



January 16, 2026

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The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento CA, 95814

RE: 2026-2027 Governor's Budget Proposal and County Partnership

Dear Governor Newsom,

The California State Association of Counties (CSAC), proudly representing all 58 of the state's counties, remains ready to work with your Administration and the Legislature to develop a budget for 2026-27 and beyond that collectively addresses the needs of California's communities by safeguarding the services counties provide. The annual budget is a reflection of the state's priorities and includes critical investments necessary to provide communities with a wide array of services. In this time of grave uncertainty, the state and local governments must closely collaborate and form a strong partnership to protect residents from significant reductions to services.

We recognize that this year's state budget deliberations are shaped by ongoing state and federal tensions and recent federal policies that impact California's fiscal condition. Your budget proposal estimates billions of dollars in federal fund expenditures in 2026-27, which may change depending on unanticipated federal actions that have economic implications and the continued implementation of H.R. 1. However, even with the fiscal uncertainty, it is paramount that this budget takes meaningful action to address the onslaught that is coming, particularly in implementing H.R. 1. While the proposed budget minimizes the state deficit with additional revenue, it does not share the wealth with counties that deliver critical services on behalf of the state to millions of Californians every day. Recent state-level cuts and funding delays to core safety-net programs, like In-Home Supportive Services (IHSS), and to the Homeless Housing, Assistance and Prevention (HHAP) Program, along with the lack of implementation funding for Proposition 36 (2024), further erode counties' ability to meet the needs of Californians. Not to mention counties are facing mounting crises due to federal actions, such as H.R. 1, which will shift billions of dollars in new Medi-Cal, CalFresh, and indigent care costs to counties — without removing the mandates to deliver these services. Counties have no

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fund source to absorb these impacts. Without meaningful support from the state, California communities will suffer as the safety net crumbles.

To this end, CSAC submits the following comments regarding your 2026-27 budget proposal to inform budget conversations throughout the spring and summer:

County HHS H.R. 1 Impacts

The enactment of H.R. 1 fundamentally shifted significant fiscal responsibility for safety net programs from the federal government to states and counties. While your budget proposal includes funding to address the state's increased costs from H.R. 1 impacts, CSAC is deeply concerned that there is no funding to help counties respond to the massive new fiscal burden that has been placed upon them. Counties are facing billions of dollars in projected new costs to Medi-Cal, CalFresh, and indigent care as a result of H.R. 1. Some of the primary increased burdens include expanded demand for indigent care from individuals losing health coverage, direct cost shifts for CalFresh administration, and increased county workload to help individuals enroll and remain eligible for Medi-Cal and CalFresh, which are life-saving programs.

As you know, counties are the safety net providers in California performing the on-the-ground work to enroll and serve vulnerable families, children, and older adults. Absent state support to address these county budget impacts, the state's safety net will crumble as counties cannot backfill federal funding on our own. If the safety net crumbles, local and state economies will as well. When healthcare fails, individuals cannot work and children will miss school due to illness. CSAC stands at the ready to partner with the state to find workable policy and fiscal solutions, including investments and administrative relief, to meet our shared goal of preserving health care, public health, social services, and behavioral health services in our communities.

Homeless Housing, Assistance and Prevention (HHAP) Program

CSAC appreciates that last year's \$500 million commitment for the HHAP program in 2026-27 remains. However, CSAC continues to call for full funding of \$1 billion for Round 7. Through prior investments for the HHAP program and the demonstrated work of local government and our partners on the ground, as you stated in your state of the state address, California is making significant strides in reducing homelessness. The only way to sustain this progress is to fully fund the HHAP program and distribute Round 7



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funding by the enacted September 1, 2026 goal date, especially after a year in which no HHAP funding was provided. CSAC remains committed to working with you on timely adoption of legislation to enact Round 7 of the program, including provisions that allow applicants to prove their progress towards meeting the new requirements, ensuring the continued delivery of programs and services that meet the homelessness needs in our communities.

In-Home Supportive Services (IHSS)

CSAC is strongly opposed to the proposal to remove the state's share of costs for IHSS hours per case growth. This proposal appears to be a significant cost shift to counties that would result in state General Fund savings of \$233.6 million starting in 2027-28. IHSS costs are already outpacing Realignment revenues, the fund source intended to cover them. Any cost shift would undermine the existing fiscal structure of the county IHSS maintenance of effort (MOE) established in 2019 (Chapter 27, Statutes of 2019). Further, increased IHSS costs for counties would take away funding from other mandated critical health and human services programs such as Child Welfare and Mental Health at a time when counties are strained by the increased safety net program costs as a result of the implementation of H.R. 1.

Medi-Cal Mobile Crisis Services

Counties are also concerned about your budget proposal to make Medi-Cal Mobile Crisis Services an optional county benefit. This will shift tens of millions per year in costs from the state to the counties and undercut recent progress by the state and counties to bolster the community behavioral health system.

Proposition 36

The 2025 Budget Act appropriated \$50 million General Fund one-time to county behavioral health departments for Proposition 36 implementation, however this funding is only for one of multiple county departments impacted by the measure, and it has still not been allocated to counties to meet the demand for substance use disorder and mental health treatment. Your budget proposal does not include any new funding to address county costs to implement Proposition 36 in 2026-27 or thereafter. CSAC requests adequate, sustained funding for implementation of Proposition 36 to meet the expectations of voters who overwhelmingly approved the initiative in 2024. This includes associated costs for increased caseloads impacting



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probation, behavioral health, indigent defense providers, district attorneys, and sheriff's offices.

CSAC recognizes the difficult challenge in crafting a budget during these uncertain times. We are eager to partner with you and the Legislature to work toward equitable solutions that protect all Californians by offering the expertise and on-the-ground realities to help make informed decisions. California is at a critical stage where we cannot lose the economic progress and momentum we have achieved over the last several years. When H.R. 1 forces counties to backfill the full cost of indigent care, public and rural hospitals are pushed toward closure. Cuts to IHSS pull caregivers out of the workforce. Delays in homelessness and Proposition 36 funding drive up public safety risks and health costs. The result is a ripple effect that weakens local economies and harms communities across California. Counties can provide practical insights and local knowledge essential for shaping policies that work in real-world contexts.

CSAC looks forward to partnering with your Administration and the Legislature to craft a budget that safeguards core services and enables counties to continue supporting all Californians.

Respectfully,

A blue ink signature of the name "Graham Knaus" in a cursive, handwritten style.

Graham Knaus
Chief Executive Officer, CSAC

CC : Nathan Barankin, Chief of Staff, Office of the Governor
Jamie Callahan, Deputy Chief of Staff, Office of the Governor
Christine Aurre, Legislative Affairs Secretary, Office of the Governor
Nani Coloretti, Cabinet Secretary, Office of the Governor
Joe Stephenson, Director, California Department of Finance
Erika Li, Chief Deputy Director of Budgets, California Department of Finance