

May 18, 2026

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

RE: 2026-27 May Revision 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 to enact a budget for 2026-27 and beyond that supports counties in delivering the services that Californians desperately rely on. There is no bigger priority for CSAC than to unwaveringly address the fiscal challenges the state and counties face and meet our collective responsibility for the safety and wellbeing of all Californians.

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. While building reserves and addressing budget deficits are necessary, it remains paramount that this budget takes meaningful action to mitigate impacts on California's communities, particularly as it relates to H.R. 1. Without additional support from the state, counties cannot deliver the essential services Californians need and deserve.

CSAC remains deeply concerned about the choice to provide virtually no additional funding to implement H.R. 1, address homelessness, and reduce crime, as well as to maintain the In-Home Supportive Services (IHSS) cost shift proposal included in the January Budget. These are not optional programs; they are core to the state's long-term health, safety, and stability. Regardless of what we may not see eye-to-eye on, the state and local governments cannot afford to forgo collaboration to reach a consensus on shared responsibility and reliable funding.

To this end, CSAC submits the following comments regarding the 2026-27 May Revision to inform budget conversations during the coming weeks.

County HHS H.R. 1 Impacts

The May Revision provides only a modest investment towards the impacts of H.R. 1, with no additional funding for indigent health care, public hospital systems, or behavioral

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health systems. Counties are facing cost increases of up to \$9.5 billion per year due to H.R. 1 and have [submitted a reasonable budget request](#) of \$1.9 billion in 2026-27 and \$4.5 billion in 2027-28.

Specifically, the May Revision provides barely any of the General Fund resources counties requested for H.R. 1 – just \$87.2 million General Fund in 2026-27 for county eligibility work only, which will help people retain health care and food benefits, but even that amount represents a fraction of the need. This proposal leaves counties on their own to serve Californians who will be losing medical care and nutrition assistance and whose health and well-being will suffer without state support.

Furthermore, the Administration suggests revenues from the proposed sales tax on digital software would offset costs of H.R. 1. Notwithstanding the merits of the sales tax proposal, a majority of increased sales tax revenues for counties are not discretionary and must be spent on specified services, leaving little additional funding for what is needed to implement H.R. 1. Moreover, even if these funds could be used for H.R. 1, total county revenues would still fall well short of the estimated cost increases identified above.

In-Home Supportive Services (IHSS)

CSAC is disappointed that the May Revision maintains the IHSS cost shift proposal from the January Budget, especially after both houses of the Legislature indicated they plan to reject it.

Starting in 2027-28, this proposal would shift \$233.6 million in IHSS costs to counties and grow each year. CSAC is strongly opposed to this proposal that would undermine the existing IHSS fiscal structure, exacerbate the safety net impacts of H.R. 1, misdiagnose the cause of hours growth, and negatively impact IHSS recipients and providers.

The IHSS cost shift proposal runs contrary to the purpose of the 2019 county IHSS Maintenance of Effort and would cause counties to have to redirect funding from other critical health and mental health programs. Even more concerning, it compounds the county H.R. 1 fiscal pressures with the state proposing to shift additional safety net costs that would require cuts to core county services that our communities rely on.

Homeless Housing, Assistance, and Prevention (HHAP) Program

The May Revision falls short on what is needed for homelessness by continuing to propose only \$500 million for a Round 7 of the HHAP program. This funding is a 50 percent reduction from the \$1 billion provided in prior rounds and there is no ongoing investment.

Through our collective efforts, California is making strides in reducing homelessness and now is not the time to walk back this commitment, especially with our safety net threatened by H.R. 1. Counties continue to advocate for \$1 billion for Round 7 and for this funding to be ongoing, which is the only way to achieve sustained progress.

CSAC looks forward to continued engagement on the proposed trailer bill language for Round 7 implementation. While appreciative of application streamlining and some flexibilities provided for new accountability measures, we have strong concerns about the new required local match and that requirements would be implemented in a manner that will not allow this funding to be distributed by the September 1, 2026 goal date.

Proposition 36

Counties continue to face significant challenges fully implementing Proposition 36, which was approved in all 58 counties and by an overwhelming majority statewide. It is once again disappointing that the May Revision fails to acknowledge the importance of funding local implementation. While we appreciate the investment included in last year's budget, it was one-time and only for one department, which falls far short of the local treatment, supervision, and rehabilitative needs across county departments.

Counties are in dire need of funding to deliver recovery support services and build out substance use and mental health treatment capacity, a crucial component of the measure. That is why we are in support of the \$400 million budget request for recovery support services and substance use treatment to meet the expectations of voters who sought change through the ballot initiative. Further, we would respectfully urge that should funding be included in the final budget agreement, allocations are made expeditiously to meet the real time demand for services by our county impacted departments such as behavioral health and probation. Ultimately, counties and the individuals we serve should not be forced to endure months of waiting for funding to be allocated from the state to provide and receive the treatment that is so desperately needed.

Development Impact Fees

CSAC has significant concerns with the Administration's proposal to discourage or prohibit local development impact fees assessed on affordable housing projects. Development impact fees are strictly cost recovery tools, not revenue sources, used by counties to fund development related essential infrastructure and services, such as water, sewer, fire protection, parks, flood control, and libraries, necessary for new housing and economic development. These fees are the primary and often sole funding source for some counties that lack broad revenue streams and therefore cannot build or improve facilities without this fee revenue. By discouraging or prohibiting the use of these

fees, this proposal assumes that residents of affordable housing do not deserve the critical infrastructure, such as safe drinking water systems, adequate sewer facilities, and available park spaces, that development impact fees support.

The May Revision proposal includes an incentive route that would allow project applicants to count any development fees deferred, reduced or waived by a county as a local funding match. This part of the proposal does not guarantee the project will receive state funding. Therefore, CSAC believes this proposal will not lead to additional jurisdictions deferring or waiving these fees, especially considering the fiscal impact that H.R. 1 will have on counties.

Finally, CSAC has concerns with requiring counties to waive development fees when they are the applicant or co-applicant on a state housing grant. While the primary target of this proposal appears to be grants made by the Homekey program, the trailer bill language is overly broad and applies to a wider array of affordable housing programs. CSAC believes this component of the proposal will result in counties refusing to become lead or co-applicants on these types of housing development projects. This will have the opposite effect that the state is seeking – to incentivize the construction of affordable housing; specifically, the strong potential that a smaller number of affordable housing units will be constructed.

Thank you for considering CSAC positions on the above May Revision issues. Counties deliver critical, life-saving services to California communities on behalf of the state and as such, CSAC believes that the health, safety, and wellbeing of Californians are directly tied to the fiscal health of counties. Without adequate support, the state is leaving counties and communities to stabilize these systems at the severe expense of other public services such as public safety, fire response, elections, and more. We need the state to meet the urgency this moment demands and stand with counties to protect the essential services millions of Californians rely on every single day. We remain committed to working with the Administration toward equitable, sustainable solutions that protect all Californians

Respectfully,



Graham Knaus
Chief Executive Officer, CSAC

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