

May 18, 2026

The Honorable Monique Limón
Senate President Pro Tempore
1021 O Street, Suite 8518
Sacramento CA, 95814

The Honorable John Laird
Chair, Senate Committee on Budget
and Fiscal Review
1021 O Street, Suite 8720
Sacramento CA, 95814

The Honorable Roger Niello
Vice Chair, Senate Committee
on Budget and Fiscal Review
1021 O Street, Suite 7110
Sacramento CA, 95814

RE: 2026-27 May Revision Proposal and County Partnership

Dear President Pro Tempore Limón, Senator Laird, and Senator Niello,

The California State Association of Counties (CSAC), proudly representing all 58 of the state's counties, stands ready to work with the Legislature to enact a budget for 2026-27 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, the budget must also take meaningful action to mitigate impacts on California's communities, particularly those associated with 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 Administration's choice to provide virtually no additional funding to implement H.R. 1, address homelessness, and reduce crime, as well as maintain the In-Home Supportive Services (IHSS) cost shift proposal included in the Governor's January Budget. These are not optional programs; they are core to the state's

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long-term health, safety, and stability. This is why, yet again, counties are looking to the Legislature to lead on these issues and prioritize resources for the safety and wellbeing of our shared constituency.

CSAC appreciates the continued partnership with the Legislature and respectfully offers the following comments about the Governor's May Revision budget proposal.

County HHS H.R. 1 Impacts

The Governor's May Revision provides only a modest investment toward the impacts of H.R. 1, with no additional funding for indigent health care, public hospital systems, or behavioral 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 wellbeing will suffer without state support.

Furthermore, the Administration suggests revenues from the proposed sales tax on digital prewritten 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 is 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, and is grateful that the Senate has already stated an intention 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. CSAC urges the Senate to remain steadfast in rejecting this proposal during upcoming budget negotiations.

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 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 with Proposition 36 implementation, which was approved in all 58 counties by an overwhelming statewide majority. We appreciate the Senate's continued commitment to secure funding. However, the one-time funding approved in last year's budget falls short of the local treatment, supervision, and rehabilitative needs in communities across California.

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.

Thus, CSAC is in strong support of the \$400 million budget request which members in your house have championed to expand service capacity, secure appropriate in custody treatment, and allow for individualized planning, monitoring, and supervision for individuals in the community. Further, we would respectfully urge that should funding be included in the final budget agreement, allocations are immediately distributed to counties.

Ultimately, counties are grateful for the Legislature recognizing the barriers to implementation and the need for local funding, but we are in dire need of sustainable and much larger investments across county departments to see the results that California voters expect. Counties cannot continue to shoulder the mounting fiscal burden alone, especially in light of the looming impacts of H.R. 1.

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 impact fees when they are the applicant or co-applicant on a state housing grant creates significant concerns. 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 urge the Legislature to meet this moment and stand with counties to protect the essential services millions of Californians rely on every single day. We remain committed to working with the Legislature toward equitable, sustainable solutions that protect all Californians.

Respectfully,



Graham Knaus
Chief Executive Officer, CSAC

CC : Honorable Members, Senate Committee on Budget and Fiscal Review
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