

Proposed State Budget FY 2026-2027: Challenges & Opportunities

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Overall Context

- ▶ Big cuts made last year in state budget to health care to close a **\$12 billion** shortfall.
- ▶ Governor estimates this year's (Fiscal Year 2026-2027) shortfall at **\$2.9 billion**.
 - ▶ Legislative Analysts says **\$18 billion**.
 - ▶ Gov & LAO: Rising costs, AI bubble, Trump targeting CA for more cuts could increase deficit.
- ▶ Governor's proposed budget this FY leaves last year's cuts in place- **and cuts MORE.**
Why?

Why?

- ▶ Republicans in Congress & Trump have shifted massive amounts of federal dollars out of health, nutrition, and other human services by cutting eligibility and benefits.
 - ▶ **\$1 trillion** in Medicaid/Exchange funding re-directed in July 2025 (H.R. 1) over a decade to:
 - ▶ Homeland Security for ICE & BCP immigration enforcement, detention, deportation
 - ▶ Tax cuts mainly for billionaires and profitable large corporations.
- ▶ Also made it harder for revenue: Medi-Cal losing \$1.1 billion on MCO tax changes alone 1/1/27.

Reminders

- ▶ The Governor's **proposal** is not the final say.
- ▶ The Legislature can reject his proposed approach and adopt a different budget. Will it?
- ▶ CA is the 4th largest economy in the world. The wealth exists in this state to **offset the federal funding cuts and protect health and other basic human services programs.**
 - ▶ Ballot initiative for a one-time tax on wealth of billionaires proposed by health care supporters if the Legislature and Gov don't act.
 - ▶ Others propose closing business tax loopholes to generate ongoing revenue.

Many categories of lawfully present immigrants to lose Full Scope Medi-Cal under Governor's proposal

- ▶ Starting October 1, 2026, the feds:
 - ▶ withdraw matching funds for non-emergency Medi-Cal for many groups of lawfully present immigrants; and
 - ▶ reduce the match from 90% to 50% for Emergency Medi-Cal for most “Expansion Adult” immigrants, with CA losing \$658 million in federal dollars.
- ▶ Instead of using state \$\$ to keep the all lawfully present immigrants in Full Scope, **Gov reduces Full Scope benefits to Restricted for:**
 - ▶ Refugees, asylees, battered/trafficked persons, Iraq/Afghan special immigrants, people with withheld deportation, + others.
 - ▶ **200,000 people affected**
- ▶ **CA should instead cover the cost to keep Full Scope coverage for these lawfully present individuals: \$786 million in 2026-2027, and \$1.1 billion ongoing.**

Reminder

The following lawfully present immigrants **keep Full Scope Medi-Cal, with federal matching funds**, under both federal and state law:

- ▶ Children to age 18
- ▶ Pregnant and post-pregnancy women
- ▶ Green card-holders
- ▶ Haitian and Cuban Entrants
- ▶ Immigrants from the Marshall Islands, Micronesia, or Palau (“COFA”).

Gov keeps last year's cuts to Undocumented Adult Expansion: **That coverage should be restored.**

- ▶ **Adults 19+:** No new enrollment for non-emergency care 01/01/26
 - ▶ \$86.5 million “saved” for FY 2026-2027; \$3.3 billion by 2028-2029
 - ▶ Note: Still can qualify for “Restricted” Medi-Cal
 - ▶ If pregnant/12-months post: Let the county know, keep Full Scope.
- ▶ **Reminder:** If applied by the end of 2025, keep Full Scope. But:
 - ▶ **Lose non-emergency dental** starting July 1, 2026
 - ▶ **Premiums:** \$30/month starting January 1, 2027
 - ▶ **Work reporting and more frequent redeterminations:** Gov aligns with H.R. 1 (see next), even though CA doesn't have to do this: feds pay \$0 for this group's non-emergency coverage.

H.R. 1 (fed budget law from July 2025): State “saves” money because eligible people will lose Medi-Cal

Governor relies on “savings” starting January 1, 2027 because:

- ▶ **Work reporting (Expansion Adults):** Eligible people who work or are exempt won't be able to keep up w/red tape to prove it.
 - ▶ “Saves” Medi-Cal \$373.3 million (state and fed match)
- ▶ **Redeterminations (Expansion Adults):** Instead of once a year, redeterminations will have to be done **every six months**, so more people will be discontinued for “procedural reasons”.
 - ▶ \$463.3 million in Medi-Cal “savings” (state and fed)
- ▶ **Fewer Retros:** State will have to pay less for “retroactive” benefits because reduced from three months to **one** for the “Expansion Adults” and **two** months for everyone else.
 - ▶ “Saves” Medi-Cal \$23 million (state and fed)

The human cost

- ▶ The state estimates that H.R. 1's work reporting requirement alone will result in:
 - ▶ up to **233,000** people losing Medi-Cal by June 2027
 - ▶ **1 million** by Jan 2028, and
 - ▶ **1.4 million** by June 2028
- ▶ According to the state:
 - ▶ “This coverage loss will significantly drive up the uninsured rate and raise costs for hospitals and clinics treating uninsured patients.”

Reproductive Health

- ▶ Cuts to Medi-Cal are a significant barrier to access to reproductive care overall. But on a brighter note:
- ▶ **\$60 million to provide grants to reproductive health care providers.**
 - ▶ Gov proposes one time \$60M, for current FY 2025-26 (ends June 30, 2026)
 - ▶ Will help reproductive health centers as they face critical funding shortages due to the federal government [cutting off funding for health centers that also provide abortion services.](#)



Then again. . .SB 912 & Medi-Cal's Comprehensive Perinatal Services Program benefit

- ▶ Eliminates details about what plans and fee-for-service providers must offer
- ▶ Allows state Department of Health Care Services broad flexibility to say administratively what the benefit is
- ▶ Vague oversight and monitoring responsibility at DHCS
- ▶ Makes official what's been happening: county PSCs no longer required to train providers on comprehensive perinatal services or do site or chart reviews for comprehensive perinatal services for Medi-Cal
 - ▶ Some counties do still train providers!
- ▶ Home Visiting: Moves jurisdiction over Nurse-Family Partnership program from DHCS to the state Department of Public Health
- ▶ https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260SB912

CalFresh, H.R. 1, & the Gov's Budget

- ▶ CalFresh is part of federal SNAP- Supplemental Nutrition Assistance Program (used to be called Food Stamps).
 - ▶ Linked to improved health outcomes and lower health care costs. (Carlson, S. and Llobrera, J.: <https://www.cbpp.org/research/food-assistance/snap-is-linked-with-improved-health-outcomes-and-lower-health-care-costs>)
- ▶ Before H.R. 1:
 - ▶ Benefits funded 100% by the federal government-- \$13.2 billion to CA EBT cards in 2025-2026.
 - ▶ Feds also paid 50% of program administrative costs.
 - ▶ Balance: 35% paid by the state, 15% by the counties
- ▶ H.R. 1 imposes numerous new restrictions.

CalFresh, cont'd

- ▶ **Immigrants:** Under H.R. 1, lawfully present immigrants lose CalFresh starting **April 1, 2026**
 - ▶ Same groups as those losing federal match for Medi-Cal in October
 - ▶ **72,000** lawfully present immigrants to lose CalFresh benefits, at application or, if already enrolled, at next annual recertification
 - ▶ Gov's proposed budget does not fill this gap- but it should.

CalFresh, cont's

- ▶ **ABAWDs:** CalFresh and Able-Bodied Adults Without Dependents.
 - ▶ No children or other dependents
 - ▶ ABAWDs ages 18-59 already have to register for work to receive CF
- ▶ H.R. 1 expands ABAWDs to:
 - ▶ Age 64 (up from 59)
 - ▶ Caregiver of a child 14+ (before was 18+)
 - ▶ Former foster youth
 - ▶ More veterans
 - ▶ Homeless persons

CalFresh, cont'd

Time limits under H.R. 1. for ABAWDs starting **June 1, 2026 (CA).**

- ▶ Must prove 20 hours a week or 80 hours of work/month
 - ▶ Activities similar, though not identical, to Medi-Cal's H.R. 1 work requirements.
 - ▶ **About 92 percent of CalFresh enrollees receive Medi-Cal and about 34 percent of Medi-Cal enrollees receive CF.**
- ▶ If can't prove work/exception, can receive CalFresh only for a **maximum of 3 months in a 3-year period.**
- ▶ 840,000 ABAWDs subject to the new requirement. Of those:
 - ▶ **610,000+** estimated to lose benefits mainly for not being able to keep up with the new paper work.
 - ▶ About one-third homeless.

CalFresh, cont'd

Exemptions for CalFresh H.R. 1 work requirements:

- ▶ Colusa, Tulare, Imperial counties waived/exempt until 10/31/26 (unemployment rates)
- ▶ Previous exemptions remain
 - ▶ Under 18
 - ▶ Pregnant
 - ▶ Certified as physically or mentally unfit to work
 - ▶ Participating in the Office of Refugee Resettlement (ORR) training program
- ▶ New exemptions added: Indians, urban Indians, California Indians, and other Indians who are eligible for Indian Health Services

CalFresh, cont'd

Funding shift to the states

- **Federal share of administrative spending reduced from 50% to 25%**, shifting costs to the state and, in CA, the counties.
 - This also affects the state's **CalFresh outreach program**, which provides CalFresh application assistance through a network of community-based organizations across the state.
- In addition, new costs for states with **payment error rates of 6%+**
 - Penalties increase as the error rate does
 - **California's error rate in federal fiscal year 2023-24 was just under 11 percent**, which is in line with the national average.
 - **If California's error rate remains above 10 percent, the estimated cost to the state is \$2 billion starting in 2027-28.**

Comparing Medi-Cal and CalFresh H.R. 1 Work Reporting Requirements

- ▶ See excellent Chart from staff at CA Senate Budget Subcommittee No. 3, Health and Human Services, at **page 14** here:

https://sbud.senate.ca.gov/system/files/2026-02/february_11_2026_hearing_agenda_0.pdf

Comparison of H.R. 1 Work Requirements: Medi-Cal vs. CalFresh (1 of 3)

Category	H.R. 1 – Medi-Cal Work Requirements	H.R. 1 – CalFresh Work Requirements	Alignment
Target Population	Adults aged 19-64	Adults aged 18-64 who are able-bodied without dependent children	Partially Aligned: Medi-Cal age range starts at 19
Work Requirement	80 hours/month or earned income threshold of \$580 per month Qualifying activities: <ul style="list-style-type: none"> • Paid employment • Community service • Job training or work programs • Education • Combination of any of the above 	20 hours per week or 80 hours averaged monthly Qualifying activities: <ul style="list-style-type: none"> • Paid employment • Community service • Job training or work programs • Education • Combination of any of the above 	Aligned: Note that Medi-Cal has an earned income threshold of \$580 per month that could be utilized to meet work requirement. CalFresh does not have the earned income threshold but does have the work registration requirement of earnings of at least \$50 per month. Table AI-generated content may be incorrect.

Category	H.R. 1 – Medi-Cal Work Requirements	H.R. 1 – CalFresh Work Requirements	Alignment
Time Limit	3 months non-compliance in 12-month period	3 months non-compliance in 36-month period	Not Aligned: Medi-Cal has a shorter compliance window.
Flexibilities	Short term hardship determinations	Good Cause Discretionary exemptions Waiver Requests	Partially Aligned: Both programs offer some flexibilities, although the process differs.

Category	H.R. 1 – Medi-Cal Work Requirements	H.R. 1 – CalFresh Work Requirements	Alignment
Exemptions	<ul style="list-style-type: none"> • Age (under 19 or 65+) • Parent/caretaker of child under 14 • Pregnant • Physical or mental impairment, medically frail • Participating in a TANF WTW program or exempt from CalFresh work requirements • Veterans with rated disabilities • Members of a tribe • Former foster youth under age 26 • Caring for an incapacitated person • Receiving UIB • Enrolled in substance abuse treatment • Individuals who are incarcerated or recently released from incarceration within the past 90 days 	<ul style="list-style-type: none"> • NEW: Age (under 18 or 65+) • Exempt from CF work registration • NEW: Caring for dependent child under age 14 • Pregnant • Medically certified as physically or mentally unfit for work • Participating in Office of Refugee Resettlement (ORR) training program • NEW: Individuals who are Indians, urban Indians, California Indians, and other Indians who are eligible for the Indian Health Services 	<p>Partially Aligned: Aligned exemptions are in green font.</p>

Housing. Child Care.

- ▶ “. . .[T]he governor’s plan does not include new funding to address homelessness and abandons funding for housing programs for Californians with low incomes and affordable housing production.
- ▶ The plan also does not provide funding for 44,000 additional child care slots, a commitment the Governor made in 2021-22 and that has been unfulfilled since that time.”

California Budget and Policy Center

Resources

- ▶ <https://www.dhcs.ca.gov/Budget/Documents/FY26-27/DHCS-FY-2026-27-Governors-Budget-Highlights.pdf>
- ▶ https://sbud.senate.ca.gov/system/files/2026-02/february_11_2026_hearing_agenda_0.pdf
- ▶ <https://lao.ca.gov/handouts/health/2026/H.-R-1-Key-Impacts-021126.pdf>
- ▶ <https://wclp.org/2026-2027-ca-budget-analysis/>
- ▶ <https://calbudgetcenter.org/resources/first-look-understanding-the-governors-proposed-2026-27-california-budget/>

Thank you!

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