



2026-27 State Budget Package Highlights

June 16, 2026

On Monday, June 15, in the late evening hours, the Legislature passed the Budget Act of 2026 (Senate Bill 101). The measure now heads to the Governor's Desk, where he must act by June 29th. Although 2026-27 fiscal year begins July 1st, it is expected that budget-related negotiations will continue into the summer. The resulting agreements of ongoing negotiations are likely to be reflected in other bills, known as budget trailer bills.

Below are some key highlights of the Budget Act of 2026, by topic area, that may be of interest to California's rural counties:

Air Quality

The Budget Act of 2026, passed by the Legislature:

- Defers spending from the state's Cap-and-Invest program to the summer. The Senate has expressed its intent to restructure the allocation priorities as adopted in 2025 during reauthorization of the program.

Energy

The Budget Act of 2026, passed by the Legislature includes \$2 million for the California Energy Commission to develop program environmental impact reports for clean energy infrastructure and generation projects in an effort to expedite project review and approval and reduce litigation risk and delays.

Forest and Public Lands Stewardship

The Budget Act of 2026, passed by the Legislature includes:

- \$1.25 billion from the Greenhouse Gas Reduction Fund to fund fire suppression activities at CAL FIRE.

Healthcare and Social Services

Both the Assembly and Senate aim to revisit any final reductions enacted in the 2026 budget, and consider additional delays, restorations, or modification of those reductions as part of the 2027-28 budget process, consistent with the state's fiscal condition at that time.

The Budget Act of 2026, passed by the Legislature, includes:

H.R. 1 Implementation

- **Medi-Cal Eligibility.** Provides an additional \$139 million General Fund in 2026-27 for county eligibility workload related to HR1 implementation. This is consistent with counties' advocacy requests.
- **CalFresh Eligibility.** Approves the May Revision investment of \$30 million General Fund one-time for Able-Bodied Adults Without Dependents (ABAWDs) County Administrative Resources and provides an additional \$215 million General Fund one-time, with multi-year spending availability through June 2029, for counties to implement H.R. 1 for ABAWDs in CalFresh, with Budget Bill Language.
- **Public Hospitals.** Provides \$250 million General Fund for 2026-27 to support California's public hospital system.
- **Indigent Care.** Includes \$125 million General Fund in 2026-27 to establish an emergency services-only program in lieu of counties restarting indigent care program. This program was championed by the county associations as the "PATH" program.

Medical

- **Qualified Non-Citizen Populations.** Approves \$668.1 million General Fund in 2026-27 to provide full-scope Medi-Cal coverage to Qualified Non-Citizen populations (e.g. refugees, asylees, victims of trafficking) through 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.** Authorizes the Department to establish and seek federal approval to continue an alternative, federally compliant Managed Care Organization (MCO) tax effective January 1, 2027, and adopts the Administration's proposed MCO tax trailer bill.
- **Fair Share from Big Corporations Act.** Begins the process to adopt the Fair Share from Big Corporations Act by requiring the Administration to present one or more options to the Legislature for holding the state's largest corporations accountable for the taxpayer costs of their employees enrolled in Medi-Cal,

including data from the Employment Development Department, Department of Health Care Services, and elsewhere on how many workers at these corporations are enrolled in Medi-Cal.

Behavioral Health

- **Mobile Crisis.** Rejects the proposal to make Mobile Crisis a county optional benefit. Provides \$125 million from the 988 State Suicide and Behavioral Health Crisis Services Fund to fund mobile crisis teams. Rejects the redirection of Proposition 35 behavioral health throughputs for the Children and Youth Behavioral Health Services and Supports Platforms (\$53.4M in 2026-27) and redirects towards mobile crisis services.
- **988 Crisis Centers.** Appropriates \$25.9 million in 2026-27, \$25.8 million in 2027-28 through 2029-30, and \$4.4 million annually thereafter from the 988 State Suicide and Behavioral Health Crisis Services Fund for 8 positions and resources to support increased workload related to 988 and to support 988 Crisis Centers. Adds from the 988 State Suicide and Behavioral Health Crisis Services Fund an additional \$20 million for 988 Crisis Centers and \$5 million for the “Press 3” LGBTQ+-Dedicated Suicide Prevention & Crisis Hotline in California.

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.** Authorizes, upon approval of the Department of Finance, an additional \$190 million to the Distressed Hospital Loan Program for additional rounds of support to struggling hospitals, under the same terms as the original program.
- **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.** Reappropriates \$16.6 million General Fund, provides \$79.7 million additional General Fund, \$5 million from the Clinical Laboratory Improvement Fund, \$8 million from the Health Statistics Special Fund, \$2 million State Operations expenditure authority from the ADAP Rebate Fund, and \$2 million from the State Department of Licensing and Certification Program Fund to support the California Immunization Registry (CAIR), the Future Disease Surveillance System (FDSS), the California Vaccine Management System (CA-VMS), Enterprise Architecture, the Surveillance and Public Health Information Reporting and Exchange (SaPHIRE), and the California Confidential Network for Contact Tracing (CalCONNECT).
- **CalFresh County Match Waiver and Performance Measurement County Payment Error Rate Hold Harmless.** Approves placeholder no-cost trailer bill language for the CalFresh County Match Waiver and Performance Measurement County Payment Error Rate Hold Harmless issues.
- **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, passed by the Legislature, does the following:

- Appropriates \$900 million in one-time General Fund for Round 7 of the Homeless Housing, Assistance, and Prevention (HHAP) program.
- Allocates \$500 million in enhanced state Low Income Housing Tax Credits (LIHTC) for affordable housing production.
- Appropriates \$200 million in one-time General Fund to the Multifamily Housing Program (MHP) for affordable housing production.
- Appropriates \$100 million (composed of \$56 million in one-time General Fund and \$44 million drawn from the National Mortgage Settlement Fund) for the California Housing Finance Agency (CalHFA) to operate a Disaster Rebuilding Fund including, but not limited to, a loan loss reserve and interest rate buydown components to assist homeowners to access and afford private construction loans for rebuilding in the wake of a disaster.
- Reappropriates Infill Infrastructure Grant (IIG) funding from the 2021 Budget Act to enable the award of \$7 million in unused grants.

Public Safety and Emergency Management

The Budget Act of 2026, passed by the Legislature, does the following:

- Includes \$50 million one-time General Fund for Proposition 36 in 2026-27. The allocation among implementation priorities shall be determined in future legislation.
- Does not include resources to restore the planned reduction of \$20 million to pretrial services in 2026-27. As currently budgeted, pretrial services funding will total \$50 million in 2026-27.
- 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.

Solid and Hazardous Waste Management and Oversight

The Budget Act of 2026, passed by the Legislature, includes:

- \$50 million for grants to expand beverage container CRV redemption locations in up to 40 rural jurisdictions over five years.
- \$720,000 annually to expand the Rural CUPA Reimbursement Grant Program to provide up to \$60,000 annually to local Certified Unified Program Agencies in Alpine, Amador, Del Norte, Humboldt, Lake, Mendocino, Mono, Napa, Nevada, San Benito, Siskiyou, and Tuolumne Counties.

State Administration and General Government

The Budget Act of 2026, passed by the Legislature, 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. Budget bill language is also included to authorize the Director of Finance to augment this amount by \$80 million to reimburse the remaining shortfalls for the County of San Mateo.

It should be noted, as in the past, this is budget legislation representing the Legislature's priorities in negotiations with the Governor. The June 15 deadline was created in a [1970 voter-approved measure](#) to require a legislative budget bill for gubernatorial action about two weeks before the start of the state fiscal year. In addition to the Budget Act, the legislature may also pass additional legislation, known as budget trailer bills. 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. Although the trailer bills may address budget implementation, due to differences between the Legislative proposal and the Governor's proposed May Revise, the "serious" conversations between the Governor and Legislative leaders continue in private.