

June 16, 2026

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

RE: 2026-27 State Budget Priorities for Counties

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 that supports counties in delivering the services California's communities rely on. There is no bigger priority for CSAC than to address the fiscal challenges the state and counties face and meet our shared responsibility to protect the safety and well-being of all Californians.

The Legislative Budget Plan, as passed by AB 109 (Gabriel) on June 15, 2026, funds a number of priorities that are essential to maintaining a high quality of life for Californians, including funding to implement H.R. 1, address homelessness, reduce crime, and maintain the current fiscal requirements for the In-Home Supportive Services (IHSS) program. These are not optional programs; they are core to the state's long-term health, safety, and stability.

While building reserves and addressing budget deficits are necessary, CSAC continues to stress that the budget must also mitigate impacts on California's communities, particularly those associated with H.R. 1. Counties deliver a number of health and human services (HHS) on behalf of the state and without additional state support, counties will be forced to mitigate these impacts at the expense of other essential public services, including public safety, fire response, elections and more, leaving counties facing significant challenges in delivering the services California communities need and deserve.

As you consider AB 109, which is pending before you, and you negotiate a final budget agreement, CSAC respectfully requests the following to be included in the final 2026-27 State Budget.

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Santa Clara County

1st Vice President
Luis Alejo
Monterey County

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County HHS H.R. 1 Impacts

As passed on June 15, 2026, via AB 109, the Legislature's budget plan provides additional funding above the May Revision to support counties in protecting safety net services for vulnerable Californians, including funding for the county eligibility workforce, indigent care and public hospital systems. Without these investments, counties will be unable to provide critical medical care and nutrition assistance on behalf of the state and millions of Californians will suffer.

(1) County Indigent Care Programs: Adopt the Legislature's Action that Provides \$125 million General Fund for an Indigent Care/Emergency Only Medi-Cal Program

AB 109 provides \$125 million General Fund in 2026-27 for the creation of an emergency only program for the indigent care population that will lose full-scope Medi-Cal due to H.R. 1 community engagement requirements. This funding will help ensure continued access to health care services for hundreds of thousands of Californians while the state develops a long-term approach to meeting the health care needs of medically indigent individuals. Without this funding, the state's most vulnerable individuals and families will be without access to health care services.

(2) Public Hospital Systems: Adopt the Legislature's Action that Provides \$250 million General Fund for Public Hospital Systems

Regarding the fiscal challenges that public hospitals will face under H.R. 1, AB 109 provides \$250 million in 2026-27 for public hospital system support. This funding will enable public hospitals to continue to provide quality services to all members of their communities, regardless if they receive state or federal health care. Without this funding, public hospital systems will likely have to severely scale back the array of services they provide in a timely manner to every member of their communities.

(3) County Eligibility Workforce: Adopt the Legislature's Action that Provides \$459 million General Fund for County Eligibility Work

AB 109 increases investments beyond what was included in the May Revision to help people maintain their Medi-Cal coverage and CalFresh benefits. Taken together, the Legislature is providing \$459 million General Fund for county eligibility workload and administration related to H.R. 1 implementation in 2026-27, with multi-year expenditure authority.

Funding for Distressed Hospitals

Adopt the Legislature's Action to Fund up to \$190 million General Fund, Upon Approval of the Department of Finance, for Additional Loans Through the Existing Distressed Hospital Loan Program

Hospitals in California, particularly those in rural areas, are facing significant financial pressures, due to the impacts of H.R. 1, which will reduce health care coverage and increase uncompensated care, limit bargaining power with health plans, and challenge maintaining their workforce. Additional state loans will assist distressed hospitals to maintain operations and serve their communities.

In-Home Supportive Services (IHSS)

Adopt the Legislature's Action to Reject the IHSS Cost Shift Proposal

AB 109 rejects the Administration's proposal that would shift costs to counties for hours per case growth within the IHSS program. This cost shift is estimated to result in increased county costs of \$360.6 million starting in 2027-28 and growing each year. CSAC strongly opposes this proposal because it would undermine the existing IHSS fiscal structure, misdiagnose the cause of hours growth, and negatively impact IHSS recipients and providers. Rejecting this proposal protects the life-saving IHSS program and prevents further cuts to safety net services at the same time counties are facing significant fiscal pressures from H.R. 1 implementation.

Medi-Cal Mobile Crisis Benefit

Adopt the Legislature's Action to Reject the Administration's Proposal to Make Mobile Crisis a County-Optional Medi-Cal Benefit and Instead Provide \$125 million from the 988 Special Fund and \$53 million in Proposition 35 (MCO Tax) Funding for Mobile Crisis Services

Medi-Cal mobile crisis is currently a statewide benefit, preventing hospitalizations and law enforcement encounters with people who need behavioral health services in the community. The Administration's proposal to make it a county-optional benefit would shift the costs to counties, which are already struggling with flat realignment funding and the impacts to county finances from H.R. 1. Maintaining Medi-Cal Mobile Crisis as a statewide benefit will allow counties to continue the work of serving people when and where they need assistance.

Homeless Housing, Assistance, and Prevention (HHAP) Program

Build Upon the Legislature's Action to Fund HHAP at \$900 million General Fund in 2026-27 by Reinstating Intent Language to Fund an Additional \$1 billion General Fund for HHAP in

2027-28, and Pass Trailer Bill Language (TBL) to Streamline Distribution of Funding by September 1, 2026

AB 109 provides an additional \$400 million General Fund for Round 7 of HHAP, in addition to the \$500 million already appropriated. The \$900 million General Fund in total funding is almost the full amount CSAC advocated for in 2026-27. The Legislature's budget plan also includes placeholder TBL to implement the funding. CSAC looks forward to working with you and the Legislature to ensure that there is streamlined distribution of Round 7 funding by September 1, 2026, and that new funding requirements are appropriate, realistic, and not administratively burdensome.

Through our collective efforts with the HHAP program, California is seeing progress in confronting the homelessness crisis with the recently released Point-in-Time count results showing a statewide 2.8% decrease in homelessness. Now is the time to stay committed to these investments and build upon the success we are seeing by also adding back the intent language to provide an additional \$1 billion for the HHAP program in 2027-28, and distributing resources quickly to communities that can utilize this funding to help people maintain housing, provide services, and secure housing for individuals experiencing homelessness.

Proposition 36

Build Upon the Legislature's Action on Proposition 36 Funding

AB 109 allocates \$50 million one-time General Fund to support the implementation of Proposition 36 and language that indicates the allocation will be determined in future legislation.

The inclusion of funding for local implementation of Proposition 36 in the Legislative Plan is a strong first step in recognizing the will of the voters in passing the initiative and the ongoing challenges counties face in delivering necessary services. However, we must continue to reinforce the dire need for ongoing funding across multiple impacted county departments, with a particular demand for recovery support services and building out treatment capacity.

Without sustainable investments and ongoing state support, counties will continue to experience barriers in meeting the will of California voters, who approved the measure in all 58 counties. Since the passage of the proposition, counties have implemented its provisions in earnest. However, absent adequate funding, progress will continue to stall and voter expectations will not be met.

Victims of Crime Act (VOCA)

Adopt the Legislature's Action to Provide \$50 million for VOCA Funding

AB 109 includes \$50 million one-time General Fund to supplement funding for VOCA, an increase of the \$25 million General Fund proposed in the May Revision, to support counties and other service providers in maintaining critical victim services for thousands of survivors statewide.

The programs provided through VOCA are lifesaving and the increased investment beyond the May Revision is critical to prevent service reductions and program elimination. Without these investments, essential services for survivors of all ages—across counties, district attorney and law enforcement officers, as well as community service providers—will falter.

Indigent Defense

Adopt the Legislature's Action to Provide \$5 million one-time General Fund for an Indigent Defense Pilot Program

AB 109 provides \$5 million one-time General Fund for an indigent defense pilot program, geared towards supporting counties in disproportionately impacted areas of the state, who have demonstrated a willingness to improve their systems of indigent defense.

The state and counties share a responsibility in meeting the constitutional mandate to ensure a right to counsel and speedy trial, yet California is one of two states in the country that does not provide consistent funding, despite having some of the highest caseloads in the nation. Although all counties should receive state support for the provision of indigent defense, as a starting point, it is critically important to assist counties that have experienced extreme fiscal challenges in meeting and exceeding the constitutional-required level of service.

Development Impact Fees

Adopt the Legislature's Action to Defer the Development Impact Fee Proposal

The Legislature's budget plan defers action on the Administration's Development Impact Fee TBL proposal, which would discourage or prohibit county development impact fees assessed on affordable housing projects. Counties impose impact fees to fund development related essential infrastructure and services such as water, sewer, fire protection, parks, flood control, and libraries. These fees are strictly cost recovery tools, not revenue sources, and they enable the infrastructure necessary for new housing and economic development.

CSAC believes the proposal will result in counties refusing to become lead or co-applicants of affordable housing development projects and creates a strong potential that a smaller number of affordable housing units will be constructed. Deferring action provides important time for the Legislature, Administration, and stakeholders to continue working towards a more balanced and workable solution.

Sustainable Aviation Fuel Tax Credit

Reject the Sustainable Aviation Fuel Tax Credit Proposal's Inclusion in the Final Budget Agreement

The Legislature's budget plan adopts the Administration's Sustainable Aviation Fuel Tax Credit proposal, which would divert diesel excise tax revenues away from the roads, bridges, freight corridors, and local streets they are intended to support. This proposal is estimated to reduce diesel excise tax revenues by as much as \$165 million per year initially, growing to \$300 million annually over time. This translates to an annual reduction of between \$25 million to \$90 million in state funds counties receive through the Local Streets and Roads program. Some estimates suggest that revenue reductions could be even higher depending on how many oil refiners take advantage of the program. CSAC believes that any transportation tax incentive should be narrowly targeted, structured to protect transportation funding, and tied to measurable benefits.

In-lieu Vehicle License Fee (VLF) Payment Shortfall

Adopt the Legislature's Action to Provide \$80 million General Fund to Backfill the In-lieu VLF Payment Shortfall

AB 109 includes \$80 million to backfill San Mateo, Mono, and Alpine Counties, with language allowing the Department of Finance to appropriate up to an additional \$80 million for this purpose. The total amount needed to backfill these counties is \$160 million in 2026-27, including \$37.7 million to fully fund the backfill for San Mateo County following the reduction made in 2025 Budget Act.

Absent this funding these counties will endure a significant reduction in revenue, directly impacting their ability to implement local programs and deliver essential services in their communities. Providing one-time backfill funding will help stabilize these counties in the near term, and we are committed to working with the Legislature and Administration to develop a long-term solution going forward.

Workers' Compensation – Subsequent Injuries Benefits Trust Fund (SIBTF)
Adopt the SIBTF TBL as Introduced by the Administration in January

The Legislature's budget plan adopts the Administration's SIBTF proposal as placeholder TBL. CSAC is in strong support of the SIBTF TBL and believes it is critical to adopt the language as it read when it was introduced in January. The TBL provides critical reform to restore the SIBTF to how it operated for decades, will help address the growing backlog of cases, and prevent explosive future costs for counties and other public agencies.

Thank you for considering CSAC's position on the above budget 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. CSAC urges the state to meet this moment and stand with counties to protect the essential services millions of Californians rely on every single day.

Respectfully,



Graham Knaus
Chief Executive Officer, CSAC

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