

March 24, 2026

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

**RE: County H.R. 1 Budget Request**

Dear Governor Newsom,

The California State Association of Counties (CSAC), proudly representing all 58 California counties, remains ready to work with your Administration to protect our safety net from the impacts of H.R. 1. This law fundamentally shifts fiscal responsibility for health and human services programs from the federal government to states and counties. In order to prevent our safety net from crumbling, counties need a true partnership with the state. Toward that end, I write to share a multi-year countywide H.R. 1 budget request that was developed jointly with counties and county association partners.

H.R. 1 will increase county health and human services program costs due to expanded demand for indigent medical care, direct cost shifts to counties, increased county eligibility workload, and changes to Medi-Cal financing. CSAC anticipates that the impact of these changes could result in county costs ranging from \$6.0 billion to \$9.5 billion annually at full implementation. Counties have collectively developed a reasonable multi-year request for state funding of **\$1.9 billion in 2026-27 and \$4.5 billion in 2027-28** to address these impacts. This request is outlined below and further detailed in the coalition H.R. 1 County Budget Multi-Year Request attachments.

**County Indigent Care – \$761 million in 2026-27 and \$2.4 billion in 2027-28 and ongoing**

Counties are mandated to provide indigent care to low-income Californians who have no other source of health care. When the Affordable Care Act was implemented and demand for indigent care dramatically reduced, the Realignment funding provided to counties to meet this mandate was redirected by the state. With more than one million people estimated to lose Medi-Cal

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coverage, California residents will come to counties for these services and currently counties do not have a funding source to provide this care on behalf of the state. Counties need funding from the state to provide state-mandated basic health care to roughly 417,000 people, or about one-third of the individuals who are estimated to lose coverage through the new community engagement requirements, seek this care, and be eligible for these services. The indigent care funding request also includes \$200 million in one-time funding in 2026-27 to rebuild the infrastructure that will be needed to provide this care and \$50 million in ongoing funding for public health programs to provide services to individuals who lose health care coverage.

**Public Hospital Systems – \$500 million in 2026-27 and \$850 million in 2027-28 and ongoing**

County public hospital systems rely on a funding mechanism known as state-directed payments since the state withdrew General Fund to cover the non-federal share of costs for providing inpatient Medi-Cal services. H.R. 1 reduces the ability of states to use these payments, which will significantly reduce public hospital system revenues. Counties request funding to begin stabilizing public hospital system revenues and protect patient care.

**County Eligibility – \$373 million in 2026-27 and \$402 million in 2027-28 and ongoing**

The county eligibility workforce plays an essential role in helping individuals and families obtain and retain Medi-Cal coverage and CalFresh benefits. Counties face a substantial increase in workload as a result of the new Medi-Cal community engagement requirements, more frequent Medi-Cal redeterminations, and reinstated and expanded CalFresh work requirements. The county eligibility request reflects the increased funding that will be needed for counties to implement the new eligibility requirements and maximize the number of people who can obtain exemptions or meet the work requirements to keep their health care and nutrition assistance. It also includes two budget neutral CalFresh items: (1) provide a temporary match waiver allowing counties to draw down full federal funding; and (2) hold counties harmless for penalties occurring outside of county control which are exacerbated by H.R. 1.

**County Behavioral Health – \$224 million in 2026-27 and \$828 million in 2027-28 and ongoing**

In addition to Medi-Cal specialty mental health services and substance use disorder services, counties provide behavioral health coverage to other

individuals. Demand for these services is likely to increase as individuals lose eligibility for Medi-Cal. This budget request will support counties in providing services to this population.

The county H.R. 1 multi-year budget request is intended to mitigate direct harm to California residents who will lose health and nutrition services, as well as prevent cuts to other critical services that counties provide such as public safety and elections. This request comprehensively addresses the wide-ranging impacts to county health and human services programs. With this funding, counties will be able to maximize the number of individuals who retain Medi-Cal and CalFresh, rebuild county indigent care programs to serve individuals who lose health coverage, and protect needed patient care in public hospitals.

Addressing the health care and nutrition assistance needs of individuals impacted by the H.R. 1 changes to Medi-Cal and CalFresh will be a fundamental, structural element of the state's budget in 2026-27 and for years to come. We have attached information that details this multi-year budget request. CSAC is eager to partner with your Administration and the Legislature to find workable fiscal and policy solutions to protect California communities. Thank you for your consideration.

Respectfully,



Graham Knaus  
Chief Executive Officer, CSAC

Attachments:

County H.R. 1 Budget Request Summary  
County H.R. 1 Budget Request Analysis

cc: Nathan Barankin, Chief of Staff, Office of the Governor  
Christine Aurre, Legislative Affairs Secretary, Office of the Governor  
Nani Coloretti, Cabinet Secretary, Office of the Governor  
Joe Stephenshaw, Director, California Department of Finance  
Erika Li, Chief Deputy Director of Budgets, California Department of Finance  
Kim Johnson, Secretary, California Health and Human Services Agency