CALIFORNIA STATE SENATE

COMMITTEE ON BUDGET AND FISCAL REVIEW

LEGISLATIVE OFFICE BUILDING – ROOM 502
SACRAMENTO, CA 95814

John Laird, Chair

Agenda

February 11, 2026

9:00 a.m. – 1021 O Street, Room 1200

Informational Hearing
The Impacts of H.R. 1 on California's Safety Net

I. H.R. 1 Impacts on California's Safety Net Programs and State Budget

Presentations by:

Ryan Woolsey, Principal Fiscal & Policy Analyst
Legislative Analyst's Office

Sabrina Adams, Staff Finance Budget Analyst
Department of Finance

Miranda Dietz, Health Care Program Director
UC Berkeley Labor Center

Gina Plata-Nino, Director of SNAP Policy and Advocacy
Food Research and Action Center

II. State Efforts to Preserve Access to Health Care and Food

Presentations by:

Michelle Baass, Director
Department of Health Care Services

Jennifer Troia, **Director**
Department of Social Services

Carlos Marquez, Executive Director
County Welfare Directors Association

Linda Nguy, Associate Director of Policy Advocacy
Western Center on Law and Poverty

Ronald Coleman Baeza, Managing Director of Policy
California Pan-Ethnic Health Network

Josh Wright, Director of Government Relations
California Association of Food Banks

III. Public Comment

BACKGROUND INFORMATION

Senate Budget and Fiscal Review Hearing – H.R. 1 Impacts on Medi-Cal and CalFresh

House Resolution 1 (H.R. 1) – Medicaid and SNAP Cuts Support Tax Cuts and ICE Funding. On July 4, 2025, President Donald Trump signed House Resolution 1 (H.R. 1), also known as the "One Big, Beautiful Bill Act". H.R. 1, a budget reconciliation bill that allowed passage by a majority vote in both houses of Congress, was primarily a tax bill, making permanent the lower tax rates enacted in 2017 during the president's first term, as well as other new tax reductions and changes. In addition, H.R. 1 provided hundreds of billions of dollars for border security, for Immigration and Customs Enforcement (ICE), and for defense, among other expenditures. The Joint Committee on Taxation estimates that over ten years, H.R. 1 will lead to net federal tax reductions of nearly $4.5 trillion[1]. According to an analysis by the Center for American Progress, more than half of these tax reductions, or $2.3 trillion, will benefit the top 10 percent of the income distribution, with $1 trillion benefiting the top 1 percent alone[2].

To offset a portion of these significant tax reductions, H.R. 1 includes $1.2 trillion in reduced expenditures for public benefit programs for health care and nutrition. These reductions include nearly $1 trillion in reductions to Medicaid[3] and nearly $200 billion in reductions to the Supplemental Nutrition Assistance Program (SNAP)[4]. The significant reductions in Medicaid are achieved primarily through the following program changes: 1) Implementation of "community engagement" or work requirements for Affordable Care Act (ACA) expansion individuals to qualify for Medicaid coverage, effective December 31, 2026; 2) Increases in the frequency of eligibility redeterminations from annually to every six months, beginning January 1, 2026; 3), Changes to the definition of "qualified alien" for Medicaid eligibility to exclude refugees, humanitarian parolees, asylum grantees, certain abused spouses and children, and trafficking victims, beginning October 1, 2026; 4) Limits on the use of provider taxes, such as the managed care organization tax (MCO tax), to finance the non-federal share of Medicaid programs; 5) Limiting state-directed provider payments to 100 percent of the Medicare rate; 6) Reduction in the federal matching rate for emergency and pregnancy coverage; 7) Enactment of a one-year prohibition on Planned Parenthood clinics providing Medicaid services; 8) Requiring states to impose cost sharing of up to $35 per service on ACA expansion individuals for certain Medicaid services, beginning October 1, 2028; and 9) Reducing the retroactive coverage period from three months to one month for ACA expansion individuals and two months for all other beneficiaries, beginning January 1, 2027. In addition, H.R. 1 authorized $50 billion for a new Rural Health Transformation Program, to address impacts of H.R. 1 Medicaid provisions on rural areas.

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[1] Joint Committee on Taxation. *Estimated Revenue Effects Relative to the Present Law Baseline of the Tax Provisions in "Title VII – Finance" of the Substitute Legislation as Passed by the Senate to Provide for Reconciliation of the Fiscal Year 2025 Budget.* July 1, 2025.

[2] Husak, Corey. *7 Ways the Big Beautiful Bill Cuts Taxes for the Rich.* Center for American Progress. November 20, 2025.

[3] Tomsic, Trinity. *One Big Beautiful Bill Act: Medicaid Provisions.* Federal Funds Information for States, Budget Brief 25-12. July 17, 2025.

[4] Pottebaum, Sydnee. *One Big Beautiful Bill Act: Nutrition Provisions Affecting States.* Federal Funds Information for States, Budget Brief 25-10. July 10, 2025.

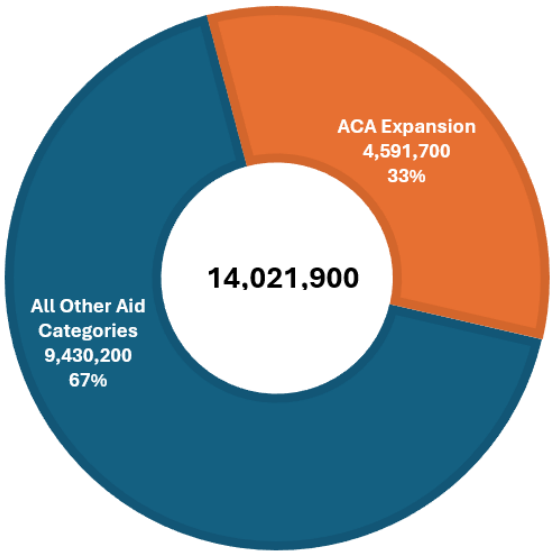
The reductions in SNAP are achieved primarily through the following program changes: 1) Implementation of a state contribution requirement for SNAP of up to 15 percent based on the state's accuracy of eligibility and benefit determinations, or error rate, beginning in federal fiscal year 2028; 2) Increasing the state share of administrative costs for SNAP from 50 percent to 75 percent, beginning in federal fiscal year 2027; changes SNAP eligibility to exclude refugees and other humanitarian immigrants; and 4) Expanding Able Bodied Adults Without Dependents (ABAWD) work requirements from age 54 to age 64 and narrows exemption for individuals with children under 18 to only apply to individuals with children under 14.

H.R. 1 IMPACTS ON THE MEDI-CAL PROGRAM

Medi-Cal – California's Medicaid Program. Medi-Cal, California's Medicaid Program, is a health care program for low-income and low-resource individuals and families who meet defined income, residency, and other requirements. Medi-Cal coordinates and directs the delivery of affordable, integrated, high-quality health care services to approximately 14.5 million Californians, including low-income families, seniors and persons with disabilities, children in foster care, those who are pregnant, and low-income people with specific diseases. Medi-Cal provides Californians access to medical, dental, behavioral health, and long-term care services.

The federal Patient Protection and Affordable Care Act (ACA), signed into law by President Barack Obama on March 23, 2010, made significant reforms to the health care sector, including in Medicaid, to expand health coverage to millions of uninsured Americans. Previously, Medicaid programs primarily covered families, seniors, and persons with disabilities up to 100 percent of the federal poverty level. Under the ACA, childless adults up to 138 percent of the poverty level may be covered under Medicaid if states choose to expand their programs. Beginning on January 1, 2014, California's expansion of Medi-Cal under the ACA is estimated to provide coverage to approximately 4.6 million Californians in 2026-27, just over one-third of Medi-Cal beneficiaries.

ACA Expansion Adults: Proportion of Total Enrollment - Nov 2025 Medi-Cal Estimate[5]



[5] Department of Health Care Services. *November 2025 Medi-Cal Local Assistance Estimate.* January 2026.

There are two primary pathways to qualify for Medi-Cal. The first is based on Modified Adjusted Gross Income (MAGI), implemented during the ACA expansion, and applies to children under 19, parents and caretakers of minor children, childless adults age 19 to 64, and those who are pregnant. MAGI eligibility relies on federal income tax rules, without regard to assets or other resources. The second is the non-MAGI pathway, which typically applies to seniors and persons with disabilities, and considers both income and assets. Generally under MAGI, adults must be California residents and have household income under 138 percent of the federal poverty level, while children are eligible up to 266 percent of the federal poverty level. Under non-MAGI, as of January 1, 2026, applicants must also verify that they do not have assets that exceed $130,000 for an individual, and $65,000 for each additional person in the household.

The Governor's January budget includes expenditure authority for the Medi-Cal program of $196.7 billion ($46.4 billion General Fund, $119.4 billion federal funds, and $30.9 billion special funds and reimbursements) in 2025-26, and $222.4 billion ($48.8 billion General Fund, $137.5 billion federal funds, and $36.2 billion special funds and reimbursements) in 2026-27. Medi-Cal is estimated to cover 14.5 million Californians in 2025-26 and 14 million Californians in 2026-27.

H.R. 1 Eligibility Changes Estimated to Cause Significant Loss of Medi-Cal Coverage. H.R. 1 imposes several programmatic changes to the Medi-Cal program that change who is eligible for, and how they apply for, coverage. The most significant changes include the following:

Work and Community Engagement – No later than December 31, 2026, H.R. 1 requires Medi-Cal to condition eligibility under the ACA expansion on working or participating in qualified activities. Aside from employment, other qualified activities include engagement in community, participation in a work program, or enrollment in an educational program. Specifically, ACA expansion adults age 19 to 64 must complete one or more of the following qualifying activities:

- Employment of 80 hours per month
- Community service of 80 hours per month
- Enrolled at least half-time in an educational program
- Participation in a work program of 80 hours per month
- Combination of employment, community service, work program or education of 80 hours per month
- Have a monthly income of at least 80 times the federal hourly minimum wage ($580)
- Have seasonal employment averaging at least 80 times the federal hourly minimum wage ($580) over the preceding six months

Certain individuals are exempt from work requirements, including:

- Those who are pregnant or up to 12 months postpartum
- Foster youth and former foster youth under 26 years of age
- Members of a tribe
- Veterans with rated disabilities

- Individuals who are considered "medically frail", including: substance use disorder, disabling mental disorder, physical or developmental disability that significantly impairs ability to perform one or more activities of daily living, serious or complex medical condition, blind or disabled
- Individuals entitled to Medicare Part A or enrolled in Medicare Part B
- Individuals participating in a substance use disorder or alcohol use disorder treatment program
- Individuals in compliance with work requirements under CalWORKs or CalFresh
- Individuals who are a parent or caregiver of a dependent child age 13 and under, or an individual with a disability
- Individuals who are incarcerated or recently released from incarceration within the past 90 days

States may also elect to exempt the following individuals:

- Individuals receiving inpatient hospital services, nursing facility services, services in an intermediate care facility for individuals with developmental disabilities, inpatient psychiatric hospital services, or other similar services
- Individuals residing in an area in which a federal emergency has been declared
- Individuals residing in a county with an unemployment rate 1.5 times the national rate or 8 percent, whichever is lower
- Individuals who must travel outside their community for an extended period to receive medical services necessary to treat a serious medical condition

States are required to verify that individuals applying for coverage have met these requirements for at least one and no more than three months preceding the month of application and that individuals enrolled meet these requirements for at least one month during the new six-month renewal period.

In addition to the requirements imposed by H.R. 1, DHCS is planning to apply work and community engagement requirements to undocumented individuals receiving coverage under the recent expansions of full-scope Medi-Cal regardless of immigration status. Applying these eligibility criteria to this population is not required by the provisions of H.R. 1. It is also unclear how these individuals will be asked to verify work and community engagement requirements.

According to DHCS, there are approximately 4.6 million individuals in the ACA expansion population. Of these individuals, DHCS estimates about 620,000 will be exempt based on their eligibility group (e.g. parents/caregivers of children age 13 or younger, etc.), about 14,000 will be exempt based on information provided on application or renewal forms (e.g. tribal members, or Medicare Part A/Part B eligibility or enrollment), about 373,000 will be exempt due to living in a county with a declared disaster or high unemployment rate, about 673,000 will be able to verify compliance with income/work hours and qualifying activities, and an undetermined amount will be exempt under other criteria (e.g. meeting CalFresh/CalWORKs work requirements, medically frail, etc.).

After these exemptions and determinations are made through automated processes, DHCS estimates that about 2.8 million individuals, or 60 percent, will still be required to verify

compliance with work/income or qualifying activity requirements, or that they qualify for an exemption. Of those individuals, DHCS estimates that about 1.4 million, or 30 percent of the entire ACA expansion population, will disenroll due to failure to return verification documentation or because of non-compliance with the work and community engagement requirements.

The Governor's January budget assumes savings of $373 million ($102 million General Fund) in 2026-27 and $13.1 billion ($3.6 billion General Fund) by 2029-30 from the work and community engagement requirements.

Six Month Redeterminations – Beginning January 1, 2027, H.R. 1 requires Medi-Cal to redetermine eligibility for the Medi-Cal program every six months instead of annually for the ACA expansion population. Members of a tribe and those outside of the ACA expansion population are exempt from this requirement and will be redetermined annually.

The Governor's January budget assumes savings of $463 million ($74 million General Fund) in 2026-27 and $3 billion ($474 million General Fund) in 2029-30 from implementing six-month redeterminations.

Expansion of Immigrants Ineligible for Federal Match – Beginning October 1, 2026, H.R. 1 amends the definition of "qualified alien" for eligibility for the Medi-Cal program to exclude refugees, humanitarian parolees, asylum grantees, certain abused spouses and children, trafficking victims, and certain other non-citizens. The Governor's January budget proposes to disenroll immigrants in these categories from full-scope Medi-Cal coverage and instead enroll them in restricted-scope coverage, which only provides emergency and pregnancy services. Immigrants in these sensitive categories have been eligible for federal match for full-scope Medi-Cal coverage since the inception of the program in the 1960s.

The Governor's January budget estimates that maintaining full scope Medi-Cal coverage for this population would result in General Fund costs of $786 million in 2026-27 and $1.1 billion annually thereafter.

Responding to H.R. 1 Challenges – DHCS Implementation Plan. On January 29, 2026, DHCS released its "Implementation Plan for New Federal Eligibility and Enrollment Changes Under H.R. 1", which outlines the actions it plans to implement in the following categories:

- Revise eligibility policies and procedures – expansion and streamlining of review processes at renewal that do not require beneficiary contact, known as *ex parte*.
- Establish a streamlined beneficiary process – allow applicants to easily report their work activities or exemptions online or through other commonly used modalities.
- Issue county policy guidance and resources – guidance and resources for counties to update systems and maximize automation.
- Communication and outreach campaigns – campaigns to educate Medi-Cal member and applicants about the new eligibility requirements.

For its expansion and streamlining of the *ex parte* process, DHCS is evaluating various data sources to allow for determination of compliance with work and community engagement requirements or eligibility for an exemption category.

Examples of DHCS Data Sources for Verifying Compliance and/or Exemptions[6]

Compliance/Exemption Category	Potential Data Source	Current Status
Income of at least $580/month and/or 80 hrs of work	State Quarterly Wage Data (EDD) and IRS Data	Currently in use
	Equifax Work Number	DHCS executed a one-year contract to access database
	Gig Economy Data	Assessing several options
	CalFresh, CalWORKs, GA/GR, and other CalSAWS information	Currently in use
Veteran with rated disability	Veteran Service History and Eligibility Application Programming Interface (API)	DHCS currently receives this data and will use for exemption purposes
• Child under 19 • Pregnant/postpartum • Foster/former foster youth • Aged/disabled • Parents/caretakers • Inmates or recently released	Medi-Cal Eligibility Aid Codes	Systems will be configured to exempt individuals in these aid codes from work/community engagement requirements
"Medically Frail"	All Claims and Encounters	• DHCS will exempt individuals eligible for certain programs that align with "medically frail" criteria (e.g. PACE, CBAS, home- and community-based services, etc.) • DHCS is evaluating ICD-10 and CPT codes that may be used to establish "medically frail" individuals • DHCS is exploring other data sources (e.g. managed care plans) for exemption data

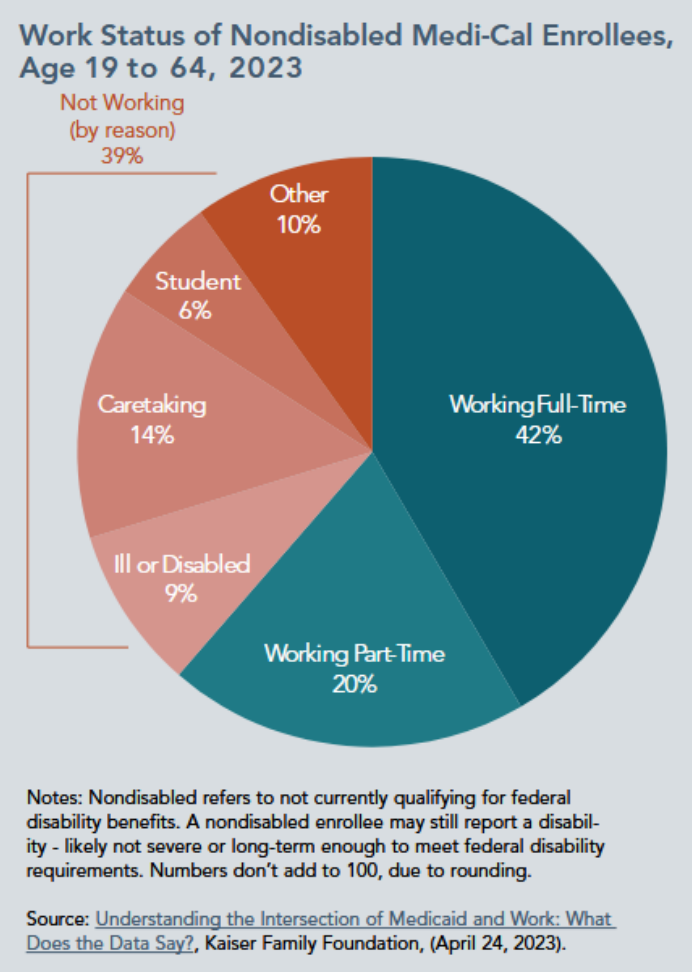
[6] Department of Health Care Services. *Legislative Update on H.R. 1 Implementation Plan on Eligibility.* January 26, 2026.

	Short Doyle (County Mental Health) Medi-Cal System	Systems will be configured to use data to determine eligibility for exemption
Compliance with CalWORKs/CalFresh Work Requirements	California Statewide Welfare Automated Systems (CalSAWS)	Systems will be configured to pull in CDSS data for identifying exemption
Part-Time Education	California Student Aid Commission, UC/CSU, Department of Education data	DHCS is exploring potential for data matching
80 hours of work program participation	Department of Rehabilitation or other state agencies	DHCS is exploring potential for data matching

Medi-Cal and Work Requirements – A Solution in Search of a Problem. H.R. 1 implementation of work and community engagement requirements was portrayed as a way to encourage individuals on public benefit programs, such as Medi-Cal and CalFresh, to seek employment. Advocates of work requirements assert that these public benefit programs discourage people from seeking employment and instead foster dependence on government assistance. They estimate that as many as 10 million individuals nationwide would move into the workforce if work requirements were applied to all major public benefit programs.[7]

Data analyzed by KFF and reported by the California Health Care Foundation paints a different picture of the work status of individuals on Medi-Cal. According to the report, 62 percent of non-disabled, non-elderly adults reported working full-time or part-time in 2021. 14 percent were not working due to being a caretaker for a family member, 6 percent were students, and 9 percent reported a disability or other illness that was not eligible for a federal disability designation.[8]

[7] Pfister, Gregg, and Ingram, Jonathan. *Promoting Work Over Welfare*. The Foundation for Government Accountability. http://thefga.org/solution/promoting-work-over-welfare. Accessed: February 8, 2026.
[8] California Health Care Foundation. *Do Medi-Cal Enrollees Work?* January 2025.



Arkansas' Medicaid Work Requirements – Coverage Loss and No Impacts on Employment. During the first Trump Administration, 19 states were approved or being considered for waivers by the federal Centers for Medicare and Medicaid Services (CMS) to implement work requirements in their Medicaid programs. Arkansas was the only state able to fully implement this policy, beginning in 2018, requiring adults ages 30 to 49 to file monthly online reports on their employment or other activities to maintain coverage. By April 2019, a federal judge put the policy on hold, but by that point 18,000 individuals had already lost coverage.

According to a 2020 study published in *Health Affairs* by Harvard researchers[9], Arkansas' experience with Medicaid work requirements led to a decrease in the percentage of Arkansans with Medicaid or ACA exchange coverage from 70.5 percent in 2016 to 63.7 percent in 2018. After the federal hold, the percentage rose to 66.1 percent in 2019. The uninsurance rate rose from 10.5 percent in 2016 to 14.6 percent in 2019, returning to 12.5 percent in 2019. Rates in comparison states remained stable throughout these years.

[9] Sommers, B., Chen, L., Blendon, R., Orav, EJ., and Epstein, AM. *Medicaid Work Requirements in Arkansas: Two-Year Impacts on Coverage, Employment, and Affordability of Care.* Health Affairs Vol 39, No 9. September 2020.

The study also found there were no significant changes in employment outcomes compared to similar states without implementation of work requirements. This finding included no significant changes in individuals working more than 20 hours a week, community engagement status, or the number of hours worked. In addition, of the Arkansans disenrolled from coverage, 55.6 percent had re-enrolled in Medicaid or exchange coverage, 8.2 percent had employer-sponsored coverage, 10.1 percent had other insurance, and 26.1 percent were uninsured. Those individuals who lost coverage frequently reported adverse consequences, including 49.8 percent with serious problems paying off medical debt, 55.9 percent delaying needed care due to cost, and 63.8 percent delaying taking medications due to cost.

Barriers to Entry – New Eligibility Rules Often Cause Caseload Reductions and "Churn". Medi-Cal data an beneficiary work status and the experience with work requirements in Arkansas beg the question: if most Medi-Cal beneficiaries are already working, how does the imposition of work requirements reduce program caseloads? There is substantial evidence that imposing additional paperwork requirements on beneficiaries in Medicaid programs leads to coverage losses due to procedural issues, including not receiving or understanding notices or forms (possibly due to language barriers) or not returning forms within required timeframes, even when the beneficiary still qualifies for coverage. When individuals disenrolled for procedural reasons later re-enroll in the program, usually when they try to seek care, this phenomenon is referred to as caseload "churn". According to a report by KFF, there are several recent examples of state Medicaid programs experiencing declining enrollment due to changes in eligibility processes[10]:

- Missouri (2018) – Missouri's Medicaid program launched a new automated eligibility verification, but did not connect it to other state programs or agencies to update and verify information *ex parte*, leading to a caseload decline of 70,000 individuals in 2018 and 48,000 individuals in the first half of 2019.

- Tennessee (2015) – Tennessee's Medicaid program suspended its automated eligibility redetermination system to build a new system, relying on paper-based renewals beginning in late 2015. As a result, between December 2017 and December 2018, total Medicaid and CHIP enrollment fell by approximately 100,000, a 9.8 percent decline. When the automated system was implemented in 2019, enrollment increased nearly 59,000 in the first half of 2019.

- Louisiana (2019) – Louisiana's Medicaid program began conducting quarterly income checks of adult enrollees in 2019, and automatically disenrolled individuals who did not complete renewals within 30 days. These changes led to a reduction of nearly 51,000 adult enrollees, with the vast majority disenrolled due to not responding to the income verification letters.

- Texas (2014) – Texas' Medicaid program began conducting frequent income checks for households in which children are enrolled. After this change was implemented, the number of children that faced a gap in coverage for three months or less, or the churn rate, went from 10,000 in 2014 to nearly 23,000 by 2016.

[10] Artiga, Samantha, and Pham, Olivia. *Recent Medicaid/CHIP Enrollment Declines and Barriers to Maintaining Coverage.* KFF. September 24, 2019.

H.R. 1 IMPACTS ON THE CALFRESH PROGRAM

Supplemental Nutrition Assistance Program (SNAP). SNAP, a federal entitlement program that enables low-income families to purchase food, is widely recognized as the country's largest anti-hunger program. Formerly known as the Food Stamp Program, the program began in 1939 and was made permanent with the Food Stamp Act of 1964 as a cornerstone of the War on Poverty.

In 2025, nearly 42 million people, or one in every 8 people in the United States, received SNAP. Nationwide, two thirds of SNAP participants are in families with children.[11]

Substantial research demonstrates that SNAP helps families buy adequate food, reduces poverty, and helps stabilize the economy during recessions. According to the Center on Budget and Policy Priorities, "the largest and most rigorous examination of the relationship between SNAP participation and food security found that food insecurity among children fell by roughly a third after their families received SNAP benefits for six months." SNAP is linked to improved health outcomes and lower healthcare costs.[12] SNAP stimulates local economies, with every one dollar in SNAP benefits generating $1.80 in economic activity. SNAP's economic benefits are particularly critical for rural communities, with grocers in some communities depending on revenue from SNAP transactions to remain financially viable.[13]

CalFresh – California's SNAP Program. CalFresh is California's version of SNAP. In 2025-26, 3.2 million households consisting of approximately 5.4 million individuals received CalFresh. The program is overseen by the California Department of Social Services (CDSS), with counties responsible for local administration, such as processing applications and determining eligibility. In 2024, the CalFresh caseload consisted of approximately 34 percent children, 43 percent adults ages 18-59, and 22 percent adults 60 and older.[14]

To be eligible for CalFresh, households must have gross income below 200 percent of the federal poverty level and net income below 100 percent of the federal poverty level ($2,221 per month for a family of 3 in 2026). CalFresh recipients receive their monthly allotment via an Electronic Benefits Transfer (EBT) card which can be used at participating stores to buy groceries. Monthly CalFresh benefit amounts vary based on household size and other factors. In 2025-26, the average monthly benefit is about $333 per household, or $196 per person. Prior to H.R. 1, CalFresh benefits were funded 100 percent by the federal government, with about $13 billion in federal CalFresh benefits issued to Californians in 2025-26.

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[11] Carlson, S. and Llobrera, J. (2022 December 14). *SNAP is Linked With Improved Health Outcomes and Lower Health Care Costs.* Center on Budget and Policy Priorities. SNAP Is Linked With Improved Health Outcomes and Lower Health Care Costs | Center on Budget and Policy Priorities

[12] Carlson, S. and Llobrera, J.

[13] Plata-Nino, G. (2025, August 25). *SNAP's Critical Role in Rural Communities – and the Consequences of Cuts.* Food Research and Action Center. SNAP's Critical Role in Rural Communities — and the Consequences of Cuts - Food Research & Action Center

[14] CDSS CalFresh Dashboard. CF dashboard - PUBLIC | Tableau Public

According to the Public Policy Institute of California, CalFresh is the state's largest poverty-reducing program, keeping 500,000 Californians out of poverty before the COVID-19 pandemic, and keeping 1.1 million Californians out of poverty in 2023.[15]

California Food Assistance Program (CFAP). CFAP provides state-funded food benefits identical to CalFresh to certain eligible noncitizens who were made ineligible for SNAP benefits by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. This generally includes lawful permanent residents and excludes undocumented individuals. To be eligible for CFAP, noncitizens must meet all CalFresh eligibility criteria except for their immigration status. CFAP program rules mirror CalFresh program rules. In 2025-26, about 58,000 households received CFAP with an average monthly benefit of $366 per household and $176 per person. The expansion of CFAP to include all adults age 55 and older regardless of immigration status is scheduled to implement in October 2027.

CalFresh Funding. Prior to H.R. 1, the federal government paid for 100 percent of CalFresh benefits and 50 percent of program administration costs. In California, where CalFresh is overseen by CDSS and administered locally in each county, the 50 percent nonfederal share of CalFresh program administration costs are split between the state General Fund (35 percent) and counties (15 percent). H.R. 1 shifts both some benefits costs and some program administration costs to states. These changes are described below.

Because federally funded CalFresh benefits are delivered directly to individuals via EBT cards, benefit costs are not included in the state's annual budget. In 2025-26, Californians received $13.2 billion in federally funded benefits direct to EBT cards. Costs to administer the CalFresh program are included in the state budget. In 2025-26, total administrative funding for CalFresh is $3.1 billion. Of this $3.1 billion, $1.6 billion is federal, $1.1 billion is state General Fund, and $412 million are county funds.

H.R. 1 Changes to CalFresh. H.R. 1 represents one of the most significant disruptions to SNAP in the history of the program. In general, H.R. 1 cuts off SNAP benefits from people who cannot meet the work requirement of 80 hours per month and humanitarian immigrants; shifts federal costs to states; and reduces benefit amounts through multiple mechanisms.

H.R. 1 Eligibility Restrictions. H.R. 1 primarily restricts CalFresh eligibility for two groups: humanitarian immigrants and adults newly subject to work requirements.

Noncitizen Eligibility. Prior to H.R. 1, lawfully present noncitizens with certain legal statuses were eligible for federally funded CalFresh benefits. H.R. 1 narrows the definition of "qualified" immigrant for purposes of SNAP, stripping the following groups of federal SNAP eligibility:

- Refugees
- Asylees
- Parolees, except for Cuban/Haitian entrants
- Individuals with deportation or removal withheld

[15] Thorman, T., Malagon, P., and Danielson, C. (2024, August). *Learning from CalFresh Pandemic Boosts.* Public Policy Institute of California. Learning from CalFresh Pandemic Boosts - Public Policy Institute of California

- Conditional entrants
- Victims of trafficking
- Battered noncitizens (seeking permanent legal status under the Violence Against Women Act (VAWA))
- Certain Afghan Nationals granted parole between July 31, 2021 and September 30, 2023
- Certain Ukrainian Nationals granted parole between February 24, 2022, and September 30, 2024

Implementation. In California, the H.R. 1 noncitizen eligibility restrictions will take effect on April 1, 2026. This means that at the time of application, counties must deny CalFresh eligibility for household members who do not meet the updated noncitizen criteria. For those noncitizens who are on the CalFresh caseload based on pre-H.R. 1 eligibility, they will be removed from the program based on the updated noncitizen criteria at their recertification (which generally occurs annually).

CDSS estimates that 72,000 lawfully present noncitizens will lose eligibility as a result of this change. This equates to a loss of approximately $133 million in federally funded benefits to Californians.

Will newly excluded immigrant groups become eligible for CFAP? Lawfully present noncitizens who lose CalFresh eligibility due to H.R. 1 are not eligible for CFAP. However, those individuals may later qualify for CFAP if their immigration status changes. Although CFAP benefits are 100 percent state funded, the program operates as a federal option, with eligibility tied to those immigrant populations who lost SNAP eligibility under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, not H.R. 1. When the state completes the infrastructure needed to implement the CFAP expansion (scheduled for October 2027), the Legislature will have more flexibility to further expand CFAP eligibility.

Work requirements. H.R. 1 imposes and expands work requirements as a condition of receiving SNAP benefits. Those who are subject to work requirements, referred to as "Able-Bodied Adults Without Dependents" (ABAWDs), are limited to three months of benefits in a three-year period if they cannot prove they are complying with the requirement to work at least 20 hours per week or 80 hours a month.

Work requirements for ABAWDs were a component of the SNAP program prior to H.R. 1 and were enacted by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. However, the work requirements have not been in effect in California for many years due to a statewide waiver that exempted all CalFresh enrollees based on unemployment data. The state's prior statewide waiver was originally approved by the federal Food and Nutrition Services (FNS) through January 31, 2027, but was subsequently rescinded altogether as a result of H.R. 1, which limits rules for states to receive waivers. Under the H.R.1 waiver rules, only three California counties (Colusa, Imperial, and Tulare) are exempt from the ABAWD requirements, through October 31, 2026.

In addition to significantly restricting the ability of states to receive waivers, H.R. 1 expands work requirements to a broader set of the population, as follows:

- Adults age 18 through 64 (previously 18 through 54)
- Adults caring for children over age 14 (previously 18)
- Former foster youth
- Homeless individuals
- Veterans

Previous exemptions remain for those who are under 18, pregnant, certified as physically or mentally unfit for work, or participating in the Office of Refugee Resettlement (ORR) training program. H.R. 1 added one new exemption from work requirements for individuals who are Indians, urban Indians, California Indians, and other Indians who are eligible for Indian Health Services.

Qualifying activities to meet the 20 hours per week requirement include: paid employment, community service, job training programs, education, workfare, or any combination of these activities. The state provides employment assistance to some CalFresh enrollees through the CalFresh Employment and Training Program, an optional county program designed to improve CalFresh recipients' ability to obtain skills, education, and experience that lead to long-term employment. This program is offered to some CalFresh enrollees in 35 counties and has limited capacity.

Implementation. In California, the H.R. 1 CalFresh work requirement will take effect June 1, 2026. At application and recertification, counties must screen applicants for exemptions according to the H.R. 1 criteria. Those that are subject to work requirements must then comply with the 20 hours per week work requirement. Those that are unable to comply or submit relevant verification of their compliance will lose CalFresh benefits after three months. They will be unable to receive CalFresh benefits within the next three years unless they meet the work requirement or voluntarily report a change that would result in a new exemption.

The administration estimates that about 840,000 individuals will become subject to the work requirement beginning June 1, 2026. Of these individuals, the administration estimates that approximately 660,000 will not meet the work requirement or qualify for an allowable exemption, meaning they are likely to lose access to CalFresh benefits three months after they are screened. CDSS estimates that homeless individuals compose about one-third of this group.

The loss of federally funded food benefits from individuals losing CalFresh due to work requirements is likely in the high hundreds of millions or higher.

Is conditioning food benefits on work hours an effective policy? Most SNAP participants work and generally turn to SNAP when they are in between jobs or when their work hours are reduced. An analysis by the Center on Budget and Policy Priorities found that 86 percent of SNAP households

that included a non-disabled working-age adult but no minor children had earned income in 2021.[16] SNAP generally supports workers in low-paying jobs; common occupations of SNAP participants include cooks, cashiers, nursing assistants, housekeepers, and dishwashers. These workers earn low wages and tend to have irregular work schedules with inconsistent hours, using SNAP benefits during periods of unemployment or underemployment.[17] Many studies have demonstrated that the SNAP work requirement "does not increase employment or earnings – it just cuts people off from the food assistance they need to buy groceries."[18]

For example, an Urban Institute Report funded by the USDA Food and Nutrition Service examined the impact of the ABAWD work requirement in nine states after it was reinstated following the Great Recession. This study found no evidence that the ABAWD work requirement increased employment or earnings (it found a statistically significant negative impact on employment). The time limit did, however, substantially reduce SNAP participation.[19]

County implementation concerns. County CalFresh eligibility workers are responsible for implementing the expanded H.R. 1 work requirement, including screening CalFresh applicants and recipients for exemptions and, for those who are subject to the work requirement, working with them to understand the new rules and complete the necessary paperwork to maintain benefits. Counties anticipate needing to hire hundreds of full-time eligibility workers, with all workers spending an additional two hours per case per year for a robust screening approach. The County Welfare Directors Association (CWDA) estimates that $213.6 million ($102.8 million General Fund) in 2026-27 and $110.3 million ($57.9 million General Fund) ongoing is needed above Governor's Budget levels for counties to properly support CalFresh participants in navigating H.R. 1 requirements.

Some alignment with Medi-Cal work requirements. About 92 percent of CalFresh enrollees receive Medi-Cal and about 34 percent of Medi-Cal enrollees receive CalFresh.[20] Individuals participating in both programs will be subject to new overlapping H.R. 1 work requirements. Some work requirement components are aligned, such as the requirement to work 80 hours per month. Other components are not aligned; for example, former foster youth are exempt from the Medi-Cal work requirement but not the CalFresh work requirement. The chart on the next page, provided by CDSS, summarizes areas of alignment and variance across both programs.

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[16] Center on Budget and Policy Priorities (2024, November 25). *Chart Book: SNAP Helps Struggling Families Put Food on the Table*: Chart Book: SNAP Helps Struggling Families Put Food on the Table | Center on Budget and Policy Priorities

[17] Center on Budget and Policy Priorities.

[18] Llobrera, J. and Hall, L. (2025, April 28). *SNAP Provides Critical Benefits to Workers and Their Families.* Center on Budget and Policy Priorities. SNAP Provides Critical Benefits to Workers and Their Families | Center on Budget and Policy Priorities

[19] Urban Institute (2021 June). *The Impact of SNAP Able-Bodied Adults Without Dependents (ABAWD) Time Limit Reinstatement in Nine States.* The Impact of SNAP Able Bodied Adults Without Dependents (ABAWD) Time Limit Reinstatement in Nine States

[20] CDSS CalFresh Dashboard. CF dashboard - PUBLIC | Tableau Public

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

Category	H.R. 1 – Medi-Cal Work Requirements	H.R. 1 – CalFresh Work Requirements	Alignment
Target Population	Adults aged 19-64	Adults aged 18-64 who are able-bodied without dependent children	**Partially Aligned:** Medi-Cal age range starts at 19
Work Requirement	80 hours/month or earned income threshold of $580 per month **Qualifying activities:** • Paid employment • Community service • Job training or work programs • Education • Combination of any of the above	20 hours per week or 80 hours averaged monthly **Qualifying activities:** • Paid employment • Community service • Job training or work programs • Education • Combination of any of the above	**Aligned:** Note that Medi-Cal has an earned income threshold of $580 per month that could be utilized to meet work requirement. CalFresh does not have the earned income threshold but does have the work registration exemption of earnings of at least $217.50 per week.

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

Category	H.R. 1 – Medi-Cal Work Requirements	H.R. 1 – CalFresh Work Requirements	Alignment
Exemptions	• Age (under 19 or 65+) • Parent/caretaker of child under 14 • Pregnant • Physical or mental impairment, medically frail • Participating in a TANF WTW program or exempt from CalFresh work requirements • Veterans with rated disabilities • Members of a tribe • Former foster youth under age 26 • Caring for an incapacitated person • Receiving UIB • Enrolled in substance abuse treatment • Individuals who are incarcerated or recently released from incarceration within the past 90 days	• **NEW:** Age (under 18 or 65+) • Exempt from CF work registration • **NEW:** Caring for dependent child under age 14 • Pregnant • Medically certified as physically or mentally unfit for work • Participating in Office of Refugee Resettlement (ORR) training program • **NEW:** Individuals who are Indians, urban Indians, California Indians, and other Indians who are eligible for the Indian Health Services	**Partially Aligned:** Aligned exemptions are in green font.

H.R. 1 Cost Shifts to States. H.R. 1 includes significant shifts of both (1) actual benefit costs and (2) SNAP program administration costs to states.

Benefit cost shift to states. SNAP is a federal entitlement for eligible households. Prior to H.R. 1, the federal government covered 100 percent of the cost of food benefits delivered to EBT cards, with states paying for a portion of costs to administer the program. H.R. 1 imposes a state share of cost for benefits on states with a payment error rate of 6 percent or higher. The payment error rate is an accuracy measure of each state's SNAP eligibility and benefit determinations, which represents the sum of the underpayment and overpayment of issued benefits for a sample of active cases. Payment errors are not caused by purposeful program violations; rather, they are caused by inadvertent errors on the part of both county workers and clients, commonly around the calculation and verification of income or and misalignment of income month to month due to variable work schedules.

H.R. 1 mandates that states with error rates of 6-8 percent pay for 5 percent of benefit costs; states with error rates of 8-10 percent pay for 10 percent of benefit costs; and states with error rates of 10 percent or greater pay for 15 percent of benefit costs. H.R. 1 also contains a provision that delays cost sharing until 2030 for states whose error rate, if multiplied by 1.5, is above 20 percent (Alaska's error rate is 24.66 percent). California's error rate in federal fiscal year 2023-24 was just under 11 percent, which is in line with the national average. If California's error rate remains above 10 percent, the estimated cost to the state is $2 billion beginning in 2027-28.

Implementation. CDSS is implementing several strategies to reduce the state's payment error rate, including developing a root cause analysis to better understand and target the causes of errors. CDSS has also selected a new consent-based income verification tool known as TRUV to make income and work hours reporting easier for clients, facilitating more efficient and accurate income verification.

Administrative cost shift to states. H.R. 1 also shifts program administrative costs to states. Prior to H.R. 1, the federal government paid for 50 percent of state costs to administer the CalFresh program. H.R. 1 reduces the federal share to 25 percent.

In California, existing law requires the nonfederal share of CalFresh administration costs to be split between the state (70 percent) and counties (30 percent). Pre-H.R. 1, this equated to a sharing ratio of 50 percent federal, 35 percent state, and 15 percent counties. Post-H.R. 1, the federal decline to 25 percent means both the state and counties pay an increased share: 52.5 percent for the state and 22.5 percent for counties. This equates to an increased cost of $382.9 million General Fund and $149.5 million county funds in 2026-27.

The administrative cost shift to states also affects the state's CalFresh outreach program, which provides CalFresh application assistance through a network of community-based organizations across the state. According to the California Association of Food Banks, funding for CalFresh outreach has helped over one million individuals be prescreened for eligibility and assisted over 330,000 households in obtaining benefits, yielding an estimated $1.32 billion in federally funded benefits to the state.

H.R. 1 Reductions to Benefits and Services. Beyond restricting eligibility and shifting costs to states, H.R. 1 includes several other provisions that reduce benefits and services.

Thrifty Food Plan. The federal government uses the Thrifty Food Plan to estimate a dollar amount that represents a frugal monthly food budget, and then bases maximum CalFresh benefit amounts per household size on those amounts. H.R. 1 caps growth in the Thrifty Food Plan to the rate of inflation and requires that future evaluations of the plan be "cost neutral." Over time, this will erode the value of SNAP benefits by preventing benefits from keeping pace with food prices.[21] Changes to the Thrifty Food Plan took effect October 1, 2025.

Restrictions on use of Standard Utility Allowance (SUA). When calculating a household's income for purposes of CalFresh, a portion of utility expenses can be deducted from income. States are allowed to apply a standard allowance (SUA) instead of calculating a household's individual utility costs. Prior to H.R. 1, California applied the SUA to households that received a state or federally funded utility assistance payment if the SUA resulted in a higher monthly benefit. H.R. 1 restricts the use of SUAs to households with elderly or disabled members. CDSS estimates this provision will result in reduced benefits for 444,000 individuals and cause 18,000 individuals to lose eligibility entirely.[22] This provision took effect October 31, 2025.

***Ends Nutrition Education Funding*.** Prior to H.R. 1, California received about $132 million in federal funding annually to support nutrition education activities through the California Department of Aging, California Department of Public Health, and other agencies, known as the CalFresh Healthy Living program. H.R. 1 terminates all SNAP Education funding, effective October 2025.

State Budget Response to H.R. 1 CalFresh Impacts. The 2025 Budget Act included initial actions to address H.R. 1 impacts on the CalFresh program. The Governor's proposed 2026-27 budget reflects the impact of various H.R. 1 provisions taking effect. The greatest direct fiscal impact to the state – the SNAP benefits cost shift – will affect the 2027-28 budget.

2025 Budget Act. The 2025 Budget Act included a funding package designed to implement H.R. 1 and initiate strategies to improve the state's error rate. The package included:

- $42 million ($21.7 million General Fund) for data and technology enhancements to improve the state's error rate.
- $9.1 million ($3.2 million General Fund) for CalSAWS and BenefitsCal automation necessary for implementation.
- Upon the approval of the Department of Finance, up to $40 million ($20 million General Fund) for county administration to implement the H.R. 1 work requirement.

[21] Food Research and Action Center. *Impact of H.R. 1 on Thrifty Food Plan*. Impact-of-H.R.1-on-Thrifty-Food-Plan-Fact-Sheet.pdf

[22] Legislative Analyst's Office (2025, November 13) *Overview of Major Impacts of H.R. 1 on CalFresh*: Overview of Major Impacts of H.R. 1—One Big Beautiful Bill Act on CalFresh

- Upon the approval of the Department of Finance, up to $30 million ($15 million General Fund) in discretionary implementation and automation funds.
- $2.5 million ($1.3 million General Fund) for CDSS operations, including for compliance, federal monitoring, corrective action, and legal support.
- $20 million in additional funding for the CalFood program for food bank purchases, bringing total 2025-26 CalFood funding to $80 million.

In addition to funding, the 2025 Budget Act included trailer bill language in SB 146 (Committee on Budget and Fiscal Review), Chapter 107, Statutes of 2025, to facilitate H.R. 1 implementation. SB 146 authorizes CDSS, until October 1, 2027, and when necessary to reduce the CalFresh payment error rate, to implement and administer the CalFresh program by means of all-county letters and emergency regulations. The bill prohibits emergency regulations adopted in this manner from impeding or reducing a person's access to benefits for which they are eligible. SB 146 also pauses implementation of two pending policies, the pre-populated semiannual report and the CalFresh pre-release program, in light of the unprecedented demands of H.R. 1 implementation on the CalFresh Branch. Lastly, the bill requires CDSS to consult with various stakeholders through the duration of H.R. 1 implementation activities and requires regular reporting to the Legislature on these activities.

Governor's Proposed 2026-27 Budget. The Governor's proposed 2026-27 budget for CalFresh reflects changes resulting from H.R. 1. These changes include:

- $382.9 million in increased General Fund costs as a result of the H.R. 1 SNAP administration cost shift, which reduced the federal government's share of SNAP administration costs from 50 percent to 25 percent. This also includes $149.5 million in increased county funds.

- $66.2 million in General Fund savings related to decreases in the CalFresh caseload. This is a result of individuals falling off the CalFresh caseload due to H.R. 1 eligibility restrictions. The $66.2 million in General Fund savings reflects reduced program administration costs resulting from caseload decreases. The loss of federally funded benefits from individuals who lose eligibility is not reflected in the state budget but is likely in the hundreds of millions or higher.

ISSUES FOR CONSIDERATION

Many low-income families in California receive both Medi-Cal and CalFresh benefits. The vast majority of people enrolled in CalFresh (92 percent) receive Medi-Cal; 34 percent of people enrolled in Medi-Cal receive CalFresh. The Legislature may wish to consider, to the extent possible, methods to harmonize eligibility and verification processes that are similar, but not identical, for both programs.

Across both programs, H.R. 1 requirements are designed to make it difficult for enrollees to maintain benefits, by imposing burdensome work and recertification requirements that will be difficult for enrollees to navigate and verify, even for those who meet all eligibility and work requirements. It will largely fall on counties to work individually with applicants and recipients to

understand, navigate, and comply with work requirements, including managing the necessary documentation. The Legislature may wish to consider ways for the state to streamline methods to verify income and work hours to reduce administrative burden on clients in order to maintain benefits for those who are eligible. The Legislature may also wish to consider whether additional partnerships with community-based organizations may extend the reach of the state and counties to keep beneficiaries from falling through the cracks of procedural disenrollment.

The Legislature should consider that already vulnerable populations may have the most difficult time navigating new program rules and work requirements to maintain benefits. Individuals who are homeless, for example, make up a significant portion of the population subject to CalFresh work requirements and are likely to face more barriers to meeting requirements and providing relevant documentation.

The Legislature should also consider that H.R. 1 will have long-term impacts on the state's budget far beyond the 2026-27 fiscal year. The CalFresh benefit cost shift alone is likely to cost the state $2 billion in 2027-28 and ongoing.

Lastly, the Legislature should consider that losses to food and healthcare benefits are likely to create long-lasting and costly impacts on Californians in the form of increased hunger, poverty, and negative health outcomes.

Questions

1. What are the fiscal and programmatic impacts of H.R. 1? How will these changes affect the state budget?

2. Who are the most likely groups of beneficiaries to lose coverage due to the new eligibility requirements of H.R. 1? What are the most likely reasons beneficiaries will lose coverage?

3. How are CDSS and DHCS working with counties to ensure eligibility workers are properly trained and resourced to navigate these new eligibility requirements? What tools will the departments provide to assist county eligibility workers to address these new challenges?

4. How is DHCS working with CDSS and counties to harmonize, to the extent possible, changes to eligibility processes that are similar, but not identical, for both Medi-Cal and CalFresh, given the significant overlap in the beneficiaries of these two programs?

5. What strategies should the state and counties undertake to preserve eligibility, respond to work requirements, and minimize administrative burden to prevent churn and benefit loss?

6. What are the estimated impacts on health status, food and nutrition access, and overall stress on the health care and public benefits system of the loss of health care coverage and food benefits for previously qualified immigrants?