

June 4, 2026

The Honorable Robert Rivas
Speaker, California State Assembly
1021 O Street, Suite 8330
Sacramento CA, 95814

The Honorable Jesse Gabriel
Chair, Assembly Budget Committee
1021 O Street, Suite 8230
Sacramento CA, 95814

The Honorable David Tangipa
Vice Chair, Assembly Budget Committee
1021 O Street, Suite 4310
Sacramento CA, 95814

RE: Legislature's Budget Agreement and Final Enacted Budget for 2026-27

Dear Speaker Rivas, Assemblymember Gabriel, and Assemblymember Tangipa,

The California State Association of Counties (CSAC), proudly representing all 58 of the state's counties, values the Legislature's partnership and commitment to prioritize resources that support 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.

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. Without additional support from the state, 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 Californians need and deserve.

CSAC respectfully requests the following be included in Legislature's budget agreement and in the final enacted budget.

County HHS H.R. 1 Impacts

The Senate and Assembly budget plans both provide additional funding above the May Revision to support counties in protecting safety net services for vulnerable Californians,

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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 Assembly Action on Indigent Care/Emergency Only Medi-Cal Program

The Assembly plan provides \$50 million in 2026-27 and \$200 million in 2027-28 for the creation of an emergency only program for the indigent care population. This will help ensure continued access to health care services for Californians over the next two years while the state develops a long-term approach to meeting the health care needs of medically indigent individuals.

(2) Public Hospital Systems: Build Upon Assembly Action to Provide Additional Funding for Public Hospitals

Regarding the fiscal challenges that public hospitals will face under H.R. 1, the Assembly plan provides \$250 million in 2026-27 for public hospital support.

(3) County Eligibility Workforce: Adopt Senate's Action on Ongoing Medi-Cal and CalFresh County Eligibility Funding Consistent with Amounts Included in Assembly Plan for 2026-27, Adopt Senate's Rejection and Redirection of Surge Staffing Funds, and Adopt Senate and Assembly Actions on CalFresh Match Waiver trailer bill language (TBL) and Error Rate Hold Harmless TBL

Funding included in both the Senate and Assembly budget plans will help people maintain their Medi-Cal coverage and CalFresh benefits. Both plans increase investments and taken together, there are elements in the legislative budget plans that fully fund the H.R. 1 budget request for county eligibility, providing roughly a combined \$360 million above the May Revision in 2026-27.

In-Home Supportive Services (IHSS)

Adopt Senate and Assembly Actions to Reject IHSS Cost Shift Proposal

The Senate and Assembly budget plans both reject 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.

CSAC appreciates both the Senate and Assembly for rejecting this proposal, protecting the life-saving IHSS program, and preventing further cuts to safety net services at the same time counties are facing significant fiscal pressures from H.R. 1 implementation.

Homeless Housing, Assistance, and Prevention (HHAP) Program

Adopt Senate Actions to Fund HHAP at \$1 billion in 2026-27 and 2027-28 and Pass TBL to Streamline Distribution of Funding by September 1, 2026

Both the Senate and Assembly budget plans increase investments for the HHAP program above the May Revision. The Senate plan increases funding to \$1 billion in both 2026-27 and 2027-28, which is the amount provided in prior HHAP rounds. The Assembly version adds \$300 million to the May Revision amount for a total of \$800 million in 2026-27. Both budgets also adopt placeholder TBL to implement the funding, with the Senate version outlining that the TBL will direct 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 for the state to stay committed to these investments and build upon the success we are seeing by fully funding the HHAP program and distributing the funds quickly to communities that can help people maintain housing, provide services, and secure housing for individuals experiencing homelessness.

Proposition 36

Build Upon Senate Action on Proposition 36 Funding

The Senate budget plan provides \$100 million in one-time funding to support the implementation of Proposition 36, whereas the Assembly budget plan does not include funding.

CSAC appreciates the Senate's continued prioritization of resources for local implementation of Proposition 36, recognizing the ongoing challenges counties face in delivering necessary services across multiple impacted 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 Senate and Assembly Actions on VOCA Funding

The Senate and Assembly budget plans both provide \$50 million in one-time supplemental funding for VOCA, an increase of the \$25 million proposed in the May Revision, to support counties and other service providers in maintaining critical victim services for thousands of survivors statewide.

CSAC appreciates both houses of the Legislature for recognizing the life-saving programs funded through VOCA and for increasing investments beyond the May Revision to prevent service reductions and program elimination. Without these investments, essential services for survivors of all ages—across counties, district attorney and law enforcement offices, as well as community service providers—will falter.

Indigent Defense

Adopt Assembly Action for Indigent Defense Pilot

The Assembly budget plan provides \$5 million in one-time funding 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 that does not provide consistent funding, despite having some of the highest caseloads in the nation.

Development Impact Fees

Adopt Senate Action to Reject Development Impact Fee TBL Proposal

The Senate budget plan rejects the Administration's Development Impact Fee TBL proposal, which would discourage or prohibit local 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 the strong potential that a smaller number of affordable housing units will be constructed.

Sustainable Aviation Fuel Tax Credit

Adopt Senate Action to Reject Sustainable Aviation Fuel Tax Credit Proposal

The Senate budget plan rejects 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, with potentially even larger impacts depending on credit claims. That means less funding for local streets, roads, and bridges. 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

Build upon Assembly Action to Provide Funding to San Mateo, Alpine, and Mono Counties to Backfill the In-lieu VLF Payment Shortfall

The Assembly budget plan aims to fairly address this issue through discussions with the Senate, the Administration and San Mateo County, however no funding is included in either the Assembly or Senate's budget plan. 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.

While we recognize the state's fiscal constraints, 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.

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 Legislature 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

CC : Honorable Members, Assembly Budget Committee
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