder abuse, transnational abandonment, and human trafficking, and help victims file petitions for protective orders, including domestic violence restraining orders and gun violence restraining orders.

Board of State and Community Corrections (BSCC)

BSCC Civil Action Authority

The 2025 Budget Act includes trailer bill language (AB 134) that authorizes the BSCC to take civil action when a juvenile detention facility is found by the Board to be unsuitable for youth

confinement. These changes allow a superior court to order specified relief, including corrective action plans (CAP) or injunctive relief, for a facility that fails to meet the state's minimum standards for operating a juvenile detention facility. Accordingly, non-compliant CAPs would be subject to BSCC oversight.

The 2025 Budget Act also provides for the following:

- \$7 million ongoing General Fund to the Internet Crimes Against Children Taskforce program to support 5 existing taskforces that support statewide efforts.
- \$5 million ongoing General Fund to the California Highway Patrol (CHP) for positions in the Computer Crimes Investigation Unit to assist in child sexual abuse material and human trafficking cases.
- Reappropriates \$2.9 million for the Adult Reentry Grant, with expenditure authority until June 30, 2029.

Department of State Hospitals (DSH)

Incompetent to Stand Trial (IST) Solutions

The 2025 Budget Act includes reductions to various programs that were part of the IST solutions package in the 2022 Budget Act. Such programs include Early Access and Stabilization Services (EASS) and Jail-Based Competency Treatment (JBCT), totaling an estimated reduction of \$10.9 million General Fund in 2024-25, \$37.8 million in General Fund 2025-26, \$39 million General Fund in 2026-27, and \$51 million General Fund in 2027-28 and ongoing. This proposed reduction will not impact counties with existing contracts or contracts under active negotiation with DSH.

Additionally, the 2025 Budget Act reverts \$232.5 million General Fund from the 2022 Budget Act for unspent grant funds for counties to increase residential treatment housing capacity for IST patients. Please see the Judicial Branch section below for impacts to IST evaluations within the courts.

California Department of Corrections and Rehabilitation (CDCR)

The 2025 Budget Act includes total funding of \$13.6 billion for CDCR (\$13.2 billion General Fund and \$385.4 million other funds). Of this amount, \$4.1 billion is specifically intended for healthcare services. CDCR will work to identify additional savings via operational efficiencies and projects additional savings associated with a future prison closure of \$150 million annual savings at full closure.

Similar to the May Revision, the 2025 Budget Act projects that Proposition 36 will cause a temporary increase of the prison population to 91,205 in 2025-26 to 92,179 in 2027-28 but maintains an overall downward trend to 89,692 by June 30, 2029. The average daily parolee population is projected to be 34,197 in 2025-26. The parole population is projected to remain relatively stable over the next few years at 34,213 by June 30, 2029.

Other items include:

- \$21.5 million in 2025-26 and \$11 million ongoing in increased reimbursement authority for the California Advancing and Innovating Medi-Cal Justice-Involved Initiative (CalAIM JI).
- A reduction of \$6.2 million General Fund in 2025-26, an increase of \$3.8 million in 2026-27, and a reduction of \$11 million annually thereafter to support the full implementation of the CalAIM JI.
- \$17.6 million General Fund in 2025-26 and \$20 million in 2026-27 to initiate an air-cooling pilot program at three prisons to evaluate the effectiveness of various air-cooling alternatives and provisional budget bill language for reporting to the Legislature.

Judicial Branch

The 2025 Budget Act includes \$5 billion for the Judicial Branch (\$3.1 billion General Fund), with \$2.9 billion to support trial court operations. Additionally, the 2025 Budget Act provides for the following:

- \$40 million ongoing General Fund for increased trial court operations costs.
- Restoration of \$42 million General Fund cut in the 2024 Budget Act by instead utilizing available reserves in the Trial Court Trust Fund on a one-time basis.
- \$1 million ongoing General Fund for new trial court operations authorized by SB 42 (Chapter 640, Statutes of 2024) related to changes to the Community Assistance, Recovery, and Empowerment (CARE) Act.
- Reappropriates \$3.4 million for Incompetent to Stand Trial (IST) evaluations and \$1.4 million for the development of a Community Mental health dataset pursuant to SB 929 (Chapter 539, Statutes of 2022).

Department of Justice (DOJ)

The 2025 Budget Act provides \$1.3 billion for the California DOJ, including \$496 million General Fund. Additionally, the following items are included:

- \$2.4 million and 4 positions in 2025-26 and \$812,000 in 2026-27 and ongoing to implement AB 1877 (Chapter 811, Statutes of 2024), related to juvenile record sealing.
- \$5 million one-time General Fund and trailer bill language (AB 134) to establish a Tribal Police Pilot.
- \$2.2 million General Fund and 14 positions and \$1.9 million in 2026-27 and ongoing to maintain time-sensitive firearm workloads within the Firearm Clearance Section's Eligibility Clearance Program and Quality Support Program.

Government Finance and Administration

Fiscal Relief for Counties Impacted by Disasters

January 2025 Wildfires

In late January, the state appropriated \$2.5 billion to support the wildfire response and recovery efforts related to the January wildfires in the Los Angeles area (ABX1 4 and SBX1 3). In April 2025, the state enacted AB 100, an early action budget trailer bill, to expand the allowable uses of the existing wildfire recovery funds to include the following:

- *Property Tax Backfills*—Provide property tax backfills to affected taxing entities (counties, cities, and independent special districts) for property tax losses occurring in the 2024-25 and 2025-26 fiscal years resulting from damage caused by the Eaton and Palisades fires.
- *State Cash Flow Assistance for Local Agencies*—Allow state funding to be allocated to Los Angeles County or cities within the county for unmet wildfire response and recovery needs. Any funding received cannot duplicate or replace the benefits in existing assistance programs. To the extent the local agencies receiving the state funding are reimbursed for local response and recovery efforts, presumably by the federal government, those funds would be deposited back into the state General Fund. This approach essentially provides cash flow relief for local agencies to reduce the impacts of waiting for reimbursement from the federal government.

In addition, the 2025 Budget Act allows the Director of Finance to make up to \$1 billion in General Fund loans available to eligible entities in Los Angeles County for public purposes related to recovery from the January 2025 wildfires in the county. This provision is operative only if future trailer bill language establishing the terms of the loans is enacted in the 2025 legislative session.

Wildfires in Previous Years

The 2025 Budget Act also includes \$407,000 in 2025-26 to reimburse three counties (Butte, Tehama, and Orange) for property tax losses incurred as a result of wildfires during previous fiscal years.

Educational Revenue Augmentation Fund (ERAF)

For the first time, the enacted budget does not fully fund the backfill needed to hold counties with insufficient ERAF harmless under the Vehicle License Fee reduction made in 2004. The

2025 Budget Act arbitrarily cuts the backfill by one third, appropriating only \$79 million to backfill Alpine, Mono, and San Mateo counties, which is \$39.4 million *less* than the total amount needed (\$118.4 million). While the Legislature's proposed budget included the total amount needed, the final budget agreement between the Administration and Legislature reflected the reduced amount.

Tax Proposals

Several tax proposals proposed by the Administration were included in the 2025 Budget Act. This includes: (1) increasing the annual Film and Television Tax Credit 4.0 award cap from \$330 million to \$750 million; (2) excluding military retirement pay and survivor benefits as income for state tax purposes for taxpayers under certain income thresholds; and (3) excluding wildfire settlements received beginning in the taxable year 2021 from taxable income, among others.

State-Mandated Programs

The 2025 Budget Act includes a total of \$94.1 million to reimburse local governments for costs incurred to implement state-mandated programs in 2025-26. See SB 101 for a complete list of state-mandated programs that are either funded or suspended in 2025-26.

To address revenue constraints or increasing costs, the state will suspend some mandated programs via the state budget. While a mandate is suspended, the requirement remains in law; however, local governments are not required to comply with the state-mandated requirements in that fiscal year and the state has no reimbursement obligation.

As discussed in CSAC's 2025-26 May Revision Budget Action Bulletin, the Administration proposed a different strategy to suspending mandated programs – suspending the requirements of a few mandates retroactively. This means that the state purports that it does not have to reimburse claims by local governments for costs already incurred during the suspension time frame, even though they were in effect at the time services were performed, and costs incurred. In the May Revision, the Administration proposed to retroactively suspend four mandates related to stormwater permit requirements from the period of December 2009 to December 2017. Final costs for these four mandates total around \$4 million and would not have a direct out-year fiscal impact for the state. However, despite the *de minimis* impact on the state budget and the LAO's recommendation to reject the Administration's proposal and instead reimburse local governments' past costs, the final budget approves the suspension of these four mandates.

Health and Human Services

Notable Health and Behavioral Health Budget Solution Outcomes

- *Medi-Cal Asset Limit* – AB 116 (health trailer bill) restores the Medi-Cal asset limit to \$130,000 for individuals plus an added \$65,000 for each additional household member beginning January 1, 2026. The Governor had proposed reinstating the Medi-Cal asset limit to \$2,000 for individuals in the May Revision.
- *Freeze Enrollment for Full-Scope (State-Only) Medi-Cal Expansion for Adults 19 Years and Older* – AB 116 freezes enrollment for full-scope (state-only) Medi-Cal for undocumented individuals ages 19 years and older, beginning January 1, 2026. The enrollment freeze includes a three-month grace period allowing for re-enrollment for those who lose coverage. Additionally, undocumented individuals who are already enrolled in Medi-Cal cannot age out of the program.
- *Medi-Cal Premiums for Adults with UIS* – Establishes a \$30 per month Medi-Cal premium for individuals ages 19 to 59 with unsatisfactory immigration status (UIS) effective July 1, 2027 (exemption from premium for pregnant women). The May Revision had proposed a monthly premium of \$100 for all adults with UIS effective two years earlier on July 1, 2025.
- *Prospective Payment System (PPS) Payments to Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs) for UIS* – AB 116 eliminates PPS rates for state-only-funded services provided to individuals with UIS no sooner than July 1, 2026. The PPS is a payment system that adjusts for geographic differences in the cost of services based on the delivery site where the services are provided. Following the elimination, these services will be reimbursed at the applicable Medi-Cal Fee Schedule rate in the fee-for-service delivery system and at the applicable negotiated rate between a Medi-Cal managed care plan and FQHC/RHC in the managed care delivery system.
- *Eliminate State-Only Dental Benefits for Adults 19 and Older with UIS* – AB 116 eliminates full-scope, state-only dental coverage for Medi-Cal members ages 19 and older with UIS beginning July 1, 2026.
- *State-Only Long-Term Care Benefits and IHSS for Adults 19 and Older with UIS* – The final budget agreement does not include the Governor’s May Revision proposal to eliminate long-term care benefits and IHSS for adults with UIS.

- *Prior Authorization for Hospice* – AB 116 imposes utilization management and prior authorization requirements for Medi-Cal outpatient hospice services no sooner than July 1, 2026.
- *GLP-1 and Acupuncture Coverage* – AB 116 does not include the elimination of acupuncture as an optional Medi-Cal benefit, as proposed in the Governor’s May Revision. However, AB 116 eliminates Medi-Cal pharmacy coverage for Glucagon-Like Peptide-1 (GLP-1) agonists for weight loss, beginning January 1, 2026. GLP-1 agonist drugs will continue to be covered for diabetes.
- *Skilled Nursing Facilities (SNFs)* – AB 116 eliminates the Workforce and Quality Incentive Program for SNFs effective January 1, 2026, and suspends the requirement for SNFs to maintain a backup power system that functions for at least 96 hours.
- *Behavioral Health Services Fund (BHSF) General Fund Offset* – The final budget provides \$85 million from the BHSF to offset General Fund costs for the Behavioral Health Bridge Housing program.
- *Proposition 56 Supplemental Payments* – The final budget eliminates supplemental Medi-Cal provider payments for dental services supported by Proposition 56 tax revenue by July 1, 2026. However, the final agreement does not include the elimination of Proposition 56 supplemental Medi-Cal payments for family planning and for women’s health services, as proposed in the Governor’s May Revision.
- *MCO Provider Tax* – The final budget includes \$1.3 billion in General Fund savings in 2025-26 and \$264 million in 2026-27 from Proposition 35. The final budget reflects \$804 million in 2024-25, \$2.8 billion in 2025-26, and \$2.4 billion in 2026-27 for the MCO tax and Proposition 35 [expenditure plan](#). This includes \$1.6 billion across 2025-26 and 2026-27 to support increases in managed care base rates relative to Calendar Year 2024 for primary care, specialty care, ground emergency medical transportation, and hospital outpatient procedures.
- *Pharmacy Drug Rebates* – The final budget agreement implements a rebate aggregator to secure state rebates for individuals with UIS. Estimated General Fund savings are \$300 million in 2025-26 and \$362 million ongoing. The final budget also increases the minimum rebate for HIV/AIDS and cancer drugs, resulting in an estimated savings of \$75 million in 2025-26 and \$150 million ongoing.

Behavioral Health Services Act (Proposition 1)

The 2024 Budget Act included \$85 million (\$50 million General Fund) for counties to begin administering the Behavioral Health Services Act (BHSA) as passed by the voters under Proposition 1 in March 2024. The final budget maintains the \$93.5 million in 2025-26 for

counties to continue implementation efforts under the BHSA, as proposed in the Governor's May Revision. However, as previously noted, \$55 million of the \$93.5 million total that had been funded with General Fund will be swapped out with part of the state's portion of Behavioral Health Services Fund (BHSF) dollars.

The final budget also includes \$190.2 million in 2025-26, \$427.5 million from 2026-27 through 2029-2030, and 57 permanent staff positions for the Department of Health Care Access and Information (HCAI) to implement the Behavioral Health Workforce Initiative beginning in January 2026. Proposition 1 directs HCAI to implement a comprehensive workforce initiative to build and support a robust and diverse behavioral health workforce capable of providing high-quality, holistic services to all Californians. The initiative is to be developed in consultation with various stakeholders, including DHCS, behavioral health professionals, counties, education and training programs, and consumer advocates. These resources will be used to implement and administer the BH-CONNECT Workforce Initiative.

The final budget also includes \$54 million Behavioral Health Services Fund, \$20 million Opioid Settlement Fund, and \$52 million federal funds in 2025-26 to support DHCS efforts to implement Behavioral Health Transformation. Additionally, the final budget provides approximately \$12.5 million in 2025-26 through 2028-29, and approximately \$3.5 million in 2029-30 and ongoing, to support 22 positions at DHCS and one-time contracting resources to implement the Behavioral Health Infrastructure Bond Act.

988 Suicide and Crisis Lifeline Centers

The budget includes \$17.5 million (one-time General Fund) from the 988 State Suicide and Behavioral Health Crisis Services Fund to provide additional support to 988 Suicide and Crisis Lifeline Centers.

Public Health

Future of Public Health Funding Maintained

The Budget preserves the Future of Public Health investment, which provides approximately \$276 million General Fund annually, with roughly \$188 million dedicated to local public health. Originally appropriated through the 2022 Budget Act, the Future of Public Health funding has been a critical investment in California's public health readiness and response to existing and emerging public health threats. Local health departments have hired more than 1,100 staff positions using these funds, leading to strengthened local programs, services, and partnerships to reduce health disparities.

Public Health IT Infrastructure Funding Restored

The final Budget includes approximately \$31.5 million one-time funding to support the maintenance and operations for the California Vaccine Management System, also known as myCAvax. Without this funding, health care providers, the state, and local health departments would have had to return to using spreadsheets and manual calls to track vaccination distribution and records management.

CSAC, alongside county partners, [advocated](#) to maintain critical Future of Public Health Funding and formally requested restoration of funding for the myCAvax system.

Emergency Regulations for Acute Psychiatric Hospitals

The final budget includes budget trailer bill language requiring the Department of Public Health to adopt emergency regulations by January 31, 2026, for acute psychiatric hospitals/facilities not operated by the Department of State Hospitals. The final budget agreement also allocates \$1 million in 2025-26 to the Department of Public Health to support investigations of complaints against acute psychiatric hospitals.

HUMAN SERVICES

In-Home Supportive Services

The In-Home Supportive Services (IHSS) program provides assistance and services to eligible older or disabled individuals to help them remain safely in their homes.

IHSS Collective Bargaining

The 2025 Budget Act includes \$3.3 million for operations and staffing for statewide IHSS collective bargaining. The funding would be provided to the California Department of Human Resources (CalHR) and could also be used for an interagency agreement with the California Department of Social Services (CDSS). AB/SB 129 (labor trailer bill) specifies that this funding could only be utilized when specific legislation is enacted, either AB 283 or a bill providing for an appropriation that specifies the use of this funding.

AB 283 is a bill related to IHSS collective bargaining that CSAC has been actively engaged on this year. CSAC, the County Welfare Directors Association (CWDA), and the California Association of Public Authorities (CAPA) negotiated with the author and sponsors over the past several months and recently [reached agreement on a series of amendments](#) that

address county concerns. CSAC will continue to work on this bill as a top priority as it moves forward in the legislative process.

It should be noted that earlier in the week, AB/SB 129 contained different language related to IHSS collective bargaining when the trailer bill was first amended. The initial language would have required the creation of a statewide bargaining advisory committee that would issue a series of reports on various aspects of potential statewide bargaining over a several year period. Further, it would have indicated the intent of the Legislature to begin the transition to IHSS collective bargaining no earlier than January 1, 2030. The IHSS provider unions that are sponsoring AB 283 (SEIU and UDW) raised significant concerns with that initial language.

IHSS Late Penalties

AB/SB 118 (human services trailer bill) contains a modified version of the May Revision proposal to shift the costs of certain IHSS late assessment penalties from the state to counties. These penalties relate to the Community First Choice Option (CFCO) component of IHSS that provides an enhanced federal match. AB/SB 118 would require the state and counties to split the cost of these penalties in 2025-26, and for counties to pay the full cost starting in 2026-27. The May Revision would have shifted the full cost to counties starting in 2025-26, and CSAC opposed that proposal. The trailer bill outlines that counties would owe this amount separate from the maintenance of effort, pay for the months in which the enhanced payment is not received, and that guidance on implementation of this process will be developed in consultation with CWDA.

IHSS Budget Solutions

The final budget agreement rejects or modifies the IHSS budget solutions that were proposed in the May Revision. Specifically, the proposals to cap IHSS provider hours for overtime at 50 hours per week, eliminate IHSS benefits for those who are eligible for Medi-Cal through the expansion regardless of immigration status, and to conform the IHSS Residual Program with timing of Medi-Cal coverage are all rejected. The proposal to reinstate the asset limit for IHSS at \$2,000 per individual and \$3,000 for couples was modified to reinstate it at \$130,000 per individual and \$195,000 per couple, consistent with the provisions on the asset test for Medi-Cal in the budget agreement.

Child Welfare and Foster Care

Child welfare services and foster care provide a range of services for children who are at risk of, or have been, victims of abuse and neglect.

Tiered Rate Structure Implementation

AB 161 (Chapter 46, Statutes of 2024) enacted a new foster care permanent rate structure with implementation set to occur on July 1, 2027. The May Revision proposed to make implementation of this new rate structure in 2027-28 subject to a trigger provision based on the availability of General Fund revenues in spring 2027. AB/SB 119 (public social services trailer bill) would instead make the implementation subject to a budget appropriation.

Family Urgent Response System (FURS)

The FURS program provides foster youth and their caregivers with the immediate support they need during times of emotional crisis, and links youth and families to needed supports and services to help stabilize the situation. CSAC opposed the May Revision proposal to reduce funding for the program, which receives \$30 million annually, by \$13 million annually ongoing. The 2025 Budget Act would instead reduce funding for the FURS program by \$9 million annually ongoing.

Foster Family Agency Insurance Crisis

The 2025 Budget Act would provide \$31.5 million (\$23 million General Fund) to CDSS related to the FFA insurance crisis. CDSS would be able to distribute this funding to eligible FFAs that experienced a documented increase in the costs of liability insurance. CSAC supported funding to address the FFA insurance crisis.

Mandated Reporting

AB/SB 119 contains several provisions related to mandated reporting for child welfare. First, it would establish a Mandated Reporting Advisory Committee that would be intended to ensure the continuation of the transformation of Mandated Reporting to Community Supporting and elimination of disparities in the child welfare system. Committee members would include representatives of county agencies, labor organizations, community-based organizations, and parents and youth impacted by the child welfare system.

Second, AB/SB 119 would require CDSS, through the State Office of Child Abuse Prevention, to develop a standardized curriculum for mandated reporters by July 1, 2027. The curriculum would be required to reflect the intent of the Legislature to implement this training to

emphasize community-based supports and family preservation services to reduce disparities in the child welfare system.

California Work Opportunity and Responsibility to Kids (CalWORKs)

The CalWORKs program is California's version of the federal Temporary Assistance for Needy Families (TANF) program, which provides temporary cash assistance to low-income families with children to meet basic needs as well as welfare-to-work services to help families become self-sufficient.

Program Streamlining

AB/SB 119 contains language that would implement the May Revision proposal to streamline the CalWORKs program. These policy changes are intended to align with more family-centered approaches to CalWORKs. The May Revision included four significant policy changes – (1) Expand allowable welfare-to-work (WTW) activities; (2) Reassess mandatory activities; (3) Simplify curing of sanctions; and (4) Elimination of CalWORKs RADEP and E2Lite. AB/SB 119 augments the Administration's proposal with four additional changes – (1) First 90-day sanction deferral; (2) Family-centered program flow changes to appointment structure and plan development; (3) Improved access to existing child care and transportation supportive services; and (4) Work Participation Rate county penalty pass-through repeal on a prospective basis.

Nutrition Assistance

The CalFresh program is California's version of the federal Supplemental Nutrition Assistance Program (SNAP), which provides federally funded food benefits for eligible families.

Fruit and Vegetable Pilot Program

The California Fruit and Vegetable Pilot was established to develop a scalable model for increasing the purchase of fruits and vegetables by CalFresh recipients through supplemental benefits. The 2025 Budget Act provides \$36 million General Fund one-time for 2025-26. AB/SB 118 outlines that the required evaluation currently underway would be specific to the pilot projects that operated between February 1, 2023 and January 1, 2025.

Food Banks

The 2025 Budget Act would provide \$52 million General Fund one-time for food banks through the CalFood program, resulting in a total of \$60 million in funding for 2025-26.

Child Care and Early Learning

Rate Increases

AB/SB 120 (early childhood education and child care trailer bill) establishes an ongoing cost of living adjustment (COLA) beginning in 2025-26 for subsidized child care and preschool programs, with \$70 million General Fund and \$19.3 million Proposition 98 funding.

Emergency Child Care Bridge

The Emergency Child Care Bridge program was first implemented in 2018 and provides time-limited vouchers for child care and child navigator services for children within the foster care system. The final budget includes an early reversion of \$30 million General Fund in 2024-25 and a reduction of \$30 million General Fund in 2025-26 (and ongoing) for the program, leaving approximately \$63.7 million General Fund to support the program. This is a modification of the May Revision proposal to have an ongoing \$42.7 million reduction to the program.

Homelessness

Homeless Housing, Assistance and Prevention (HHAP) Program

There is no funding provided to HHAP in 2025-26. AB/SB 131 (public resources trailer bill) includes a \$500 million appropriation for HHAP that is intended for 2026-27. The trailer bill identifies several conditions that must be met before this funding would be allocated and disbursed. CSAC [maintains significant concerns](#) about the lack of funding in the coming year and intent to fund only half the usual \$1 billion amount in the following year.

Prior to allocation of the \$500 million, AB/SB 131 outlines that there must be legislation enacted that specifies the parameters for a Round 7 of the program. SB 131 also states the Legislature's intent to enact such legislation. The future HHAP Round 7 legislation would need to address the following conditions:

1. Having a compliant housing element
2. Having a local encampment policy consistent with administration guidance
3. Having a prohousing designation
4. Leveraging local resources to scale state investments
5. Demonstrating progress on key housing performance metrics
6. Demonstrating urgency and measurable results in housing and homelessness prevention

Prior to the funding being disbursed to counties, cities, tribes, and continuums of care (CoC), the Director of the Department of Housing and Community Development (HCD), in consultation with the Director of the Department of Finance, must make two declarations related to Round 6 funding. These declarations are – (1) HCD has substantially completed the initial disbursement of Round 6 funding and (2) The county, city, tribe, or CoC has obligated at least 50% of its total Round 6 award.

CDSS Homelessness Programs

The 2025 Budget Act provides restored funding for three CDSS homelessness programs that are administered by counties. CSAC supported additional funding for these programs. Specifically, AB/SB 102 includes one-time General Fund of \$83.8 million for Home Safe, \$81 million for Bringing Families Home, and \$44.6 million above the \$25 million base amount for the Housing and Disability Advocacy Program (HDAP). Bringing Families Home provides

housing-related supports to child welfare involved families and those at risk of homelessness. Home Safe helps prevent homelessness for victims of elder and dependent adult abuse and neglect served by Adult Protective Services (APS). HDAP serves people who are homeless or at risk of homelessness and are likely eligible for disability benefits and housing supports. Budget bill language indicates that this funding will be available for expenditure through June 30, 2028. AB/SB 119 indefinitely extends the waiver of the county match requirement for these three programs.

Encampment Resolution Funding

The 2025 Budget Act provides \$100 million for Encampment Resolution Funding for grants to local jurisdictions to address encampments and transition individuals into permanent housing. Up to \$50 million of this funding shall be reserved for projects that address encampments on state rights-of-way.

New Housing and Homelessness Agency

The 2025 Governor’s Reorganization Plan was submitted on April 4, 2025 and would split the Business, Consumer Services, and Housing Agency into two separate agencies. One of the agencies would be a new Housing and Homelessness Agency. The 2025 Budget Act approves the resources to support this reorganization plan, but makes that approval contingent on the plan going into effect. The Legislature has until July 4 to adopt a resolution to reject the plan.

Shelter Inspections

AB/SB 130 (housing trailer bill) requires counties and cities to perform annual inspections of each homeless shelter in their jurisdiction to determine whether the shelter is substandard. Cities would be responsible for shelters in their jurisdiction with counties responsible for shelters within the county’s jurisdiction. For cities with a population under 100,000, they may partner with the county to conduct the inspection. These provisions were incorporated from a bill, [AB 750 \(Quirk-Silva\)](#), that was moving through the legislative process.

Housing, Land Use, and Transportation

The 2025 Budget Act spending package for the Housing, Land Use and Transportation policy area contains a variety of legislative augmentations that the Administration had either not proposed, or specifically reduced, in the Governor's version of the budget proposed earlier this year. Additionally, the 2025 Budget Act contains a set of trailer bills that modify the California Environmental Quality Act (CEQA) process, building standards development, and create a Vehicle Miles Traveled (VMT) mitigation program to achieve a variety of policy goals that would typically require much negotiation and compromise if attempted through the traditional legislative policy process rather than the budget process.

Housing

The final budget for housing includes ongoing efforts to address the state's housing affordability and availability crisis. We note that these amounts are much smaller than the billions appropriated in past budgets. Additionally, the Legislature approved the Governor's Reorganization Plan, which splits the existing Businesses, Consumer Services and Housing Agency into the California Housing and Homelessness Agency and the Business and Consumer Services Agency. A summary of the most notable funding and trailer bills in the package includes:

- \$620 million to support new housing projects with \$500 million for Low Income Housing Tax Credits and \$120 million in funding for the Mutli-Family Housing Program.
- \$100 million for homelessness encampment resolution grants administered by the Department of Housing and Community Development (HCD). Eligible grant activities are focused on resolving critical encampments as well as transitioning individuals into permanent housing. Additionally, up to half the funding (\$50 million) is reserved for county or city led projects to resolve encampments on state's rights-of-way, such as state highways, river bottoms and flood control infrastructure that meet HCD priority criteria.
- Trailer bills (SB/AB 130 and SB/AB 131) that make significant changes to the CEQA process to reduce the initial study requirements for a variety of housing and other types of development projects as a means to expedite these projects.
 - Additionally, SB/AB 131 creates or expands a variety of CEQA exemptions for the following types of projects:

- Linear broadband projects that occur in the right-of-way of existing county roads,
 - New agricultural employee housing projects and projects consisting exclusively of the repair or maintenance of an existing farmworker housing project,
 - Projects to provide sewer service to a disadvantaged community served by one or more inadequate sewage treatment systems,
 - Wildfire risk reduction projects, including those that utilize prescribed fire, engage in defensible space clearance, and create fuel breaks,
 - Rezoning projects that are needed to implement an approved housing element under certain conditions. (The bill would still allow counties to determine if a project pursued as a result of the rezoning is exempt from CEQA.)
- Aspects of AB 609 (Wicks), which facilitate increased housing production for infill sites in urban areas by providing exemptions to CEQA procedures.
 - Elements of AB 306 (Rivas/Schultz), which limit state and local government ability to modify portions of state and local building standards and codes, from October 2025 through June 2031.
 - Begin allowing affordable housing developers funded by HCD to leverage the equity in their affordable housing projects to finance further investments in affordable housing projects, subject to specified limitations.

Transportation

The final 2025 Budget Act agreement preserves some of the funding commitments made in past budgets for transportation projects. However, the notable exception is that the capital augmentations that were promised to begin in 2025-26 for transit capital programs funded with Greenhouse Gas Reduction Funds (GGRF) are not included. Although the Legislature restored the General Fund commitments to the transit capital program, the final outcome of the amount of GGRF commitments that will be available is subject to the ongoing negotiations between the Legislature and Administration on the program extension.

A summary of the most notable funding and trailer bills in the package includes:

- Retains approximately \$1.5 billion for transit service providers that the Governor proposed to cut in the May Revision budget proposal.
- \$100 million for the Active Transportation Program, which encourages projects that increase the use of active modes of transportation, such as walking and biking.

- Establishes a voluntary VMT mitigation bank that allows counties to direct their required transportation VMT mitigation funding to a program that funds infill affordable housing projects and related infrastructure projects in their region. CSAC will stay involved as this effort transition to state guideline development to ensure the variety of VMT mitigation quantification and cost estimation methodologies that will be adopted are relevant and useful for all counties.

Indian gaming Special Distribution Fund:

The final budget agreement includes trailer bill language that removes the ability for resources from the Indian Gaming Special Distribution Fund (SDF) to be used to provide funding to counties and cities that are impacted by tribal government gaming. The SDF was established in the early 2000s after the voters approved the initiative that allows tribes to expand gaming operations on their lands in exchange for state regulation. We note that since the fund was created, counties and local governments are statutorily identified to be the last priority to receive resources from this fund. Although counties received funding from the SDF in the early 2000s, this funding was redirected to fund state gaming regulatory activities during past budget shortfalls and local governments have not received any SDF funding in many years.