BUDGET SHORTFALL & KEY ADJUSTMENTS

By Pat Moran, RPEA Lobbyist, Aaron Reed & Associates

Governor Gavin Newsom unveiled his revised 2025–26 California state budget based on a projected $12 billion deficit, on May 14, 2025. This projected downturn contrasts sharply with the modest surplus anticipated in January.

CAUSES OF THE BUDGET SHORTFALL

Governor Newsom attributes the deficit to several factors:

- Federal Trade Policies: Tariffs and trade disruptions led to a $16 billion revenue loss through June 2026, impacting key industries and reducing tax revenues;
- Healthcare Expenditures: The Medi-Cal program experienced a $6 billion cost overrun this year, partly due to expanded coverage for undocumented immigrants;
- Tax Revenue Volatility: Delays in tax filings - especially in wildfire-affected areas -created uncertainties in revenue projections.

KEY BUDGET ADJUSTMENTS

To address the deficit, the revised $321.9 billion budget includes these adjustments:

- Medi-Cal Reforms: Freezing new enrollments for undocumented adults starting January 2026, and introducing a $100 monthly premium for existing enrollees, aiming to save $5.4 billion by 2029;
- Healthcare Service Reductions: Eliminating coverage for certain weight-loss drugs and capping overtime for in-home caregivers;
- Public Safety Adjustments: Proposing the closure of another state prison by 2026, potentially saving $150 million annually;
- State Employee Compensation: Suspending planned salary increases for state employees, resulting in $766.7 million in savings.

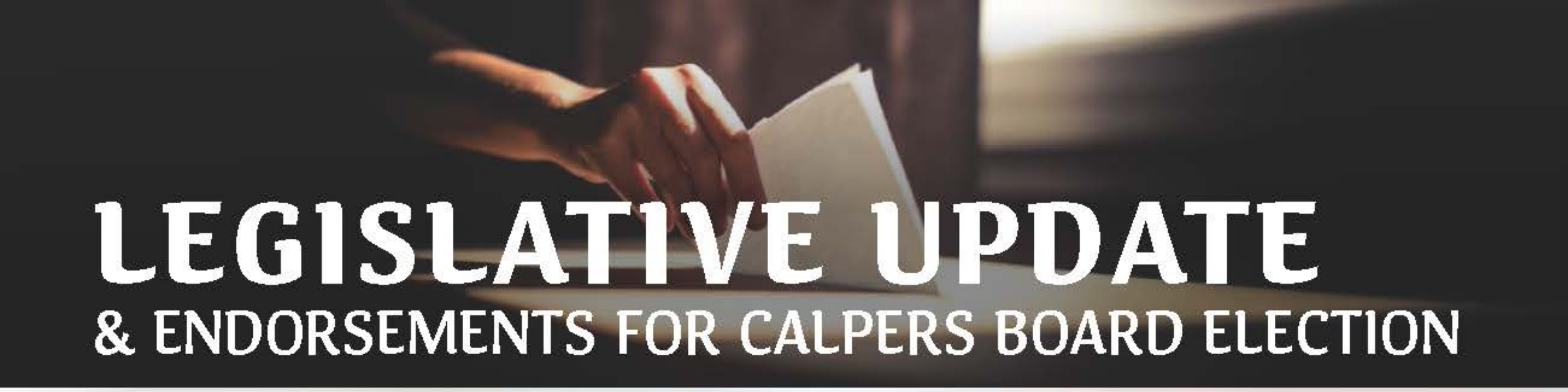
CONTINUED INVESTMENTS

Despite fiscal constraints, the budget maintains investments in the following:

- Education: Fully funding universal transitional kindergarten, providing free school meals, and allocating $545 million for literacy programs;
- Water Infrastructure: Fast-tracking the Delta Conveyance Project to modernize the State Water Project, ensuring water reliability for 27 million Californians;
- Technology Sector: Allocating $85 million for AI and IT upgrades and maintaining a $25 million commitment for a microchip design center.

NEXT STEPS

The Legislature faces a June 15 deadline to pass a balanced budget. Negotiations will focus on reconciling proposed cuts with legislative priorities, ensuring fiscal responsibility while maintaining essential services. Concerns about the budget should be shared with your legislators.



LEGISLATIVE UPDATE
& ENDORSEMENTS FOR CALPERS BOARD ELECTION

By Randall Cheek | Director of Legislation

AB 83 UPDATE

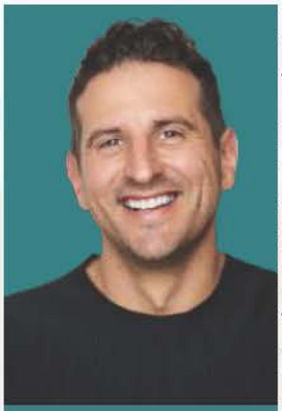
The legislative session is in full swing and RPEA is watching and supporting numerous bills. We are co-sponsoring AB 83 (Pacheco) - known as the "California Elder Financial Abuse Prevention Act" - a bill that aims to protect seniors from financial exploitation by scammers. It empowers depository institutions to take proactive measures, such as stopping suspicious transactions and alerting trusted contacts, when financial fraud is suspected. The bill also exempts those disclosures from state privacy laws,

At the request of the Assembly Speaker, the bill has been made into a two-year bill to allow the combination of other financial, elderly, issues bills into one bill. This bill is on hold until next year.

RPEA CALPERS BOARD ENDORSEMENTS

Over the past several months, the RPEA legislative committee met and interviewed a number of candidates for the two, statewide, member-at-large positions on the 13-member CalPERS Board.

For the position A on the board - currently held by David Miller - the committee agreed that the best person to fill the seat is firefighter *Dominick Bei* of Santa Monica. Bei was born and raised in California and graduated Sonoma State University Magna Cum Laude. A 16-year veteran of the Santa Monica Fire Department, where he is currently Fire Captain and past president of the Santa Monica Firefighters Union, Bei is one of the heroes who saved lives and homes during the Palisades fire earlier this year. He has both pension and financial experience, particularly with bitcoin. He is the founder of Proof of Workforce, a nonprofit which aims to empower unions, workers, and organizations to discover ways that Bitcoin can enhance their mission and well-being. In addition to Bei and Miller, Steve Mermell of Pasadena is running in position A.



DOMINICK BEI

JOSE LUIS PACHECO

Position B on the board is currently held by Jose Luis Pacheco - he has done a good job protecting our private information from being given to outside groups, who requested the information from the CalPERS Board. Based on this and other actions, RPEA believes Pacheco will continue to fight for retirees. The son of farmworkers, Pacheco grew up in Watsonville's Pajaro Valley. His two bachelor's degrees are in economics (Santa Clara University) and biological sciences (California State University East Bay) and a certificate in alternative investments from the Harvard School of Business. His opponents are Sam Hasan Akkad and Troy Johnson.

It is critical that you participate in Board elections. RPEA believes Bei and Pacheco will provide effective and ethical leadership. As elected trustees, they will act in the best interest of CalPERS, its members, and beneficiaries. So when you get your ballot, please vote for Dominick Bei (A) and Jose Luis Pacheco (B).

Ballots will be mailed August 29 and must be received by September 29 to be counted. All active and retired CalPERS members can vote.