



2025-26 California Budget May Revision Summary: Key Updates on Early Learning and Care Investments

On Wednesday, May 14th, the administration of Governor Gavin Newsom introduced his [2025-26 May revision](#) of the state budget proposal. Early Edge has summarized the key Early Learning and Care investments included in the revision.

Transitional Kindergarten (TK)

- **Universal TK Expansion** — \$2.1 billion ongoing Proposition 98 funding to fully expand TK to be available to all children who turn four years old by September 1, 2025.
- **Teacher-to-student ratios** — \$1.2 billion Proposition 98 funding to lower the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.
- **Expanded Learning Opportunities Program** — \$515.5 million Proposition 98 funding to expand universal access and fully cover costs.
- Shifts \$492.4 million in **Proposition 98 funds** from community colleges to TK-12. As TK has been implemented and Proposition 98 has been rebenchmarked to account for the new students, community colleges have received a portion of those funds. The Governor is proposing to shift those funds to the TK-12 side of Proposition 98 for the expansion of Universal Transitional Kindergarten, aligning with the intent to prevent fiscal strain on existing TK-12 programs.

Mixed-Delivery System of Early Learning and Care

- **CDSS Administered Child care and Development Programs** - \$7 billion, \$4.5 billion of which is General Fund.
- **Single Rate Structure** — \$21.8 million for start-up automation activities to automate a new single rate structure that will reflect the true cost of providing child care.
- **Cost of Care Plus Payments** — \$44.8 million to continue Cost of Care Plus Rate monthly payments for state-subsidized child care providers until June 2026 and increases the administrative fee to 10%.
- **Prospective Payments for Providers** — \$52 million General Fund to support the transition to paying child care providers in advance of services rendered. Of this amount, \$43.8 million is allocated for ongoing local administrative support, and \$8.2 million is for system automation upgrades. California has received a federal waiver through August 1, 2026, allowing two additional years to complete implementation of prospective payments and will have six new positions to support implementation.
- **Direct Deposit Payments** — \$1.1 million General Fund reappropriation to extend the current direct deposit vendor contract and \$944,000 General Fund in 2025–26 and \$922,000 ongoing to support five new positions for transitioning to in-house processing of payments to over 1,400 child care providers.

- **Suspension of Child Care Cost-of-Living Adjustment** — A reduction of \$60.7 million General Fund in 2025-26 and ongoing to suspend the child care cost-of-living adjustment in 2025-26.
- **Suspension of State Preschool Cost-of-Living Adjustment** — A reduction of \$19.3 million ongoing Proposition 98 General Fund and \$10.2 million ongoing General Fund to reflect the suspension of the statutory cost-of-living adjustment for the California State Preschool Program in 2025-26.
- **Reduction of Emergency Child Care Bridge Program** — A reduction of \$42.7 million General Fund in 2025-26 and ongoing to address underutilization. The proposal maintains \$51 million in annual ongoing funding for the program.

Multilingual Learners (MLs)

- **\$200 million** one-time Proposition 98 General Fund to support evidenced-based professional learning for elementary school educators aligned with the ELA/ELD Framework.
- **\$1.7 billion** Proposition 98 funding for the Student Support and Discretionary Block Grant, which includes professional development opportunities and supports for teachers on the ELA/ELD Framework and the Literacy Roadmap. **Down from \$1.8 billion.**
- **TK Multilingual Learner Supplementary Funding** —\$7.5 million one-time Proposition 98 General Fund, available through the 2026-27 fiscal year, to mitigate reductions in supplemental and concentration grant funds to LEAs resulting from the recent exemption of TK students from the English language proficiency assessment.
- **Maintains \$10 million for English Language Screener for TK Students**—Directs and requires the State Superintendent of Public Instruction to select and make available to local educational agencies at no cost a screening instrument to identify transitional kindergarten multilingual students no later than March 1, 2026, for implementation beginning in the 2027-28 school year.
- **Regional English Learner Lead Agencies** —\$2 million ongoing Proposition 98 General Fund to support Regional English Learner lead agencies that assist schools in providing focused support to English Learners.

Medi-Cal

- **Enrollment Freeze for Full-Scope Medi-Cal Expansion for Undocumented Adults, Adults 19 and Older** — Reduction of \$86.5 million in 2025-26, growing to \$3.3 billion in 2028-29.
- **Imposes New (State-Only) Medi-Cal Premiums for Undocumented Adults** – Implements \$100 monthly premiums for undocumented adults aged 19 and older, effective January 1, 2027.
- **Elimination of (State-Only) Prospective Payment System Rates to Federally Qualified Health Centers and Rural Health Clinics for Undocumented Immigrants** – Eliminates state-only Prospective Payment System rates for undocumented patients at

clinics; reimbursement shifts to standard Medi-Cal fee-for-service or managed care rates.

- **Elimination of (State-Only) Long-Term Care for Individuals with Undocumented Immigration Status** – Eliminates state-only long-term care benefits for undocumented individuals, effective January 1, 2026.
- **Elimination of (State-Only) Dental Benefits for Undocumented Adults** – Eliminates full-scope state-only dental coverage for Medi-Cal members with undocumented immigration status aged 19 and older, effective July 1, 2026. This population will continue to have access to restricted-scope emergency dental coverage.
- **Medi-Cal Asset Test Limits** – Reinstates asset limits for determining Medi-Cal eligibility, counting resources such as property and other assets. The limit would be \$2,000 for individuals and \$3,000 for couples, effective January 1, 2026.
- **Medi-Cal Minimum Medical Loss Ratio** – Increases the minimum medical loss ratio for managed care plans, commencing January 1, 2026.
- **Elimination of Acupuncture Optional Medi-Cal Benefit** – Eliminates acupuncture as an optional benefit for all beneficiaries.

Other Dis/Investments

- **Nutrition**—\$90.7 million in additional ongoing Proposition 98 General Fund to fully fund the universal school meals program in 2025-26.
- **Summer Electronic Benefits Transfer (SUN Bucks)** — \$21.9 million in additional ongoing Proposition 98 General Fund to support the SUN Bucks Program, which provides nutrition funding to eligible students during the summer months. These funds will provide the match to an equal amount of federal funds to support the program.
- **Summer Electronic Benefits Transfer (SUN Bucks)** — SUN Bucks provides \$120 per child (\$40 per month for June, July, and August) in federally-funded food benefits to children who lose access to free and reduced-price meals during the summer school closure period. The May Revision includes \$115.8 million (\$57.5 million General Fund) in 2025-26 for transaction costs and outreach to allow California to provide an estimated \$815.9 million in federal food assistance to children.
- **Fire-Related Property Tax Backfill** — A one-time fire-related property tax backfill of \$1.2 million in 2024-25 and \$8.5 million in 2025-26 for impacted basic aid school districts.