



2026-27 State Budget Package Highlights July 1, 2026

Over the final days of June, the Legislature acted upon several budget trailer bills before the start of the 2026-27 fiscal year, July 1. While several issues have been addressed by these latest actions, several others remain unresolved and budget negotiations are expected to continue into the summer.

Below are some key highlights of the latest action (or inaction), by topic area, that may be of interest to California's rural counties. Some of these measures acted on by the Legislature are still awaiting the Governor's signature, as of this writing.

Air Quality

The Legislature continues to defer action on funds expended from the Greenhouse Gas Reduction Fund (GGRF), as well as modifications to the Cap-and-Invest reauthorization measures adopted last year.

Healthcare and Social Services

The Budget Act of 2026 includes:

H.R. 1 Implementation

- **Medi-Cal Eligibility.** Provides \$197 million General Fund in 2026-27 for county eligibility workload related to H.R. 1 implementation.
- **CalFresh Eligibility.** Provides \$223 million General Fund for counties to implement H.R. 1 for Able-Bodied Adults Without Dependents (ABAWDs). Funds allocated pursuant to this provision are available for encumbrance or expenditure through June 30, 2029.
- **Public Hospitals.** Provides \$250 million General Fund for 2026-27 to support California's public hospital system through a grant program.

- **Indigent Care.** The final agreement includes no funding for counties for indigent care or for an indigent care alternative to establish an emergency services-only state benefit.

Medical

- **Qualified Non-Citizen Populations.** Provides \$303.2 million to delay the transition of certain immigrant populations (e.g. asylees, victims of human trafficking, etc.) to restricted scope Medi-Cal until July 1, 2027.
- **Asset Test.** Maintains the current Medi-Cal asset limit test of \$130,000 for a person/\$195,000 for a couple until July 1, 2027. Updates the Medi-Cal asset limit test to \$21,000 for a person / \$31,000 for a couple beginning July 1, 2027.
- **Managed Care Organization (MCO) Tax.** Adopts the Administration's proposed MCO tax and includes \$575 million General Fund savings in 2026-27, \$2.3 billion in 2027-28 and 2028- 29, and \$1.7 billion in 2029-30, as a result of the reauthorization of a new, federally compliant tax on managed care organizations.
- **Fair Share from Big Corporations Act.** Moves the "fair share for big corporations" discussion forward with a requirement for the Department of Finance to provide draft bill options by March 2027 to hold large employers accountable for employees on Medi-Cal. If Congress repeals cruel Medicaid provisions in Trump's H.R. 1, the requirement for Finance to provide these options would be paused.

Behavioral Health

- **Mobile Crisis.** Maintains the mobile crisis benefit until July 1, 2027, with \$42.2 million General Fund.
- **988 Crisis Centers.** Budget materials note continued work between the Administration and Legislature to address long-term funding sustainability for the 988 system and mobile crisis response services.

In-Home Supportive Services (IHSS)

- **Cost Shift to Counties.** Rejects the Governor's January cut proposal to shift costs in the In-Home Supportive Services program to counties with use of a statewide average on assessed hours in its entirety, including the proposed savings and the proposed trailer bill language.
- **Backup Provider System.** Rejects the Governor's January cut proposal to eliminate the In-Home Supportive Services Backup Provider System in its entirety, including the proposed savings and the proposed trailer bill language.
- **Auto-Termination of IHSS Eligibility.** Rejects the Governor's January cut proposal on Auto-Termination of IHSS Eligibility to align with Medi-Cal Loss in its

entirety, including the proposed savings. Instead, adopt no-cost placeholder trailer bill language to make improvements to retention for Medi-Cal/IHSS recipients.

Other Health and Human Services Items

- **Distressed Hospital Loan Program.** Includes \$90 million of resources for grants to hospitals in significant financial distress, with authority for the administration to augment this funding by up to \$50 million if needed
- **Distressed Hospitals.** Allocates \$10 million to establish a health care access stability unit to evaluate hospitals' strategic importance to their communities, assist in planning for maintaining critical services in the event of a hospital's financial distress, and provide technical assistance to currently distressed hospitals in returning to fiscal sustainability.
- **Funds Public Health Information Technology (IT) Systems.** Allocates \$113.3 million General Fund to the Department of Public Health (CDPH) to support critical public health information technology systems.
- **CalFresh County Match Waiver.** Includes trailer bill language for the CalFresh County Match Waiver (AB 152).
- **CalFresh State Administrative Expense (SAE) Adjustment.** Approves the Governor's May Revision CalFresh State Administrative Expense (SAE) Adjustment proposal, requesting \$52.9 million (\$37 million General Fund) in 2025-26 and \$43.7 million (\$30.6 million General Fund) in 2026-27 for cash flow purposes to maintain CalFresh operations while the state requests additional federal funding above the federal SAE target.

Housing and Homelessness

The Budget Act of 2026, in part, does the following:

- \$900 million for round 7 of the Homeless Housing, Assistance and Prevention Program with the enhanced accountability and program improvements:
 - Streamlined administration with no new application for round 7.
 - System Performance Measures standardized.
 - Fiscal reporting eased from monthly to not less than quarterly.
 - Reallocates unused funds within the program.
 - For big cities and the counties that those big cities are in, requires:
 - Pro-housing designation for round 7 funds (obtain and maintain).
 - Local Match 35 percent for the disbursement and 70 percent total by the second disbursement.
- Creates a Disaster Rebuilding Fund to expand access to construction and renovation financing for disaster-impacted homeowners. Includes \$100 million investment. Funding will be used to reduce borrowing costs and facilitate

access to private financing through a combination of loan loss guarantee program, an interest rate buydown program and additional tools. *(trailer bill awaiting signature)*

- Effective July 1, 2027, trailer bill language incentivizes local governments to waive or reduce development impact fees by counting such actions as local matching funds for state housing grant programs. Requires state agencies awarding competitive housing grants to reduce awards by an amount commensurate to city or county development impact fees when a city or county is the lead applicant and does not waive its own impact fees for the project. *(trailer bill awaiting signature)*

Public Safety and Emergency Management

The Budget Act of 2026 does the following:

- Provides \$20 million for non-competitive grants to county behavioral health departments to support the implementation of Proposition 36.
- Provides \$10 million to the Judicial Council to allocate to trial courts to address increased workload and expanding or establishing collaborative courts for the implementation of Proposition 36.
- Provides \$20 million to restore a previously planned reduction to the pretrial services program. While the Legislature has framed this as part of a \$50 million total Proposition 36 investment, the \$20 million holds the existing program flat.
- Includes \$50 million one-time General Fund for the VOCA grant program to address the federal VOCA funding gap and maintain the current service levels.
- Includes \$5 million one-time General Fund in 2026-27 to implement an indigent defense pilot in four counties including Del Norte, Mariposa, Mono and San Benito.
- Provides \$3.5 million for public defenders to increase CARE Act petitions and referrals.

Water and Wildlife

The Legislature has not yet restored the \$1 million proposed for the Wolf-Livestock Compensation Program, proposed in the Governor's 2026-27 May Budget Revision.

State Administration and General Government

The Budget Act of 2026 includes:

- \$80 million for Alpine, Mono, and San Mateo Counties to offset losses associated with insufficient ERAF amounts. Of the amount, \$181,000 is to reimburse the County of Alpine, \$2,869,000 is to reimburse the County of Mono, and \$76,950,000 is to reimburse the County of San Mateo.
- Appropriation of \$34 million for county elections. Specifically, \$29 million for counties to increase the number of available staff to tabulate votes, make equipment purchases or technology upgrades, or acquire space to accommodate additional staff or equipment purchases to expedite the vote counting process and strengthen and protect election integrity and \$5 million for counties to provide voter outreach and education before the November 3, 2026, statewide general election, including with respect to the benefits of submitting ballots before election day. The Department of Finance will prepare an allocation schedule for each portion of funding.

To learn more about the trailer bill content, visit the [Department of Finance](#) website where most of the content has been posted for the past several weeks or months. To learn more about the highlights included in this document, view the language of 2026 Budget Act Chaptered Trailer Bills [here](#).

RCRC's advocacy partners, *Hurst Brooks Espinoza, LLC*, have compiled a list of the Budget Bills and Trailer Bills, and a brief summary of the contents of each. [VIEW HERE](#)