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Governor's May Revision Continues Alarming Lack of Funding for Affordable Housing and Homelessness — Undermining the State's Efforts to "Build Faster," Make California More Affordable

Governor Newsom's revised 2025-26 budget includes an alarming lack of funding this year for a range of critical affordable housing, homelessness, and homeownership programs — threatening the state's housing progress and undermining efforts to lower the cost of living and make California more affordable for lower-income households.

Our statewide coalition of affordable housing, homelessness, and housing justice organizations has commended this Administration's housing leadership for years as it has worked to produce safe, affordable homes for lower-income Californians. We have been deeply engaged in the Governor's proposed reorganization of state housing agencies, and we appreciate Gov. Newsom's new endorsement of a state housing bond.

We remain deeply concerned, however, by the continued lack of funding in this year's budget for the affordable housing Californians need. We urge the Governor and Legislature to work

together to close these funding gaps and restore investments for affordable housing in the final June budget.

California is undoubtedly facing serious fiscal challenges, which have only been compounded by growing federal funding uncertainty. But affordability has been the theme of this year's legislative session for a reason: The November elections showed voters want the cost of living — and skyrocketing housing costs, in particular — at the top of the policymakers' agenda. These issues cannot be meaningfully addressed without investments in successful, proven housing programs, which are helping prevent and end homelessness, produce new affordable homes, preserve existing affordable housing stock, and build first-time homeownership opportunities for low-income workers and families.

The Legislature is advancing a much-needed \$10 billion housing bond that can offer some support — with a reduced annual impact on the state budget. But even with the Governor's support, passage is uncertain, and bond funds will not be available until 2027.

In the meantime, we call on the Governor and Legislature to restore investments in programs that address these urgent priorities in the final budget:

- **Affordable housing & farmworker housing:** California has nearly 45,000 shovel-ready affordable housing units waiting only on budget funding to move into construction. Without resources for the Low-Income Housing Tax Credit Program, Multifamily Housing Program, and Joe Serna, Jr. Farmworker Housing Grant Program, these projects will stall — unable to leverage billions of dollars in private funding and leaving hundreds of thousands of older adults, families, workers, and people with disabilities with few other housing options.
- **Homelessness:** At a time when over 187,000 Californians are continuing to experience homelessness on any given night, it is deeply disappointing to see no new resources in this year's budget for the Homeless Housing, Assistance and Prevention (HHAP) Grant Program. HHAP has helped over 57,000 households exit homelessness since the beginning of 2023, and this program is the backbone of local homelessness efforts. Thanks in part to HHAP investments, the number of Californians experiencing homelessness remained relatively flat last year, despite significant increases nationwide. Zero funding this year will force homeless shelters to close, hamper the operation of permanent supportive housing projects, and cause homeless Californians to lose access to critical services.
- **Affordable Homeownership:** As lower-income workers and families struggle to keep up with rising housing prices, the state must continue to invest in programs that support their stability and independence through the expansion of affordable homeownership. A top priority should be CalHome, the state's only program devoted to increasing and preserving the supply of owner-occupied homes for households earning less than 80% of the area median income, and one of the state's most effective sources of non-federal disaster recovery funding.

Quotes from members of the coalition:

Ray Pearl, Executive Director, California Housing Consortium:

"It's as simple as this: California cannot continue building affordable homes for lower-income households that need them without stable, ongoing sources of funding. With no new resources for affordable housing, the Governor's May Revise is a step backward — and represents a significant threat to the state's affordable housing pipeline, one that is likely to stall production of tens of thousands of shovel-ready units all over the state. While housing advocates welcome the Governor's support for a new housing bond, these funds are several years away. Affordable housing providers need support in this year's budget to maintain California's housing progress. We look forward to working with the Administration and Legislature before this budget is finalized to ensure critical housing funding is restored."

Chione Lucina Muñoz Flegal, Executive Director, Housing California:

"We recognize the challenging financial circumstances facing our State, but we also know that across California millions of households are struggling to make ends meet and keep a roof over their heads. At a time when the federal government is decreasing investments in our safety net and limiting access to housing and other critical services, we need bold action from our state leaders. We are calling on Governor Newsom and the legislature to double down on our commitment to solving California's housing affordability and homelessness crises by investing in the production of affordable homes and the crucial housing and homelessness programs that allow working people, immigrants, seniors, families, and other struggling people to secure and stay in their homes."

Sharon Rapport, Director of California State Policy, Corporation for Supportive Housing:

"At a time when we expect consequential cuts to federal and local housing programs, sure to land tens of thousands of Californians into homelessness, we are disheartened to see in the Governor's revised budget no funding for homelessness programs and little funding for programs offering affordable places to live for Californians with lowest incomes. While we appreciate the Governor's past commitments, California cannot make headway with funding for homelessness programs only in surplus years. This budget demonstrates the need for commitment of consistent, ongoing funding."

Debbie Arakel, Executive Director, Habitat for Humanity California:

"It is deeply troubling to see no investment in affordable housing programs in the Governor's May Budget Revise — no housing support for hardworking families who contribute every day to the bustling economy of this state, but can't afford to live in it. Without state support, critical projects across the entire housing continuum — from homelessness prevention, to affordable rental, ownership and farmworker housing — are stalled, causing costs to rise even more, and pathways to stable housing to grow even narrower for millions of Californians. We cannot solve homelessness or housing instability without bold, sustained investment across the full housing spectrum."

Rae Huang, Senior Organizer, Housing Now!:

"We are deeply troubled that Governor Newsom's budget does not include funding for affordable housing and homelessness. Access to affordable housing is the foundation of health, safety, and stability — and failing to prioritize it is not just a policy failure, but a moral one. This Administration continues to ignore the calls of millions of Californians demanding real solutions to the affordability crisis. After years of underinvestment, the human cost of inaction is devastating — and growing. We need bold leadership and sustained funding to meet the urgency of this moment. We urge the Legislature to step up and restore funding in the final budget. Californians cannot afford more delays."