

May 14, 2025

TO: CLA MEMBERS/ SYSTEMS/ NETWORK CONTACTS

FROM: Christina DiCaro, CLA Lobbyist

RE: News From the Capitol

### **GOVERNOR'S MAY REVISION OF THE 2025-26 BUDGET IS RELEASED**

During a press conference in Sacramento this morning, Governor Gavin Newsom released his "May Revision" of the 2025-26 State Budget, which includes his spending priorities as well as his specific plans to close a \$12 billion shortfall. In the May Revision document released simultaneously with the Governor's press conference, the Governor notes that the state was actually on pace to be \$7.9 billion above its earlier projected revenue estimates and was expecting to have a "modest surplus in fiscal year 2025-26" were it not for large expenditure increases in the state's Medi-Cal program and the "substantial changes in federal policy, specifically broad-based tariffs."

In his opening statement, the Governor indicated that "California is under assault" from the federal government and expressed his disappointment with the Administration's suspensions and cuts to research dollars for universities, and "libraries and knowledge," and other critical areas. The Governor explained that the Administration's actions have caused "deep uncertainty" for the state when attempting to craft a balanced budget. Tourism, the Governor stated, contributes \$157.3 billion to California's economy but is down 11% in the month of March due to declines in travel traffic from Germany, the United Kingdom, and Canada. There has also been a \$10 billion decline in capital gains taxes and a decrease of \$2.5 billion in corporate taxable profits, among other previously unanticipated decreases, due to fallout from federal actions.

In terms of May Revision actions affecting the California State Library, the Governor does not propose any cuts to two popular programs – Lunch at the Library and the California Library Services Act (and he did not propose cuts to those programs in his January Budget). Currently, there is \$3 million in ongoing funds for the Lunch at the Library program in the Budget, and there is \$1.8 million in ongoing funds in the Budget for the California Library Services Act. This is the same amount of funding that was approved in the 2024-25 Budget – no changes. CLA has requested that the legislature provide funding restoration for these programs, as they were both cut in 2024-25.

The Governor does make two notes in his May Revision regarding the impact of the loss of federal funding on the State Library operations and library programs. The Governor acknowledges that it would be challenging to assume that the State Library

will receive any LSTA dollars for 2025-26 based on what is currently transpiring in Washington D.C., and he and his Department of Finance are choosing to not account for any of the previously anticipated \$16 million for LSTA in this year's Budget. It should be noted that during the Governor's press conference today, he reiterated that it will not be possible for the state to backfill the loss of federal funds affecting various departments and agencies due to the substantial size and scope of those cuts. He then added that there are "some categories where we can address some concerns." There is no doubt that a \$16 million loss of LSTA funds in California will affect critical library programs and the impacts will be felt widely. The Governor also proposes shifting unspent dollars in a current program at the State Library pertaining to digital preservation, in order to backfill some of the State Library positions that are funded through federal dollars. Here is the specific text from the Governor's May Revision pertaining to the State Library:

*"In April 2025, the State Library received a notice from the acting director of the federal Institute of Museum and Library Services (IMLS) informing them that their federal grant through the IMLS was terminated. As a result of this mid-year action, the State Library was forced to forego \$3.4 million of an expected \$15.7 million in federal grant support for 2024-25. The grant funds supported both State Library personnel and grants to local libraries to promote resource sharing across diverse populations within communities and the implementation of equitable programming.*

*Prior to the federal grant elimination, the State Library estimated the federal allocation to California to be \$16 million in 2025-26. In recognition of the uncertainty created for the proposed grant elimination, the May Revision removes the ongoing authority for these funds beginning in 2025-26.*

*To provide resources to support federally funded positions at the State Library, the May Revision reallocated \$4.3 million one-time General Fund from a 2022 Budget allocation for the Comprehensive Digitization Strategy Initiative to augment resources for Library personnel in 2024-25 and 2025-26."*

In terms of next steps: the various Budget Subcommittees, assigned to specific sections of the State Budget - such as K-12 education and the State Library - will commence hearings on the May Revision of the Budget early next week. The Subcommittees have the latitude to accept the Governor's proposals, make reductions or changes, and propose their own solutions. The Assembly Speaker Rob Rivas and Senate President pro Tem Mike McGuire will enter into negotiations with Governor Newsom during this period in an effort to send a Budget bill to the Governor's desk by the legislature's constitutional deadline of June 15.