

State Budget Update #1

Governor's Proposed 2026-27 Budget

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Governor Newsom and Director of Finance Joe Stephenshaw released the proposed Fiscal Year (FY) 2026-27 Governor's Budget this morning. The following budget update summarizes what we know so far about the proposals and issues of interest in the health and human services area. CWDA staff will continue to keep you updated in the coming days and weeks as we learn more details.

OVERALL BUDGET PICTURE

California's overall economic picture has performed better than projected compared to the Budget Act of 2025. The Governor's Budget proposes a \$348.9 billion balanced budget with General Fund expenditures of \$248.3 billion. The stronger-than-anticipated performance of the economy, stock market, and cash receipts have contributed to an upgraded revenue forecast, with General Fund (GF) revenues coming in higher by approximately \$42.3 billion, or 6.7 percent, across the budget window (FYs 2024-25, 2025-26, and 2026-27). The revenue surge is noted as largely fueled by the artificial intelligence boom and investor enthusiasm.

Despite the significantly increased projected revenues, the State projects a modest shortfall of \$2.9 billion—attributable to constitutional funding requirements, the need for a sufficient discretionary budget reserve, and higher baseline program costs that all ultimately offset the increased revenue growth. The shortfall is almost fully addressed through suspending a required \$2.8 billion “true-up” deposit into the Budget Stabilization Account (BSA, or commonly known as the state’s Rainy Day Fund). However, the Budget does include a BSA deposit in FY 2026-27 of approximately \$3 billion. After accounting for these actions, the BSA balance in FY 2026-27 is \$14.4 billion, or \$3.2 billion higher than the Budget Act of 2025. The Budget also includes \$4.5 billion in the Special Fund for Economic Uncertainties, bringing the combined amount of reserves in FY 2026-27 to roughly \$23 billion, or \$7 billion higher than the Budget Act of 2025.

The Governor's proposed budget makes relatively few new, discretionary spending commitments, but also does not propose significant cuts or reductions, including for core

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET

health and human services programs. New investments were largely concentrated in early childhood education and K-12. Of note, the Budget scores projected caseload reductions attributable to H.R. 1 eligibility changes as savings but holds action and defers estimates of many H.R. 1 impacts to the May Revision (including for county administration), with exception of some direct impacts to the State for a total of \$1.4 billion General Fund in FY 2026-27. These direct state impacts include but are not limited: to the SNAP/CalFresh administrative cost shift; costs to Medi-Cal for loss of Federal Medical Assistance Percentage [FMAP] for individuals with Unsatisfactory Immigration Status who were previously eligible for the 90% Affordable Care Act expansion FMAP; and savings to Medi-Cal assistance/benefits for expected disenrollment due to work and community engagement requirements.

Regarding the multi-year outlook, the Governor's Budget reflects a deficit of roughly \$22 billion in FY 2027-28 and shortfalls in the two years following. In its budget summary, the Administration states its intent to provide a revised plan at May Revision that balances the Budget in both the 2026-27 and 2027-28 fiscal years with adequate budget reserves.

Notably, the Governor's Budget does not factor in the potential or probability for economic downturn. In contrast, the Legislative Analyst's Office (LAO)'s fiscal outlook in November 2025 incorporated significant risk of stock market downturn, with projected structural deficits of \$35 billion annually starting in FY 2027-28. Instead, the Administration's Governor's Budget acknowledges some key risks to the State's budget outlook, including a tax system heavily reliant on high-income earners and therefore sensitive to changes in the stock market, unpredictable federal policies, and continued uncertainty around tariffs, inflation, and immigration. The Administration notes that were a significant market downturn comparable to that of 2022 sustained throughout 2026, revenue could be \$25 billion to \$30 billion below forecast within the budget window. If coupled with an economic recession, the revenue impact could be even more severe.

Consistent with last year's Governor's Budget, the initial FY 2026-27 Budget takes a measured approach in proposing changes, with the Administration emphasizing that the January budget reflects a point-in-time assessment and that substantial changes to address the ongoing structural deficit are anticipated in the May Revision.

REALIGNMENT REVENUES

1991 REALIGNMENT

1991 Realignment is funded through two sources: state sales taxes and Vehicle License Fees (VLF). The Governor's proposed budget has revised the sales tax revenues compared to the estimates adopted in the Budget Act of 2025. Overall actual sales tax revenues in FY 2024-25 came in lower than estimates, and 2025-26 sales tax revenue projections are

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET

also lower than projected at Budget Act, reflecting slower growth. The Governor's Budget estimates that sales tax revenues will increase in the current year (2025-26) over the prior year (2024-25 actuals) by 2.53 percent. For the budget year (2026-27), the proposed Budget projects that sales tax revenues will grow by another 2.01 percent. Actual overall VLF revenues for 2024-25 are also lower than projected in the 2025 Budget Act. The Governor's Budget estimates VLF revenues to increase by 4.21 percent in the current year compared to prior year actuals, and another 3.19 percent in the budget year.

There is still projected to be growth funding in both the 2025-26 and 2026-27 FYs, although at lower levels than originally projected for FY 2025-26. The VLF funding in the Social Services Subaccount will remain flat because the Social Services Subaccount does not receive General Growth funding.

Family Support Subaccount

With implementation of the Affordable Care Act (ACA), county costs and responsibilities for indigent health care have decreased as more individuals gained access to health care coverage through the Medi-Cal expansion. However, we will likely see increased indigent health care utilization due to the federal H.R. 1 Medi-Cal eligibility changes. The Family Support Subaccount within 1991 Realignment enables counties' indigent health care savings to be captured and redirected to pay for CalWORKs General Fund assistance costs, thereby freeing up General Fund that can be used to pay for the state's Medi-Cal expansion costs. Counties' indigent health care savings are redirected from counties' 1991 Realignment Health Subaccounts and moved to the Family Support Subaccount at the state level. Funds are then allocated to counties from the Family Support Subaccount in lieu of General Fund for CalWORKs assistance payments and the Single Allocation. The distribution of the funds from the Family Support Subaccount to counties is based on counties' CalWORKs expenditures.

The Governor's Budget estimates county savings of \$724.8 million in FY 2025-26 and \$669.9 million in FY 2026-27.

Child Poverty and Family Supplemental Support Subaccount

The Child Poverty and Family Supplemental Support Subaccount within 1991 Realignment is used to fund CalWORKs assistance grant increases, which total about 31 percent from this subaccount since FY 2013-14, as well as the repeal of the Maximum Family Grant (MFG) rule, which took effect January 1, 2017.

There is estimated to be about \$1.1 billion in FY 2025-26 and \$1.2 billion in FY 2026-27 in the Child Poverty and Family Supplemental Support Subaccount. At the Governor's Budget, the Administration provides estimates of the total amount of funding that will be in the subaccount, and whether that is enough to fully fund the costs of all the CalWORKs

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET

assistance grant increases already provided plus the MFG repeal. If there is an insufficient amount, the General Fund makes up the difference. If there is more funding in the subaccount than is needed to fund all the CalWORKs assistance grant increases and the MFG repeal, then an additional grant increase is triggered that equals an amount that the available funding is estimated to support. The Administration indicates that there will be enough to fully fund the previous grant increases and MFG repeal in FY 2026-27. There is no MAP increase projected for October 2026 based on the projection of available revenues in the Child Poverty and Family Supplemental Support Subaccount.

2011 REALIGNMENT

The 2011 Realignment is funded through two sources: a state sales tax of 1.0625 percent (the portion that is used to fund the realigned social services and behavioral health programs) and 0.5 percent of VLF. The actual FY 2024-25 sales tax revenues for 2011 Realignment are lower than estimated in the 2025 Budget Act. The result is that actual FY 2024-25 sales tax revenues available for the Support Services Account were approximately \$27 million lower than previously estimated.

As with 1991 Realignment, overall growth in sales tax revenues under 2011 realignment is projected to be lower than the projections in the 2025 Budget Act. Year over year, however, the proposed budget projects the sales tax growth rate to be about 3.5 percent higher in FY 2025-26 than the revised revenues received for FY 2024-25, and to increase by 1.98 percent in FY 2026-27 compared to FY 2025-26. These overall sales tax growth rates will translate into growth funding for the Support Services Account of an estimated \$203.7 million in FY 2025-26 (of which \$96.5 million is for the Protective Services Subaccount and \$107.2 million is for the Behavioral Health Subaccount) and an increase of \$125.6 million in FY 2026-27 (of which \$59.5 million is for the Protective Services Subaccount and \$66.1 million is for the Behavioral Health Subaccount).

HOMELESSNESS**CDSS-Administered Housing Programs**

The Department of Social Services oversees four housing and homelessness programs administered by counties: the CalWORKs Housing Support Program (HSP), the Bringing Families Home (BFH) Program, the Home Safe Program, and the Housing Disability Advocacy Program (HDAP).

- Housing Support Program – The Governor's Budget continues to include \$95.0 million General Fund in ongoing funding for the Housing Support Program (HSP) in FY 2026-27.
- Bringing Families Home (BFH) – Currently, there is no ongoing funding provided for

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET

BFH. Funding in FY 2025-26 included \$81.0 million one-time, available for expenditure until June 30, 2028.

- Home Safe – Currently, there is no ongoing funding provided for Home Safe. Funding in FY 2025-26 included \$83.8 million one-time, available for expenditure until June 30, 2028.
- Housing and Disability Advocacy Program (HDAP) – The Governor's Budget maintains \$25 million ongoing in FY 2026-27. The decrease from prior reports reflects a revised assumption that there will be no Title XIX matching funds. No new one-time funding is included for FY 2026-27.

MEDI-CAL AND HEALTH CARE SERVICES

Program Funding and Caseload

The total Medi-Cal budget is estimated to be \$196.7 billion (\$46.4 billion General Fund) in FY 2025-26 and \$222.4 billion (\$48.8 billion General Fund) in FY 2026-27. The Governor's Budget estimates a caseload totaling approximately 14.5 million beneficiaries for FY 2025-26, with a projected decline to 14.0 million beneficiaries in FY 2026-27.

This year-over-year reduction in caseload is attributed to the implementation of H.R. 1 requirements, including work and community engagement, six-month renewals, and improvements in the efficiency of residency verification processes.

County Administration Funding

The Governor's Budget acknowledges that H.R. 1 makes changes to Medi-Cal eligibility requirements for the ACA Adult Expansion population. It indicates that the Department of Health Care Services (DHCS) is working with counties to identify and address administrative support needed to implement the Work and Community Engagement and Six-Month Redetermination requirements.

The Governor's Budget continues to include a freeze of the COLA for Medi-Cal County Administration (the 2024 Budget Act froze the COLA through 2027-28). This results in no change in funding from FY 2025-26 to 2026-2027.

Work and Community Engagement and Six-Month Redeterminations

Effective January 1, 2027, H.R. 1 requires that adult individuals in the ACA Adult Expansion population meet a minimum number of participation hours or qualify for exemptions to qualify for and maintain Medi-Cal eligibility. The Governor's Budget is anticipating a reduction to caseload resulting from these requirements and notes ongoing discussions between

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET

Department and counties regarding administrative costs. We note the Budget specifies that H.R. 1 work and community engagement requirements will apply to individuals with an Unsatisfactory Immigration Status who are eligible to receive state-funded full scope Medi-Cal.

Unsatisfactory Immigration Status (UIS) Amended Definition

Effective October 1, 2026, H.R. 1 narrows the definition of qualified non-citizens that remain eligible for federally funded Medi-Cal. This change will exclude certain immigration statuses, which significantly reduces federal funding for this population. The Governor's Budget proposes to move these individuals to restricted scope Medi-Cal.

Unwinding Waivers and Residency Verification Improvements

The Governor's Budget does not consider reinstating any of the unwinding flexibilities. The continued impacts from ending them are reflected as General Fund savings due to the caseload decrease.

Effective January 1, 2027, residency verification improvements, which includes the automation of the Public Assistance Reporting Information System (PARIS), will be implemented. The Governor's Budget does not include additional funding for potential increases in county administrative workload associated with these changes.

DHCS will be proposing potential Trailer Bill Language (TBL) related to H.R. 1 to ensure state law conforms to federal law.

IN-HOME SUPPORTIVE SERVICES**Caseload and Overall Funding**

The Governor's Budget includes \$33.5 billion (\$12.5 billion General Fund) for In-Home Supportive Services (IHSS) in FY 2026-27. Average monthly caseload is expected to grow by 10 percent in FY 2025-26 and by 8 percent for FY 2026-27, resulting in over 875,344 recipients in FY 2026-27, according to the Governor's Budget estimates. Average weighted hours per case are also projected to grow to 127 in FY 2026-27. The average cost per hour in the Individual Provider mode is estimated to be \$21.85 in FY 2025-26 and \$22.36 in FY 2026-27.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET**Significant Budget Reductions****Cost Shift for Growth in Assessed Hours**

The Governor's Budget includes a reduction of \$233.6 million General Fund by removing the State's share of cost associated with the growth in IHSS hours per case, and shifts those costs to counties beginning in FY 2027-28. The Administration justifies this cost shift by noting that functional index scores have largely remained unchanged even as authorized hours have continued to increase.

IHSS Residual Program Conformity with Medi-Cal Coverage

The Governor's Budget re-proposes to conform the IHSS Residual Program to the timing of Medi-Cal coverage. This reflects savings of \$86 million General Fund in FY 2026-27 and ongoing. This would result in auto-termination of IHSS recipients when their Medi-Cal is discontinued due to a failure to complete the annual Medi-Cal redetermination.

Elimination of Permanent Back-Up Provider System

The Governor's Budget includes a reduction of \$3.5 million General Fund in FY 2026-27 and ongoing due to the elimination of the IHSS Permanent Back-up Provider System due to low use.

Community First Choice Option (CFCO) Penalties

The Governor's Budget continues to include CFCO penalties. The Budget estimates a savings of \$40.5 million General Fund in FY 2025-26 and \$92.1 million General Fund in FY 2026-27 due to the shift of CFCO penalty costs to counties, which is largely consistent with prior estimates despite reduced costs reflected in initial invoices. In FY 2025-26, the CFCO penalty costs are 50 percent county and 50 percent State. Beginning July 1, 2026, costs will shift to 100 percent county.

Other IHSS Updates**IHSS Services**

For FY 2026-27, IHSS services costs are projected to increase due to growth in the projected caseload, hours per case, and cost per hour. Total IHSS Basic Services costs are projected to be \$25.5 billion (\$11.9 billion General Fund) in FY 2025-26 and \$28.6 billion (\$13.3 billion General Fund) in FY 2026-27.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET**County IHSS Maintenance of Effort (MOE)**

The Governor's Budget includes an estimated statewide IHSS MOE amount for counties of \$2.29 billion in FY 2025-26 and \$2.38 billion in FY 2026-27. The four-percent annual inflation applied to the county IHSS MOE is estimated to increase the statewide total county IHSS MOE by \$88.2 million for FY 2025-26 and \$91.8 million for FY 2026-27.

County IHSS Administration

The Governor's Budget for IHSS includes \$855.3 million total funds (\$437.8 million General Fund) in FY 2025-26 and \$923.9 million (\$472.9 million General Fund) in FY 2026-27 for county IHSS base administration funding.

Public Authority Administration

The Governor's Budget includes \$71 million (\$36.4 million General Fund) in FY 2025-26 and \$76.7 million (\$39.3 million General Fund) in FY 2026-27 for Public Authority administration.

Impacts on IHSS Caseload – Implementation of Medi-Cal Asset Limit

The Governor's Budget includes projected savings of \$37.9 million (\$17.3 million General Fund) in 2025-26 and \$525.1 million (\$239.5 million General Fund) related to the reinstatement of the Medi-Cal Asset Limit, which includes admin savings. The Administration estimates 2,171 IHSS recipients will lose Medi-Cal eligibility in FY 2025-26 and 15,509 in FY 2026-27. At this time, it is unclear whether the estimated level of disenrollment might be exacerbated by the Residual Program Conformity with Medi-Cal Coverage policy change.

CALWORKS**Caseload**

The Governor's Budget estimates the average monthly CalWORKs caseloads for FY 2025-26 at 356,744, representing a 0.4 decrease from the Budget Act of 2025 estimate. Caseloads are then projected to increase by 1.0 percent in FY 2026-27, rising from 356,744 cases to 360,137.

For CalWORKs Employment Services, the Governor's Budget anticipates the average monthly caseload to increase by 4.0 percent in FY 2025-26 compared to the Budget Act of 2025 resulting in an estimated 165,538 participants. Caseloads are projected to increase by an additional 1.3 percent in FY 2026-27 reaching an estimated 167,734 average monthly welfare-to-work participants.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET**CalWORKs Home Visiting Program**

The Governor's Budget fully restores Home Visiting Program funding in FY 2026-27. For FY 2025-26, it appears the Governor's Budget continues to maintain reduced funding levels for the CalWORKs Home Visiting Program as a result of prior reductions, but assumes increased expenditures relative to the 2025 Budget Act.

Mental Health and Substance Abuse Services

The Governor's Budget includes \$126.6 million in FY 2026-27 for mental health and substance abuse services for CalWORKs Welfare-to-Work participants. This funding reflects a fully restored allocation following a \$26.0 million reduction enacted in the 2024 Budget Act. The Budget maintains \$100.6 million in FY 2025-26.

Family Stabilization

The Governor's Budget includes \$67.1 million in FY 2026-27, reflecting a slight increase from FY 2025-26 due to higher projected caseloads. In FY 2025-26, the Budget includes \$66.2 million statewide.

Single Allocation

The Governor's Budget estimates an increase of approximately \$44.5 million to the current year Single Allocation, a 2.8 percent increase compared to the Budget Act of 2025 appropriation.

For FY 2026-27, the Governor's Budget proposes an additional increase of nearly \$26.0 million relative to the revised FY 2025-26 estimate, or an incremental increase of 1.6 percent. In total, between the FY 2025-26 Single Allocation at Budget Act (appropriation allocation) to the FY 2026-27 projected Single Allocation, the Single Allocation is estimated to increase by \$70.5 million total funds (4.45 percent). This increase is primarily driven by increased projected costs for the Employment Services component due to revised caseload growth assumptions.

CalWORKs Maximum Aid Payment

The Governor's Budget does not include an increase in Maximum Aid Payment (MAP) for FY 2026-27. No increase is proposed due to the projected revenue levels of the Child Poverty and Family Supplemental Support Subaccount within the 1991 Realignment.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET

CHILD CARE AND EARLY EDUCATION

The Governor's Budget includes \$6.8 billion (\$5.1 billion General Fund) in FY 2026-27 for child care programs administered by CDSS, including CalWORKs Stage One and the Emergency Child Care Bridge Program (see also the Child Welfare section of this update). Additionally, the Governor's Budget reflects an increase of \$89.1 million ongoing General Fund for a cost-of-living adjustment for CDSS administered child care programs.

Child Care Infrastructure

The 2026-27 Governor's Budget includes \$11.5 million one-time Proposition 64 funding for child care infrastructure, specifically targeted for communities impacted by recent Los Angeles fires.

Stage 1 Child Care

The Governor's Budget proposal projects slightly increased year-over-year costs due to higher projected caseloads; the total estimated costs are \$626.2 million for FY 2026-27 with the FY 2026-27 projected caseload growing to a monthly average of 53,241 cases and increase of 2.4 percent.

Stage 2 and 3 Child Care

The Governor's Budget includes \$619.9 million for Stage 2 in FY 2026-27, an increase from FY 2025-26, reflecting a projected rise in the average monthly caseload to 53,097. The Governor's Budget also includes \$608.7 million for Stage 3 in FY 2026-27, an increase from FY 2025-26, supporting an average monthly caseload of 54,076. Both increases are also attributed to a policy change that allows providers to be reimbursed based on the maximum authorized hours of care, regardless of attendance.

CALFRESH

CalFresh Caseload

The Governor's Budget projects an average monthly CalFresh caseload of 3.3 million households in FY 2025-26, reflecting a 2.3 percent increase over the prior fiscal year, but 1.1 percent below the caseload assumed in the 2025 Budget Act. For FY 2026-27, the caseload is projected to decline to approximately 3.2 million households, a 2.3 percent decrease from FY 2025-26. The reduction in caseload is primarily attributable to H.R. 1 policy changes for ABAWDs, newly excluded noncitizens, and recipients of SUAS grants.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET**CalFresh Admin & Cost-Sharing Provisions**

The State increases its portion of CalFresh administrative costs in line with its share of the H.R. 1 admin cost shift. More specifically, the Budget includes an increase of \$382.9 million General Fund in 2026-27 to reflect the State General Fund impact of the federal share of CalFresh administrative cost reduction from 50 percent to 25 percent. The Budget assumes counties will also increase their share of costs—though reflects a lower fiscal impact than previously estimated, from \$211 million county funds to \$149.5 million county funds in FY 2026-27.

Able-Bodied Adults Without Dependents (ABAWDs)

The Governor's Budget assumes implementation of the ABAWD time limit policy on June 1, 2026, and projects approximately 609,400 newly included ABAWDs due to H.R. 1. Beginning September 1, 2026, roughly 193,700 individuals per month are anticipated to be discontinued from benefits in FY 2026-27 as a result of the ABAWD time limit. As a result of the reduced caseload, the Budget anticipates savings in CalFresh and CFAP benefit costs in FY 2026-27. There is no new administrative investment to support county implementation of the ABAWD requirements. The Budget reflects nominal savings in FY 2026-27 for ABAWD county administration (-\$440,000 General Fund) due to the anticipated lower number of cases ongoing management.

Newly Excluded Noncitizens

The Governor's Budget reflects changes in CalFresh and CFAP funding due to updated federal eligibility requirements under H.R. 1 for lawfully present noncitizens. Beginning April 1, 2026, certain categories of lawfully present noncitizens, such as those granted conditional entry under asylum or refugee provisions, or admitted for urgent humanitarian reasons, will no longer be eligible for benefits. As a result, the Budget projects an average monthly reduction of approximately 37,100 CalFresh participants and 17,100 CFAP participants in FY 2026-27. Total CalFresh benefits are projected to decrease accordingly, and county administrative savings are estimated at \$12.1 million.

CalFresh Minimum Nutrition Benefit Pilot

The Governor's Budget includes \$6.3 million General Fund in FY 2026-27 to provide eligible CalFresh recipients a \$50 monthly minimum benefit. Implemented in December 2025, the pilot serves Elderly Simplified Application Project (ESAP) households with two or more eligible persons. Funding decreases from FY 2025-26 reflect the pilot's scheduled completion in November 2026.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET**Policy Proposals**

The Budget proposes updating statute to allow consecutive recovery of over-issuance claims for households receiving both CalFresh and CFAP benefits, ensuring collections are applied to only one program at a time. This change, effective October 2027, would prevent compounded benefit reductions for mixed-program households.

The Budget also proposes updates to Disaster CalFresh statutory requirements, granting the Department and disaster-impacted counties greater flexibility in determining whether Disaster CalFresh is an appropriate response following a Presidential Major Disaster Declaration.

CHILD WELFARE / FOSTER CARE / ADOPTION ASSISTANCE

The Governor's Budget includes \$10.3 billion total funds (\$1.0 billion General Fund) in FY 2026-27 for child welfare and foster care services and programs, an increase of \$413.6 million (\$48.2 million General Fund) from the Budget Act of 2025.

Caseload

The Governor's Budget estimates average monthly child welfare caseload (Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement) of 68,948 in FY 2026-27, reflecting continued decline in recent years. The average AFDC-FC caseload representing youth in out-of-home placements (including county resource family homes, FFAs, and group care) continues to decline and is projected to equal 20,919 in FY 2026-27. Significant declines are noted again this year for foster family agency (FFA) placements, projecting a 15.2 percent decline in FY 2026-27 to 4,789 youth in FFAs, and a less precipitous decline of 3.5 percent in congregate care placements in FY 2026-27 to 2,024 youth (this figure also includes those receiving wraparound).

The caseload of non-federally eligible relatives who are supported through the Approved Relative Caregivers Program, which experienced a 15.3 percent decline in FY 2024-25, is projected to decrease by 8.5 percent in FY 2025-26, and by 1.8 percent in FY 2026-27 to 3,185 cases. Kin-GAP/Fed-GAP caseload is projected to remain nearly the same, decreasing by 0.4 percent to 16,675 cases in FY 2026-27. The Adoption Assistance Program (AAP) caseload is projected to remain unchanged at 85,280 cases in FY 2026-27.

Tiered Rate Structure

In the 2024 Budget Act, the Legislature and Governor approved implementation of a new, permanent rate structure for children and youth in foster care known as the Tiered Rate

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET

Structure (TRS). This rate structure will be implemented on July 1, 2027, or when automation is programmed, whichever is later. The TRS rates will be informed by the child's individual needs and strengths, as identified by the Child and Adolescent Needs and Strengths (CANS) assessment tool, and not tied to the child's placement. The Governor's Budget provides a total of \$16.6 million (\$11.1 million General Fund) in FY 2025-26 and \$3.1 million (\$2.3 million General Fund) in FY 2026-27 to support implementation activities. The drop in year-over-year funding is due to one-time costs for programming in CalSAWS and CWS-CARES in FY 2025-26 only. Components include:

CalSAWS and CWS-CARES: The Governor's Budget provides \$4.3 million (entirely General Fund) in FY 2025-26 for CalSAWS automation. For CWS-CARES automation, the Governor's Budget provides \$9.4 million (\$4.7 million General Fund) in FY 2025-26.

CANS Fidelity and Training: The Governor's Budget provides \$3.1 million (\$2.3 million General Fund) in FY 2026-27 to support implementation of the Child and Adolescent Needs and Strengths (CANS) tool fidelity and training activities, which represents a slight increase from FY 2025-26 equal to \$185,000 (\$136,000 General Fund).

Caregiver Approval

The Governor's Budget continues to provide \$50.0 million General Fund in FY 2026-27 to counties to support administrative activities associated with the Resource Family Approval (RFA) process.

Continuum of Care Reform

The Governor's Budget provides a total of \$601.9 million (\$395.3 million General Fund) to continue implementation of CCR. Administrative costs to implement various CCR components (Resource Family Approval (RFA), CANS, and Child and Family Teams) are projected at \$111.2 million (\$87 million General Fund) reflecting an increase of \$7.5 million (\$10.8 million General Fund) updated only to reflect current caseload estimates.

Child and Family Teams: The Governor's Budget updates the average length of CFTs from 4 hours per session to 6 hours per session. With caseload adjustments, this results in total funds of \$95.3 million (\$75.4 million General Fund) in FY 2026-27, in a net increase of \$7.5 million (\$10.9 million General Fund) from 2025-26. Of the total, \$92.7 million is for county child welfare agencies and \$2.7 million is for probation departments.

CANS Workload: The Governor's Budget projects a reduction in the overall number

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET

of cases anticipated to receive a CANS assessment. This brings total funding for CANS to \$5.4 million (\$3.9 million General Fund), a reduction of \$500,000 (\$500,000 General Fund) from FY 2025-26.

CCR Reconciliation: The Governor's budget continues to provide \$6.1 million General Fund for the FY 2021-22 CCR reconciliation and \$21.7 million General Fund for the FY 2022-23 CCR reconciliation.

Family First Prevention Services Act (FFPSA)

Part 1 Prevention: Pursuant to the Budget Act of 2024, \$222.4 million General Fund continues to be available to counties to implement Part 1 prevention services, for expenditure to June 30, 2028.

Part IV: The Governor's Budget continues funding the various components for Part IV implementation, including county administrative activities associated with social worker activities in support of the required review by Qualified Individuals, social worker activities related to obtaining court authorization for placement into congregate care facilities, and after care services for youth stepping down from Short-Term Residential Therapeutic Programs. A total of \$50.8 million (\$18.9 million General Fund and \$17.6 million county funds) is proposed in FY 2026-27 to support these activities.

Family Urgent Response System (FURS)

The Governor's Budget includes total funding of \$22.2 million (\$20.9 million General Fund) for FURS in FY 2026-27, continuing to reflect the reduction as passed in the Budget Act of 2025. This is a slight increase of funding to reflect additional county administrative activities associated with the implementation of a CWDA/ChildrenNow co-sponsored bill signed into law and effective January 1, 2026 ([AB 898](#), Statutes of 2025), which requires counties to revisit and update their FURS plan on a biennial basis.

Child Welfare Training Program

The Governor's Budget provides \$128.1 million (\$38.3 million General Fund) for the Child Welfare Training Program, which supports the CalAcademies in delivering training to county child welfare social workers, among other training deliverables. This is an increase of \$11.2 million (\$1.6 million General Fund) from FY 2025-26. The budget indicates the changes are due to a revised child welfare spending plan and a shift of funding from local assistance to state operations.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET**Emergency Child Care Bridge (ECCB)**

The Governor's Budget maintains funding to the ECCB program consistent with the FY 2025-26 appropriation. This includes \$34.8 million total (all General Fund) for the voucher component. The following General Fund is included for ECCB admin: \$4.3 million for county administrative activities, \$9.0 million total for navigation, and \$5.3 million for training. The Governor's Budget continues to reflect an addition of \$3.75 million in Proposition 64 reimbursements for vouchers.

Office of Child Abuse Prevention (OCAP) Federal Grants

The Governor's Budget reflects increased total funds for the CAPTA and CBCAP grants, reflecting an updated spending plan for these funds. Total funds are \$29.3 million (all federal dollars) in FY 2026-27, an increase of \$14.5 million from FY 2025-26.

Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT)

The Governor's Budget reflects implementation activities for child welfare agencies associated with [BH-CONNECT](#), a Section 1115 demonstration project approved by the Centers for Medicare and Medicaid Services (CMS). BH-CONNECT includes a number of initiatives designed to expand the continuum of community-based behavioral health care services for Medi-Cal children and youth, including for foster youth. As part of the BH-CONNECT proposal, the Governor's Budget continues investments in both the DHCS and CDSS budgets for child welfare agencies and county mental health plans. Child welfare components include:

CFTs for Family Maintenance Cases: Provides \$22.7 million total (\$16.7 million General Fund) in FY 2026-27, a slight decline from FY 2025-26 reflecting reduced caseloads and delayed implementation.

Activity Stipends: The funding to support activity stipends continues to be reflected in the DHCS proposed budget and will be administered through county behavioral health plans.

Joint Home Visits: The Governor's Budget eliminates funding to implement this provision of BH-CONNECT, for an estimated cut of \$6.2 million (\$2.3 million General Fund) in the child welfare budget (based on previous estimates of implementation cost).

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET**New Child Welfare Legislation**

Infant Supplement Grant CNI Increase (AB 349, Statutes of 2025): The Governor's Budget provides funding to apply a cost of living adjustment to the infant supplement grants and one-time funds to update CalSAWS. Due to delayed automation, the Governor's Budget also assumes social workers will require 30- minutes to manually implement the CNI increase and provides \$441,000 (\$324,000 General Fund) for county administrative costs.

Relative Placement Performance Assessments (AB 562, Statutes of 2025): The Governor's Budget provides \$18,000 (all General Fund) beginning in FY 2026-27 for administrative activities associated with the analysis of performance data related to relative placements and required activities by those counties that are below statewide average relative placement rates.

Jurisdictional Transfers of Non-Minor Dependents (NMDs) (AB 890, Statutes of 2025): The Governor's Budget provides \$112,000 (\$82,000 General Fund) beginning in FY 2026-27 to support county administrative activities for an estimated 92 NMDs who are expected to request a transfer of county jurisdiction.

Placement Transition Planning Policies (AB 896, Statutes of 2025): The Governor's Budget provides \$93,000 (\$68,000 General Fund) in FY 2026-27 to implement the CWDA/Youth Law Center co-sponsored bill requiring counties to develop placement transition planning policies. Note that such policies are due not later than one year after CDSS has issued guidance and provided funding to counties to develop its policies.

Tax Guidance for Non-Minor Dependents (AB 624, Statutes of 2025): The Governor's Budget provides \$47,000 (\$34,000 General Fund) beginning in FY 2026-27 to support county administrative activities requiring counties to send information by mail to NMDs for filing state and federal income tax returns and securing the foster care tax credit.

ADULT PROTECTIVE SERVICES (APS)**APS Expansion**

The Governor's Budget reflects continued implementation of AB 135 (Statutes of 2021) to support the APS program in providing longer-term case management for more complex cases, expand eligibility to APS services for persons 60 and older, expand APS multi-disciplinary teams to include housing representatives, and address overall growth in the number of adults served in the APS program. The proposed budget includes \$70.0 million General Fund for FY 2026-27 (\$68.7 million General Fund for services and \$1.3 million General Fund for contracts).

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET**APS Training**

The Governor's Budget includes \$9.5 million (\$4.7 million General Fund) to continue support for APS Training in FY 2026-27. There is no change from FY 2025-26.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP) AND CAPI**SSI/SSP Caseload and Grants**

The Governor's Budget includes a total of \$11.2 billion (\$3.5 billion General Fund) in FY 2025-26 for SSI/SSP programs, reflecting a decrease of \$240.6 million (\$18.9 million General Fund) from the Budget Act of 2025. For 2026-27, the Governor's Budget includes a total of \$11.5 billion (\$3.6 billion General Fund) for SSI/SSP programs. This reflects an increase of \$27.3 million (\$75.3 million General Fund) from the Budget Act of 2025. This net increase is due to the full-year impact of the 2026 Federal COLA and the half-year impact of the 2027 Federal COLA, in addition to growth in the average SSI/SSP grant.

The average SSI monthly grants, (absent the 2026 COLA impacts) are \$456.50 for aged recipients, \$606.06 for blind recipients, and \$653.31 for disabled recipients. For SSP, the average monthly grants are \$251.11 for aged recipients, \$315.58 for blind recipients, and \$237.14 for disabled recipients.

The federal COLA is 2.8 percent for calendar year 2026 and is projected to be 3.1 percent in calendar year 2027. The projected caseloads for both SSI and SSP are 1,082,814 in FY 2025-26 and 1,073,247 in FY 2026-27.

Cash Assistance Program for Immigrants (CAPI) Caseload and Grants

The Governor's Budget includes \$273.1 million General Fund in FY 2025-26 and \$298 million General Fund in FY 2026-27 for the CAPI program. The average CAPI monthly grant amount is \$1,132.56 for FY 2025-26 and projected to be \$1,151.38 for FY 2026-27. The CAPI caseload is projected to be 18,668 in FY 2025-26 and 20,063 in FY 2026-27.

AUTOMATION

The key automation projects appear to be funded at the levels needed to proceed as expected, with significant changes as noted below, based on the information currently available. Future budget updates will provide additional information as it becomes available.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET**Child Welfare Services – California Automated Response and Engagement System (CWS-CARES)**

The Governor's proposed budget reflects total funding of \$231 million (\$117 million General Fund) in FY 2025-26 and \$357.3 million (\$180 million General Fund) in FY 2026-27. FY 2025-26 funding is consistent with the May 2023 approval of the CARES budget by the Department of Finance. FY 2026-27 funding is consistent with updated project estimates, which are currently under federal review. The CWS/CMS budget continues to include funding of \$1.5 million total funds (\$485,000 General Fund) in FY 2025-26 for the removal of duplicate data in CWS/CMS, to prepare for conversion to CARES. While the duplicate data cleanup funding ends in the current year, counties can use CARES County Constituent Participation funds for any additional cleanup needed in FY 2026-27. Additional support for Tribal Engagement remains at \$100,000 (all General Fund) per year in FY 2025-26 and FY 2026-27.

Electronic Benefits Transfer (EBT) Theft Reimbursement and H.R. 1 Cost Shifts

Reflecting the completion of the statewide transition to Chip EMV/Tap Pay EBT cards, the Governor's proposal contains a decrease in funding for reimbursement of benefit theft in the current year, to \$37 million General Fund for cash theft, and \$17 million General Fund for food theft due to lower than previously projected rates of theft and EBT card security improvements. Funding in the budget year is considerably lower, in anticipation that the card security improvements and other mitigations will further reduce theft, at \$15.2 million GF for cash theft, and \$7 million General Fund for food theft.

Due to the shift in federal funding for CalFresh administrative expenses, the Governor's proposal includes an increase in the county share of overall EBT system expenses, with county costs rising from \$6.5 million (out of total costs of \$46.2 million) in FY 2025-26 to \$8.4 million (out of total costs of \$46.5 million) in FY 2026-27.

CalSAWS

The Governor's proposal includes the anticipated funding to support the CalSAWS project in the current year, with a total of \$394.5 million (\$132.8 million General Fund) in FY 2025-26 and a total of \$354 million (\$131.3 million General Fund) in FY 2026-27. The proposal indicates that due to the reduced federal funding for CalFresh administration, county costs for CalSAWS will increase by \$5 million in FY 2026-27. Of note, the budget includes premise funding of \$3.2 million (\$657,000 General Fund) in FY 2026-27 to support the changes needed to enable the BenefitsCal Release of Information (ROI) functionality for Community Based Organizations.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2026-27 BUDGET

As is typically the case, several premise items require further discussion with state partners and may require adjustments to the estimate amounts and/or timing, or modification of planned automation changes. CWDA will continue to work with the Administration and CalSAWS so that CalSAWS automation impacts, costs, timing, and the resultant impacts on county workload, are considered as various budget and policy changes are discussed with the Legislature.

Statewide Verification Hub

The Governor's proposal includes a new premise effective July 1, 2026, for the Statewide Verification Hub (SVH) that contains county costs of \$304,000 (out of a total of \$1.5 million) in FY 2026-27 due to the change in administrative cost share under H.R. 1. SVH planning has been in process for a number of years, with the goal of improving the process of making electronic verifications available for eligibility determinations. CWDA will engage with CalHHS, CDSS, and DHCS, as the state entities that are leading SVH, to further discuss this county cost share, which we anticipate may increase significantly once the project moves into a development and implementation phase.

National Accuracy Clearinghouse

The Governor's proposal includes a premise effective July 1, 2025, for the National Accuracy Clearinghouse (NAC), which was established by the 2018 Farm Bill to prevent CalFresh (SNAP) recipients from receiving benefits in multiple states. California is expected to begin participating in November 2026. This automation effort includes county costs of \$1.3 million (out of a total of \$8.6 million) FY 2025-26 and \$12,000 (out of \$55,000) in FY 2026-27. The decrease in automation costs in the budget year is due to the anticipated completion of automation. With the decreased federal cost share for administrative expenses, this premise also includes a \$2 million county cost share (out of \$8.9 million total) in FY 2026-27, for administrative costs once this new system is implemented.

ADDITIONAL RESOURCES: A summary of the Governor's proposed 2026-27 Budget can be found [here](#).

This budget update was created by CWDA Staff. Direct questions to the contact at right.

For more information, visit:
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