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March 25, 2026

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

RE: County H.R. 1 Budget Request

Dear Governor Newsom,

I am writing on behalf of the Kern County Board of Supervisors to urge the State to take appropriate steps to ensure counties are not disproportionately affected by the implementation of H.R. 1. Safeguarding a stable and reliable safety net for our residents continues to be a central priority for the Board. Toward that end, I write to share a multi-year H.R. 1 budget request that was developed jointly with counties and county association partners.

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

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

Counties are mandated to provide indigent care to low-income Californians who have no other source of health care. When the Affordable Care Act was implemented and demand for indigent care dramatically reduced, the Realignment funding provided to counties to meet this mandate was redirected by the state. With more than one million people estimated to lose Medi-Cal coverage because of H.R. 1, California residents will come to counties for these services and counties currently do not have a funding source to provide this care on behalf of the state. Of those expected to lose coverage, an estimated 417,000 residents will likely seek and qualify for indigent care services. Counties need the State to provide funding for state-mandated basic health care for these 417,000 residents. The indigent care funding request also includes $200 million in one-time funding in 2026-27 to rebuild the infrastructure that will be needed to provide this care and $50 million in ongoing funding for public health programs to provide services to individuals who lose health care coverage.

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

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

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

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

(2) hold counties harmless for penalties occurring outside of county control which are exacerbated by H.R. 1.

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

In addition to Medi-Cal specialty mental health services and substance use disorder services, counties provide behavioral health coverage to other individuals. Demand for these services is likely to increase as individuals lose eligibility for Medi-Cal. This budget request will support counties in providing services to this population.

In summary, the county H.R. 1 multi-year budget request is intended to mitigate direct harm to our residents who will lose health and nutrition services. Providing these needed resources will help prevent cuts to other critical services that counties provide. This comprehensive multi-year request addresses the wide-ranging impacts to county health and human services programs. With this funding, counties will be able to maximize the number of individuals who retain Medi-Cal and CalFresh, rebuild county indigent care programs to serve individuals who lose health coverage, and protect irreplaceable patient care that is provided by public hospitals.

Addressing the health care and nutrition assistance needs of individuals impacted by H.R. 1 *must be* a fundamental, structural element of the state's budget in 2026-27 and for years to come. We have attached information that details this multi-year budget request. Kern County is eager to work with your Administration and the Legislature to find fiscal and policy solutions to protect our residents. Thank you for your consideration.

Respectfully,

Phillip Peters, Chairman
Kern County Board of Supervisors

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

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CALIFORNIA COUNTIES
PROTECT OUR SAFETY NET
FOOD AND HEALTHCARE FOR FAMILIES

California State Association of Counties | RCRC | Urban Counties of California | CMSP County Medical Services Program | CWDA Advancing Human Services for the Welfare of All Californians | CHEAC Improving the Health of all Californians | CAPH California Association of Public Hospitals & Health Systems | cbhda County Behavioral Health Directors Association California

Total H.R. 1 County Multi-Year Budget Request

H.R. 1 represents a fundamental shift of fiscal responsibility for safety net programs from the federal government to states and counties.

The table below outlines California Counties' Multi-Year Budget Request for the 2026-27 and 2027-28 fiscal years.

	2026-27	2027-28
Indigent Care *	$761 million	$2.4 billion
Funds state mandated, subsistence level care assuming 33% percent of those losing Medi-Cal coverage due to work requirements seek this care and are eligible for services.		
Public Hospital Systems	$500 million	$850 million
Begins stabilizing public hospital system revenues and protecting patient care.		
County Eligibility	$373 million	$402 million
Funds implementation of new eligibility requirements for Medi-Cal and CalFresh and robust screening and supports to maximize the number of individuals who can retain coverage and assistance.		
County Behavioral Health	$224 million	$828 million
Funds behavioral health services for individuals who will lose Medi-Cal coverage and seek services from counties.		
TOTAL	**$1.9 billion**	**$4.5 billion**

** Note that the indigent care request includes $200 million in 2026-27 in one-time infrastructure building funds, to be available for expenditure over three years, and $50 million in each year for increased county public health costs to provide services to those who lose health care coverage.*

Key Facts

- This request assumes that county indigent care programs serve 33% of the people who lose Medi-Cal coverage due to community engagement requirements.
- Counties would provide indigent care services to approximately 417,000 people.
- Roughly 880,000 people who lose state Medi-Cal coverage due to work requirements would likely have no health care coverage.

CALIFORNIA COUNTIES
PROTECT OUR SAFETY NET
FOOD AND HEALTHCARE FOR FAMILIES

California Counties' H.R. 1 Multi-Year Budget Request

In order to ensure that individuals and families continue to have access to medical care and nutrition benefits, the state budget must provide a significant, multi-year investment to counties to prevent critical harm from occurring in California's communities.

- In February 2026, county partners collectively released an **H.R. 1 Fact Sheet** detailing a range of $6 billion to $9.5 billion annual fiscal impact at full implementation to counties. This fact sheet provides a range of costs due to the uncertainty related to the actual number of Californians who will go to counties for services they would have otherwise received from the state.
- Since the fact sheet's release, county partners have worked to educate legislators, the administration and the public on the essential work counties will be required to perform on behalf of the state to meet the needs of California communities as they begin to implement H.R. 1.
- Providing resources to mitigate the detrimental impacts of H.R. 1 is a structural part of the state's budget and one of the overarching issues that must be addressed this budget year and the years moving forward.
- Counties are not able to address these impacts on our own and a true partnership over a multi-year period with the state is needed in order to prevent our safety net from crumbling.
- California counties request $1.9 billion in 2026-27 and $4.5 billion in 2027-28 to address the impacts of H.R. 1. See the additional coalition document for a more detailed description and analysis of the budget resources needed for counties to continue serving our communities.

County Approach to H.R. 1 Implementation and Funding Needs

H.R. 1 will result in a large number of people seeking indigent medical care from counties and substantial financial impacts to counties due to changes to Medi-Cal financing, increased county workload, and cost shifts. Since the passage of H.R. 1, the California State Association of Counties and affiliated organizations – County Health Executives Association of California (CHEAC), County Medical Services Program (CMSP), California Association of Public Hospitals & Health Systems (CAPH), County Welfare Directors Association (CWDA), County Behavioral Health Directors Association (CBHDA), Urban Counties of California (UCC), and Rural County Representatives of California (RCRC) – have worked to analyze the programmatic impacts, quantify the costs likely to be imposed by H.R. 1 and to develop a responsible multi-year budget request to implement the various requirements of H.R. 1.

In January, counties released a **county coalition document** that outlines our advocacy principles in response to H.R. 1. These include:

- ***Maintain Coverage and Benefits*** - Counties support efforts to maximize the ability to keep people enrolled in state and federal safety net programs using systems with existing and proven competencies like the county eligibility workforce.

- ***Fund New Requirements*** - Counties support ongoing and stable revenues for any new or expanded administrative requirements and service responsibilities and to address federal funding cuts.

- ***Keep Existing Commitments*** - Counties oppose reduced funding for existing county programs and responsibilities, unfunded expansions of existing mandates, or new unfunded mandates.

- ***Increase Efficiency*** - Counties support streamlining efforts that can create program coordination, improve accuracy, and support county staff in managing increased workload.
- ***Provide Relief and Reduce Burdens*** - Counties support appropriate relief from existing mandates where possible and reducing state-level requirements that add costly administrative burdens.

H.R. 1 and the State Budget

Funding for health and human services programs such as Medi-Cal and CalFresh is second only to K-14 Education/Proposition 98 funding as a share of the state budget and exceeds Proposition 98 when factoring in federal funds. Addressing the impacts on Medi-Cal, including providing care to those who may lose coverage, as well as CalFresh, will be a fundamental, structural element of the development of the 2026-27 state budget. The following information provides a more detailed description and analysis of county costs and the services that will be provided with this funding.

	2026-27	2027-28
Indigent Care *	$761 million	$2.4 billion
Public Hospital Systems	$500 million	$850 million
County Eligibility	$373 million	$402 million
County Behavioral Health	$224 million	$828 million
TOTAL	**$1.9 billion**	**$4.5 billion**

***** *Note that the indigent care request includes $200 million in 2026-27 in one-time infrastructure building funds, to be available for expenditure over three years, and $50 million in each year for increased county public health costs to provide services to those who lose health care coverage.*

Analysis of County H.R. 1 Budget Request for Community Health and Nutrition Services for the 2026-27 and 2027-28 Fiscal Years

The requirements of H.R. 1 will have a generational impact on the relationship between the state and California counties. Fundamentally, this law shifts the delivery and cost of providing healthcare and nutrition services from the federal government to the state and counties. Therefore, addressing the health care and nutrition assistance needs of individuals impacted by the H.R. 1 changes to Medi-Cal and CalFresh will be a fundamental, structural element of the state's budget in 2026-27 and moving forward.

Counties analyzed the programmatic impacts of H.R. 1 on county administered state programs —such as Medi-Cal and CalFresh—as well as the downstream effects on other county services and subsequently estimated the associated costs of these changes.

In developing cost estimates, counties relied on estimates from the state regarding the number of people who will be subject to new H.R. 1 policies, such as new Medi-Cal community engagement requirements and reinstated CalFresh work requirements. Counties also relied on estimates from the Department of Health Care Services (DHCS) regarding the number of people who are anticipated to lose Medi-Cal coverage.

County Indigent Care Programs

Background: *Historically, counties provided indigent care to low-income Californians who had no other source of health care. Those county indigent care programs are only required to provide basic, subsistence-level health care, not comprehensive health insurance. Providing such care is mandated by the state, pursuant to Welfare and Institutions Code Section 17000. To fund those state-mandated services, counties were provided 1991 Realignment funding.*

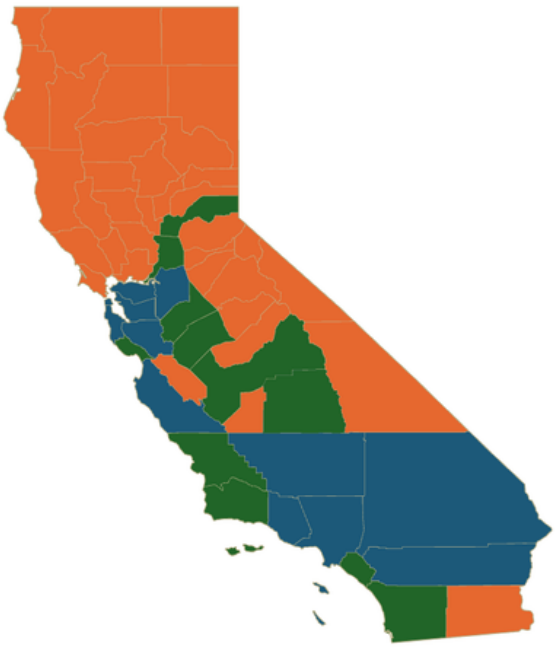
Total Budget Request: $761 million in 2026-27 and $2.4 billion in 2027-28 and ongoing ($200 million of 2026-27 amount is one-time)

After the implementation of the Affordable Care Act (ACA) which expanded coverage through Medi-Cal and Covered California, county indigent care programs were dramatically scaled down. ·The state began annually redirecting 1991 Health Realignment funding that had historically supported indigent care—through AB 85 (Chapter 24, Statutes of 2013)—to other purposes. The state also reduced the rate of growth for 1991 Realignment revenues deposited into the health subaccount, further diminishing the funding available to counties for indigent care and public health.

Counties are not obligated to provide services to individuals who are undocumented and behavioral health services are not included in the indigent care mandate. The eligibility requirements, cost sharing requirements, and benefit levels varied considerably between counties.

Counties provide indigent care programs using three models:

- **County Medical Services Program (CMSP) –** 35 rural and semi-rural counties collectively contract with clinics and hospitals to provide indigent care.
- **Article 13 Counties -** 11 counties provide indigent care either directly, through contracted providers, or through hybrid models.
- **Public Hospital System Counties –** 12 counties use their public hospital systems to either exclusively or significantly provide indigent care.



Details of County Budget Request to Operate Indigent Care Programs

Counties previously **estimated the overall anticipated costs** to provide services across a range of estimated demand for services.

To construct a responsible and realistic request for state funding to operate county indigent care programs, given the impacts of H.R. 1, counties made a number of key assumptions.

- Section 17000 requirements do not require counties to provide coverage for undocumented individuals. Counties focused on the population of individuals who are projected by DHCS to lose Medi-Cal coverage due to community engagement requirements, adjusted to only reflect the share of that population with satisfactory immigration status.

- Counties assumed that 33% of those who lose Medi-Cal coverage will seek care and be eligible for services from county indigent care programs. Counties assumed that the enrollment rate would be at the low end of estimated enrollment scenarios, because of the limited set of services provided, eligibility requirements of county programs, cost sharing requirements used by many counties, and county efforts to assist those seeking indigent care with reenrolling in Medi-Cal, if they are eligible.

- Counties estimated per person per month costs based on a combination of historic per member costs for pre-ACA indigent care programs (trended forward to reflect inflation in costs) and current health care costs for the kinds of services that are typically provided by indigent care programs. For CMSP counties, the estimated per person per month cost is $551, for Article 13 counties it is $331 per person per month, and for public hospital system counties it is $421 per person per month.

- Counties will need to rebuild the infrastructure to operate indigent care programs. This funding will be used to establish core systems and capabilities across the twenty-three non-CMSP counties, including clinical infrastructure, information technology systems, fiscal, legal, and administrative infrastructure, and workforce and operational support. These funds will also support the development of systems and processes within indigent care programs to collect the documentation needed to support the state and county eligibility workforce in making medical frailty and disability determinations required to exempt people from Medi-Cal community engagement requirements, allowing some people to return to full-scope Medi-Cal coverage.

- Because Medi-Cal community engagement requirements begin in January 2027 and individuals will be subject to community engagement requirements upon their annual (and then six-month) redetermination date, counties assume that individuals who will seek services from indigent care programs will begin doing so in the last quarter of the 2026-27 budget year.

- Note that this estimate assumes that 67% of individuals with satisfactory immigration status who lose Medi-Cal eligibility due to work requirements (about 880,000 individuals) and all undocumented individuals who lose Medi-Cal coverage will likely no longer have a source of health care coverage.

County Indigent Care Programs Multi-Year Budget Request

- Infrastructure Building – ***$200 million in 2026-27***, to be used over three years.

- Direct Medical Services and Administration
  - ***$561 million in 2026-27*** to support the delivery of direct medical services to newly eligible medically indigent adults and associated administrative support in the 23 non-CMSP counties. (This includes $50 million per year in 2026-27 and ongoing for increased county public health costs to provide services to those who lose health care coverage.)

  - ***$2.4 billion in 2027-28 and ongoing*** to provide medical services in all 58 counties.

Public Hospital System Financing

Background: *For decades, California's public hospital systems have been required to fund the non-federal share of inpatient Fee-For-Service Medi-Cal costs without receiving State General Fund support for those expenditures. Since Medi-Cal managed care base rates do not cover the cost of providing care, public hospital systems have relied on federal supplemental payments, including state directed payments, to supplement base rates. H.R. 1 targets these payments, which will reduce public hospital system revenue by $2.3 billion annually once H.R. 1 is fully implemented.*

Total Budget Request: $500 million in 2026-27 and $850 million in 2027-28 and ongoing

Details of Anticipated Fiscal Impacts to Public Hospital System

H.R. 1 will increase fiscal pressures on California's public hospital systems by capping and reducing state directed payments, reducing the federal match for emergency care for childless adults with Unsatisfactory Immigration Status, and reducing the number of patients with Medi-Cal coverage. This will lead to an estimated reduction in federal funding of $3.4 billion annually once H.R. 1 is fully implemented.

County Multi-Year Budget Request to Support the Operation of Public Hospital Systems

In order to begin offsetting the impact of the coming reduction in SDPs, counties request ***$500 million in 2026-27 and $850 million in 2027-28 and ongoing*** to begin stabilizing public hospital system revenues and protecting patient care.

County Eligibility Workforce

Background: *The county eligibility workforce assists individuals and families with obtaining and retaining coverage and benefits, drawing down additional federal funds to do so. As the H.R. 1 Medi-Cal community engagement requirements are implemented and counties are required to reinstate CalFresh work requirements, there will be new costs for the increased county eligibility work to assist eligible Medi-Cal and CalFresh enrollees in maintaining their enrollment.*

Total Budget Request: $373 million in 2026-27 and $402 million in 2027-28 and ongoing

Details of Anticipated Fiscal Impacts to County Eligibility Workforce

For Medi-Cal, there will be increased workload related to the new work and community engagement requirements for existing enrollees and new applicants who will be required to demonstrate compliance one month before enrollment, as well as a doubling of redeterminations. This includes properly identifying and certifying key exemptions, supporting enrollees engaged in qualifying activities, and connecting enrollees to employment, educational, and volunteer opportunities. DHCS estimates that up to 2.8 million enrollees (60%) will require some form of manual county-worker support and verification.

For CalFresh, there will be increased workload related to the changes to the reinstated and expanded work requirements. This includes robust screening to identify those who are exempt from work requirements, supporting recipients who are not exempt with overcoming documentation challenges, and connecting them with employment and training opportunities. CDSS estimates that nearly 1 million recipients will require some form of manual county worker support and verification. In addition, for CalFresh, the federal government is reducing its contribution to administration costs from 50 percent to 25 percent, resulting in an increase of the county share from 15 percent to 22.5 percent.

Methodology for Anticipated Cost Estimate for County Eligibility Workforce

To construct a responsible and realistic request for state funding for county eligibility work for Medi-Cal and CalFresh, counties made the following assumptions to capture the workload necessary to support H.R. 1.

- **For Medi-Cal, an estimated additional 2,000 eligibility workers statewide will be required to accommodate the following additional hours of workload –**
  - Additional 3.5 hours per client, per year for robust exemption and compliance review for individuals who cannot be verified by automated data matches.
  - Additional 50 minutes per client for those initially deemed noncompliant for follow up to resolve documentation issues.
  - Additional 1.2 hours per client, per year for the more frequent six-month eligibility redeterminations.
- **For CalFresh, an estimated up to additional 400 – 500 eligibility workers statewide will be required to accommodate the following additional hours of workload –**
  - Additional 3.92 to 4.25 hours per client, per year to explore eligibility for exemptions or provide support in understanding needs to retain benefits.

County Eligibility Workforce Multi-Year Budget Request

To implement the eligibility requirements of H.R. 1, counties request ***$373 million in 2026-27 and $402 million in 2027-28 and ongoing*** to implement the increased eligibility requirements of H.R. 1. Likewise, we also request two budget neutral actions.

	2026-27	2027-28
Medi-Cal Eligibility Workforce	$270 million	$344 million
CalFresh County Eligibility Workforce	$103 million	$58 million
Total	**$373 million**	**$402 million**

- **CalFresh County Share of Cost Match Waiver -** Adopt a temporary CalFresh match waiver that maintains county contributions at 2024-25 levels, allowing counties to draw down the full amount of federal funds and state funds commensurate with what has already been budgeted.
- **CalFresh Penalties Hold Harmless -** Enact statutory changes to hold impacted counties harmless for any penalties for payment accuracy that result from circumstances outside of county control, which are exacerbated by H.R. 1.

Analysis of County H.R. 1 Budget Request for Community Behavioral Health Services for the 2026-27 and 2027-28 Fiscal Years

County Behavioral Health Programs

Background: *Under current law, county behavioral health programs provide Medi-Cal specialty mental health services and substance use disorder services, largely using Realignment funding. Counties also provide behavioral health services to other individuals using other fund sources such as from the Behavioral Health Services Act. Under 1991 Realignment, county behavioral health programs are required to provide services to those not enrolled in Medi-Cal, to the extent that resources are available. As people lose eligibility for Medi-Cal, some of those individuals may seek care for their behavioral health needs from counties. To the extent that resources are available, counties would provide services to that population.*

Total Budget Request: $224 million in 2026-27 and $828 million in 2027-28 and ongoing

Details and Methodology of Anticipated Fiscal Impacts to County Behavioral Health Programs

As people lose Medi-Cal eligibility due to the changes in H.R. 1, there will be increased demand for behavioral health services. Because county indigent care programs are not required to and historically did not provide behavioral health services, people who need services may turn to county behavioral health programs.

To estimate the demand for services, counties relied on estimates from DHCS of the number of people who are projected to lose Medi-Cal coverage due to community engagement requirements, the change to six-monthly eligibility redeterminations, and the elimination of full scope Medi-Cal benefits for certain migrant populations. Counties used the current penetration rate for Medi-Cal behavioral health services (the share of the Medi-Cal enrolled population that currently receives these services) to estimate the number of people likely to seek services and a range of costs per enrollee of $6,300 per year to $21,000 per year, to reflect the possible utilization of services.

To construct a responsible and realistic request for state funding to provide behavioral health services to those who lose Medi-Cal eligibility, counties made a number of key assumptions:

- Counties relied on estimates from the Department of Health Care Services of the number of people who are projected to lose Medi-Cal coverage due to community engagement requirements, the change to six-monthly eligibility redeterminations, and the elimination of full scope Medi-Cal benefits for certain migrant populations.
- To determine how many of those people may seek services for behavioral health needs, counties used the current penetration rate for Medi-Cal behavioral health services (the share of the Medi-Cal enrolled population that currently receives these services) to estimate the number of people likely to seek services. This equates to about 27,000 people seeking services in 2026-27 and 89,000 individuals seeking services in 2027-28.
- Counties assumed that the statewide average cost to provide services will be about $10,000 per enrollee per year, which is a mid-range estimate of the current cost to provide behavioral health services.

County Behavioral Health Multi-Year Budget Request

Based on these assumptions, counties anticipate that up to 89,000 people will seek services. To provide services to those who lose Medi-Cal coverage and seek services, Counties request ***$224 million in 2026-27 and $828 million in 2027-28 and ongoing***