



2026 Budget Act Agreement

June 30, 2026

TO: CSAC Board of Directors
County Administrative Officers and County Executive Officers

FROM: Graham Knaus, CSAC Chief Executive Officer
Kimberly Rodriguez, CSAC Chief Legislative Advocate

RE: **CSAC's Summary of the 2026 Budget Act Agreement**

Not unlike the tension and excitement of recent FIFA World Cup games hosted in California, the final hours of state budget negotiations [came down to the wire](#). After nail-biting anticipation all week, the Administration and Legislature [announced](#) Friday (June 26) evening that they had reached a “three party” (Assembly, Senate, and Administration) agreement for the 2026-27 state budget that is balanced for the next two fiscal years and prioritizes building reserves.

Wrangling with the state’s forecasted structural deficit was the dominating issue that shaped the state budget development process for 2026-27. Since May 2025, the dour tale told by the state’s multiyear outlook forced tough conversations and reevaluations of the sustainability of state spending through 2028-29. Although the state’s fiscal position has steadily improved since the release of the Governor’s 2026-27 budget proposal in January, the 2026 Budget Act agreement includes adjustments to spending and revenues that results in reduced investments overall, with funding for some key county priorities maintained. The architecture of the 2026-27 state budget is described in more detail under the State’s Fiscal Condition section below.

The subsequent sections of this publication provide highlights of the 2026 Budget Act notable for county governments and descriptions of specific budget proposals by policy area. For questions on these and other items of importance, please [contact the CSAC legislative affairs staff](#).

The table on page 5 displays the Budget Bill and Trailer Bill vehicles that carry the collective 2026 Budget Act. Summaries of the 2026 Budget Act agreement are available on the [Senate](#) and [Assembly](#) websites and is anticipated to be published on the [Department of Finance's website](#) soon. To refresh your memory regarding the Governor's January budget proposal and May Revision, see [CSAC's State Budget Advocacy Page](#).

CSAC PRIORITY ISSUES: STATUS UPDATE

Below is a brief summary on the status of CSAC's priorities. See applicable sections in this document for more detail about the proposals.

County Health and Human Services (HHS) H.R. 1 Impacts

- Indigent Care/Emergency Only Medi-Cal Program—No funding for counties to provide indigent medical care to those who will lose their health care as a result of H.R. 1, nor funding for an alternative proposal to establish an emergency services-only program for people who lose full-scope Medi-Cal eligibility due to H.R. 1 work requirements.
- Funding for Public Hospitals—\$250 million General Fund to support grants to public hospitals in support of health care expenditures, as proposed in the Legislative Budget Plan.
- Medi-Cal and CalFresh County Eligibility—A total of \$420 million one-time General Fund for county eligibility related to H.R. 1 implementation, including:
 - \$223 million for CalFresh county eligibility, available for expenditure until June 30, 2029. The actual net increase for 2026-27 is closer to \$180 million due to underlying base decreases.
 - \$197 million for Medi-Cal county eligibility.
 - The human services trailer bill ([AB 152](#)) includes a three-year CalFresh Match Waiver through 2028-29 that allows counties to draw down the full amount of federal and state funds when reaching 2024-25 county contribution levels.

In-Home Supportive Services (IHSS) Cost Growth

- Rejects the Administration's proposal to shift costs of growth in IHSS assessed hours to counties, which would have increased county costs by an estimated \$360.6 million starting in 2027-28 and growing each year.

Homeless Housing, Assistance, and Prevention Program (HHAP)

- Provides a total of \$900 million for a Round 7 of the HHAP program, which is \$400 million more than was committed to for this round in the 2025 Budget. Counties, big cities, and continuums of care (CoCs) will actually receive more grant funding in this round than in prior rounds because 97 percent of the funding will go out as grants to counties, cities, and CoCs, whereas only 80 percent of the \$1 billion in prior rounds was for grants.
- The housing trailer bill ([AB 179/SB 179](#)) outlines the implementation of Round 7 and requirements to receive this funding, which will be administered as additional supplements of Round 6 and not require an entire new application.

Medi-Cal Mobile Crisis Benefit

- Provides \$42 million General Fund to support the continuation of community-based mobile crisis response services as a benefit in the Medi-Cal program until June 30, 2027.

Funding for Distressed Hospitals

- \$90 million General Fund to provide grants to hospitals in significant distress and provides authority for the Department of Finance to augment this amount by up to \$50 million, for a potential total of up to \$140 million.

Proposition 36 (2024)

- \$10 million one-time General Fund to trial courts to address the increased workload and expand or establish collaborative courts, with allocations determined by the Judicial Council.
- \$20 million one-time General Fund to county behavioral health departments to support planning and capacity building activities to expand and accelerate services, with allocations provided through non-competitive grants according to an allocation methodology determined by the DHCS in consultation with the Judicial Council.
- \$20 million one-time General Fund to the Judicial Council to reverse a previously planned reduction to pretrial services. New language is included identifying that pretrial funding may be used for costs associated with providing services to and monitoring individuals subject to felonies established by Proposition 36. **It is important to note that this is **not** new funding beyond the historical pretrial funding level, and it will be used for other purposes (specified in [SB 111](#)), **not** exclusively for implementation of Proposition 36.*

Victims of Crime Act (VOCA)

- \$50 million one-time General Fund for VOCA, an increase of the \$25 million proposed in the May Revision, to support counties and other service providers in maintaining critical victim services for thousands of survivors statewide.

Indigent Defense Pilot

- \$4 million one-time General Fund for the counties of Del Norte, Mariposa, Mono, and San Benito to improve the provision of their local indigent defense systems, and \$1 million for the Office of the State Public Defender to provide additional grants to these four counties if they demonstrate the need for additional funds.

Election Administration

- A total of \$34 million one-time General Fund for counties to expedite the vote counting process and for voter outreach and education for the November 3, 2026 general election.

Development Impact Fees

- Adopts trailer bill language ([AB 179/SB 179](#)) that limits counties' ability to impose Development Impact Fees on affordable housing grants from state programs. Specifically, effective July 1, 2027, lead-applicant counties must waive specific non-utility impact fees as a condition of receiving state affordable housing grants, or the state may reduce the grant award equal to that amount. Further, the language does not apply to impact fees assessed by a variety of other local governments, including schools and special districts.
- CSAC strongly urges counties that are or may be considering becoming lead applicants for state affordable housing grants to review this statutory language to evaluate any potential impact it could have on your county's ability to provide the infrastructure that residents of affordable housing developments need to enjoy the full range of benefits development impact fees provide.

Sustainable Aviation Fuel (SAF) Tax Credit

- Defers action on the SAF Tax Credit proposal, indicating it will be part of additional budget negotiations between the Legislature and the Administration during the summer. CSAC is opposed to this tax credit as it will lead to less funding for county streets, roads, and bridges.

2026 Budget Act: Budget Bills and Trailer Bills

What is a budget trailer bill? Trailer bills accompany the main budget act by enacting any corresponding changes to state law. While the budget bill includes expenditure authority and sparse provisional language regarding the use of funds, the trailer bills include implementation language for specific appropriations. These bills are called “trailer” bills because they are not subject to the June 15 deadline and therefore trail after the main budget act is passed.

Bill	Topic	Status*
AB 109	Budget Act of 2026 – Joint Legislative Budget Plan.	Chaptered
SB 110	Budget Act of 2026.	Chaptered
SB 111	Budget Bill Jr. Amends AB 109 for 2026-27.	Chaptered
AB 112	Budget Bill Jr. Amends Budget Acts 2022, 2023, 2024, 2025.	Chaptered
SB 122	Taxation.	Chaptered
SB 125	Medi-Cal: managed care organization provider tax.	Chaptered
AB 126/SB 126	Education finance: education omnibus trailer bill.	3rd Reading
AB 135/SB 135	Higher Education.	3rd Reading/Passed
AB 150	Early care and education.	Chaptered
AB 152	Human services.	Chaptered
AB 163/SB 163	Developmental services.	3rd Reading/Passed
SB 164	Health.	Chaptered
AB 165/SB 165	Skilled nursing facilities: reimbursement rates.	3rd Reading/Passed
AB 166/SB 166	Public resources trailer bill.	3rd Reading/Passed
AB 168/SB 168	Public resources.	3rd Reading/Passed
AB 169/SB 169	Transportation budget trailer bill.	3rd Reading/Passed
SB 170	Governor’s Reorganization Plan No. 1 of 2025: Codification.	Chaptered
AB 171/SB 171	Labor.	3rd Reading/Passed
AB 172/SB 172	State government.	3rd Reading/Passed
SB 174	Courts.	Chaptered
AB 176/SB 176	Taxation.	In committee process
AB 177/SB 177	Medi-Cal: Fair Share from Big Corporations Act.	3rd Reading/Passed
AB 179/SB 179	Housing.	Passed/In committee process
AB 180/SB 180	Taxation trailer bill.	3rd Reading/Passed
AB 181	Education Commissioner: State Department of Education: transfer of duties.	Enrolled

*As of 4pm on June 30, 2026

The State's Fiscal Condition

The Revenue Picture

Ultimately, the Legislature and the Administration agreed to a more conservative revenue estimate than assumed in the Legislative budget plan passed on June 15, with a few new or increased revenue sources—expansion of the sales and use tax to digital downloads, updated projections on state treasury investment earnings and unclaimed property proceeds, limits to business tax credits, and reauthorization of the Managed Care Organization (MCO) tax. Consequently, expenditures in the final budget agreement mirror this mildly reduced revenue forecast with “a combination of serious long-term cost reductions” and what has been consistently characterized as a “softening” of reductions to safety net programs and services, the impacts of which, for counties, are described in more detail in the Health and Human Services sections of this publication.

➤ ***Sidenote for budget nerds: \$400 million in new revenues out of the blue?***

The final budget agreement reflects updated projections for little-known sources of state revenues; state treasury investment earnings and unclaimed property proceeds:

- All money in the State Treasury is appropriated for the purpose of investment; the State Treasurer's Investment Division invests taxpayers' money to help manage the State's cash flow and investment earnings benefit the General Fund.
- Businesses in California are required to transfer to the State Controller's Office (SCO) personal property “abandoned” by their owners (e.g., uncashed checks). Unclaimed property that is not reunited with owners is swept to the General Fund; becoming de facto General Fund revenue. Owners can search for unclaimed property owed to them on the [SCO's website](#).

How is the State Budget Balanced?

Reserves Appear Healthy

The 2026 Budget Act is balanced over the next two fiscal years (2026-27 and 2027-28). The final budget agreement includes \$28.8 billion in reserves across three platforms, with a \$15.1 billion balance in the state's Budget Stabilization Account, (aka the “Rainy Day Fund,”), about \$3.9 billion higher than this time last year, and \$9.2 billion for Proposition 98 K-14 education (as a reminder, the 2025 Budget Act withdrew the entire balance from the Proposition 98 reserve), and \$4.5 billion in the Special Fund for Economic Uncertainties (a general end-balance, this is the money that remains after accounting for all of the state's expected

revenues and spending and is a general-purpose “cushion”). On top of this, the state has the added layer of security in the form of \$6.4 billion deposited into the Projected Surplus Temporary Holding Account (described more below).

Projected Surplus Temporary Holding Account

In 2024, [AB 179 \(Chapter 997, Statutes of 2024\)](#), created the Projected Surplus Temporary Holding Account, which allows the state to set aside a portion of anticipated surplus funds and allocate them in the subsequent fiscal year to protect against overcommitting projected resources until revenues are realized and expenditures are finalized. To help balance the budget across 2026-27 and 2027-28, the final budget agreement maintains the Governor’s May Revision proposal to transfer revenues into the Projected Surplus Temporary Holding Account in 2026-27 to be used in 2027-28 (\$9.7 billion as of the May Revision; reduced to \$6.4 billion in the final budget agreement). This is the first time this account has been used since it was created in 2024. See the description of Assembly Constitutional Amendment (ACA) 20 (Gabriel) under the statewide ballot measure section for more information about the state’s initiatives to strengthen reserve policies.

What happened to the structural deficit?

The inclusion of the word “temporary” in the Projected Surplus Temporary Holding Account rings true—although this account allowed the Legislature and Administration latitude to maneuver to a balanced position in 2026-27 and 2027-28, the final budget spending plan still forecasts a structural deficit beginning in 2029-30. However, the structural deficit—wherein expenditures for baseline programs and services is expected to outpace forecasted revenues—has shrunk to an anticipated \$8.4 billion. This is significantly more manageable than the [\\$23 billion](#) projected at the time of the Governor’s January 2026-27 budget proposal, or the frightening [\\$35 billion](#) annually as estimated by the Legislative Analyst’s Office in November 2025. The final budget agreement appears to be structured in a manner that attempts to hedge against future uncertainty.

Revenue-Related Proposals

As described previously, the balanced nature of the final budget agreement relies on the following revenue-generating or cost-offsetting measures to align resources with expenditures in 2026-27 and 2027-28 and improve the state’s fiscal condition overall. The final budget agreement includes the following revenue solutions:

- *Sales and Use Tax Expansion to Digital Downloads*—Adopts the Administration’s proposal to expand the sales and use tax base to include digital prewritten software

sales, one of the only expansions to the state's narrow pool of tax-eligible sales in recent memory. Expanding the sales and use tax to digital prewritten software sales is estimated to yield an increase in revenue to the state's General Fund by \$450 million in 2026-27 and \$900 million in 2027-28 and annually thereafter. This proposal also increases local sales tax revenues by \$560 million for cities and counties in 2026-27, and \$1.1 billion in 2027-28 and annually thereafter. The final budget agreement also requires the Administration to report back within a few years on the economic impact of this new tax. For a complete description and analysis of this proposal, see pages 2 and 10-12 [of CSAC's 2026-27 May Revision Budget Action Bulletin](#).

- *Permanent Credit Limitation for Businesses*—Adopts the Administration's proposal to permanently limit business credit use to \$5 million or 50% of tax liability, whichever is greater, increasing revenues by \$850 million in 2026-27, growing to \$1.8 billion in 2029-30. This proposal would be effective beginning in tax year 2027 when the current temporary credit limitation and net operating loss suspension is lifted.
- *2027 Managed Care Organization (MCO) Tax*—Adopts the Administration's proposal to revise and extend the MCO tax due to new requirements of H.R. 1 effective January 1, 2027. See Health and Human Services section for more details about this proposal.
- *Fair Share for Big Corporations Program*—Adopts the Legislature's proposal to move forward with this proposal, which is intended to hold large employers accountable for employees on Medi-Cal. Under the program, the Department of Finance is required to present options on how to implement the program to the Legislature by April 1, 2027. These options will be considered during next year's budget process.

Ballot Measures that Affect the State Budget

The November 2026 general election statewide ballot is expected to host more than a dozen measures. See the Secretary of State's website of [eligible](#) and [qualified](#) statewide initiatives for a description of each measure. During general election years, the deadline for propositions to qualify to appear on the November ballot coincides with the final days of state budget negotiations; the last week of June. This year, the deadline for initiatives, including legislatively-initiated constitutional amendments, to qualify for the ballot was Thursday, June 25 (131 days prior to the statewide general election). While there are several ballot measures, one directly affects the state budget process—Proposition 2.

Proposition 2: [ACA 20](#) (Gabriel): "Save for California's Future Act."

This measure amends the state's fiscal reserve calculation and schedule to increase deposits, with the intent of capturing more General Fund revenue growth from capital gains. These changes intend to position the state to better offset future budget deficits without resorting to funding reductions. Specifically, this measure amends Proposition 2 (2014), the most significant component therein being the increase of the overall cap on deposits to the Budget Stabilization Account (BSA – the "Rainy Day Fund") from 10% to 20% of General Fund revenues. Read more about ACA 20 in the [handout developed by the Legislative Analyst's Office](#).

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Agriculture, Environment, and Natural Resources

DISASTER RESPONSE AND RECOVERY

The final budget agreement sustains the \$100 million one-time investment (\$56 million General Fund and \$44 million from the National Mortgage Settlement Funds) to create a Disaster Rebuilding Fund to expand access to construction and renovation financing for disaster-impacted homeowners through a combination of tools including loan loss guarantee and interest rate buydown programs.

WATER, DROUGHT, AND FLOOD

Flood Protection

The final budget agreement appropriates \$7.9 million in one-time General Fund for the Department of Water Resources' (DWR) Delta Levees Program. This funding is intended to address habitat mitigation requirements for levee projects conducted under the program. This amount is a reduction from the original amount of \$14 million proposed in the May Revision budget proposal.

Drinking Water

The final budget agreement defers action on funding for the State Water Resources Control Board's (State Water Board) Safe and Affordable Funding for Equity and Resilience (SAFER) program from the 2026-27 Cap-and-Invest Expenditure Plan and from Proposition 4 (2024). This action indicates that this issue will be addressed in forthcoming negotiations this summer as part of ongoing discussions around the Greenhouse Gas Reduction Fund (GGRF) and bond funds.

Water Supply

In anticipation of the State Water Board adopting an updated Bay-Delta Water Quality Control Plan at the end of the year, the final budget agreement includes the Administration's May Revision proposal for \$25 million in one-time General Fund assistance for implementation of the Healthy Rivers and Landscapes Program, an initiative tied to the Administration's pending Delta Conveyance Project (DCP). This funding establishes environmental flows, habitat restoration, and monitoring associated with mitigation efforts on the part of DCP participants.

The final budget agreement also appropriates \$9.5 million ongoing General Fund to support DWR's 24-hour river forecasting and snow course monitoring activities that are necessary to gauging water supplies throughout the year. This allocation is intended to offset reductions in federal funding beginning in 2025-26 and ongoing.

AGRICULTURE

The final budget agreement appropriates \$1 million in one-time special funds to mitigate human-wildlife conflict. This is far below the \$18 million in 2026-27 and \$15 million ongoing to establish a permanent program at the California Department of Fish and Wildlife for human-wildlife conflict mitigation that was requested by a coalition of groups (including CSAC) earlier in the year, and much less than the \$30.8 million in one-time funding requested by this coalition for wolf-livestock coexistence.

In addition, the final budget agreement includes \$7.9 million one-time General Fund and \$2.8 million General Fund annually thereafter for the California Department of Food and Agriculture to implement the Animal Care Program mandated by Proposition 12 (2018). This appropriation may be subject to impacts from ongoing federal farm bill negotiations, which could include preemption of Proposition 12 requirements by Congress. This amount is an increase from the originally proposed \$5.1 million in the May Revision budget proposal.

CANNABIS

The final budget agreement contains provisional language establishing a new Department of Cannabis Control field office in Northern California, allocating \$6.4 million and 12 new positions in 2026-27, and \$3.9 million in 2027-28 and annually thereafter to support operations. This new office will have a sworn officer presence and is expected to be located in Redding.

SOLID WASTE AND RECYCLING

The final budget agreement includes \$150 million one-time from the Beverage Container Recycling Fund to improve the Beverage Container Recycling Program (BCRP). This consists of:

- \$100 million to support grants for the Beverage Container Quality Infrastructure Grant Program to improve sorting and processing capacity.
- \$50 million to support rural local jurisdictions in the establishment of California Redemption Value (CRV) redemption locations.

However, the 2026 Budget Act did not include the \$75 million for the Plastic Market Development Payment Program proposed in the Governor's May Revision.

AIR QUALITY

The final budget agreement includes \$150 million General Fund for the California Air Resources Board's (CARB) Community Air Protection Program (Chapter 136, Statutes of 2017) which requires CARB and local air districts to develop and implement Community Emission Reduction Programs (CERPS) to reduce air pollution emissions and exposures for each community in the Program.

CLIMATE BOND

The final budget agreement defers action on allocating funding from Proposition 4 (2024), allowing the Administration and the Legislature to continue negotiations through the summer. CSAC will continue to advocate during these negotiations for increased allocations for wildfire mitigation, groundwater recharge, drinking water, agricultural assistance, and other issue areas.

GREENHOUSE GAS REDUCTION FUND (GGRF)

While many decisions regarding the GGRF expenditures have also been deferred to allow time for continued negotiations, the 2026 Budget Act includes a \$1.25 billion backfill for the California Department of Forestry and Fire Protection (CAL FIRE) and \$115 million for light-duty zero-emission vehicle incentives from the GGRF. CSAC will provide updates on GGRF negotiations as they become available.

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Administration of Justice

LOCAL PUBLIC SAFETY

Proposition 36 (2024)

The 2026 Budget Act includes \$50 million one-time General Fund – only \$20 million of which is new county funding – for the continued implementation of Proposition 36. By entity, the funding allocations are as follows:

- *County behavioral health departments:* \$20 million one-time General Fund to county behavioral health departments to support planning and capacity building activities to expand and accelerate services, with allocations provided through non-competitive grants according to an allocation methodology determined by the Department of Health Care Services (DHCS) in consultation with the Judicial Council. As a condition of receiving funds, behavioral health departments are required to provide data and outcomes in a manner determined by DHCS, in consultation with the Judicial Council.
- *Trial courts:* \$10 million one-time General Fund to address the increased workload and expand or establish collaborative courts, with allocations determined by the Judicial Council. The Judicial Council, in coordination with DCHS, is required to provide an annual report to the Legislature detailing how the funds were utilized and including other data elements for implementation.
- *Pretrial services:* \$20 million one-time General Fund to the Judicial Council to reverse a previously planned reduction to pretrial services. New language is included identifying that pretrial funding may be used for costs associated with providing services to and monitoring individuals subject to felonies established by Proposition 36.
 - It is critically important to note that this is not new funding beyond the historical pretrial funding level, and it will be used for other purposes (specified in Budget Bill Jr. [SB 111](#)), not exclusively for implementation of Proposition 36. More importantly, last year's pretrial funding for probation was cut by \$5 million and proposed to be cut by \$20 million ongoing. This

year, county probation projected a need of \$45 million, on top of restoring the \$20 million proposed to be cut in 2026-27 (total of \$65 million ongoing) to meet the demand for increased pretrial and diversion caseloads.

Office of Emergency Services (Cal OES)

The 2026 Budget Act provides total funding of approximately \$3.2 billion for the Office of Emergency Services (Cal OES). This includes \$50 million one-time General Fund to supplement the federal Victims of Crime Act (VOCA). CSAC once again worked alongside a diverse coalition of over two hundred organizations, advocating for a \$100 million investment to prevent program cuts, which led to the Legislature supporting an increase of the \$25 million proposed in the May Revision. The \$50 million will be used to support counties and other service providers in maintaining life-saving victim services and other critical resources for thousands of crime survivors statewide.

Other notable investments include:

- \$10 million one-time General Fund to help human trafficking victims recover from the trauma they experienced and assist them with reintegrating into society.
- \$10 million one-time General Fund to support the Human Trafficking Prevention Vertical Prosecution Program established in Penal Code section 13849.
- \$6.7 million one-time General Fund to reimburse local law enforcement agencies to offset reimbursement costs for qualified health care professionals, hospitals, and other emergency medical facilities for medical evidentiary examinations for all sexual assault victims.
- \$3 million one-time General Fund to expand access to technology-driven solutions that support standardized sexual assault and domestic violence forensic examinations across California.
- \$12.5 million General Fund (\$4.1 million one-time) and 11 positions in 2026-27, and \$9.1 million (\$709,000 one-time) in 2027-28, and \$8.4 million ongoing to open and operate the Southern Emergency Operations Facility. The new facility will be sufficiently staffed to support increased coordination, communication and collaboration with partner agencies throughout the state and the southern region for both emergency and nonemergency events.

- \$141.9 million one-time State Emergency Telephone Number Account Funds to support the implementation of the Next Generation 9-1-1 system, with ongoing maintenance and support, as well as provisional language making the expenditure contingent on enactment of AB 173 in the 2026 Legislative Session that authorizes the uses of these funds.
- Adopts provisional language related to the 911 system and the Next Generation 9-1-1 project and appropriates State Emergency Telephone Number Account funding of up to \$8.4 million to contract for project oversight and independent verification and validation services, \$2 million for an independent technical evaluation and \$1 million for an audit.

Indigent Defense

The 2026 Budget Act includes \$5 million one-time General Fund for the Office of the State Public Defender (OSPD) to provide funding and continued support to the counties of Del Norte, Mariposa, Mono, and San Benito to improve the provision of their local indigent defense systems, allocated as follows:

- \$4 million for the four counties:
 - Del Norte: \$897,945
 - Mariposa: \$700,000
 - Mono: \$700,000
 - San Benito: \$1,702,055
- \$1 million for the OSPD to provide additional grants to these four counties if they demonstrate the need for additional funds to implement indigent defense systems.

The final budget agreement also includes language requiring participating counties to provide proposed budget plans, allowable uses of funds, and conditions of receiving funds (data reporting). CSAC strongly advocated for the inclusion of this funding in the budget.

Proposition 47 (2014) Savings Estimate

As of June 29th, the state estimates \$89.1 million in Proposition 47 savings for 2026-27. An updated estimate will be available soon. Each year, state savings from the implementation of Proposition 47 are allocated through grants to public agencies for various recidivism

reduction programs such as mental health and substance use treatment services (65% of savings), truancy and dropout prevention (25% of savings), and victims' services (10% of savings).

The full effects of Proposition 36 implementation on incarcerated individuals remain under evaluation and require ongoing assessment. Future state budget investments could impact the state prison population and in turn will also change the forecast for Proposition 47 savings in outyears.

Community Corrections Performance Incentive Grant (SB 678)

As of June 29th, the state estimates \$132.2 million General Fund in 2026-27 for the Community Corrections Performance Incentive Grant. As with the estimate for Proposition 47 savings, the state will release new projections soon. Established by SB 678 (Chapter 608, Statutes of 2009), this grant was created to provide incentives for counties to reduce the number of individuals on felony probation who are admitted to state prison.

Juvenile Justice - Office of Youth and Community Restoration (OYCR) Ombudsperson

The human services trailer bill ([AB 152](#)) clarifies and expands the authority of the OYCR Ombudsperson, both in terms of access and communication with incarcerated youth. Most notably, it includes provisions explicitly authorizing the Ombudsperson access to grievances and complaints filed. This trailer bill also requires that the Youth Bill of Rights – which is currently required to be provided to each youth placed in a juvenile facility as part of their orientation – to be designed and provided by the OYCR.

Community Assistance, Recovery, and Empowerment (CARE) Act Legal Counsel and Training

The final budget agreement includes: (1) \$15.8 million in grant funding to legal services projects to provide legal counsel in CARE Act proceedings; (2) \$788,000 to provide legal training and technical assistance for legal aid providers and public defenders; (3) \$3.5 million for public defenders to increase CARE Act petitions and referrals; and (4) \$1.5 million to provide training and support for first responders, homeless outreach workers, and street medicine teams to increase CARE Act petitions and referrals.

California Department of Corrections and Rehabilitation (CDCR)

The 2026 Budget Act includes total funding of \$14.6 billion (\$14.2 billion General Fund and \$400 million other funds) for the California Department of Corrections and Rehabilitation (CDCR) in 2026-27, and \$4.2 billion is specifically dedicated to healthcare services for

incarcerated individuals. This is an increase of \$900 million General Fund compared to the 2025 Budget Act.

Consistent with previous estimates, the final budget agreement projects that the average daily incarcerated population for 2025-26 to be 90,126, decreasing to 87,611 in 2026-27. Over time, the Administration projects that the incarcerated population will decline to 85,210 by June 30, 2030. Although the Legislature and many advocates pushed for more prison closures, none were included in the final budget agreement. Furthermore, in the context of CSAC's advocacy for sustainable state funding for Proposition 36, the Administration revised population estimates, which point to an ongoing decrease: 592 individuals in 2025-26 and 1,547 upon full implementation, whereas projections from last year were 1,878 individuals in 2025-26 and 3,597 upon full implementation.

Simultaneously, another state issue that may impact counties is the number of adult incarcerated individuals that are 55 and older. This high-needs and expensive to treat population has grown from 7% in 2010 to 21% in 2026, which amounts to more than 19,000 incarcerated individuals.

California Department of Justice (DOJ)

The 2026 Budget Act provides \$1.4 billion, including \$514.2 million General Fund, to support the Department of Justice (DOJ). It also includes but is not limited to the following:

- \$2.7 million General Fund in 2026-27 and \$2.6 million in 2027-28 through 2029-2030 to implement the requirements of AB 1071 (Kalra), Chapter 721, Statutes of 2025.
- \$2.2 million one-time General Fund to provide DOJ with resources to resolve 27 existing cases related to organized retail criminal investigations stemming from the original funding provided in the 2022 Budget Act.
- \$10 million one-time General Fund (from the one-time funds appropriated in the 2024 Budget Act) in 2025-26 and \$10 million new General Fund in 2026-27 through 2028-29 for increased workload related to defending the state against unlawful federal actions. It also adjusts ongoing funds previously authorized in the 2025 Budget Act to limited term through 2028-29.

Judicial Branch

The 2026 Budget Act includes \$5.3 billion (\$3.3 billion General Fund and \$2 billion other funds) in 2026-27 for the Judicial Branch, of which \$3 billion will support trial court operations. The final budget agreement provides the following support for the local administration of justice:

- \$31 million General Fund in 2026-27 and \$46 million in 2027-28 and ongoing to backfill a projected shortfall in the State Court Facilities and Construction Fund to maintain existing service levels.
- \$20.6 million General Fund for new courtrooms in San Joaquin, Kings, and Sutter counties for their previously approved new judgeships.
- \$6.3 million General Fund to build out six courtrooms and associated space at the Chatsworth Courthouse in Los Angeles County.
- \$1.5 million General Fund for the Performance Criteria phase of the New Nevada City Courthouse in Nevada County.
- \$2.3 million General Fund for the Performance Criteria phase of the New Quincy Courthouse in Plumas County.
- \$320.3 million Lease Revenue bond Authority for the Design-Build phase of the New San Luis Obispo Courthouse in San Luis Obispo County.
- \$36 million General Fund in 2026-27 and \$35 million in 2027-28 to complete the ongoing facility modification for Fire, Life, Safety upgrades at the Central Justice Center in Orange County and various net-zero technical realignments related to this item.

Questions? Contact:

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Government Finance and Administration

Election Administration

The final budget agreement includes a total of \$34 million one-time General Fund for counties to expedite the vote counting process and for voter outreach and education for the November 3, 2026 general election. This funding includes:

- \$29 million to increase the number of available staff to tabulate votes, make equipment purchases or technology upgrades, or acquire space to accommodate additional staff or equipment purchases to expedite the vote counting process.
- \$5 million to provide voter outreach and education before the November 3, 2026 statewide general election, including on the benefits of submitting ballots before election day.

This funding will be allocated to counties based on a schedule determined by the Department of Finance. CSAC will work with the Department of Finance on the schedule and to get the funds allocated expeditiously.

The final budget agreement also includes \$5 million one-time General Fund for the Secretary of State to conduct voter outreach and education, including on the benefits of submitting ballots prior to election day.

Annual Tax Relief for New Small Businesses

To encourage the formation of new small businesses, the final budget agreement reduces the \$800 annual tax paid by limited liability companies, limited partnerships, and limited liability partnerships in their first year to \$400 during the 2027, 2028, and 2029 tax years. This proposal is anticipated to benefit approximately 250,000 new businesses each year and will result in \$100 million less General Fund revenue per year.

Pensions

The final budget agreement maintains the prior commitment from the May Revision budget proposal to include a supplemental \$3 billion contribution to CalPERS in an effort to pay down unfunded liabilities under Proposition 2 (2014).

Workers' Compensation Subsequent Injury Benefits Trust Fund (SIBTF)

CSAC has been in strong [support](#) of trailer bill language (TBL) to reform the SIBTF program developed by the Department of Industrial Relations (DIR). The TBL provides critical reform to restore the SIBTF to how it operated for decades, including requiring previous documentation for pre-existing conditions, establishing a definition for “labor disabling” conditions, and restoring the formula for combining injuries, rather than adding injuries, which led to a significant increase in claims eligible for 100% permanent disability benefits. This will help address the growing backlog of cases, and prevent explosive future costs for counties and other public agencies.

The final budget agreement adopts a slightly modified version of the original [TBL](#) proposed by the Administration. Key changes include a new penalty for untimely payments from employers for SIBTF, Workers' Compensation Administration Revolving Fund, the Uninsured Employers Benefits Trust Fund, or the Occupational Safety and Health Fund. The penalty will be assessed as 10% of any late payment amount. The language provides the DIR director some discretion to waive the penalty based on reasonable cause, including the return of penalties submitted by an employer.

The final budget agreement effectively grandfathers in some SIBTF claims that had been filed before June 1, applying the most significant reforms to newer claims. However, older cases would not simply default to existing law, but would be subject to some of the new higher standards, including offsetting SIBTF benefits based on monetary payments received by the employee and requiring a specific level of minimum severity for the pre-existing injury.

In-lieu Vehicle License Fee (VLF) Payment Shortfall

The 2026 Budget Act maintains the \$80 million commitment from the Legislative Budget Plan to partially backfill San Mateo, Mono, and Alpine Counties, however the final budget agreement does not include the language proposed by the Legislature that would have allowed the Department of Finance to appropriate up to an additional \$80 million for this purpose.

The total amount needed to backfill these counties is \$160 million in 2026-27, including \$37.7 million to fully fund the backfill for San Mateo County following the reduction made in 2025 Budget Act. Providing only half of the required funding to fully backfill these counties will result in a significant reduction in revenue, directly impacting their ability to implement local programs and deliver essential services in their communities.

State-Mandated Local Programs

The 2026 Budget Act suspends one new state-mandated program: Disclosure Requirements and Deferral of Property Taxation (22-TC-06).

Broadband

The 2026 Budget Act includes up to \$22 million in additional spending authority for the Department of Finance for the [Middle-Mile Broadband Network](#) and includes language requiring the California Department of Technology to provide quarterly updates to the Joint Legislative Budget Committee beginning January 1, 2027, on the operations and revenue of the Middle-Mile Broadband Network. The 2026 Budget Act also extends the sunset date for the fund from July 1, 2027 to July 1, 2031.

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Health and Human Services

HEALTH AND HUMAN SERVICES

H.R. 1 Implementation

H.R. 1 represents a fundamental shift of fiscal responsibility for safety net programs from the federal government to states and counties. In response, CSAC has been [leading a county coalition](#) to advocate for county H.R. 1 implementation needs. Significant coalition actions include the development of a cost estimate showing counties are facing up to [\\$9.5 billion in increased costs](#) at full implementation and the release of [an updated multi-year budget request](#) following the May Revision budget proposal. The updated budget request encompasses funding for an indigent care alternative approach, public hospital systems, county eligibility, and county behavioral health and calls for \$1.1 billion in 2026-27 and \$2.5 billion in 2027-28.

The final budget agreement provides \$250 million General Fund in 2026-27 for the support of public hospitals and \$420 million General Fund in 2026-27 for county eligibility for Medi-Cal and CalFresh. Unfortunately, the final budget agreement does not include any funding for indigent care or an alternative approach, nor funding for the county behavioral health impacts of H.R. 1. Further details about the county H.R. 1 funding that was included in the final budget agreement can be found in the following sections.

H.R. 1 Final Budget Agreement						
	May Revision	Updated Coalition Budget Request	Assembly Version	Senate Version	Legislative Budget Agreement	Final Budget Agreement
	2026-27	2026-27	2026-27	2026-27	2026-27	2026-27
Indigent Care/PATH Program	N/A	\$50 million	\$250 million	0	\$125 million	0
Public Hospital Systems	0	\$500 million	\$250 million	0	\$250 million	\$250 million
County Eligibility ¹	\$87 million	\$300 million	\$300 million	\$286 million	\$459 million	\$420 million
County Behavioral Health	0	\$224 million	0	0	0	0
Total	\$87 million	\$1.1 billion	\$800 million	\$286 million	\$834 million	\$670 million
Note:						
¹ State General Fund, does not include federal matching funds.						

CSAC will continue to work with counties and county affiliates to advocate for the multiyear budget request. Counties need to have the resources to maintain the safety net as much as possible and to sustain the health and well-being of vulnerable families and individuals.

HEALTH

Medi-Cal

Medi-Cal provides health care coverage for low-income Californians. Health care services covered by Medi-Cal include physician services, hospital services, prescription drugs, behavioral health services, long-term care, and dental services. Medi-Cal is projected to cover approximately 13.9 million members in 2026-27—more than one-third of the state's population.

H.R. 1 Impacts

The final budget agreement reflects a number of impacts related to H.R. 1 implementation, some of which reduce state spending while others increase state spending. Significant H.R. 1 policies that impact spending and enrollment include work and community engagement requirements, limitations of federal cost sharing for certain immigrant populations, and implementing six-month eligibility redeterminations.

The final budget agreement is built off the May Revision projected disenrollments from Medi-Cal due to H.R. 1 policy changes of 44,000 in 2026-27, increasing to 1.3 million in 2029-20.

County Administration

The final budget agreement includes an increase of \$197 million one-time General Fund in 2026-27 for Medi-Cal county administration to assist with implementation of the Medi-Cal work and community engagement requirements required by H.R. 1. Medi-Cal county eligibility funding was an important component of the county H.R. 1 budget request and will help vulnerable individuals maintain their health coverage. The final budget agreement also includes reinstatement of the Medi-Cal county administration Consumer Price Index adjustment.

Support for Public Hospitals

The final budget agreement provides \$250 million General Fund in 2026-27 for grants to designated public hospitals to support their health care expenditures. Grant funds will be distributed pursuant to a methodology developed by the Department of Health Care Services in consultation with designated public hospitals.

Managed Care Organization (MCO) Tax

H.R. 1 places limitations on the use of Medicaid Provider Taxes, including the Managed Care Organization (MCO) tax. The final budget agreement includes trailer bill language (SB 125)

that authorizes the Department of Health Care Services to seek renewal of the MCO Tax, in conformance with both changes made by H.R. 1 and the requirements of Proposition 35 (2024) (which amongst other provisions, places restrictions on the structure of the MCO tax). The final budget agreement assumes revenues of \$575 million in 2026-27, \$2.3 billion in 2027-28 and 2028-29, and \$1.7 billion in 2029-30 to support state spending on Medi-Cal and maintain certain existing rate increases.

Transition of Unsatisfactory Immigration Status (UIS) Population to Fee-for-Service

In response to recent federal guidance, the health trailer bill (SB 164) authorizes the shift of Medi-Cal enrollees with UIS from managed care to fee-for-service. (Federal funding is available for emergency and pregnancy-related services, the state pays for all other costs.) The final budget agreement projects savings of \$472 million General Fund in 2026-27 from this change.

Full Scope Medi-Cal Coverage for Qualified Non-Citizens

The final budget agreement provides \$303 million General Fund to maintain full-scope Medi-Cal benefits to qualified non-citizens (e.g. refugees, asylees, etc.) through July 1, 2027, pursuant to the health trailer bill (SB 164).

Medi-Cal Mobile Crisis Services

The final budget agreement includes \$42 million General Fund to continue to provide community-based mobile crisis services as a state- and federally-funded Medi-Cal benefit through June 30, 2027.

Budget Balancing Solutions

The final budget agreement adopts a number of budget-balancing solutions in the Medi-Cal program:

- *Medi-Cal Efficiencies*—Establishes utilization management policies for certain Medi-Cal services and changes to certain Medi-Cal managed care incentive policies. This is projected to result in savings of \$68 million General Fund in 2026-27 increasing to \$552 million General Fund in 2029-30.
- *Increased Monthly Premiums for Adults with UIS*—Requires the 2027-28 May Revision budget proposal to determine the level of Medi-Cal premiums for enrollees with unsatisfactory immigration status, to be set between \$30 and \$50 per month, effective July 1, 2027.

- *Medi-Cal Asset Test Limits*—Maintains the current Medi-Cal asset limit test of \$130,000 per person and \$195,000 for a couple, declining to \$21,000 for an individual and \$31,000 for a couple beginning on July 1, 2027.
- *Enhanced Care Management and Community Supports*—Savings of \$68.3 million General Fund in 2026-27 and \$158 million General Fund ongoing due to changes in the criteria and requirements for these Medi-Cal programs.
- *Medical Loss Ratio Remittances*—The shift of remittances from Medi-Cal managed care plans to the state when they do not meet state requirements for spending on direct health care services, from supporting the Medi-Cal program to the General Fund. The final budget agreement projects annual savings of \$25 million General Fund.

Covered California State Subsidy Program

The final budget agreement provides special fund spending totaling \$300 million per year to expand the state premium subsidy program to enrollees up to 200% of the federal poverty level.

Hospitals in Distress

The final budget agreement provides \$90 million General Fund (and authorizes the Department of Finance to augment this by an additional \$50 million General Fund) to provide grants to hospitals in significant financial distress. This is in addition to the \$25 million General Fund that was recently provided for grants to hospitals in significant financial distress in AB 108 (Chapter 8, Statutes of 2026), for a total of \$115 million available, and the potential for an additional \$50 million in funding.

Community Assistance, Recovery, and Empowerment (CARE) Act Legal Counsel and Training

The final budget agreement includes: (1) \$15.8 million in grant funding to legal services projects to provide legal counsel in CARE Act proceedings; (2) \$788,000 to provide legal training and technical assistance for legal aid providers and public defenders; (3) \$3.5 million for public defenders to increase CARE Act petitions and referrals; and (4) \$1.5 million to provide training and support for first responders, homeless outreach workers, and street medicine teams to increase CARE Act petitions and referrals.

Department of Public Health Information Technology (IT) Systems

The final budget agreement provides \$113 million from various fund sources to continue the operation of several IT systems that are used by the state and local health jurisdictions for public health purposes such as contact tracing during disease outbreaks (CalCONNECT), reporting of laboratory results (SaPHIRE), and recording immunization data (myCAVax/CAIR3). The Governor's January budget proposal only included a fraction of this funding and would have resulted in significant workload impacts for local health departments.

HUMAN SERVICES

In-Home Supportive Services

The In-Home Supportive Services (IHSS) program provides assistance and services to eligible older or disabled individuals to help them remain safely in their homes.

IHSS Cost Shift

The final budget agreement rejects the Administration's proposal to remove the state's share of cost for IHSS hours per case growth and shift these costs to counties. This would have gone into effect in 2027-28 and resulted in state General Fund savings and increased county costs of \$360.6 million in the first year and growing each year. CSAC [strongly opposed](#) this cost shift and testified against it during legislative budget committee hearings.

For background, the county IHSS maintenance of effort (MOE) was restructured in 2019-20. Since that time, counties share in the costs of program growth through an annual 4% inflation factor and 35% of the non-federal share of costs for locally negotiated wage and benefit increases. The primary purpose of the 2019-20 MOE rebase was to ensure that county IHSS costs can fit within historic Realignment growth and not take away funding from other critical health and human services programs that counties fund with Realignment. Any cost shift to counties for IHSS will not be sustainable within Realignment and be even more challenging while counties are grappling with increased safety net program costs as a result of the implementation of H.R. 1.

IHSS Backup Provider System

The final budget agreement rejects the Administration's proposal to eliminate the IHSS permanent back-up provider system for savings of \$3.5 million General Fund ongoing starting in 2026-27. The IHSS permanent back-up provider system was enacted in 2022 and

facilitates recipients being able to find a provider and receive care in times of immediate need.

IHSS Residual Program

The final budget agreement rejects the Administration's proposal to conform the IHSS Residual Program with the timing of Medi-Cal coverage beginning in 2026-27 which would have saved \$86 million General Fund. The IHSS Residual Program is the original IHSS program that is maintained for individuals who are eligible for IHSS under a state-only Medi-Cal program. Approximately two percent of the IHSS caseload is in the Medi-Cal residual program.

IHSS Collective Bargaining

The human services trailer bill (AB 152) contains a provision related to the Realignment withholding for county IHSS collective bargaining that is intended to address a lack of clarity for what would happen in a county that has never had a collective bargaining agreement. For any county where a fact-finding report was issued prior to June 30, 2026, that county would have 90 days to reach an agreement with the IHSS provider union. If no agreement is reached in that timeframe, then the Realignment withholding would be assessed on October 1, 2026.

IHSS Asset Test Limit

The final budget agreement conforms the actions on the Medi-Cal asset test limit within IHSS to the overall actions for Medi-Cal. This asset test limit provision is further described in the Health section above.

Conforming IHSS with Medi-Cal Immigrant Eligibility

The final budget agreement conforms the actions on the transition of qualified non-citizens to restricted scope Medi-Cal within IHSS to the overall actions for Medi-Cal. This provision is further described in the Health section above.

CalFresh

The CalFresh program is California's version of the federal Supplemental Nutrition Assistance Program (SNAP), which provides federally funded food benefits for eligible families.

County Administration

The 2026 Budget Act includes an increase of \$223 million one-time General Fund in 2026-27 for CalFresh county administration to assist with county implementation of the expanded

work requirements for Able-Bodied Adults Without Dependents (ABAWDs) required by H.R. 1. It also provides spending authority to utilize this funding through June 30, 2029. Factoring in underlying base decreases due to caseload changes, the overall net increase is about \$180 million. CalFresh county eligibility funding was an important component of the county H.R. 1 budget request and will help vulnerable individuals maintain their nutrition assistance.

Match Waiver

The human services trailer bill (AB 152) includes a three-year CalFresh county match waiver through 2028-29 that allows counties to draw down the full amount of federal and state funds when reaching 2024-25 county contribution levels. The match waiver was included in the county H.R. 1 budget request and will help ensure the maximum amount of CalFresh funding can be utilized.

Data Collection and Performance

The human services trailer bill (AB 152) establishes parameters related to CalFresh data collection and performance monitoring, access, timeliness, and accuracy. The purpose of this process is to ensure accurate benefit determination, effective use of funding, and to complement federal and state performance measures. The California Department of Social Services (CDSS) will be required to utilize existing data sources prior to requesting new information from counties. CDSS will also be required to consult with county welfare departments, the County Welfare Directors Association (CWDA), unions representing eligibility workers, the CalSAWS Consortium, and other stakeholders in determining the necessary information and how to achieve the goals of this effort.

Food Banks

The 2026 Budget Act provides \$108 million for CalFood to support food banks. This is an increase of \$70 million above the amount proposed by the Administration's May Revision.

Adult Protective Services

The Adult Protective Services (APS) program serves older and dependent adults when there are reports of abuse and neglect. The final budget agreement rejects the Administration's proposal to revert the APS expansion to achieve savings of \$70 million ongoing General Fund. Under that expansion, adopted in 2021-22, eligibility for APS services was expanded to those who are age 60 or older from the previous age requirement of 65 and older. CSAC opposed the proposal to reverse the APS expansion.

County Administration

There are three programs under CDSS where counties receive a funding allocation for county administration of the program—IHSS, CalFresh, and CalWORKs. Each of these programs has a statutorily required timeline for reassessments of the funding methodology. The human services trailer bill (AB 152) contains language to stagger the timing of these reassessment dates so that CDSS would only be required to conduct one program reassessment per year. With these changes, CalFresh would occur in 2027-28, CalWORKs in 2028-29, and IHSS in 2029-30.

California Work Opportunity and Responsibility to Kids (CalWORKs)

The CalWORKs program is California's version of the federal Temporary Assistance for Needy Families (TANF), which provides temporary cash assistance to low-income families with children to meet basic needs as well as welfare-to-work services to help families become self-sufficient.

CalWORKs Grant Increase

The human services trailer bill (AB 152) includes a 1.8% increase to CalWORKs Maximum Aid Payment levels, beginning October 1, 2026, with an estimated cost of \$59.5 million. The increased costs would be funded by the Child Poverty and Family Supplemental Support Subaccount within 1991 Realignment.

Child Welfare and Foster Care

Child welfare services and foster care provide a range of services for children who are at risk of or have been victims of abuse and neglect.

Emergency Response

The 2026 Budget Act includes \$20 million one-time General Fund for child welfare Emergency Response. This will support timely response by social workers in emergency situations to reports of abuse and neglect.

Flexible Family Supports

The 2026 Budget Act includes budget bill language to extend funding availability for Flexible Family Supports through June 30, 2028. This funding is utilized to strengthen family-based placements.

Aging

The human services trailer bill (AB 152) contains language to delay by one year the SB 1249 (Chapter 337, Statutes of 2024) requirements for modernizing the state's area agency on aging (AAA) network, including the proposed revision to the Intrastate Funding Formula (IFF) for AAAs. This updated formula would now be submitted by September 1, 2027. CSAC submitted comments to the California Department of Aging, sharing concerns about the proposed updated IFF.

Childcare

The final budget agreement provides funding for a total of 26,200 new child care slots above the amount proposed in the May Revision budget proposal. This includes \$228 million General Fund for 22,770 child care spaces and \$41.4 million General Fund to backfill 3,430 child care spaces previously funded with Proposition 64 (2016) and federal funds that were proposed to be eliminated.

HOMELESSNESS

Homeless Housing, Assistance and Prevention (HHAP)

The final budget agreement includes \$900 million for the HHAP program in 2026-27, an increase of \$400 million above the amount committed to in last year's public resource trailer bill, SB 131 (Chapter 24, Statutes of 2025). Counties, big cities, and continuums of care (CoCs) will actually receive more grant funding in this round than in prior rounds because 97 percent of the funding will be distributed as grants to counties, big cities, and CoCs, whereas only 80 percent of the \$1 billion in prior rounds was for grants.

The housing trailer bill (AB/SB 179) outlines the requirements that counties, big cities, and CoCs must meet to be eligible to receive the initial 50% disbursement of the Round 7 funding. This funding will be implemented by the Department of Housing and Community Development (HCD) as a supplement to Round 6 and will not require an entirely new application, but rather a detailed proposal for how the funds will be used. In order to receive the first disbursement of Round 7 funding, applicants are required to:

- Meet all requirements for the second disbursement of Round 5 funding.
- Obligate 50% of total Round 6 funding consistent with requirements in last year's land use trailer bill, SB 158 (Chapter 650, Statutes of 2025).

- Have a compliant Housing element (county and big city recipients). If an applicant does not have a compliant housing element, HCD will withhold disbursement until the housing element becomes compliant.
- Obtain a prohousing designation (big city recipients and county recipients where those big cities are located). If a local jurisdiction has not secured the prohousing designation before Round 7 funding is allocated, it must do so within 12 months. If it fails to meet that deadline, HCD may reallocate any unspent funds to other eligible direct recipients in the same region. The housing trailer bill (AB/SB 179) also places timeline requirements on HCD review of prohousing designation applications. Within 30 days, HCD will be required to approve or to respond with options for completing and obtaining approval.
- Comply with the May 20, 2025 guidance from the California Interagency Council on Homelessness on addressing encampments (county and big city recipients). This can be completed through the adoption of a local ordinance or administrative policy or submission of documentation that the local jurisdiction's practices are consistent with that guidance.
- Provide a local match (big city recipients and county recipients where those big cities are located). The local match requirement is 35% of the total allocation for the first disbursement (70% of the total allocation for the second disbursement).
 - Qualifying matching funds include dedicated local funding sources for homelessness, affordable housing, housing infrastructure, rental assistance, operating subsidies, or supportive services; new funding sources for homelessness; impact fee deferrals or waivers; land donations; local contributions to rental assistance, permanent or interim housing, or supportive services; and local government contribution use of state-originated funding such as Behavioral Health Services Act, Homekey, and Community Care Expansion, if used to support permanent or interim housing; and any other eligible sources in guidance issued by HCD.
 - By September 1, 2026, HCD is required to establish the process for how recipients will demonstrate compliance with the matching requirement with reasonable time to complete the process and receive the first Round 7 disbursement by September 1, 2026, if other requirements are also met.

- The match requirement will include all funding or in-kind resources identified and utilized by recipients between July 1, 2026 and December 31, 2033.
- Be in good standing on all reporting requirements for prior rounds.

The final budget agreement for the HHAP program reflects significant CSAC advocacy to secure this increased funding amount and to have streamlined implementation of Round 7 without the new requirements being implemented in a burdensome manner.

CDSS Homelessness Programs

The final budget agreement includes several one-time investments for homelessness programs that are administered by CDSS. This includes \$50 million for Home Safe, \$15 million for Brining Families Home, \$25 million for the Housing Disability Advocacy Program, and \$10 million for the CalWORKs Housing Support Program. All of this funding will be available for expenditure through June 30, 2028.

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Housing, Land Use, and Transportation

Housing and Land Use

The final budget agreement includes modest augmentations to some of the state's existing affordable housing programs. This is likely due to an agreement the Administration made with the Legislature to place an \$11.25 billion housing bond on the November 3, 2026 ballot. The Administration's funding provided for existing housing programs are meant as interim resources before any potential bond funds become available. The three party final budget agreement included action on their previously announced intent to limit the ability for counties to impose Development Impact Fees on affordable housing grants that counties receive from state programs.

Development Impact Fees

For background, the Administration's Development Impact Fee proposal announced in the May Revision budget proposal earlier this year sought to discourage or prohibit county development impact fees assessed on affordable housing projects. Counties impose impact fees to fund development related essential infrastructure and services such as water, sewer, fire protection, parks, flood control, and libraries. These fees are strictly cost recovery tools, not revenue sources, and they enable the infrastructure necessary for new housing and economic development.

The housing trailer bill ([AB 179/SB 179](#)) requires counties to waive specific non-utility impact fees as a condition of receiving state affordable housing grants if they are a lead applicant for a housing project that provides affordable multifamily rental or housing ownership programs. If counties choose not to waive these fees, the awarding state entity is authorized to reduce the grant award by the amount of development impact fees that the county was required to waive pursuant to this statute. This applies for state affordable housing opportunities released after July 1, 2027.

Further, the bill language does not apply to impact fees assessed by a variety of other local governments, including schools and special districts. CSAC strongly urges counties that are currently or are considering being lead applicants for state affordable housing grants to review this statutory language to evaluate any potential impact it could have on the county's ability to provide the infrastructure that residents of affordable housing developments need to enjoy the full range of benefits development impact fees provide.

TRANSPORTATION

The final budget agreement does not include any significant General Fund augmentations or fund shifts for transportation programs. In last year's budget, a significant amount of prior transportation funding augmentations were reduced or shifted to other funding sources, primarily the Cap-and-Invest program (formerly called the Cap-and-Trade program). Changes made in June to the Cap-and-Invest program [recently proposed by the California Air Resources Board \(CARB\)](#) cast significant doubt on the state's ability to deliver on these past commitments. However, a proposal that would divert funding away from county roads is still being considered in summer budget discussions and is described in more detail below.

Sustainable Aviation Fuel (SAF) Tax Credit

The Administration and the Legislature have not come to a final agreement on the SAF Tax Credit proposal, indicating it will be part of additional budget negotiations between the Legislature and the Administration during the summer. For background, in the January budget proposal the Administration proposed a new tax credit against diesel excise tax liability to incentivize the production and use of SAF. This proposal would divert funding away from the Local Streets and Roads Program that counties receive funding from, reducing revenues that counties rely on to maintain local streets, roads, and infrastructure. CSAC is opposed to this tax credit as it will lead to less funding for county streets, roads, and bridges. Updates will be provided as they become available.

PUBLIC WORKS**California Environmental Quality Act (CEQA) Net Fee Assessment**

The final budget agreement provides the Governor's Office of Land Use and Climate Innovation with statutory authority to assess a fee on documents submitted to the State Clearinghouse to support the costs of the State Clearinghouse system. The State Clearinghouse is responsible for facilitating the submittal and public hosting of all California Environmental Quality Act (CEQA) documents that counties are required to submit to the state. This fee authority is intended to support the modernization of the Clearinghouse's CEQAnet and CEQA Submit functions. The goal is to improve the speed and efficiency of document submission and improve information access to streamline the environmental review process for all public agencies. This fee would impact county public works projects that are required to submit CEQA documentation, such as negative declaration, mitigated negative declaration and complete environmental impact reports.

Advanced Clean Fleets (ACF) Regulations

The final budget agreement provides the Department of Transportation (Caltrans) with \$225 million in funding from the State Highway Account to assist its fleet in complying with CARB's ACF regulations. Over the past four fiscal years, Caltrans has received \$910 million in funding for their vehicle fleet to comply with the ACF regulations. The request approved in this budget brings the department's total funding for ACF compliance to \$1.1 billion, while no direct funding has been provided by the state to counties to support ACF implementation.

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