LOS ANGELES COUNTY

County of Los Angeles Legislative Affairs & Intergovernmental Relations

ENACTMENT OF THE 2026 STATE BUDGET ACT AND OUTCOMES OF ALL STATE BUDGET ITEMS

EXECUTIVE SUMMARY

July 17, 2026

OVERVIEW

The following summary provides a final update on the Fiscal Year (FY) 2026-27 State Budget process.

On June 29, Governor Newsom signed Assembly Bill (AB) 109, the Main Budget Bill, which reflects the State budget agreement between the Assembly and Senate; Senate Bill (SB) 110, a Budget Bill Junior (BBJ) that makes technical changes to AB 109; (SB) 111, a BBJ that amends AB 109 to reflect the final agreement between the Legislature and Governor Newsom; and AB 112, which amends the State Budget Acts of 2022, 2023, 2024, and 2025 to make technical and fiscal changes needed to implement the June 2026 budget package. These four bills, in combination with 21 budget trailer bills Governor Newsom also signed, enact the 2026 State Budget Act.

Among its key provisions, the 2026 State Budget Act maintains a balanced budget with no projected deficit this year or next while preserving reserves; funds tax relief for California small businesses; continues universal school meals, universal transitional kindergarten, expanded childcare, and free summer school; protects healthcare affordability and access; advances housing reforms that reduce red tape and accelerate homebuilding; continues investments in behavioral healthcare and Proposition 1 implementation; invests in disaster recovery, wildfire resilience, infrastructure, workforce development, and public safety; and strengthens election administration while protecting against mis- and disinformation.

The CEO Legislative Affairs and Intergovernmental Relations Branch will continue to monitor any developments and provide updates.

Please see pages 2 through 22 for more information.

FINAL OUTCOME OF ALL STATE BUDGET ITEMS

Below is a summary, final outcome, and County impact analysis of each of the State budget items for which the County had an official advocacy position on or that are of major interest to the County.

COUNTY-SUPPORTED STATE BUDGET ITEMS

FIRE RECOVERY

- Los Angeles County Disaster Recovery Rebuild Authority (Rebuild Authority) – The Los Angeles County Delegation requested $10 million in State funding to support the creation of the Rebuild Authority. This proposal was in support of the County's transitions from emergency response to long-term recovery after the January 2025 wildfires.

  Final Outcome: The 2026 State Budget Act did not include funding for this State budget request.

  County Impact: The County will have to identify another source of funding for this purpose.

HEALTH, BEHAVIORAL HEALTH AND PUBLIC HEALTH

- Investment for California's Public Hospital Systems – The California Association of Public Hospitals and Health Systems requested a $500 million annual appropriation for inpatient services currently financed by public hospital systems.

  Without this State investment, California's public hospital systems will be unable to sustain current care levels.

  Final Outcome: The 2026 State Budget Act provides $250 million one-time to support designated public hospitals. It also includes $90 million in 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.

  County Impact: The Department of Health Services (Health Services) reports that while this funding will provide temporary relief, Health Services will continue to face significant financial challenges, including rising uncompensated care costs and federal fiscal pressures. Although this one-time allocation does not resolve Health Services' structural deficit, it will help avert immediate impacts on the patient populations served by the County.

- Work and Community Engagement Requirement Implementation – The FY 2026-27 January Proposed Budget (January Budget) proposed a $373 million reduction in FY 2026-27 and $13.1 billion by FY 2029-30, due to the new H.R. 1 work and community engagement requirements.

  Since there is a high risk of accidental Medi-Cal disenrollment for individuals with serious mental illness (SMI) and substance use disorder (SUD) conditions, a streamlined exemption process by the State is necessary. (H.R. 1 exempts Medicaid recipients with SMI and SUDs from this requirement.)

  Final Outcome: The 2026 State Budget Act includes $20.453 million in federal funds for FY 2026-27 to support administrative and eligibility system costs associated with the implementation of federal work and community engagement requirements.

  County Impact: This funding will not directly impact the County health departments, but it may support efforts by the Department of Public Social Services (DPSS) to better prepare and implement the work and community engagement requirements, to ensure that a significant portion of County's population meets the medically frailty exemption and retain their Medi-Cal coverage. While this may help prevent clients from losing Medi-Cal, it will not offset the significant Medi-Cal revenue losses the County could face if the federal Interim Final Rule is finalized as currently drafted.

- Public Health Information Technology (IT) Systems – The County Health Executives Association of California (CHEAC) requested $97.6 million in one-time funding to sustain California Department of Public Health's (CDPH) IT systems.

  The County relies on these critical Public Health IT systems for managing communicable disease prevention and control efforts, immunization ordering, and distribution.

  Final Outcome: The 2026 State Budget Act maintains $113.3 million for continued operation of the State's critical public health IT systems.

  County Impact: The Department of Public Health (DPH) reports that this funding will help DPH to continue using critical State public health IT systems for immunization programs, lifesaving disease contact tracing, and reporting and surveillance activities. Without State support, these systems would cease to operate, and it would have forced DPH to build its own replacement, resulting in delays to legally mandated work, major disruptions to current operations, and millions in new costs.

- Trauma Recovery Centers – The National Alliance of Trauma Recovery Centers requested $34 million ongoing for the provision of services for survivors of violence at the 20 existing Trauma Recovery Centers (TRC) in California.

This would help provide services for survivors of violence who do not get proper attention through traditional victim's services.

Final Outcome: The 2026 State Budget Act includes $12.5 million in one-time SGF in FY 2026-2027 for TCR.

County Impact: This funding will help both Olive-View and Harbor-UCLA TRCs to provide services for survivors of violence who do not get proper attention through traditional victim's services.

- AIDS Drug Assistance Program (ADAP) Rebate Funds for Disease Intervention Specialist (DIS) Workforce – CHEAC requested $18.6 million in ADAP Rebate Funds in FY 2026-27 to support the CDPH DIS Workforce program for local health departments. This would help prevent the loss of critical communicable disease capacity and personnel.

  Final Outcome: The 2026 State Budget Act adopts TBL for the AIDS Drug Assistance Program – DIS.

  County Impact: This funding will authorize CDPH to continue using the ADAP Rebate Fund to support the statewide DIS program, which sustains disease investigators and related personnel in local health departments, including 22 DPH staff who conduct critical sexually transmitted infections (STI), human immunodeficiency virus (HIV), hepatitis, and outbreak response work.

- ADAP Rebate Fund Trailer Bill Language and Investments – The End the Epidemics Coalition requested TBL, authorizing CDPH to continue using dollars from the ADAP Rebate Fund to replace delayed, reduced, or eliminated HIV-related federal funding for State and local agencies and community-based organizations; and, $143 million in ADAP Rebate Fund and Opioid Settlement Fund investments in FY 2026-27, for eight initiatives.

  This would help prevent reductions in and cancelations of critical HIV/AIDS programming in the County.

  Final Outcome: The 2026 State Budget Act adopts a 4-year ADAP expenditure spending plan and authorizes CDPH to spend up to $134.84 million in FY 2026–27, $134.49 million in FY 2027–28, $126.59 million in FY 2028–29, and $130.09 million in FY 2029–30 to implement programs. The 2026 State Budget Act also allocates $50 million in one-time funding from ADAP Rebate Fund to support services for those living with and at risk of HIV, including for backfill of federal funds delayed/cancelled.

  County Impact: This funding will help sustain existing State HIV/AIDS programs and expand high-impact initiatives in FY 2026–27, strengthening County's public health system in its work to end the interconnected epidemics of HIV, STIs, hepatitis, and drug overdose. Most of the funding is expected to support community-based organizations and hospital networks, including DPH's community partners, with a portion potentially directed to DPH.

The additional $50 million in one-time funding will also allow DPH to continue operating HIV prevention, care and treatment programs in the face of federal financial instability.

- County's Health Facilities Inspection Division (HFID) Contract Extension – The May Revision proposed $24.2 million to extend and augment DHP's HFID contract.

  This contract increase is critical to continue providing HFID services on behalf of the State for the health care facilities across the County.

  Final Outcome: The 2026 State Budget Act provides $24.186 million ongoing from the Licensing and Certification Program Fund to extend and augment DPH's contract for updated indirect cost and employee benefit rates, personnel costs, and lease costs.

  County Impact: This contract augmentation is critical for HFID to continue providing services to the health facilities throughout the County, which contains nearly one third of all healthcare facilities in California.

- Behavioral Health Services Act (BHSA) Revenue and Stability TBL – The BHSA Revenue and Stability TBL would require counties to expend a minimum level annually on BHSA programs; and reduce the prudent reserve level to 10 percent for counties with a population above 200,000.

  The Senate Budget and Fiscal Review Subcommittee No. 3 on Health and Human Services adopted modified placeholder TBL that would approve the Administration's proposal but allow a higher level of reserves with more flexibility for counties to access reserve funding during revenue shortfalls and declared emergencies.

  Final Outcome: The 2026 State Budget Act adopts the BHSA Revenue and Stability (Legislature Modified) TBL, which will require counties to reassess their prudent reserve starting in FY 2029-30; meet new minimum spending levels set by the Department of Health Care Services (DHCS); and face corrective actions or financial sanctions if they fall short.

  County Impact: The BHSA TBL does not reduce BHSA prudent reserve levels established by Proposition 1, which was DMH's primary concern about the Administration's initially proposed TBL. Beginning FY 2029-30, the BHSA TBL establishes spending requirements based on the average of the prior three-year revenue allocation, which may make it easier for counties to access their prudent reserves and mitigate future challenges of meeting spending requirements in years in which revenues fall short of the projected amount.

- Prospective Payment System (PPS) Reimbursement for State-only Medi-Cal – The May Revision did not address the elimination of PPS reimbursement for state-only funded Medi-Cal services provided by Federally Qualified Health Centers (FQHCs), which will take effect on July 1, 2026.

  Final Outcome: The 2026 State Budget Act delays implementation of planned reduction to clinic PPS reimbursement for State-funded Medi-Cal services from July 1, 2026, to July 1, 2027.

  County Impact: This will have an indirect, positive impact on Health Services, as it will support the safety net healthcare system by paying community clinics higher rates for state-only Medi-Cal enrollees for one more year than previously anticipated.

HOUSING AND HOMELESSNESS

- Homeless Housing, Assistance and Prevention (HHAP) Program – The California State Association of Counties, League of California Cities, the California Big City Mayors Coalition and the Bring California Home Coalition requested an increase to HHAP Round 7 to prior funding levels of $1 billion and to secure $1 billion in ongoing State funding for the program.

  This request would prevent the reduction of housing and homeless services supported by HHAP and provide local agencies with stable funding to address homelessness.

  Final Outcome: The 2026 State Budget Act provides $900 million in one-time funding in FY 2026-27 for Round 7 of the HHAP program.

  County Impact: The 2026 State Budget Act provides $400 million above the 2025 State Budget Act commitment for HHAP 7, raising funding levels close to prior rounds and preventing disruptions to HHAP-funded services. According to the Department of Homeless Services and Housing (HSH), the County is expected to receive approximately $75 million for the next round. County HHAP funds currently support transitional housing for transition-aged youth and intensive care management services for clients in supportive housing.

PUBLIC SAFETY / JUSTICE

- Pretrial Release Program – The May Revision proposed no changes to the ongoing $20 million reduction the Judicial Branch's Pretrial Release Program enacted in the 2025 State Budget Act.

  Final Outcome: The 2026 State Budget Act includes $50 million in one-time SGF for FY 2026-27, to implement Proposition 36, supporting increased court workload and behavioral treatment services, including $20 million to reverse a previously planned reduction to the Pretrial Services and Release Program.

County Impact: The Superior Court of Los Angeles County reports that increased funding for pretrial services and the resources needed will help the County address the growing court workload associated with collaborative courts.

The Justice, Care, and Opportunities Department (JCOD) reports that restoring funding prevents reductions across multiple programs, including the Pretrial Release Evaluation program, the Rapid Diversion Program, and JCOD's pretrial services programs through its Independent Pretrial Services Agency, allowing JCOD to maintain case-management staffing, preserve housing and service capacity, avoid cuts to diversion and supportive housing initiatives, and retain flexibility to expand pretrial services without relying on other limited funding sources.

Jails 2 Jobs Pilot Program – Assemblymember Tina McKinnor requested $40 million in State funds over three years to develop an employment training and case management pilot program in Los Angeles County, and in the counties of San Bernardino, San Joaquin, and Santa Clara, for the Jails 2 Jobs Pilot Program.

Final Outcome: The 2026 State Budget Act includes $5 million in one-time Labor and Workforce Development Funds to support a pilot program that promotes the education of employers and workers about protections under the California Labor Code pertinent to individuals with pending criminal cases in the County.

County Impact: Funding for this pilot program could support the County to expand court-based education and referral navigation services for training and employment programs for justice-involved individuals with pending court cases, and in improving existing workforce programs to meet the special needs and court requirements of the population.

Next Generation (NG) 9-1-1 Transition – The May Revision proposed $141.9 million in one-time State Emergency Telephone Number Account funds to continue the NG 9-1-1 deployment and transition the architecture from a regional model to a unified Statewide system model.

Final Outcome: The 2026 State Budget Act approves $141.9 million in one-time special funds to support a revised implementation of the Next Generation 9-1-1 system, with ongoing maintenance and support.

Additional legislative actions include a requirement for an independent technical evaluation, third-party project oversight, and an audit.

County Impact: The Los Angeles County Sheriff's Department reports that this funding will support the implementation of a modern, reliable emergency communications system for the greater Los Angeles region, ahead of the 2028 Olympic and Paralympic Games and future large-scale events and will replace aging 9-1-1 infrastructure that could delay emergency response times.

SOCIAL SERVICES

- In-Home Supportive Services (IHSS) Community First Choice Option (CFCO) Penalties – The County Welfare Directors Association (CWDA) proposed TBL for the 2026 State Budget Act that would preserve the current 50 percent State/50 percent county cost-sharing structure for CFCO reassessment penalties.

  This proposal would protect IHSS consumers and ensure equitable access to critical services.

  Final Outcome: The 2026 State Budget Act does not provide funding for this State budget request.

  County Impact: DPSS reports that the fiscal impact of these penalties could place additional pressure on the County resources that support IHSS operations. DPSS further reports that the County is experiencing consequential operational impacts due to the need to track CFCO cases and address compliance requirements. DPSS shifted its business process to track and prioritize CFCO cases, causing staff to balance competing workload demands, resulting in workload pressure in case management.

- The California Nutrition Incentive Program (CNIP) – The Ecology Center requested $20 million for FY 2026-27, $30 million for FY 2027-28, and $50 million for FY 2028-29 and ongoing for CNIP.

  This proposal would improve food access and nutrition among CalFresh and Women, Infants and Children recipients in the County.

  - ***Final Outcome:*** The 2026 State Budget Act includes $15 million in SGF in FY 2026-27 for the CNIP.

    County Impact: This funding will allow eligible CalFresh households to continue receiving a dollar-for-dollar match up to a $60 per month when purchasing fresh fruits and vegetables at participating retailer and farmers' markets.

CHILD WELFARE

- Bringing Families Home (BFH) Program – The 2025 State Budget Act provided one-time funding of $81 million in FY 2025-26. This funding is available for encumbrance and expenditure until June 30, 2028.

  The Proposed Budget does not provide funding beyond FY 2025-26 for this program. The County supports proposals that provide funding for the BFH program beyond FY 2025-26.

  Final Outcome: The 2026 State Budget Act approves $15 million in one-time SGF for the BHF Program.

County Impact: The Department of Children and Family Services (DCFS) reports that the County's portion of this one-time funding will be known once the California Department of Social Services allocates the funding to all counties via a County Fiscal Letter.

- Emergency Response (ER) Enhancement Services – CWDA requested $20 million in FY 2026-27 to sustain ER stabilization efforts statewide and preserve front-end prevention capacity during implementation of H.R. 1.

  This funding would enable counties to retain staffing to work with vulnerable families, prevent foster care entry, and connect families to community and county-based services that meet their basic needs and help reduce unnecessary disproportionate child welfare system-involvement of families and children of color.

  Final Outcome: The 2026 State Budget Act approves $20 million in one-time SGF for counties to maintain and increase ER staffing capacity. The funding is available through June 30, 2028.

  County Impact: DCFS reports that this funding will help child welfare agencies enhance existing ER services to ensure timely responses to reports of child abuse, neglect, or exploitation, reduce entries into foster care where possible and appropriate, reduce the disproportionate representation of children of color entering foster care, promote kin-based care, and strengthen families through connections to community-based resources.

- Flexible Family Supports (FFS), Two Year Extension – CWDA requested a two-year extension of FFS funding beyond June 30, 2026, to maintain the current momentum of concrete supports to foster children, youth, and their caregivers, while the State and counties work to implement the Tiered Rate Structure, which will take effect on or after July 1, 2027.

  This two-year extension could prevent gaps in these critical supports and services.

  Final Outcome: The 2026 State Budget Act adopts an extension of the availability of FFS for Home-Based Care to June 30, 2028. The extension applies to both the FY 2022-23 and FY 2023-24 allocations of $50 million in FFS funds that were provided to counties in each of those fiscal years.

  County Impact: DCFS reports that two-year extension will continue to help address barriers and provide direct support to kinship and foster caregivers (Such as for respite care, home safety repairs, and youth enrichment) to stabilize home placements.

- Funding to Stabilize Foster Family Agencies (FFAs) – Assemblymember Ramos and Senator Durazo submitted a State budget request for $30 million in one-time State funding to continue stabilizing the more than 200 FFAs serving over 6,500 foster youth across California. The 2025 State Budget Act provided a one-time investment of $31.5 million over two years to help stabilize FFAs.

  This State budget request would provide the necessary short-term relief to FFAs to ensure placement stability for children and youth while the Legislature and Administration advance long-term solutions to the insurance crisis.

  Final Outcome: The 2026 State Budget Act does not provide funding for this State budget request.

  County Impact: No direct impact on the County as this funding would have been provided directly to the FFAs.

CHILD SUPPORT

- Child Support Local Assistance – The January Budget proposed a $16.6 million increase in FY 2026-27.

  Final Outcome: The 2026 State Budget Act provides an increase of $22.3 million in funding for Local Child Support Administration compared to FY 2025–26. This total reflects the restoration of $17.65 million State/Federal funds, as well as a one-time increase of $4.63 million in federal incentive funds.

  County Impact: The County was allocated approximately $9.6 million of this amount. Besides the one-time increase, the restoration amount and the allocation to the County remains the same.

EARLY CARE AND EDUCATION

- Child Care Infrastructure for Communities Impacted by the Fires – The January Budget proposed $11.5 million in one-time Proposition 64 funding for childcare infrastructure, specifically targeted for communities impacted by 2025 wildfires.

  This proposal would provide much needed resources for child care facilities to reopen in the fire-impacted communities.

  Final Outcome: The 2026 State Budget Act provides $28 million in one-time federal funding, and $11 million in one-time Proposition 64 funding for the existing childcare infrastructure grant program, for child care providers impacted by wildfires.

  County Impact: This will provide critical funding for early care and education (ECE) providers impacted by the Palisades and Eaton wildfires. ECE providers receive funding directly from the State.

WORKFORCE DEVELOPMENT

- AB 685 (Solache) Small Business Resiliency and Innovation Act – This bill, which is pending on the Senate Appropriations Committee's Suspense File, would appropriate $26 million from the SGF to a new Small Business Resiliency and Innovation Fund to provide assistance to small businesses.

  The bill would support small business stabilization and inclusive economic growth.

  > ***Final Outcome:*** The 2026 State Budget Act does not provide funding for this State budget request.
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  > ***County Impact:*** No County impact.

ENVIRONMENT

- AB 2349 (Solache) State Air Resources Board: Regional Air Quality Incident Response Program – This bill, which is pending consideration in the Senate Appropriations Committee, would require the California Air Resources Board, subject to appropriation, to expand its incident air monitoring program to provide support for a regional network of air quality incident response centers operated by local Air Quality Management Districts, including at least one air quality incident response and evaluation center located at the South Coast Air Quality Management District, in order to facilitate emergency air monitoring response at the local and regional level.

  This bill would improve regional air quality early warning systems and real-time monitoring of incidents.

  Assemblymember Solache submitted an associated $5 million State funding request for implementation of this bill.

  > ***Final Outcome:*** The 2026 State Budget Act does not provide funding for this bill, however, $13.4 million is appropriated for community air protection and $5 million from the Air Pollution Control Fund for in FY 2026-27 and FY 2027-28 for litigation and legal costs to safeguard California's air quality laws and programs that advance the state's climate, air quality, and public health environmental priorities.
  >
  > ***County Impact:*** The County may experience strengthened air quality monitoring and protection.

- Exide Facility Cleanup – The January Budget proposed $70 million, of which $50 million is from the Toxic Substances Control Account (TSCA) and $20 million from the Lead-Acid Battery Cleanup Fund (LABCF), for the ongoing testing, cleanup, and remediation near the former Exide lead-acid battery recycling facility in Vernon, California.

The funds would help ensure the continuation of ongoing cleanup measures.

Final Outcome: The 2026 State Budget Act includes $70 million ($20 million from the LABCF and $50 million to be loaned from the SGF to the TSCA) in FY 2026-27 and $70 million ($20 million LABCF and $50 million to be loaned from the SGF to the TSCA) in FY 2027-28 to clean up an additional estimated 1,000 residential properties surrounding the former Exide facility with a representative lead concentration level above 80 parts per million.

***County Impact*:** This funding will enable the California Department of Toxic Substances Control (DTSC) to continue the remediation of contaminated soils in the neighborhood surrounding the former Exide facility, which will reduce community exposure to pollution and toxic substances. The Department of Public Works and DPH provide ancillary services based on DTSC remediation activities.

IMMIGRATION

- Immigrant Legal Services – The May Revision proposed $20 million in one-time SGF to increase legal capacity to help residents facing immigration court proceedings, particularly for individuals in civil immigration detention.

  This State Budget proposal would provide additional resources to provide immigration-related services at a critical time of intensified federal immigration enforcement.

  Final Outcome: The 2026 State Budget Act provides a total of $175 million for immigrant legal aid programs, including $100 million in one-time SGF, $80 million more than provided in the May Revision, for immigration legal services across several programs.

  County Impact: While the County is not expected to receive direct funding, the Department of Consumer and Business Affairs indicates the funding aligns with the County's efforts to expand legal access and services to immigrants facing deportation proceedings.

COUNTY-OPPOSED STATE BUDGET ITEMS

HEALTH, BEHAVIORAL HEALTH AND PUBLIC HEALTH

- Restrictions on Immigrant Eligibility for Full-Scope Medi-Cal – The January Budget proposed transitioning individuals impacted by the federal eligibility change for qualified non-citizens from full-scope Medi-Cal to restricted-scope Medi-Cal, effective October 1, 2026.

  This would result in County residents losing access to critical care and services.

Final Outcome: The 2026 State Budget Act adopts the January Budget's proposal to shift asylees and other impacted qualified immigrants to restricted-scope Medi-Cal, but not until FY 2027-28.

County Impact: While the transition of asylees and other qualified immigrants to restricted-scope Medi-Cal is delayed until FY 2027–28, the shift will ultimately strip access to a broad set of full-scope Medi-Cal services. It will eliminate eligibility for Specialty Mental Health Services, increasing DMH's non-federally funded costs as many individuals are expected to continue seeking care. In addition, loss of California Advancing and Innovating Medi-Cal (CalAIM) and clinic-based services delivered through DPH's contracted provider network will reduce Medicaid revenue for FQHCs and intensify financial pressures on community partners already confronting funding cuts.

- Community-Based Mobile Crisis Intervention Services – The January Budget proposed to shift the Medi-Cal Community-Based Mobile Crisis Intervention Services benefit from a statewide mandatory Medi-Cal benefit to a county-optional benefit.

  This would pose a significant challenge to ensure that individuals in need have access to a comprehensive behavioral health crisis response service.

  Final Outcome: The 2026 State Budget Act maintains the mobile crisis Medi-Cal benefit until July 1, 2027, with plans for continuing discussions to address long-term funding sustainability for the 9-8-8 system and mobile crisis response services.

  County Impact: This funding maintains the Mobile Crisis Intervention Services Medi-Cal benefit as a state-wide and state-funded benefit. This will allow DMH to continue operating its Mobile Crisis Program and offer street-based stabilization to people experiencing mental health crises, as currently designed, through FY 2026-27.

- Medi-Cal Program Changes – The May Revision proposed to:

  - Transition individuals with unsatisfactory immigration Status (UIS) from Medi-Cal managed care plans to Medi-Cal fee-for-service delivery system, effective January 1, 2027; and

  - Increase monthly Medi-Cal premiums for adults with UIS, ages 19–59, from $30 to $50, effective July 1, 2027.

  These proposals would create major fiscal and service delivery challenges for the County health systems and the residents.

Final Outcome: The 2026 State Budget Act:

- Transitions individuals with UIS from Medi-Cal Managed Care to Medi-Cal Fee-for-Service, effective January 1, 2027; and

- Requires the Governor's FY 2027-28 May Revision to determine the Medi-Cal premium for individuals with UIS, to be set between $30 to $50 per month, effective July 1, 2027.

County Impact: The transition of individuals with UIS to Medi-Cal fee-for-service will affect County health departments differently.

DMH does not anticipate a direct funding loss because the serious mentally ill (SMI) population will remain eligible for State-only Specialty Mental Health Services, but these clients will lose access to Managed Care–only benefits such as Enhanced Care Management and Community Supports (e.g., Transitional Rent), potentially requiring DMH to backfill rent subsidies to prevent housing disruptions. DPH reports that individuals with UIS will lose access to CalAIM benefits delivered through its contracted provider network; FQHCs will face Medicaid revenue losses proportional to their UIS caseloads, intensifying financial strain on community partners already experiencing funding cuts. The Budget agreement provides $39 million statewide for care coordination and navigators to assist with the move to fee-for-service, some of which may support DPH, DPSS, and CBOs locally. Health Services' impact assessment is pending clarification of inpatient and outpatient fee-for-service rates.

The Medi-Cal premium increase for adults with UIS is expected to cause many residents to lose coverage, raising uninsured rates across the County. For DMH, this means higher non-federally funded costs as uninsured SMI clients continue seeking County-funded care. DPH anticipates greater demand for its clinical services alongside declining revenues and rising uncompensated care, straining programs across maternal health, infectious disease, SUD treatment, and chronic disease management. Health Services similarly reports that higher premiums will result in more uninsured and underinsured patients relying on County hospitals and clinics, intensifying financial pressures and potentially reducing service capacity.

HOUSING AND HOMELESSNESS

- Medi-Cal Enhanced Care Management and Community Support Services – The May Revision proposed a reduction of $41.4 million in FY 2026-27 and $99.2 million for the Medi-Cal Enhanced Care Management (ECM) benefit and $26.9 million in FY 2026-27, $58.8 million in FY 2027-28 and $51 million ongoing for select Medi-Cal Community Support services, as a result of reforms proposed by DHCS.

  Final Outcome: The 2026 State Budget Act approves the proposal related to refinements and efficiencies for Medi-Cal ECM and CS services.

County Impact: According to HSH, the proposed policy changes, which will move through the State regulatory process in the coming months, would severely impact the County's rehousing system and disrupt housing-related services that integrate CalAIM funding for potentially thousands of people in the County, who experience chronic homelessness with disabilities.

- HHAP Program Round 7 Accountability Measures – The May Revision proposed TBL related to the eligibility criteria and other program requirements for round 7 of the HHAP Program, including a local match requirement to qualify for fund disbursements. The draft TBL could have negatively impact the County by imposing onerous requirements for HHAP grantees.

  Final Outcome: The 2026 State Budget Act includes TBL (AB 179) for HHAP 7 administration intended to increase program efficiencies and local accountability including, but not limited to, requirements for HHAP recipient cities and counties in which they are located in to:

  - Provide qualifying matching funds, as defined, equal to or greater than the 35 percent of the recipient's total program allocation for the first round 7 disbursement, plus an additional 35 percent for the second disbursement; and

  - Obtain and maintain pro-housing designation.

County Impact: HSH does not report concerns with the program prerequisites in AB 179, including the local qualifying match. AB 179 would apply the matching component to the recipient's total program allocation, rather than to individual service components. AB 179 would also lessen administrative requirements for HHAP grantees by restoring quarterly reporting requirements.

JUSTICE / PUBLIC SAFETY

- Victims of Crime Act (VOCA) Supplemental Funding – The May Revision proposed a one-time $25 million SGF allocation, a $75 million reduction from FY 2025-26, to supplement decreasing federal funding for a range of services for victims of crime.

  Final Outcome: The 2026 State Budget Act includes $50 million in one-time grant funding, an increase of $25 million from the May Revision, to address the federal VOCA funding gap.

  County Impact: The Office of the District Attorney reports that this funding will support a range of critical services and programs for crime victims, including domestic violence service providers, rape crisis centers, legal assistance, human trafficking services, services to address crime survivor homelessness, and other vital services.

SOCIAL SERVICES

- In-Home Supportive Services (IHSS) Growth Cost Shift to Counties – The January Budget proposed a reduction of $233.6 million by removing the State's share of cost associated with the growth in IHSS hours per case and shifting those costs to counties beginning in FY 2027-28.

  This proposal would negatively impact the IHSS program and the broad health and human services programs that the County administers.

  Final Outcome: The 2026 State Budget Act rejects the January Budget's proposal to shift costs in the IHSS program to counties with use of a statewide average on assessed hours in its entirety, including the proposed savings and the proposed TBL.

  County Impact: This proposal would have caused counties to redirect funding from other critical health and mental health programs.

- Elimination of the IHSS Back-Up Provider System (BUPS) – The January Budget proposed to reduce $3.5 million in FY 2026-27 and ongoing, eliminating the IHSS Back-Up Provider System.

  This proposal would eliminate the BUPS program, jeopardizing the safety of IHSS recipients.

  - ***Final Outcome:*** The 2026 State Budget Act rejects the January Budget's proposal to eliminate the IHSS BUPS in its entirety, including the proposed savings and the proposed TBL.

    County Impact: This proposal would have negatively impacted IHSS recipients' access to emergency back-up care when their regular provider is unavailable.

- Auto-termination of IHSS When Medi-Cal is Discontinued – The January Budget proposed to automate the termination of IHSS to align with the discontinuance of Medi-Cal.

  This proposal would create lapses in essential care for individuals who cannot safely be left without assistance, increasing the likelihood of hospitalization or institutional placement.

  - ***Final Outcome:*** The 2026 State Budget Act rejects the January Budget's proposal on auto-termination of IHSS Eligibility to align with Medi-Cal loss in its entirety, including the proposed savings.

    County Impact: This proposal would have disrupted care continuity and created payment lapses for providers.

- Adult Protective Services Program (APS) Expansion – The May Revision proposed a $70 million reduction in SGF in FY 2026-27 and ongoing to revert the expansion of APS adopted in FY 2021-22, including changing the age of eligibility from 60 back to 65.

  This proposal would reduce funding and access to safety-net services for older adults in the County.

  Final Outcome: The 2026 State Budget Act rejects the May Revision proposal to eliminate the APS expansion and enhanced case management in its entirety, including the proposed savings of $70 million in ongoing SGF and the proposed TBL.

  County Impact: The Aging and Disabilities (AD) Department reports that this proposal would have unraveled critical safety net services that keep older adult victims of abuse, neglect, and financial exploitation safely housed. AD further reports that since the APS eligibility expansion, the County APS has served more than 16,300 adults aged 60–64, with nearly 4,000 active clients annually in recent years, demonstrating a sustained and significant need for protective services within this age group.

- Intrastate Funding Formula (IFF) – SB 1249 (Chapter 337, Statutes of 2024) requires the California Department of Aging (CDA) to revise the IFF by September 30, 2026.

  Final Outcome: The 2026 State Budget Act approved TBL to extend the revision date from September 30, 2026, to September 30, 2027.

  County Impact: AD reports that the one-year extension provides CDA with additional time to evaluate demographic, fiscal, and service delivery impacts, refine the methodology, and reduce the risk of unintended funding shifts that could negatively affect services for older adults and adults with disabilities in the County.

ITEMS OF MAJOR COUNTY INTEREST

HEALTH, BEHAVIORAL HEALTH AND PUBLIC HEALTH

- Funding for Distressed Hospitals – The May Revision proposed an augmentation of up to $50 million SGF in FY 2026-27 for the Department of Health Care Access and Information to provide short-term support for hospitals in immediate and significant financial distress.

  Final Outcome: The 2026 State Budget Act 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.

__County Impact:__ This funding is an initial step to stabilize specific safety net hospitals.

- Indigent Care – $50 million in FY 2026-27; $462 million in FY 2027-28 for a state-funded, emergency services only program.

  __Final Outcome:__ The 2026 State Budget Act does not provide funding for this State budget request.

  __County Impact:__ This funding would have provided critical funding to reestablish the infrastructure to serve the sudden increase in uninsured due to H.R. 1 cuts.

- County Behavioral Health – $224 million in FY 2026-27, and $828 million in FY 2027-28, to support the delivery of services to residents who will lose their Medi-Cal coverage under H.R. 1.

  __Final Outcome:__ The 2026 State Budget Act does not provide funding for this State budget request.

  __County Impact:__ The Department of Mental Health (DMH) reports that if this State budget request was approved, the County may have qualified for approximately 25 percent of this statewide funding request, which was intended to backfill anticipated Medi-Cal revenue losses resulting from the implementation of H.R. 1 and the State budget cuts to Medi-Cal.

SOCIAL SERVICES

- CalFresh County Administration and Augmentation for H.R. 1 Able Bodied Adults without Dependents (ABAWD) Workload – The FY 2026-27 May Revision (May Revision) updated CalFresh caseload estimates to reflect faster caseload decline and make corresponding decreases to the county CalFresh administration methodology.

  Additionally, it included a $30 million increase in one-time State General Funds (SGF) to support county workload associated with the H.R. 1 ABAWD requirements.

  __Final Outcome:__ The 2026 State Budget Act approves the May Revision investment of $30 million in one-time SGF for ABAWD County Administrative Resources and provides an additional $193 million in one-time SGF, for a total of $223 million in SGF, with multi-year spending availability through June 2029, for counties to implement H.R. 1 for ABAWD in CalFresh, with trailer bill language (TBL).

  __County Impact:__ DPSS reports that the impact is unknown pending allocations from the State.

- Medi-Cal County Administrative Allocation – The May Revision proposed a one-time augmentation of $262 million ($74 million in SGF) in FY 2026-27 and $33 million ($16.7 million in SGF) in FY 2027-28 and FY 2028-29 to support county workload for implementation of Medi-Cal eligibility changes pursuant to H.R. 1.

  Final Outcome: The 2026 State Budget Act allocates $197 million for Medi-Cal county eligibility workers to address workload related to HR 1.

  County Impact: DPSS reports that the impact is unknown pending allocations from the State.

- CalFresh Fruit and Vegetable Pilot Project – The January Budget did not include funding for FY 2026-27 for the CalFresh Fruit and Vegetable Pilot Project.

  Final Outcome: The 2026 State Budget Act provides $20 million in one-time SGF for the CalFresh Fruit and Vegetable Pilot Project and extends sunset date from January 1, 2027, to June 30, 2028.

  County Impact: No direct fiscal or operational impact to the County but will allow eligible CalFresh households to continue receiving a dollar-for-dollar match up to a $60 per month when purchasing fresh fruits and vegetables at participating retailer and farmers' markets.

- CalFood – The May Revision proposed $30 million in one-time SGF for the CalFood program.

  Final Outcome: The 2026 State Budget Act provides $ $100 million in one-time SGF for CalFood in FY 2026-27.

  County Impact: No direct fiscal or operational impact on the County but will increase funding for food and administration at food banks.

- CalWORKs Maximum Aid Payment (MAP) – The May Revision proposed a CalWORKs MAP increase of 1.8 percent, starting October 1, 2026.

  Final Outcome: The 2026 State Budget Act approves the May Revision Proposal for the CalWORKs MAP increase of 1.8 percent, starting October 1, 2026.

  County Impact: No direct fiscal or operational impact to the County but will increase benefits for CalWORKs participants.

- CalWORKs Housing Support Program (HSP) – The January Budget included $95 million in ongoing SGF for the HSP.

  Final Outcome: The 2026 State Budget Act provides an additional $10 million in one-time SGF for the CalWORKs HSP with TBL to reappropriate previously appropriated funds for use starting in FY 2026-27.

County Impact: DPSS reports that the impact is unknown pending allocations from the State.

- Home Safe Program – The January Budget did not include funding for FY 2026-27 for the Home Safe Program.

  Final Outcome: The 2026 State Budget Act provides $50 million in one-time SGF for the Home Safe Program, to be expended by June 30, 2028.

  County Impact: AD reports that this one-time funding provides housing crisis intervention and will help reduce the incidence and risk of homelessness among older and dependent adults. The County allocation is pending from the State.

- Housing and Disability Advocacy Program (HDAP) – The January Budget included $25 million ongoing in SGF for the HDAP.

  Final Outcome: The 2026 State Budget Act provides $25 million in one-time SGF for the HDAP, to be expended by June 30, 2028.

  County Impact: AD reports that this one-time funding will allow expanding supports for individuals experiencing or at risk of experiencing homelessness and who are likely eligible for disability benefits by providing disability benefit advocacy services and housing assistance. The County allocation is pending from the State.

DISASTER RECOVERY

- Disaster Rebuilding Fund – The May Revision proposed the creation of a $100 million Disaster Rebuilding Fund to expand access to construction and renovation financing for disaster-impacted homeowners.

  Final Outcome: The 2026 State Budget Act provides $100 million ($56 million in SGF and $44 million in National Mortgage Settlement Funds) for the program. AB 179 (Chapter 68, Statutes of 2026), establishes the Disaster Rebuilding Assistance Program under the California Housing Finance Agency, and authorizes the program to include assistance such as construction loan loss guarantees and construction loan rate buydowns, and any additional programs as determined by the agency.

  County Impact: The Disaster Rebuilding Fund would not have a direct fiscal or operational impact on the County but is intended to support homeowners seeking to rebuild after a qualified disaster and may otherwise face barriers to affordable lending.

ELECTIONS

- Local Assistance for Elections – The Legislature's Budget agreement included $5 million in one-time SGF for voter outreach and education for the November 3, 2026, General Election.

  Final Outcome: The 2026 State Budget Act provides $34 million in one-time SGF for counties for support and outreach for the November 3, 2026, General Election.

  County Impact: The Registrar-Recorder/County Clerk is awaiting further information on the method of allocation and funding levels to the counties, as well as any constraints on the use of the funding to determine the impact on the County.

TRANSPORTATION

Automated Games Route Network Enforcement TBL – The May Revision proposed TBL that would, until January 1, 2029, authorize the California Department of Transportation (Caltrans) to establish a program of automated enforcement of the Games Route Network during the 2028 Olympic and Paralympic Games period.

Final Outcome: The 2026 State Budget Act approves TBL that, until January 1, 2029, authorizes Caltrans to establish a program of automated enforcement of the Games Route Network during the 2028 Olympic and Paralympic Games period.

County Impact: This TBL will enable the State to assist the County, LA Metro, and local jurisdictions with traffic management and enforcement during the 2028 Olympic and Paralympic Games.

Zero-Emission Electric Vehicle Incentive Program TBL – The May Revision proposed TBL that would require the California Air Resources Board to establish a new zero-emission electric vehicle incentive program for first-time zero-emission vehicle buyers.

Final Outcome: The 2026 State Budget Act approves TBL that requires the California Air Resources Board to establish a new zero-emission electric vehicle incentive program for first-time zero-emission vehicle buyers.

Includes $135.5 million ($20.5 million from the Air Pollution Control Fund and $115 million from the Greenhouse Gas Reduction Fund) for the associated incentives.

County Impact: This TBL and associated funding will increase the adoption rate of zero-emission vehicles which will lower regional emissions and improve air quality.

VETERANS

- County Veterans Service Officers – The Legislature's budget agreement included $6 million in one-time SGF for State support for County Veterans Service Officers to be expended over three years.

  Final Outcome: The 2026 State Budget Act provides $6 million in one-time SGF for State support for County Veterans Service Officers to be expended over three years.

  County Impact: The Department of Military and Veterans Affairs continues to engage with the California Department of Veterans Affairs and statewide partners on how the funding could be best utilized but estimates that the County could receive an additional $250,000 per year for the next three years.