

COUNTY OF EL DORADO

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June 9, 2026

The Honorable Monique Limón
Senate President Pro Tempore
1021 O Street, Suite 8518
Sacramento CA, 95814

The Honorable John Laird
Chair, Senate Committee on Budget
and Fiscal Review
1021 O Street, Suite 8720
Sacramento CA, 95814

The Honorable Roger Niello
Vice Chair, Senate Committee
on Budget and Fiscal Review
1021 O Street, Suite 7110
Sacramento CA, 95814

The Honorable Marie Alvarado-Gil
California State Senate, District 4
1021 O Street, Suite 7240
Sacramento CA, 95814

RE: 2026-27 May Revision Proposal and County Partnership

Dear President Pro Tempore Limón, Senator Laird, Senator Niello, and Senator Alvarado-Gil,

El Dorado County writes to express their strong commitment to work with the Legislature to enact a budget for 2026-27 that supports the needs of our community and communities across the state in delivering the services that Californians desperately rely on.

El Dorado County recognizes that this year's state budget deliberations are shaped by ongoing state and federal tensions and recent federal policies that impact California's fiscal condition. While building reserves and addressing budget deficits are necessary, the budget must also take meaningful action to mitigate impacts on California's communities, particularly those associated with H.R. 1. Without additional support from the state, counties cannot deliver the essential services Californians need and deserve.

El Dorado County remains deeply concerned about the Administration's choice to provide virtually no additional funding to implement H.R. 1, address homelessness, and reduce crime, as well as maintain the In-Home Supportive Services (IHSS) cost shift proposal included in the Governor's January Budget. These are not optional programs; they are core to the state's long-term health, safety, and stability.

El Dorado County appreciates the continued partnership with the Legislature and respectfully offers the following comments about the Governor's May Revision budget proposal.

County HHS H.R. 1 Impacts

The Governor's May Revision provides only a modest investment toward the impacts of H.R. 1, with no additional funding for indigent health care, public hospital systems, or behavioral health systems. Counties are facing cost increases of up to \$9.5 billion per year due to H.R. 1 and have submitted a reasonable budget request of \$1.9 billion in 2026-27 and \$4.5 billion in 2027-28.

Specifically, the May Revision provides barely any of the General Fund resources counties requested for H.R. 1 – just \$87.2 million General Fund in 2026-27 for county eligibility work only, which will help people retain health care and food benefits, but even that amount represents a fraction of the need. El Dorado County anticipates that H.R. 1 will result in the need for local discretionary resources to provide the minimum level of mandated eligibility services. If supplemental funding is not provided for these state-mandated services, El Dorado County may in futures years need to cut discretionary services to our senior residents that reduce their use of safety net programs.

For El Dorado County prior to the Affordable Care Act (ACA), indigent care costs averaged \$4 million annually with the actual enrollment of 3,651 in the County Medical Services Program (CMSP). CMSP estimates the impact of H.R. 1 Medi-Cal work requirements to be 4,842 individuals at 100% disenrollment or 1,598 individuals at 33% disenrollment. Based on pre-ACA costs per enrollment, the impact to El Dorado County for indigent care could range from \$1.75 million to \$5.3 million. This estimate does not consider any increased costs in health care in the time since ACA implementation.

Furthermore, the Administration suggests revenues from the proposed sales tax on digital prewritten software would offset costs of H.R. 1. Notwithstanding the merits of the sales tax proposal, a majority of increased sales tax revenues for counties is not discretionary and must be spent on specified services, leaving little additional funding for what is needed to implement H.R. 1. Moreover, even if these funds could be used for H.R. 1, total county revenues would still fall well short of the estimated cost increases identified above.

In-Home Supportive Services (IHSS)

El Dorado County is disappointed that the May Revision maintains the IHSS cost shift proposal from the January Budget, and is grateful that the Senate has already stated an intention to reject it.

Starting in 2027-28, this proposal would shift \$233.6 million in IHSS costs to counties and grow each year. El Dorado County is strongly opposed to this proposal that would undermine the existing IHSS fiscal structure, exacerbate the safety net impacts of H.R. 1, misdiagnose the cause of hours growth, and negatively impact IHSS recipients and providers.

The IHSS cost shift proposal runs contrary to the purpose of the 2019 county IHSS Maintenance of Effort. This cut, coupled with the May Revision proposal of a \$70 million General Fund reduction to eliminate the APS expansion enacted through AB135 would cause counties to have to redirect funding from other critical programs. El Dorado County's Social Services division directly relies on realignment funding for the operation of mandated programs, including Foster Care, Child Welfare Services, CalWORKS, and Adult Protective Services. All of these programs would be negatively impacted by this cost shift. Local Public Health and Mental Health Programs also depend on stable realignment revenue. With IHSS cost shifting, El Dorado would have less flexibility to maintain these programs, putting community health initiatives at risk.

If IHSS funding is not included in the 2026–27 state budget, El Dorado County and its residents will experience significant and immediate harm. The County would be forced to redirect limited realignment dollars away from core health and behavioral health services to backfill IHSS costs, undermining programs that support children, seniors, and vulnerable adults. Public Health services such as disease control, emergency medical response, maternal and child health, and community clinics would face reductions, while Behavioral Health programs—including crisis intervention, outpatient treatment, substance use disorder services, and supports for individuals with serious mental illness—would see cuts that increase wait times and decrease access to care. Combined with the proposed \$70 million General Fund reduction to reverse the APS expansion under AB 135, these shifts would weaken the County's ability to protect older adults and dependent adults from abuse and neglect. Overall, diminished funding across these essential services would leave families without critical supports, strain an already limited safety net, and create higher long-term costs as preventable crises escalate into emergencies.

Homeless Housing, Assistance, and Prevention (HHAP) Program

The May Revision falls short on what is needed for homelessness by continuing to propose only \$500 million for Round 7 of the HHAP program. This funding is a 50 percent reduction from the \$1 billion provided in prior rounds and there is no ongoing investment.

Through our collective efforts, California is making strides in reducing homelessness and now is not the time to walk back this commitment, especially with our safety net threatened by H.R. 1. El Dorado County continues to advocate for \$1 billion for Round 7 and for this funding to be ongoing, which is the only way to achieve sustained progress.

HHAP funding has produced meaningful outcomes for individuals experiencing homelessness in El Dorado County. Since October 2024, the County's HHAP-funded Navigation Center has served 274 individuals, with 53 exiting to permanent housing. HHAP-funded homelessness prevention and shelter diversion programs have served 85 individuals, with 75% of program exits resulting in placement into permanent housing settings. During the 2025-26 winter season, HHAP-funded shelter programs provided 1,075 bed nights to 73 individuals experiencing homelessness. Beyond these metrics, HHAP funding has supported life-changing outcomes for residents in crisis. One former Navigation Center participant, who entered services while experiencing homelessness, substance use challenges, and serious health concerns, was connected to medical care, behavioral health services, substance use treatment, and housing resources. Today, that individual has maintained stable housing and sobriety for more than 15 months and is working toward employment and long-term self-sufficiency. These outcomes demonstrate the value of continued state investment in programs that provide both immediate shelter and pathways to permanent stability.

El Dorado County looks forward to continued engagement on the proposed trailer bill language for Round 7 implementation. While appreciative of application streamlining and some flexibilities provided for new accountability measures, we have strong concerns about the new required local match and that requirements would be implemented in a manner that will not allow this funding to be distributed by the September 1, 2026 goal date.

If Round 7 of the HHAP program is not funded at the same level of Round 6, El Dorado County will face program cuts in areas of temporary and emergency shelter, street outreach, rapid rehousing, and prevention/diversion. These reductions will create increased unsheltered homelessness, increased wildfire-risk encampments and higher costs pushed onto law enforcement, jails, hospitals and local communities. El Dorado County relies heavily on HHAP funding and has limited ability to backfill funding reductions.

Proposition 36

El Dorado County continues to face significant challenges with Proposition 36 implementation, which was approved in all 58 counties by an overwhelming statewide majority. El Dorado County appreciates the Senate's continued commitment to secure funding. However, the one-time funding approved in last year's budget falls short of the local treatment, supervision, and rehabilitative needs in communities across California.

El Dorado County is in dire need of funding to deliver recovery support services and build out substance use and mental health treatment capacity, a crucial component of the measure. If Proposition 36 implementation funding is not included in the 2026–27 State Budget, El Dorado County will face significant challenges meeting the treatment and recovery expectations established by voters. As a rural and mountainous county with limited behavioral health and substance use disorder treatment capacity, El Dorado County residents already experience challenges securing timely access to residential treatment, recovery support services, and ongoing care coordination. Without dedicated implementation funding, behavioral health, probation, law enforcement, the courts, and community-based providers will be expected to absorb increased responsibilities without the resources necessary to expand treatment capacity, recovery support services, and supervision efforts. This will place additional strain on local systems while limiting the ability of Proposition 36 to achieve its intended goals of improving public safety and connecting individuals to effective treatment and recovery services.

Thus, El Dorado County is in strong support of the \$400 million budget request which members in your house have championed to expand service capacity, secure appropriate in custody treatment, and allow for individualized planning, monitoring, and supervision for individuals in the community. Further, we would respectfully urge that should funding be included in the final budget agreement, allocations are immediately distributed to counties.

Development Impact Fees

El Dorado County has significant concerns with the Administration's proposal to discourage or prohibit local development impact fees assessed on affordable housing projects. Development impact fees are strictly cost recovery tools, not revenue sources, used by counties to fund development related essential infrastructure and services necessary for new housing and economic development. These fees help counties and special districts fund the essential infrastructure and public services needed to support new growth, such as fire protection facilities, water and sewer capacity, parks, roads, and school facilities. These fees ensure that new development pays its fair share of the costs it creates, so existing residents are not burdened with those expenses. Development impact fees collected can be used only to build or expand the specific facilities and services needed because of the new development. In other words, they help maintain service levels, but they do not create profit; they provide reimbursement for the actual cost of providing infrastructure and public safety for a growing community.

The May Revision proposal includes an incentive route that would allow project applicants to count any development fees deferred, reduced or waived by a county as a local funding match. This part of the proposal does not guarantee the project will receive state funding. Therefore, El Dorado County believes this proposal will not lead to additional jurisdictions deferring or waiving these fees, especially considering the fiscal impact that H.R. 1 will have on counties.

Finally, El Dorado County has concerns with requiring counties to waive development fees when they are the applicant or co-applicant on a state housing grant. While the primary target of this proposal appears to be grants made by the Homekey program, the trailer bill language is overly broad and applies to a wider array of affordable housing programs.

When Affordable Housing projects are exempted from paying their proportional share of development impact fees, the cost of serving that new development does not disappear. Instead, those costs must be absorbed by service providers, such as the County, fire districts, park districts, and school districts. This effectively shifts the financial burden from the new development to the agencies responsible for maintaining service levels. Without the necessary fee revenue, these providers face underfunding, which can lead to lower service levels, deferred maintenance, or reduced capacity to respond to future growth.

Thank you for considering El Dorado County's positions on the above May Revision issues. Counties deliver critical, life-saving services to California communities on behalf of the state. Without adequate support, the state is leaving counties and communities to stabilize these systems at the severe expense of other public services such as public safety, fire response, elections, and more.

El Dorado County remains committed to working with the Legislature toward equitable, sustainable solutions that protect all Californians.

Respectfully,

Brooke Laine, Chair
Board of Supervisors
El Dorado County

CC: Honorable Members, Senate Committee on Budget and Fiscal Review
Mariana Corona Sabeniano, Chief of Staff, Office of Senate President pro Tempore
Monique Limón
Elisa Wynne, Staff Director, Senate Committee on Budget and Fiscal Review
Kirk Feely, Fiscal Director, Senate Republican Caucus
Gabriel Petek, Legislative Analyst, Legislative Analyst's Office
Carolyn Chu, Chief Deputy Legislative Analyst, Legislative Analyst's Office