

SUBCOMMITTEE NO. 3

Agenda

Senator Caroline Menjivar, Chair
Senator Shannon Grove
Senator Dr. Akilah Weber Pierson



Thursday, March 19th, 2026
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Elizabeth Freeman and Scott Ogus

| <u>Item</u> | <u>Department</u> | <u>Page</u> |
|--|---|-------------|
| 4260 | DEPARTMENT OF HEALTH CARE SERVICES | 3 |
| 5180 | DEPARTMENT OF SOCIAL SERVICES | 3 |
| Issue 1: Oversight Hearing – The Impact of H.R. 1 on California’s Safety Net | | 3 |
| PUBLIC COMMENT | | |
| 4260 | DEPARTMENT OF HEALTH CARE SERVICES | 29 |
| Issue 2: H.R. 1 Planning and Implementation | | 29 |
| Issue 3: 2025-26 General Fund Solutions – Undocumented and UIS Californians | | 34 |
| 5180 | DEPARTMENT OF SOCIAL SERVICES | 35 |
| Issue 4: CalFresh and Food Programs Overview | | 35 |
| Issue 5: Resources to Respond to Federal Changes | | 41 |
| Issue 6: CalFresh Enhanced Monitoring | | 43 |
| Issue 7: Enterprise Data to Avoid Federal Fiscal Penalties | | 47 |
| Issue 8: CalFresh Higher Education (AB 79) | | 53 |
| Issue 9: CalFresh Disaster SNAP Utilities (AB 777) | | 54 |
| Issue 10: Disaster CalFresh and Waiver Requirements | | 55 |
| Issue 11: Consecutive Recovery of CalFresh and CFAP Over issuances | | 57 |
| Issue 12: CalWORKs Overview | | 59 |
| Issue 13: California Necessities Index | | 68 |

NOT FOR PRESENTATION 69
Issue 1: Proposals for Investment 69

PUBLIC COMMENT

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

4260 DEPARTMENT OF HEALTH CARE SERVICES
5180 DEPARTMENT OF SOCIAL SERVICES

Issue 1: Oversight Hearing – The Impact of H.R. 1 on California’s Safety Net

Panel Discussion. The subcommittee has requested the following panelists to discuss the impacts of H.R. 1 on California’s safety net:

PANEL 1: Overview of H.R. 1 and Impact on California’s Budget

Michelle Baass

Director
Department of Health Care Services

Jennifer Troia & Alexis Fernández Garcia

Director & Deputy Director
Department of Social Services

Will Owens

Senior Fiscal and Policy Analyst
Legislative Analyst’s Office

Len Finocchio, DrPH

Independent Policy Expert

PANEL 2: Impacts on County Programs

Los Angeles County:

Jackie Contreras

Director
Los Angeles County Department of Public Social Services

Jorge Orozco

Chief Executive Officer
Los Angeles General Medical Center

Santa Clara County:

James Williams

County Executive
Santa Clara County

Tulare County:

Jason Britt

County Administrative Officer
Tulare County

San Bernardino County:**Gilbert Ramos**

Assistant Executive Officer
San Bernardino County

PANEL 3: Impacts on Providers and Eligibility Workers**Christopher Palma**

Client Lead 4 Eligibility Worker
Ventura County

Tangerine Brigham

Chief Operating and Strategy Officer
San Francisco Health Network

Corinne Sanchez

Chief Executive Officer
El Proyecto del Barrio

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 trillion¹. 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 alone².

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 Medicaid³ and nearly \$200 billion in reductions to the Supplemental Nutrition Assistance

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.

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 on rural areas.

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.

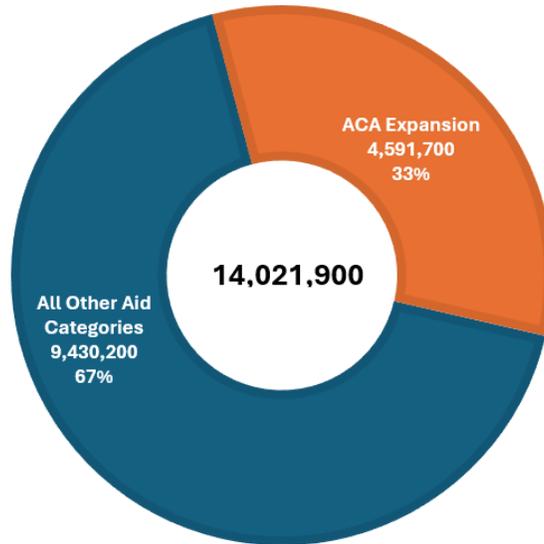
H.R. 1 IMPACTS ON THE MEDI-CAL PROGRAM

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.

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

ACA Expansion Adults: Proportion of Total Enrollment - Nov 2025 Medi-Cal Estimate⁵



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

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

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 Exemptions⁶

| 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 |
| <ul style="list-style-type: none"> • Child under 19 • Pregnant/postpartum • Foster/former foster youth • Aged/disabled | Medi-Cal Eligibility Aid Codes | Systems will be configured to exempt individuals in these aid codes from |

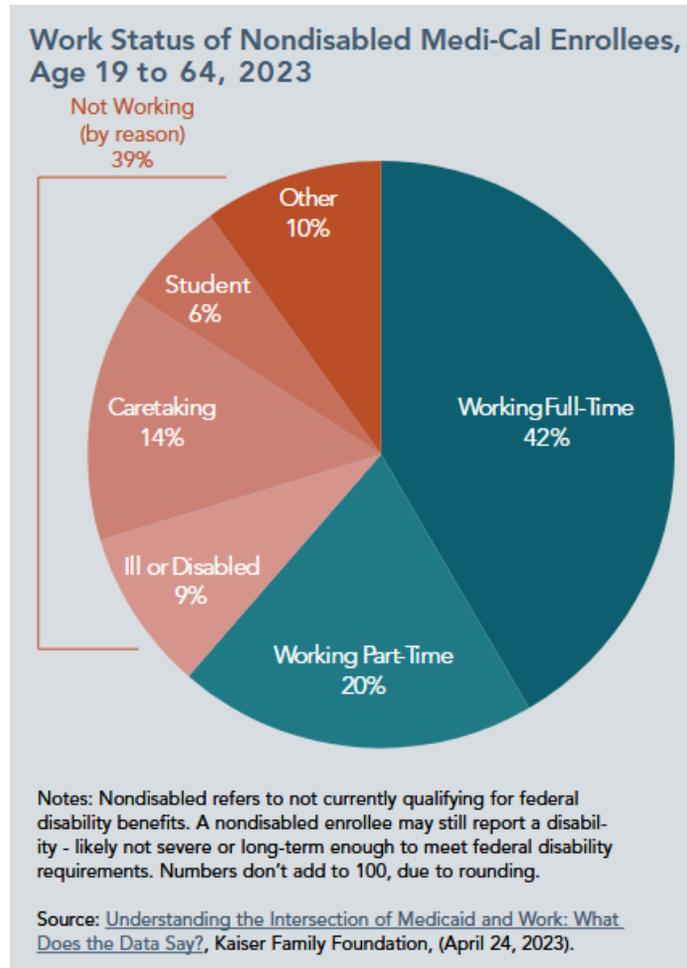
⁶ Department of Health Care Services. *Legislative Update on H.R. 1 Implementation Plan on Eligibility*. January 26, 2026.

| | | |
|--|---|---|
| <ul style="list-style-type: none"> • Parents/caretakers • Inmates or recently released | | work/community engagement requirements |
| “Medically Frail” | All Claims and Encounters | <ul style="list-style-type: none"> • 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 |
| | 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

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.

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



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.

⁸ California Health Care Foundation. *Do Medi-Cal Enrollees Work?* January 2025.

According to a 2020 study published in *Health Affairs* by Harvard researchers⁹, 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.

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 on a 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 processes¹⁰:

- 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

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

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

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.

Whither the Once and Future Uninsured – The Role of County Indigent Programs. California’s instinct to care for its most vulnerable residents began almost since its inception. As early as 1855, five years after admission to the Union, California mandated county governments to provide support and care for the indigent population. In 1933, California enacted Welfare and Institutions Code Section 17000 (“WIC 17000”), which requires counties to “relieve and support all incompetent, poor, indigent persons, and the incapacitated by age, disease or accident, lawfully resident therein, when such persons are not supported and relieved by their relatives or friends, by their own means, or by state hospitals or other state or private institutions.” In 1925, there were nearly 70 county hospitals located in all but four California counties and by 1935, city- and county-funded hospitals provided 23.4 percent of all the hospital beds in California. These hospitals, funded entirely by counties, would form the backbone of what would become the providers of last resort for individuals unable to receive health care from public or private sources.

Over time, the share of costs for these local programs shifted between the state and local governments. The establishment of the Medi-Cal program in 1966 brought with it the “county option”, which allowed counties to pay the state the county’s costs for medical care before Medi-Cal was established, and the state and federal governments would pay for costs above those levels. In the 1980s, during a significant budget deficit, the state transferred responsibility for “medically indigent adults” between ages 21 and 64 back to the counties.¹¹

In 1991, facing another significant budget deficit, California implemented 1991 State-Local Realignment, which shifted sales tax revenue and vehicle license fee revenues to counties to support increased responsibilities for health and social services programs. Among the eligible uses of these funds was to support county medically indigent programs. Until 2014, and the implementation of the federal Patient Protection and Affordable Care Act (ACA), county indigent programs were the only option for many Californians for health care coverage.

In 2014, after implementation of the ACA, particularly the expansion of Medi-Cal to childless adults up to 138 percent of the poverty level, the state made adjustments to realignment revenues supporting county indigent programs to account for the newly expanded Medi-Cal population that would no longer need to be covered at the county level. AB 85 (Committee on Budget), Chapter 24, Statutes of 2013, redirected realignment funds according to various formulas in different counties. For the thirty-four largely rural counties participating in the County Medical Services Program, AB 85 required 60 percent of health realignment funding that would have been received to be redirected to the state. The 12 public hospital counties (Article 12 counties) and the remaining 12 counties (Article 13 counties) were able to choose whether to have 60 percent of realignment redirected, or to use a formula-based approach that takes into

¹¹ Kelch, Deborah Reidy. *Caring for Medically Indigent Adults in California: A History*. California Health Care Foundation. June 2005.

account a county's cost and revenue experience. All but four of those counties chose a formula-based approach.

After the implementation of the ACA, California also progressively extended full-scope Medi-Cal coverage to income-eligible individuals, regardless of immigration status, extending coverage to all ages as of January 1, 2024. As these individuals, which represented the vast majority of the remaining uninsured in California, were enrolled in coverage, the need for county indigent programs diminished significantly.

DHCS expects substantial coverage losses in Medi-Cal from the ACA expansion population related to H.R. 1, with as many as 1.4 million beneficiaries losing coverage due to being unable to verify compliance with work and community engagement requirements. Those losing coverage will be a mix of those not completing the paperwork or other processes required to verify compliance, as well as those who are not working or otherwise exempt. In addition, DHCS expects significant coverage losses in Medi-Cal from the General Fund solutions for undocumented and UIS Californians adopted in the 2025 Budget Act, with as many as 1 million undocumented and UIS Californians losing coverage. There will also likely be an impact on the state's uninsured rate from the failure of the United States Congress to reauthorize the enhanced premium tax credits for health coverage in the Covered California health benefit exchange. As the health care option of last resort, county indigent programs are expecting an influx of individuals in need of coverage due to these state and federal policy changes. The counties estimate that county indigent programs will experience new enrollment of between 417,000 and 1.3 million with anticipated costs of \$2 billion to \$5.5 billion per year.

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.¹²

A substantial body of 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.¹³ SNAP stimulates local economies, with every one dollar in SNAP benefits generating \$1.80 in economic

¹² 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](#)

¹³ Carlson, S. and Llobrera, J.

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.¹⁴

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.¹⁵

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.

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 2023.¹⁶

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 is 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

¹⁴ 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](#)

¹⁵ CDSS CalFresh Dashboard. [CF dashboard - PUBLIC | Tableau Public](#)

¹⁶ 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](#)

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; strips SNAP benefits from 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
- 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.

Time limits on SNAP conditioned on meeting 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, seven California counties (Alpine, Colusa, Imperial, Merced Monterey, Plumas, 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 the number of total individuals statewide who are ages 18-64 and do not have an already known exemption to ABAWD rules is 954,000. This includes 345,400 individuals who

met pre-H.R. 1 ABAWD criteria and 609,400 new ABAWDs as a result of H.R. 1. This total ABAWD count excludes individuals who are exempt to an existing exemption from SNAP Work Registration requirements or other data in the system, such as attending school or a training program; subject to work requirements in TANF or Unemployment Insurance; caring for an incapacitated person; enrolled in a substance use treatment program; under age 18 or over age 64; disabled; or pregnant.

- Of the approximately 954,000 individuals ages 18-64 with no known exemption, CDSS estimates that 18.8 percent of this group will meet the work requirement, based on SNAP Quality Control data.
- CDSS also assumes that 11.5 percent of the approximately 954,000 individuals will be determined unfit for work.
- These two factors result in the assumption that an estimated total of about 30 percent of individuals ages 18-64 who do not already have a known exemption to ABAWD time limits will be determined to be exempt or meet the work requirement, and the remaining approximately 70 percent of individuals without a known exemption who are considered ABAWDs are estimated to drop off the caseload.

This equates to an estimate that 665,500 individuals will ultimately be discontinued from CalFresh as a result of the H.R. 1 expanded time limit. The loss of federally funded food benefits from individuals losing CalFresh due to work requirements is likely in the low billions of dollars.

ABAWD Summary Table:

| | Total individuals ages 18-64 not already identified as exempt from ABAWD requirements | Assumed Working (18.8%) | Assumed Unfit to Work after exemption screening (11.5%) | Discontinued (69.7%) |
|--------------|---|-------------------------|---|----------------------|
| Pre-HR 1 | 345,400 | 64,900 | 39,700 | 240,800 |
| Post-HR 1 | 609,400 | 114,600 | 70,100 | 424,700 |
| Total | 954,800 | 179,500 | 109,800 | 665,500 |

Based on California’s statewide ABAWD clock beginning on January 1, 2026, all individuals subject to the time limit will have three countable months available to them at implementation. This means that the full implementation count will occur in 2027-28.

Significant portion of those subject to work requirements are homeless. CDSS estimates that of the 954,000 individuals without a known exemption, about 250,000 are homeless. Under H.R. 1, individuals experiencing homelessness are no longer categorically exempt from the ABAWD time limit. Instead, individuals experiencing homelessness must be screened for another exemption such as being determined “unfit for work” or be subject to work requirements.

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 2021.¹⁷ 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.¹⁸ 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.”¹⁹

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.²⁰

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.²¹ 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.

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 workers spending an additional 2.6 to 2.9 hours per impacted case per year for a robust screening approach, above the approximately 79 minutes per ABAWD client assumed in the Governor’s Budget. CWDA states that this additional capacity would allow counties to:

- Conduct multiple rounds of exemption screening

¹⁷ 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](#)

¹⁸ Center on Budget and Policy Priorities.

¹⁹ 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](#)

²⁰ 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](#)

²¹ CDSS CalFresh Dashboard. [CF dashboard - PUBLIC | Tableau Public](#)

- Provide clear and repeated client education on complex requirements
- Support non-exempt CalFresh recipients in overcoming documentation challenges
- Screen for a temporary good cause like lack of transportation if work hours drop
- Monitor compliance and intervene before inappropriate discontinuances and refer clients to employment and training programs
- Reduce churn, error rates, and downstream costs

The County Welfare Directors Association (CWDA) estimates that the workload described above to ensure eligible Californians do not lose food assistance due to preventable administrative barriers will cost an additional \$9.3 million General Fund in 2025-26, \$102.8 million General Fund in 2026-27, and \$57.9 million General Fund ongoing above Governor’s Budget levels for counties to support up to 400 eligibility staff.

According to CWDA: “The individuals who remain subject to the time limit are those CalFresh beneficiaries that may face the greatest barriers in complying, people with unstable housing, irregular employment, health or behavioral health challenges, or other circumstances that are not easily captured through automated means and are perhaps the very reasons why these individuals may struggle to comply. Retaining benefits for this population hinges on counties’ ability to conduct timely, repeated, and robust exemption screening and client engagement....keeping people connected to CalFresh will require eligibility workers to have in-depth conversations with people experiencing the trauma of poverty-related hunger to accurately screen for complex exemptions such as ‘unfit for work’ and help people who are not exempt to document compliance with the work requirement on a monthly basis.”

CWDA also states that evidence from prior ABAWD implementation and national evidence²² shows that benefit losses are overwhelmingly driven by procedural and reporting barriers, rather than true ineligibility. CWDA further states that the Governor’s Budget is misaligned with the robust client-oriented approach articulated in CDSS guidance and will contribute to a high disenrollment rate because “it does not include any resources for the workforce that will directly engage with impacted clients...The Governor’s Budget largely assumes that the aforementioned anticipated caseload reductions will offset the staffing and eligibility worker time needed to support clients in navigating these ABAWD rules, resulting in no meaningful investment in harm mitigation, let alone to ensure counties can provide existing customer services levels as they prepare to implement the complex rules while facing other H.R. 1 cost pressures.”

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

²² Bauer, L., & East, C. (2025, April). A primer on SNAP work requirements (The Hamilton Project, Brookings Institution). Brookings Institution.

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 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.

Activities to Reduce the State's CalFresh Payment Error Rate. Using funds appropriated in the 2025 Budget Act, CDSS is implementing several strategies to reduce the state's payment error rate, including the following:

- CDSS, in consultation with California Health and Human Services Agency (CalHHS), has selected a consent-based income verification tool known as TRUV to make income and work hours reporting easier for clients and to facilitate more efficient income verification to improve the payment error rate. Full implementation is expected spring 2026.
- CDSS has entered into a consulting contract with McKinsey for \$3.39 million to provide targeted implementation expertise across priority initiatives (project planning, problem solving, risk identification and mitigation, creation of job aids and training materials.) Components of this work include implementation of TRUV, proactive client communications, CalSAWS automation solutions to bring income information received from other entities into CalSAWS for workers to act upon more efficiently, and streamlining income and work hours verifications.
- As part of an effort to better understand the most common error drivers from both a worker and client perspective, CDSS has initiated an enhanced root causes analysis. Elements being considered include the frequency, dollar value, and causal factors of payment errors. CDSS has entered into a contract with Westat for \$1.1 million to pair the CDSS analysis with additional qualitative and quantitative insights, known as the "SNAP Payment Accuracy Support Project." This work includes in-depth case reviews, county site visits, client surveys, interviews, and focus groups, community based organization roundtables, and recommendations on solutions to improve accuracy.

CDSS's root cause analysis is ongoing but has yielded significant insights into key drivers of CalFresh payment errors; these insights will inform solutions to reduce the state's CalFresh payment error rate in the long term. For example, CDSS found that that households not reporting an income change account for 27 percent of payment error dollars; eliminating this type of error could reduce the payment error rate by up to 3.5 percentage points. Using administrative and third-party data to verify income would improve completeness of income reporting. CDSS has also found that nearly 50 percent of errors involve counties not acting on information that is available in the case record through existing data systems correctly or

timely. The root cause analysis work includes county site visits to help identify workflow and information access challenges and other contributing factors that will help identify solutions.

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.

County Implementation Concerns and Request for a Match Waiver. According to CWDA: "many counties lack the financial means to absorb a 50 percent increase in their required match.... Today, nearly one-quarter of counties report difficulty meeting the existing 15 percent match, as caseloads have grown over time. With an increase to 22.5 percent, nearly half of counties anticipate being unable to draw down their full CalFresh administrative allocation. This threatens widening inequities, especially for counties such as in rural areas that have limited capacity to increase local resources."

CWDA states that if counties cannot meet the increased county match requirement and are consequently prevented from drawing down their full General Fund allocation, counties will be forced to reduce staffing and service capacity. "Recipients will experience longer wait times, delayed approvals, potential interrupted access to food benefits, and reduced capacity to handle customer calls, office visits, online submissions of documents and information, and over-the-phone interviews." CWDA further notes that to the extent counties are not able to meet the increased match requirement, this cost shift will leave hundreds of millions of dollars in state and federal funds on the table.

To address the impacts of the increased county share, CWDA is requesting that the state adopt a temporary CalFresh match waiver that maintains county contributions at 2024-25 levels through 2028-29, and provide a four-year phase-out at that time.

According to CWDA, "Assuming 50 percent of counties cannot come up with their increased 7.5 percent match, without a match waiver in place, that could jeopardize potentially \$355 million in total funds, including State [General Fund] and federal dollars left on the table. In contrast, a match waiver would allow counties and the State to preserve drawdown of the majority of these dollars, and only result in loss of funding equivalent to the county's increased share of costs and the associated federal funding... This is an impact of potentially \$98 million total funds, in the scenario that those same 50 percent of counties cannot increase their match. That's a difference between a \$355 million versus \$98 million total fund

impact (i.e., approximately \$250 million) to the State and counties' ability to deliver food benefits to vulnerable populations.”

CWDA proposes a multi-year approach to phasing out the Match Waiver in order to give counties time to ramp up their CalFresh Administration spending in a planned fashion and avoid immediate and substantial cuts.

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.²³ 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.²⁴ 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 CalFresh payment error rate.

²³ 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](#)

²⁴ 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](#)

- \$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.
- 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 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.

Provisional \$20 million for county implementation costs has not been authorized by the Department of Finance. The 2025 Budget Act provisionally authorized \$20 million General Fund for county administration to implement the H.R. 1 work requirements. This funding is subject to approval of the Department of Finance. As of this writing, the Department of Finance has not authorized any funds from this provisional budget item.

With the work requirements taking effect on June 1, 2026, counties have limited time to prepare for implementation – which is what the provisional appropriation in the 2025 Budget Act was intended to address.

CWDA states that with the release of the full \$20 million General Fund that was provisionally set aside, counties would be able to: enhance training, ensure operation readiness and case clean-up, align policy and procedures, streamline workflows, hire extra limited-term staff, conduct consumer outreach, and fund staff overtime for support outside of business hours. CWDA further states that any further delay in the authorization of this funding “will significantly hamstring counties’ ability to scale up, train, and prepare to assist clients through ABAWD work requirements.”

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 low billions of dollars.

Subcommittee Staff Comment. This is an informational item.

Questions. The subcommittee has requested the panelists to respond to the following:

PANEL 1: OVERVIEW OF H.R. 1 AND IMPACT ON CALIFORNIA’S BUDGET

DHCS Discussion Questions:

1. Please provide a summary of the fiscal, programmatic, and caseload impacts of H.R. 1 on the Medi-Cal program included in the Governor’s January budget
2. Please include the specific fiscal, programmatic, and caseload impacts of work/community engagement requirements, 6-month redeterminations, reduced federal matching for emergency services, loss of full-scope Medi-Cal coverage for qualified immigrants, reduced retroactive timeframes, as well as a brief summary of the fiscal impacts of changes to health care related taxes.
3. Please describe the actions taken to date, and those included in the Governor’s January budget, to begin implementation of H.R. 1 requirements and attempt to mitigate the potential coverage losses.

CDSS Discussion Questions:

1. Please provide a summary of the CalFresh changes in the Governor’s proposed 2026-27 budget that result from H.R. 1 and the estimated out-year impacts as all H.R. 1 provisions take effect. Please describe the total number of individuals estimated to lose CalFresh benefits.
2. Please provide a brief description of the CalFresh ABAWD time limit that was expanded under H.R. 1. How did CDSS arrive at the ABAWD estimate? How does the CalFresh administration budget incorporate necessary county costs to implement the time limit? How is CDSS equipping counties with the tools needed to implement the time limit in a way that maximizes eligible exemptions and helps clients understand requirements?
3. Please provide a summary of the resources allocated in the 2025 Budget Act to address H.R. 1. How are those resources being used, specifically to address the state’s CalFresh Payment Error Rate (PER)? What has CDSS learned so far about strategies to reduce the state’s PER and how is the department implementing those strategies?

LAO Discussion Questions:

1. Please provide an overview of how 1991 and 2011 Realignment funding supports county-administered safety net programs for health and human services.
2. Please provide a brief summary of the provisions governing redirection of realignment funding pursuant to AB 85 (Committee on Budget), Chapter 24, Statutes of 2013. Please include a description of how AB 85 affects CalWORKs grants.
3. Please describe the flow of funds between various realignment accounts and the state GF under AB 85, and describe which accounts are likely to be impacted by an increase in the uninsured population due to the provisions of H.R. 1 and the General Fund solutions related to undocumented and UIS individuals in Medi-Cal.
4. What other county programs are currently supported by the impacted accounts?

Len Finocchio/CHCF Discussion Questions:

1. Please provide a brief overview of county indigent programs, including statutory authority, funding sources, and typical benefits offered.
2. How do different counties determine eligibility for indigent programs for the uninsured?
3. How has the caseload of county indigent programs changed over time due to the expansions of Medi-Cal coverage under the Affordable Care Act and for undocumented Californians, as well as the availability of subsidized coverage in the Covered California health benefit exchange?
4. What is your assessment of the current preparedness of county indigent programs to provide health care services to Californians losing coverage under H.R. 1 or the General Fund solutions related to undocumented and UIS individuals in Medi-Cal?
5. What issues should state and county policymakers consider when evaluating responses to the increase in uninsured Californians?
6. What should state and county policymakers expect in terms of overall health status of individuals losing coverage, and how will costs shift among the various parts of the health system (e.g. hospitals, clinics, managed care plans, county programs, etc.)?
7. Are there other models or reforms the state should consider to maintain health care coverage for this population?

PANEL 2: IMPACTS ON COUNTY PROGRAMS

County Panelists Discussion Questions:

1. Please provide a brief overview of the programs supported by the 1991 and 2011 Realignment accounts most likely to be impacted by H.R. 1 and the General Fund solutions related to undocumented and UIS individuals in Medi-Cal.
2. Please describe an overview of the history and current status of your county's indigent program, including funding, eligibility thresholds, benefits offered, and caseload over time.
3. What impacts do you expect to county programs from the likely increase in uninsured Californians in your county due to H.R. 1 and undocumented/UIS changes to Medi-Cal?
4. With counties now responsible for 22.5 percent of CalFresh administration costs (up from 15 percent pre-H.R. 1), how will this federal cost shift affect county programs? What happens if counties are unable to meet the higher administration match requirement?
5. Please describe the county workload to implement both CalFresh and Medi-Cal work requirements under H.R. 1. How will counties work to implement work requirements in a client-centered way that maximizes eligible exemptions and minimizes paperwork and verification burdens on clients?
6. If realignment accounts are required to support additional costs for indigent programs as more Californians lose coverage, what other county programs could be at risk of losing funding?

PANEL 3: IMPACTS ON PROVIDERS AND ELIGIBILITY WORKERS

County Eligibility Worker Discussion Questions:

1. How will H.R. 1 impact the clients you serve?
2. What does it look like on the individual client/eligibility worker level to assist a client in understanding work requirements, screening a client for eligible exemptions, and assisting them with the verification needed to prove they meet work requirements?
3. What problems do you anticipate clients who are subject to work requirements will encounter in providing the verification necessary to prove they are meeting the work requirements? What about clients that may be eligible for an exemption that is not known to the state or county?
4. What barriers or challenges exist for county eligibility workers to implement work requirements in a client-centered way that maximizes eligible exemptions and minimizes paperwork and verification burdens on clients? What tools or resources would address those challenges?

SF Health Network/Public Hospitals Discussion Questions:

1. Please describe the role of public hospitals in the county healthcare safety net and indigent care programs.

2. How will the coverage losses related to H.R. 1 and the undocumented/UIS budget actions taken last year impact public hospitals and the overall county safety net, including hospital financing impacts, impacts on individual and population health outcomes, and other potential negative outcomes?
3. How will the financial components of H.R. 1, particularly around changes to provider taxes and supplemental payments, impact public hospitals and their ability to provide care to an increasingly uninsured and uncompensated population?
4. What policy changes or reforms should the state be considering to support and strengthen the critical role public hospitals and public health systems serve as the ultimate safety net for health care in California?

Community Clinics Discussion Questions:

1. Please describe the role that community clinics play as safety net providers in California.
2. How will the coverage losses related to H.R. 1 and the undocumented/UIS budget actions taken last year impact community clinics and their ability to serve as safety net providers?
3. How are clinics managing the potential surge of uncompensated care, particularly those in areas where there are likely to be sharp increases in the uninsured?
4. What policy changes should the state be considering to ensure the continuing viability of community clinics?

4260 DEPARTMENT OF HEALTH CARE SERVICES

Issue 2: H.R. 1 Planning and Implementation

Budget Change Proposal and Trailer Bill Language – Governor’s Budget. DHCS requests expenditure authority of \$33 million (\$15.5 million General Fund and \$17.5 million federal funds) in 2026-27, \$11.3 million (\$5.7 million General Fund and \$5.7 million federal funds) in 2027-28, and \$3.3 million (\$1.6 million General Fund and \$1.6 million federal funds) in 2028-29 and 2029-30. These resources include support for two-year limited-term resources equivalent to 19 positions and four-year limited-term resources equivalent to 17 positions. If approved, these resources would support implementation of eligibility and other changes related to House Resolution 1 (H.R. 1).

DHCS also requests trailer bill language to implement eligibility changes to align with the new requirements under H.R. 1.

| Multi-Year Funding Request Summary | | |
|---|---------------------|---------------------|
| Fund Source | 2026-27 | 2027-28* |
| 0001 – General Fund | \$15,549,000 | \$5,662,000 |
| 0890 – Federal Trust Fund | \$17,500,000 | \$5,663,000 |
| Total Funding Request: | \$33,049,000 | \$11,325,000 |
| Total Requested Positions: | 36.0** | 36.0** |

* Additional fiscal year resources requested – 2028-29 and 2029-30: \$3,277,000

** Two-year limited term: 19 positions; Four-year limited term: 17 positions.

Background. 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. 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 Medicaid²⁵ and nearly \$200 billion in reductions to the Supplemental Nutrition Assistance Program (SNAP)²⁶. 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

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

²⁶ Pottebaum, Sydnee. *One Big Beautiful Bill Act: Nutrition Provisions Affecting States*. Federal Funds Information for States, Budget Brief 25-10. July 10, 2025.

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.

According to DHCS, the changes included in H.R. 1 will affect millions of Medi-Cal members across all of California's counties and require major shifts in business procedures at all levels of the Medi-Cal eligibility determination and redetermination processes. DHCS will be required to develop implementation plans, align state laws and regulations with the new federal requirements, seek federal approvals, make changes to eligibility information technology systems, provide guidance and training to impacted stakeholders, monitor and manage system performance, make changes to various managed care provisions, and manage significant additional legal workload.

Staffing and Resource Request. DHCS requests expenditure authority of \$33 million (\$15.5 million General Fund and \$17.5 million federal funds) in 2026-27, \$11.3 million (\$5.7 million General Fund and \$5.7 million federal funds) in 2027-28, and \$3.3 million (\$1.6 million General Fund and \$1.6 million federal funds) in 2028-29 and 2029-30, including two-year limited-term resources equivalent to 19 positions and four-year limited-term resources equivalent to 17 positions, to support implementation of eligibility and other changes related to House Resolution 1 (H.R. 1). Specifically, DHCS requests the following positions and resources:

Medi-Cal Eligibility Division – Seven positions (four-year limited-term), seven position (two-year limited-term) and contract resources of \$17.5 million in 2026-27

Four-Year Limited-Term

- **One Supervisor II** position would serve as Section Chief and oversee two units of staff to implement federal policy changes.
- **One Supervisor I** position would serve as Unit Chief and oversee a team of five analysts to focus specifically on the eligibility impacts on the adult expansion (ACA) population.
- **Five Analyst II** positions would focus specifically on the eligibility impacts on the adult expansion (ACA) population, including work requirements, semi-annual redeterminations, and other provisions.

Two-Year Limited-Term

- **One Health Program Specialist II** position would provide guidance to a project team and oversee activities to comply with federal mandates and department priorities.
- **Four Health Program Specialist I** positions would serve as managers, managing key components of the project related to policy and procedure development, research, system changes, and county training and outreach.
- **Two Analyst II** positions would support system changes related to Med-Cal eligibility and enrollment and support communications efforts with the federal government regarding increased federal data services hub call volumes.

- Contract resources of \$17.5 million (\$8.8 million General Fund and \$8.8 million federal funds) in 2026-27 to support outreach and media to facilitate compliance with the new work and community engagement requirements.

Capitated Rates Development Division – Two positions (two-year limited-term) and contract resources of \$10 million in 2026-27 and 2027-28

- **Two Research Data Specialist I** positions would develop analytical tools and methodologies to model alternative designs for the managed care organization (MCO) tax and state directed payments, evaluate compliance with federal requirements including Medicare payment benchmarks, project upcoming changes in MCO tax collections and potential mitigation options, project changes to state directed payments, and do additional research.
- Contract resources of \$10 million (\$5 million General Fund and \$5 million federal funds) in 2026-27 and \$10 million (\$5 million General Fund and \$5 million federal funds) in 2027-27 to support technical assistance, subject matter expertise, and consultation to assist in designing the policy and operational parameters of updated provider taxes to meet the requirements of H.R. 1. This contract will also provide support to the Safety Net Financing Division.

Quality and Health Equity Division – One position (two-year limited-term)

- **One Analyst I** position would provide comprehensive programmatic and administrative support for state directed payment programs.

Benefits Division – One position (two-year limited-term)

- **One Analyst I** position would provide support, conduct research, analyze issues, develop recommendations, coordinate meetings with other teams, and create new informing materials.

Managed Care Quality and Monitoring Division – One position (two-year limited-term)

- **One Health Program Specialist II** position would serve as the subject matter expert on H.R. 1 requirements and focus on cross-divisional coordination and compliance.

Safety Net Financing Division – One position (two-year limited-term)

- **One Research Data Specialist I** position would develop analytical tools and methodologies to model alternative designs for the hospital quality assurance fee (HQAF).

Business Operations Technology Services Division – Four positions (four-year limited-term) and contract resources of \$300,000 in 2026-27

- **Two Information Technology Specialist III** positions would serve as lead enterprise engineer for infrastructure and lead developer for the Medi-Cal Eligibility Data System (MEDS).

- **Two Information Technology Specialist II** positions would serve as a senior cloud engineer for the Capitated Payments Management System (CAPMAN) and as a lead tester for MEDS.
- Contract resources of \$300,000 in 2026-27 to support changes to CAPMAN

Medi-Cal Enterprise Systems Modernization Division – One position (four-year limited-term)

- **One Information Technology Specialist II** position would provide strategic product management to enable implementation of a cost-sharing system and would serve as the contract manager.

Information Technology Strategy Services Division – One position (four-year limited-term)

- **One Information Technology Specialist II** position would serve as lead information technology project manager for H.R. 1, providing centralized coordination, oversight, and reporting for all projects supporting H.R. 1.

Enterprise Technology Services – Contract resources of \$3.6 million in 2026-27

- Contract resources of \$3.6 million (\$900,000 General Fund and \$2.7 million federal funds) in 2026-27 to provide technical and subject-matter experts to support implementation of cost-sharing requirements pursuant to H.R. 1.

Program Data Reporting Division – Three positions (two-year limited-term)

- **Two Research Data Specialist III** positions would lead development, collection, calculation, interpretation, and projection of program participation and expenditure changes related to H.R. 1, and function as an expert consultant to lead and oversee development of inter-departmental processes for the development of administrative, operational, and other program monitoring, program performance, and outcomes measures related to H.R. 1.
- **One Research Data Specialist I** position would support development of new data collection tools to collect data from counties, waiver agencies, and Multipurpose Senior Services Program (MSSP) sites on work requirements and six-month eligibility redeterminations..

Data Analytics Division – Two positions (two-year limited-term)

- **One Research Scientist III** position would provide scientific support for eligibility redetermination and work requirement compliance reporting, and the development and reporting of value-based directed payment program measures.
- **One Research Data Specialist I** position would provide guidance to division staff and management on DHCS data de-identification guidelines and perform the more complex de-identification activities for the Chief Data Officer.

Fiscal Deputy Director's Office – One position (two-year limited-term)

- **One Analyst II** position would provide financial management subject matter expertise within the Fiscal Deputy Director's Office.

Office of Legal Services – Four positions (four-year limited-term)

- **Three Attorney IV** positions would serve in the Special Projects Unit to provide legal support to the DHCS State Medicaid Director and Assistant State Medicaid Director, serve as lead house counsel and work collaboratively in handling requests for legal advice on health care related taxes and state directed payments, and conduct extensive research into state and federal law to identify and propose options to align state laws and regulations with updated federal requirements and seek technical assistance and approvals from the Centers for Medicare and Medicaid Services.
- **One Analyst II** position would provide analytical support to various program branches and offices, track various H.R. 1 and other issues, coordinate meetings, respond to requests, and provide various other support.

Trailer Bill Language Proposal. DHCS also requests trailer bill language to implement eligibility changes to align with the new requirements under H.R. 1.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal and the associated trailer bill language.

Issue 3: 2025-26 General Fund Solutions – Undocumented and UIS Californians

Local Assistance – Governor’s Budget. DHCS assumes total net General Fund savings of \$67.9 million in 2025-26 and \$2.3 billion in 2026-27 from implementation of several General Fund solutions related to Medi-Cal coverage for Californians who are undocumented or who have unsatisfactory immigration status. These solutions included: 1) enrollment freeze, 2) monthly premiums, 3) dental benefit elimination, 4) reduced clinic reimbursement, and 5) Medi-Cal Rx rebate collection.

Background. The 2025 Budget Act included several General Fund solutions that changed the provision of full-scope Medi-Cal to undocumented Californians and others with unsatisfactory immigration status (UIS). These solutions included:

- 1) *Enrollment Freeze* – DHCS estimates savings of \$94.7 million (\$83.4 million General Fund and \$11.3 million federal funds) in 2025-26 and \$865.5 million (\$742.5 million General Fund and \$123 million federal funds) in 2026-27 as a result of freezing new enrollment in Medi-Cal for undocumented Californians ages 19 and over, beginning January 1, 2026.
- 2) *Monthly Premiums* – DHCS estimates General Fund costs of \$28 million in 2025-26 and 2026-27, and General Fund savings of \$250 million in 2027-28 and \$675 million annually thereafter, from implementing monthly premiums of \$30 per person per month for UIS Californians, beginning July 1, 2027.
- 3) *Dental Benefit Elimination* – DHCS estimates General Fund savings of \$134.6 million in 2026-27 and \$336 million annually thereafter for the elimination of dental benefits for UIS Californians beginning July 1, 2026.
- 4) *Reduced Clinic Reimbursement for UIS* – DHCS estimates General Fund savings of \$1 billion annually, beginning in 2026-27, from eliminating payment at the Prospective Payment System (PPS) per-visit rate for UIS Californians on Medi-Cal beginning July 1, 2026.
- 5) *Medi-Cal Rx Rebates for UIS* – DHCS estimates General Fund savings of \$123.3 million in 2025-26, \$435 million in 2026-27, and \$600 million annually thereafter from collecting state drug rebates for UIS Californians on Medi-Cal.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of the updated estimated savings and caseload impacts from each of the General Fund solutions adopted in the 2025 Budget Act related to the undocumented or UIS populations in the Medi-Cal program.

5180 DEPARTMENT OF SOCIAL SERVICES**Issue 4: CalFresh and Food Programs Overview**

Governor’s Budget – CalFresh and Food Programs. The Governor’s proposed budget for 2026-27 includes \$1.6 billion General Fund for CalFresh and food programs, across CalFresh, California Food Assistance Program, SUN Bucks, and other food programs. This is in addition to approximately \$12 billion in food benefits provided from the federal government directly to individuals outside of the state’s budget. The Governor’s budget includes the following significant adjustments to the CalFresh budget:

- \$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 low billions of dollars.

H.R. 1 impacts to CalFresh are covered in Issue #1 of this agenda. The following page displays a summary, provided by the Legislative Analyst’s Office, of estimated impacts on CalFresh recipients.

Estimated H.R. 1 Impacts on CalFresh and CFAP Recipients

Dollars in Millions

| | Affected Individuals | | | Lost Benefits | | |
|--------------------------------------|----------------------|----------------|----------------|---------------|--------------|----------------|
| | 2025-26 | 2026-27 | Ongoing | 2025-26 | 2026-27 | Ongoing |
| ABAWD work requirement | | | | | | |
| Expanded population | — | 193,700 | 424,700 | — | \$475 | \$1,251 |
| End of statewide waiver | — | 108,600 | 240,800 | — | 283 | 753 |
| Subtotal | — | 302,300 | 665,500 | — | \$758 | \$2,004 |
| Noncitizen eligibility change | | | | | | |
| SUAS restriction^a | 197,000 | 504,000 | 525,000 | \$62 | \$236 | \$246 |

^aIndividuals affected reflect LAO adjustment of Governor’s budget assumed households. Lost benefits do not include the loss of the \$20.01 annual utility subsidy.

Note: 2025-26 and 2026-27 population and benefit impacts reflect Governor’s budget assumptions. Ongoing impacts are LAO estimates based on Governor’s budget assumptions. Individuals may be impacted by more than one H.R. 1 policy.

CFAP = California Food Assistance Program; ABAWD = able-bodied adults without dependents; and SUAS = State Utility Assistance Subsidy.

The chart below, provided by the Legislative Analyst’s Office, summarizes the Governor’s proposed 2026-27 budget for CalFresh and CFAP.

CalFresh and CFAP Budget Summary

Dollars in Millions

| | 2025-26 | 2026-27 Proposed | Change from 2025-26 to 2026-27 Proposed | |
|--------------------------------|-------------------|-------------------|---|--------------|
| | | | Amount | Percent |
| CalFresh Households | 3,300,109 | 3,222,974 | -77,135 | -2% |
| Benefits | | | | |
| CalFresh benefits ^a | \$13,158 | \$12,749 | -\$409 | -3% |
| CFAP benefits ^b | 122 | 73 | -50 | -41 |
| Subtotals | (\$13,280) | (\$12,822) | (\$458) | (-3%) |
| Administration | | | | |
| Federal Share | \$1,310 | \$835 | -\$474 | -36% |
| State Share | 959 | 1,332 | 372 | 39 |
| County Share | 372 | 522 | 151 | 40 |
| Subtotals | (\$2,641) | (\$2,689) | (\$49) | (2%) |
| Totals | \$15,921 | \$15,511 | -\$410 | -3% |

^aCalFresh Benefits are 100 percent federally funded. The Governor’s Budget estimates an average monthly benefit of about \$330 per household. CalFresh benefits also include replacement benefits. SUN Bucks benefits are excluded from this figure and are included in Figure 7.

^bCFAP benefits are 100 percent General Fund. The Governor’s Budget estimates an average monthly benefit of about \$365 per household. CFAP benefits also include replacement benefits.

CFAP = California Food Assistance Program.

Hunger in California. Recent data from the US Census Household Pulse Survey shows that nearly 1 in 5 California households are food insecure and nearly 1 in 4 California households with children are food secure. Rates of food insecurity are higher than the statewide average for Black and Hispanic/Latino households, including Black households with children (43 percent) and Hispanic/Latino households with children (33 percent).²⁷

Background: food assistance programs. CalFresh is the state’s main anti-hunger program, alongside several other food assistance programs (including school meals, which are part of the K-12 education budget). Food benefits in California are primarily federally funded and state administered. The state’s main food assistance programs administered by CDSS are described below.

CalFresh. CalFresh is California’s version of the federal Supplemental Nutrition Assistance Program (SNAP), an entitlement program that provides eligible households with monthly benefits to purchase food.

²⁷ California Association of Food Banks, “Food Insecurity in California,” September 2024.

To be eligible, households must generally earn less than 200 percent of the federal poverty level. CDSS oversees the CalFresh program and each county is responsible for local administration. CalFresh food benefits are currently 100 percent federally funded and issued through an EBT card. CalFresh administration costs are currently funded with 50 percent federal funds, 35 percent General Fund, and 15 percent county funds. H.R. 1 changes this ratio in 2026-27 to 25 percent federal funds, 52.5 percent General Fund, and 22.5 percent county funds. Monthly benefits per household vary based on household size, income, and deductible living expenses—with larger households generally receiving more benefits than smaller households and relatively higher-income households generally receiving fewer benefits than lower-income households.

California Food Assistance Program (CFAP). CDSS also administers the California Food Assistance Program (CFAP), which provides state-funded food benefits to certain eligible noncitizens who are not eligible for CalFresh due to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (generally, lawful permanent residents and some other immigration categories, but not undocumented individuals.) To be eligible for CFAP, noncitizens must meet all CalFresh eligibility criteria except for their immigration status. The expansion of CFAP to include all adults age 55 and over regardless of immigration status is slated to implement in 2027.

SUN Bucks. In 2023, Congress created a new permanent entitlement program known as Summer EBT (SUN Bucks in California), which provides a \$120 benefit for low-income children for food during the summer months when children are out of school. Eligibility is tied to free-and-reduced price meal eligibility, and children may be automatically eligible through participation in CalFresh or Medi-Cal. California implemented the first year of SUN Bucks in Summer 2024. SUN Bucks benefits, like CalFresh, are fully funded by the federal government; with administrative costs split 50 percent federal funds and 50 percent General Fund. SUN Bucks caseload is 5.4 million children in summer 2026.

CalFood. CalFood provides funding to food banks to purchase California-grown and produced food.

Child and Adult Care Food Program. The Child and Adult Care Food program provides federal reimbursement for meals served in child care and senior care facilities.

CalFresh caseload and benefits. The Governor's budget projects CalFresh caseload in 2026-27 will be 3.2 million households, about a two percent decrease from 2025-26. The Governor's Budget projects an average monthly CalFresh benefit of \$334.64 per household, or \$196.85 per person, in 2026-27. The projected decline in the CalFresh caseload is a result of H.R. 1 restrictions on CalFresh eligibility.

CFAP caseload and benefits. CFAP caseload is projected to be 40,072 households, a 31.3 percent decrease from 2025-26. The significant decline in the CFAP caseload is due to the reclassification of approximately 22,700 noncitizens from CFAP households to CalFresh households. Based on August 2025 point in time data, the Administration learned that errors led to certain noncitizen households who were eligible for federally funded CalFresh incorrectly receiving state-funded CFAP benefits instead. These errors largely stemmed from unclear federal policy regarding the immigration status of an influx of refugees from Afghanistan and Ukraine in 2021 and 2022. However, with the changes to noncitizen eligibility due to H.R. 1, the majority of these individuals will no longer be eligible for CalFresh starting April 1, 2026. The Governor's Budget projects an average monthly CFAP benefit of \$367.88 per household (\$177.04 per person) in 2026-27.

CFAP Expansion. The expansion of CFAP to include previously ineligible immigrants age 55 and older is planned to implement October 2027. The 2025 Budget Act re-appropriated \$26 million General Fund for CFAP automation and outreach to 2026-27. Given the nearly 800,000 individuals estimated to be discontinued from CalFresh as a result of H.R. 1, stakeholders have proposed expanding the scope of the CFAP program to capture individuals affected by H.R. 1. See issue #13 for stakeholder proposals in this area.

CalFood funding cliff. The CalFood program allocates funding to California’s network of food banks to purchase food primarily sourced from California. This funding is vital for food banks to secure food and reduce supply chain issues as demand for food continues at pandemic highs. The 2022 Budget Act included \$112 million General Fund total for the CalFood program in 2022-23 and the 2023 Budget Act approved an additional \$52 million General Fund in 2023-24 above the program’s baseline budget (\$8 million).

The 2025 Budget Act included an additional \$72 million General Fund one-time for CalFood (bringing the total CalFood budget to \$80 million) in light of the anticipated swell of demand on food banks as H.R. 1 restrictions on CalFresh eligibility take effect.

The Governor’s proposed 2026-27 budget drops CalFood back to the pre-pandemic \$8 million baseline. If CalFood is approved at the \$8 million level, food banks would experience a 90 percent decline in state support for CalFood while grappling with increased demand as hundreds of thousands of Californians lose access to CalFresh and turn to food banks for emergency food.

Decline in Federal Emergency Food Funds. The state also receives federal funds for emergency food, mainly through the Emergency Food Assistance Program (TEFAP). The Governor’s Budget reflects a decrease of \$40 million in federal TEFAP funding, reflecting the end of temporary local food purchasing that was made available by the federal government as part of pandemic relief.²⁸

CalFresh Minimum Nutrition Benefit pilot. The 2023 Budget Act included \$15 million one-time and trailer bill language establishing the California Minimum Nutrition Benefit pilot program, which will provide some CalFresh households with a state supplement to raise the current minimum benefit from \$23 to \$60. The pilot program launched December 1, 2025. The focus population is Elderly and Simplified Application Project households, meaning households of two or more older adults or people with disabilities with no earned income. CDSS anticipates the pilot will reach approximately 36,000 individuals statewide who meet this criteria and currently receive less than \$60 in CalFresh benefits per month.

CalFresh Fruits and Vegetables EBT pilot. The California Fruit and Vegetable EBT Pilot Project allows CalFresh recipients to double the purchasing power of their CalFresh benefits when they purchase fruits and vegetables at participating retailers. The 2023 Budget Act included \$9.9 million General Fund one-time for this project. The 2024 Budget Act included \$10 million General Fund one-time to continue the project. The 2025 Budget Act included \$36 million General Fund one-time to restart the program; funds

²⁸ Legislative Analyst’s Office (2022, February 18). The 2026:27 Budget: Food Assistance Programs. [The 2026-27 Budget: Food Assistance Programs](#)

are expected to last through 2025-26. According to the LAO, at the beginning of January 2026, over 31,000 CalFresh households earned matching funds averaging about \$48 per household.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the Governor’s proposed 2025-26 budget for CalFresh, CFAP, SUN Bucks, and other food programs.
2. What does the Administration anticipate will be the impact on access to emergency food access as a result of the Governor’s proposal to drop the CalFood budget to the \$8 million baseline in 2026-27?
3. Please provide a brief update on the CalFresh Minimum Nutrition Benefit Program and the CalFresh Fruits and Veggies program.

Issue 5: Resources to Respond to Federal Changes

Budget Change Proposal – Governor’s Budget. CDSS requests \$2.72 million (\$1.73 million General Fund, \$988,000 Federal Fund) in 2026-27 and \$2.67 million (\$1.7 million General Fund, \$970,000 Federal Fund) in 2027-28 and ongoing and 4 permanent positions. The requested resources include funding equivalent to five additional positions and the procurement of data security software to address the growing complexity and volume of changes related to federal policies and laws.

Background. CDSS notes that the federal landscape has grown increasingly complex with a significant rise in legislative, regulatory, and administrative activity that directly affects CDSS programs and clients. The department notes that about 63 Executive Orders directly or indirectly affect CDSS programs, uprooting longstanding policies, practices, and principles. Significant examples of federal policy changes include reversing decades of federal policy regarding programs that are identified as federal benefits under the Personal Responsibility and Work Opportunity Reconciliation Act and H.R. 1 cuts to CalFresh and Medi-Cal which will have ripple effects on systems such as child welfare.

The volume and complexity of federal changes have resulted in an unparalleled number of legal requests that are time-sensitive, high-profile, and fiscally significant. To support CDSS programs, the Legal Division has been engaged with the Attorney General’s (AG) Office, the California HHS Agency, and the Governor’s Office to make sure countless decisions are carefully vetted and approved. The Legal Division has had to redirect legal resources from other pressing ongoing needs to meet the constant flow of demands. CDSS states that the redirection is causing a backlog of other CDSS Legal needs which is not sustainable long term.

CDSS’s federal partners are demanding additional unfettered access to CDSS data used to track or support the issuance of benefits. While any effort to repurpose administrative data at the federal level must be allowable under federal law, long-held norms and legal guidance that govern issues of privacy are being challenged. CDSS has security processes and procedures in place to protect individualized application data environments. However, CDSS does not currently have a comprehensive, centralized approach for classifying, protecting, and monitoring data assets throughout the department.

Resource Request. CDSS requests \$2.72 million (\$1.73 million General Fund, \$988,000 Federal Fund) in 2026-27 and \$2.67 million (\$1.7 million General Fund, \$970,000 Federal Fund) ongoing funding. This request consists of ongoing funding equivalent to 5 positions, funding for 4 permanent positions, and \$600,000 (\$382,000 General Fund, \$218,000 Federal Fund) per year for the procurement of data security software. CDSS states that his investment will enable CDSS to maintain operational effectiveness, maintain timely compliance with evolving federal mandates, and continue delivering high-quality services. The requested resources include:

- **Finance and Accounting Division:** 1 Analyst III and 1 Senior Accounting Officer. These positions will support the analysis and fiscal reporting requirements resulting from numerous federal actions. Staff will organize, review, and analyze financial data to prepare federal financial reports.

- **Office of Legislation:** 1 Analyst II to oversee high-level planning, interagency coordination, and alignment of departmental positions with state priorities, while also serving as the primary liaison with executive leadership and external stakeholders. This critical role is essential for supporting research, tracking federal legislation and regulations, and drafting briefing materials and official correspondence.
- **Information Systems Division:** 2 Information Technology Specialists to support the analysis, oversight, and coordination of information security aspects of ongoing data inspections. These roles are critical to ensuring the integrity and security of CDSS's digital infrastructure in compliance with evolving federal mandates, safeguarding sensitive client information, and strengthening interagency data coordination.
- **Legal Division:** permanent position authority for 2 Attorneys, 1 Analyst III, and 1 Senior Legal Analyst. These positions will be responsible for analyzing and responding to new and rapidly evolving federal policies, executive orders, laws, and regulations. This includes fulfilling complex legal services requests from CalHHS Agency, the Governor's Office, and the AG's Office.
- **Data Protection Software:** \$600,000 in ongoing funding to procure data sharing protection software. This software protects enterprise data by automating security measures to prevent unauthorized access (infiltration) and data leaks (exfiltration). It continuously classifies sensitive data and monitors access and detects threats in real time. Such technology is standard among federal and state departments and has been used in the last year by civil servants within federal entities to monitor and flag the exfiltration of data for unauthorized purposes.

According to CDSS, these resources will provide swift and effective assistance to ensure the department avoids federal noncompliance findings, potential fiscal penalties, and negative impacts to the communities and families involved with CDSS programs. To advance these priorities, the various CDSS divisions will expand internal project management capacity and implement tools and systems to track progress, compliance, and accountability. Ultimately, this funding will result in improved federal engagement, stronger alignment with departmental priorities, and enhanced responsiveness to congressional and agency inquiries, safeguarding and advancing CDSS's interests at the federal level.

If approved, CDSS would immediately hire key staff to strengthen regulatory compliance, policy responsiveness, and interagency coordination in response to evolving federal requirements. CDSS would select a data platform for procurement in July 2026, and configure the data security platform in spring of 2027.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the proposal.

Issue 6: CalFresh Enhanced Monitoring

Budget Change Proposal – Governor’s Budget. CDSS requests \$4.81 million (\$3.3 million General Fund, \$1.5 million Federal Fund) in 2026-27 and \$4.7 million (\$3.45 million General Fund, \$1.26 million Federal Fund) in 2027-28 and ongoing. These resources would support 18 permanent positions and the equivalent of 3 positions for CDSS Family Engagement and Empowerment Division programs to support increased compliance monitoring and implementation of work requirements from the federal Administration.

Background. The recent change in federal Administration has resulted in programmatic changes to CalFresh; an unparalleled number of program, legal, and audit requests; and a significant increase in compliance monitoring that exceeds previous reviews in scope and complexity. Programmatic changes include:

- Increased federal monitoring and required corrective action across the CalFresh programs.
- Implementation of the Able-Bodied Adults Without Dependents (ABAWD) time limit due to the federal Administration’s rescission of long-standing ABAWD waivers.
- Mandated corrective action plans to address the timely processing of CalFresh applications and recertifications.

CDSS states that these changes will have a lasting impact on CDSS’ ability to effectively provide oversight and administer key programs. The risk is loss of federal funding, financial penalties, increased federal oversight, and widening disparities in service delivery.

H.R. 1 Implementation. CDSS and counties are responsible for implementing H.R. 1, which makes sweeping changes to CalFresh including an unprecedented expansion of work requirements that limit individuals who meet ABAWD criteria to three months of benefits in a three-year period. CDSS must prepare for full-scale implementation of the ABAWD time limit and conduct an additional 820 case reviews per year beginning October 1, 2026. Current staffing levels only support approximately 200 limited-scope reviews, and are insufficient to meet these increased demands, including corrective action plans, validation visits, and technical assistance to counties.

CalFresh Timeliness and Federal Sanctions. The federal Food and Nutrition Service (FNS) has intensified SNAP oversight and now threatens fiscal sanctions for noncompliance regarding Application Process Timeliness and Recertification Process Timeliness. FNS has communicated that fiscal sanctions will be imposed if “acceptable” timeliness performance rates (95 percent) are not met. As a result, CDSS faces significant risk of penalties due to underperformance and lacks adequate staff to support counties in meeting these standards. These federal fiscal sanctions are separate from the Payment Error Rate provision of H.R. 1, which introduces a new benefit cost sharing penalty which could amount to billions of dollars in federal cost shifts to the state.

Technical Assistance and Data Gaps. Existing technical assistance staffing at CDSS is inadequate to support 58 counties. Counties requesting support often wait 6-12 months due to backlogs. Additionally,

CDSS lacks the precision and support to accurately analyze and calculate Application Process Timeliness, Recertification Process Timeliness, and Payment Error Rate performance metrics to drive programmatic improvements.

Legal. CDSS faces a surge in legal workload due to federal actions targeting immigration, equity, and data privacy. For example, federal demands for CalFresh recipient data have required ongoing full-time legal support. Without additional legal resources, the CDSS risks litigation and further federal penalties.

| Workload History | | | | | | |
|---|--------|--------|--------|-------|-------|-------|
| Workload Measure | PY - 4 | PY - 3 | PY - 2 | PY-1 | PY | CY |
| ABAWD Limited Scope Case File Reviews | 0 | 210 | 210 | 210 | 210 | 210 |
| TA County Site Visits | ~12 | ~24 | ~66 | ~86 | ~97 | ~31 |
| TA Presentations, Trainings, Conferences, and Webinars | ~25 | ~50 | 80 | 110 | 164 | 107 |
| TA Facilitate County and Stakeholder Meetings | ~1680 | ~1422 | ~1300 | ~1248 | ~1248 | ~1248 |
| TA Track Statewide Timeliness | 696 | 696 | 696 | 696 | 696 | 696 |
| TA Prepare and Send Letters to Counties | 56 | 48 | 68 | 94 | 26 | 4 |
| TA Collect and Review County Tools and Resources | ~5 | ~8 | ~11 | 24 | 20 | 6 |
| TA County Inquiries/Questions | ~3120 | ~3120 | ~1248 | ~1248 | ~1248 | ~624 |
| TA Special projects, including County Operational Redesign Effort (CORE) | 1 | 2 | 2 | 3 | 4 | 3 |
| TA All County Letters (ACLs), All County Information Notices (ACINs), and Policy Interpretation (PI) Review | ~65 | ~80 | ~95 | ~110 | 138 | 91 |
| Workgroup Engagement | 0 | 0 | 0 | ~96 | ~96 | ~96 |
| Federally Required CalFresh Reports—prepare and submit | 19 | 19 | 19 | 19 | 19 | 19 |

Resource Request. The requested \$4.81 million (\$3.3 million General Fund, \$1.5 million Federal Fund) in 2026-27 and \$4.7 million (\$3.45 million General Fund, \$1.26 million Federal Fund) in 2027-28 and ongoing would support the following positions:

- **New ABAWD Review Unit:** 6 permanent positions in the CalFresh Operations Bureau to create a new ABAWD Review Unit. 1 Supervisor II will oversee the existing Los Angeles Review Unit and proposed new ABAWD Review Unit. This Supervisor will provide staff with the guidance needed to implement effective Management Evaluation review processes that align with federal requirements. 1 Supervisor I and 4 Analyst IIs will comprise the proposed ABAWD Review Unit. The Supervisor will provide oversight and leadership of the team, develop and implement Management Evaluation protocols, and support consistency and compliance with ABAWD policies and procedures. The 4 Analysts will be responsible for conducting Management Evaluations in the field and remotely. This includes 1,030 case reviews per year, staff interviews, lobby observations, and intake interview observations. After the on-site review has taken place, the reviewing team develops an extensive report to the county, and reviews and validates the submitted Corrective Action Plan with the county.
- **New County Technical Assistance and Corrective Action Bureau:** 9 positions in the CalFresh Operations Bureau to form the new County Technical Assistance and Corrective Action Bureau. These positions will expand the existing team's structure and capacity. 1 Manager II will provide strategic oversight and coordination for both county assistance and corrective action. 2 Supervisor IIs, 1 Supervisor I, 4 Analyst IIs, and 1 Analyst III will lead a newly established County Technical Assistance Section and Payment Error Rate Section dedicated to tracking performance and assisting underperforming counties. These sections will enhance technical assistance efforts through conducting increased site visits, webinars, in-person CalFresh County Operations Roundtables, and county-tailored support designed to address each county's unique operational challenges. CDSS states that the current County Technical Assistance Section remains relatively small (six managers) and lacks the staffing structure needed to meet the increasing demands of 58 counties.
- **Research, Automation, and Data Division:** 3 Research Data Specialists to produce real-time data analysis on Application Process Timeliness, Recertification Process Timeliness, and Payment Error Rate metrics to guide technical assistance to counties to improve performance, enhance compliance, and avoid fiscal penalties. This includes aligning the metrics used by the State and counties to the federal methodology and developing repeatable data analysis operations to analyze over six million records daily.
- **Legal Division:** 3 Attorney IVs to meet the ongoing demand for legal services related to CalFresh such as providing complex written legal opinions shared with the California Health and Human Services Agency (CalHHS), the Governor's Office, and the Attorney General's Office; representing CDSS in meetings with state and federal agencies; drafting, reviewing, and providing guidance regarding federal policy changes; and supporting high-volume, multi-state litigation efforts in collaboration with the Attorney General. These positions require deep expertise in federal and state laws, regulations, and guidance relevant to CalFresh programs, as well as related constitutional and privacy issues.

CDSS states that the ABAWD Review Unit will produce reports after the completion of each in-person Management Evaluation. The reports are also submitted to USDA for review and analysis. Completion of the Management Evaluations, the associated reports, and validation will support federal monitoring compliance and improved client outcomes. The proposed reclassification of the County Technical

Assistance Section to a Bureau, along with the addition of four new positions, will significantly strengthen CDSS’s capacity to proactively monitor county performance, implement timely interventions, and achieve sustained improvement in federally mandated SNAP performance measures. Accountability will be maintained through performance dashboards tracking key metrics, documentation, evaluation of technical assistance site visits, and training sessions. CDSS will track all corrective action plans to monitor performance.

Projected Outcomes

| Workload Measure | CY | BY | BY+1 | BY+2 | BY+3 | BY+4 |
|---|-----------|-----------|-------------|-------------|-------------|-------------|
| ABAWD Full Scope ME Case File Reviews | 210 | 1030 | 1030 | 1030 | 1030 | 1030 |
| TA County Site Visits | ~31 | 35 | 39 | 39 | 39 | 39 |
| TA Presentations, Trainings, Conferences and Webinars | 106 | 117 | 131 | 131 | 131 | 131 |
| TA Facilitate County and Stakeholder Meetings | ~1248 | 1410 | 1564 | 1564 | 1565 | 1565 |
| TA - Track Statewide Timeliness | 696 | 696 | 696 | 696 | 696 | 696 |
| TA - Prepare and Send CAP letters to counties | 4 | 2 | 1 | 0 | 0 | 0 |
| TA - Collect and Review County Tools and Resources | 6 | 8 | 8 | 8 | 8 | 8 |
| TA County Inquiries/Questions | ~624 | 640 | 780 | 780 | 780 | 780 |
| TA Special projects (including County Operational Redesign Effort / CORE) | 3 | 3 | 4 | 4 | 4 | 4 |
| TA All County Letters/All County Information Notices/PI Review | 91 | 91 | 91 | 91 | 91 | 91 |
| Workgroup Engagement | ~96 | 96 | 110 | 120 | 120 | 120 |
| Federally Required CalFresh Reports—prepare and submit | 19 | 19 | 19 | 19 | 19 | 19 |
| Periodic Data Quality Assurance (QA) and Quality Control (QC) reports | 60 | 60 | 60 | 60 | 60 | 60 |

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following.

1. Please provide an overview of this proposal.

Issue 7: Enterprise Data to Avoid Federal Fiscal Penalties

Budget Change Proposal – Governor’s Budget. CDSS requests \$2.67 million (\$1.9 million General Fund, \$774,000 Federal Fund) in 2026-27 and \$2.6 million (\$1.85 million General Fund, \$756,000 Federal Fund) in 2027-28 and ongoing for the equivalent of 11 positions to maintain the department’s administrative data within a secure, cloud-based data warehouse. The data warehouse will support the department’s ability to meet state and federal reporting requirements, avoid further fiscal penalties, and produce timely and policy-relevant data analysis.

Background. CDSS currently relies on decentralized systems for managing its data and meeting federal and state reporting requirements, including outdated technologies like IBM Mainframe, Excel, and Business Objects. The use of these outdated systems hampers the department’s ability to meet reporting requirements accurately. As a result, California has had to invest in costly workarounds to comply with federal reporting requirements, which has significantly limited the state's ability to leverage data to meet federal performance metrics—such as the SNAP Payment Error Rate and Application Process Timeliness—and avoid associated fiscal penalties. Simple statistics to measure policy impacts, such as understanding population-level impacts of H.R. 1, have traditionally taken over 20 hours of runtime for CDSS to produce.

Without the ability to process and analyze data from its source systems and securely share that data with counties and key stakeholders, CDSS risks paying millions of dollars in federal fiscal penalties starting in 2026. Reliance on outdated technologies and transmission of flat files also leaves CDSS vulnerable to unauthorized access or data breaches to personally identifiable information in the face of increasingly hostile external threats to data privacy.

To address these limitations, CDSS launched a modern data infrastructure initiative in 2023 aimed at linking data across programs, protecting privacy, improving analysis, and enabling data-driven policy decisions by implementing a cloud-platform data warehouse. The department refers to this internal infrastructure upgrade as the Enterprise Data Pipeline (EDP).

The 2021 Budget Act allocated an initial \$3 million investment the EDP’s foundational infrastructure, but it did not include any staffing resources. CDSS has already seen immediate returns on this investment through the automated ingestion and analysis of Electronic Benefit Transaction (EBT) activity data. This has allowed CDSS’ Research, Automation, and Data Division to provide transparency into the rise of EBT skimming theft of cash and food benefits, identify likely retailers with skimming devices, and determine the effectiveness of PIN reset interventions to deter theft. To date, these efforts have already generated over \$13 million in reduced theft.

Maintaining these initial investments, as well as creating and maintaining data management, analysis, and reporting with the EDP requires critical staff to plan, configure and maintain the infrastructure, add new data sources, uphold data governance, maintain its security posture, and make continual improvements. Without the requested resources, CDSS will be forced to halt the PIN reset campaign and other EBT theft prevention efforts that rely on the EDP, resulting in a loss of nearly \$1 million in monthly savings.

CDSS states that this proposal is an essential input to efforts that will help unlock:

- Upwards of \$1.5 billion in avoidance of federal fiscal penalties associated with the SNAP Payment Error Rate
- \$18 million in cost savings through the automation of county manual data entry for required federal reporting for the Temporary Assistance for Needy Families (TANF) program
- Approximately \$524.8 million annually in the avoidance of penalties related to inaccurate reporting on multiple federal reports for TANF program, including work participation for adults who leave TANF
- Avoidance of impending fiscal penalties associated with the Application Processing Timeliness rate for SNAP
- 240 times faster policy-relevant and timely analysis of the impact of changes to state and federal policy
- Delivery of federal reporting from the new Child Welfare Services - California Automated Response and Engagement System for child welfare and Title IV-E funding
- Regular data matches between different administrative data sources to improve access, service delivery, quality of care, and positively impact the populations served by CDSS.

The above projects alone require over 6 terabytes of data to be processed, cleaned, stored, and analyzed daily. To date, CDSS has lacked the computational power, storage space, or technical resources required to ingest, store, and analyze the sheer volume of daily case management data and benefit transactions data for programs such as SNAP and TANF, which serve over 6 million Californians.

Resource Request. The 11 requested positions will maintain the EDP and onboard and collate the data necessary for reporting requirements. The funding will guarantee that CDSS has computational power, cloud storage, and the analytical environment needed to support large volumes of data to meet each reporting requirement. The resources requested will allow CDSS to achieve the following:

- *Reduce duplicative data entry:* Until the EDP, CDSS was unable to ingest the volume of data necessary to meet certain federal reporting requirements. As a result, the state has relied on costly workarounds via duplicative, manual data collection and entry to meet requirements, costing the state \$18 million annually. To fully realize such cost savings on a permanent basis, resources will support the architecture and management of a permanent environment that can process daily changes to CDSS programs (including SNAP, TANF, Title IV-E programs, housing and homelessness programs, adult protective services programs, childcare, etc.) and push that data into regular federal reports.
- *Improve accuracy:* Variation in data quality, which contributes to the SNAP Payment Error Rate, arises with a reliance on verbal interviews and manual checks of data. Resources will support an environment that can ingest large volumes of data, auto-populate portions of the SNAP Quality

Control to reduce data entry and human error, and provide counties with relevant, actionable insights for data-driven continuous quality improvement that can inform changes to county processes and reductions in error rates.

- *Improve performance:* CDSS lacks the computational power and environment to process the SNAP application data required to measure application process timeliness; resulting in dependence on aggregate data from counties. As a result, estimates produced by the state are inaccurate by over 20 percentage points relative to the federal estimates. The EDP will provide precise, real-time data to guide technical assistance to counties to improve performance and avoid penalties.
- *Inform policy conversations timely:* The requested resources will vastly increase the speed by which data can be processed and analyzed by CDSS. To date, CDSS has not directly utilized its own source data systems, such as data from its case management systems, to run simple analyses required for federal reporting. For example, CDSS has traditionally taken over 20 hours of runtime to produce simple analyses. Today, in the EDP, CDSS can complete routine analysis that previously took over 20 hours to process in only five minutes. This represents a reduction in runtime of over 99 percent; allowing CDSS to run analyses 240 times faster.

This proposal requests ongoing funding equivalent to 11 positions for system support:

- **Information Services Division:** 7 positions.
 - 1 Information Technology Manager to organize, plan, and manage the EDP and subsequent enhancements.
 - 1 Information Technology Specialist Business Analyst to oversee the technical documentation of business requirements.
 - 1 Information Technology Manager to oversee the data engineering technical team.
 - 1 Information Technology Specialist Data Architect to oversee the overall EDP architecture and design.
 - 3 Information Technology Specialist I Data Engineers to manage data ingestion, modeling, mapping, transformation, optimization, and operations.
- **Research, Automation, and Data Division:** 4 positions.
 - 1 Research Data Manager to lead the analytics team that will be responsible for using data stored in the EDP to make sure CDSS can use data to drive improvements to performance where required, provide accurate and timely reporting, and avoid further fiscal penalties.
 - 2 Research Data Specialist III subject matter experts to partner with the data architect, develop business requirements, test new pipelines, create new processes and procedures for researchers to access data in the data warehouse, train new staff on the solution, and provide technical assistance in the conversion of isolated code to the new pipeline.
 - 1 Research Data Specialist II to oversee the maintenance and operations of existing data pipelines, perform data validation and quality checks, consult with policy makers as a data steward subject matter expert on existing pipelines, and facilitate the creation of downstream tables and reports.

Table 1: The Role of the EDP in Curtailing Anticipated Federal Penalties and Realizing Cost Savings

| Reporting requirement | Associated Penalty or Cost Savings | Code of Federal Regulations | Status quo | Issue that EDP solves |
|---|---|--|--|--|
| SNAP Payment Error Rate | Upwards of \$1.5 billion annual penalty | Title 7 / Subtitle B / Chapter II / Subchapter C / Part 275 / Subpart G / Section 275.23 | CDSS relies on antiquated sampling techniques that lead to fluctuations in county workload throughout the year, unnecessary manual data entry of all quality control data, and increased data quality error. Manual data transfer processes, along with some processes in COBOL that are difficult to change or fix. | Resources can build an environment that automates the sample and pre-populates portions of the quality control, thereby reducing human error in data collection that contributes to a higher error rate, especially regarding income, and allows for more predictable county workload. |
| SNAP Application Processing Timeliness (APT) | Unknown penalty amount associated with poor performance | Title 7 / Subtitle B / Chapter II / Subchapter C / Part 273 / Subpart A / Section 273.2 | CDSS lacks computational power or environment to process required case management data; resulting in dependence on aggregate data from counties with estimates produced by the state that can be off by as much as 20 percentage points. | Resources to extract, transform, and load 6 million records daily and produce an accurate APT metric. Provides resources to generate precise, real-time data on the above metrics to guide technical assistance to counties and performance monitoring for data-driven continuous quality improvement. |
| ACF 199 and ACF-209 | \$18 million in cost savings per Title 45 § 265.8 | Title 45 / Subtitle B / Chapter II / Part 265 / Section 265.8 | County workers manually enter data that already exists within the case management system. Duplicative data entry translates into roughly \$18 million in costs annually. | Resources to create a data environment that can ingest, transform, and load the volume of data necessary for accurate reporting. Resources will maintain an environment that will automate the population of reports. Reduces double-data entry and human error by repurposing administrative data. |
| Fiscal Responsibility Act TANF Exit | \$524.8 million penalty annually | Title 45 / Subtitle B / Chapter II / Part 262 / Section 262.1 - Details the penalty for each quarter a State fails to submit an accurate, complete and timely required report. | CDSS manually generates data from a derived data source and manually uploads data on a quarterly basis to a federal portal. | Resources to automate the production of these reports from source data, the transformation of the data, and the transmittal of data. |

CDSS states that the EDP will support data reporting and analysis for the CalWORKs program, CalFresh program, child welfare services, housing and homelessness programs, child care, adult protective services, immigration services, refugee programs, and many other CDSS programs. All CDSS programs are

estimated to have data within the EDP by 2027, leading to better data insights and improved performance for CDSS-managed programs. Improved data infrastructure for these programs will result in the ability to better access and analyze program data and provide secure, self-service data delivery to policy staff in the form of automated reports, dashboards, and a comprehensive data catalog. Improving data management and governance will consolidate and make transparent the legal authority, data sharing agreement provisions, and other statutes that relate to or govern the use of specific data sets.

The EDP will allow CDSS to modernize legacy IBM mainframe batch data processes to automated, customizable, and secure data warehouse connections, which will improve the current data match requests between CDSS and Department of Health Care Services for CDSS Eligibility Data, and Employment Development Department Base Wage Earnings. The EDP will also allow for regularly scheduled, automated data pushes to the Agency Data Hub to support efforts like Early Childhood Integrated Data System (ECIDS), the All-Hazards Dashboard, the Equity Dashboard, and other CalHHS data projects.

According to CDSS, the EDP is the foundation for all future internal data infrastructure and analytics efforts at CDSS. It streamlines data management, reduces duplication, and lowers development and maintenance costs for future projects. Investing in permanent support for the EDP will solidify the role of data-driven decision-making and safeguard the systems that protect and serve millions of Californians. The requested resources will optimize CDSS' ability to:

- Meet federal reporting requirements
- Improve outcomes on federal performance metrics
- Maintain data security and governance, ensuring privacy of confidential data
- Design and update analytical tools and datasets
- Provide timely and accurate responses to external data requests
- Generate cost savings by automating what are currently manual data entry tasks
- Support policy development through data insights
- Detect and prevent costly issues, such as EBT theft

Projected Outcomes

| Workload Measure | CY | BY | BY+1 | BY+2 | BY+3 | BY+4 |
|--|-----------|-----------|-------------|-------------|-------------|-------------|
| Data source use cases (which have an initial implementation workload and then an ongoing maintenance and operations workload). | 5 | 7 | 11 | 15 | 19 | 23 |
| Data Analysis Projects and Dashboards | 3 | 5 | 9 | 15 | 22 | 30 |
| Automated Federal Reports | 0 | 2 | 4 | 6 | 8 | 10 |
| Fiscal Penalties Avoided (in millions of dollars) | 0 | \$3,070 | \$3,070 | \$3,070 | \$3,070 | \$3,070 |
| Fiscal Cost Savings (in millions of dollars) | 0 | \$18 | \$1,335 | \$1,335 | \$1,335 | \$1,335 |

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of this proposal.

Issue 8: CalFresh Higher Education (AB 79)

Budget Change Proposal – Governor’s Budget. CDSS requests \$219,000 (\$161,000 General Fund) in 2026-27 and \$213,000 (\$156,000 General Fund) in 2027-28 and ongoing for 1 permanent position to implement AB 79 (Arambula), Chapter 607, Statutes of 2025, which requires CDSS to facilitate trainings for higher education institutions on topics such as CalFresh eligibility.

Background. AB 79 require CDSS to develop and facilitate trainings to be delivered at higher education campuses on topics including: Local Programs that Increase Employability (LPIE); CalFresh policy including the CalFresh Student Eligibility Handbook; and other college student related training including information pertaining to eligibility criteria for public social services.

CDSS must also convene a quarterly workgroup to share best practices, address challenges, and identify statewide issues. Additionally, on or before May 1, 2027, and every three years thereafter, CDSS, in collaboration with the workgroup, must submit a report to the Legislature with findings and recommendations relating to enrollment success trends, best practices, and services offered by CDSS that may be available to students.

Resource Request. CDSS requests 1 Analyst III to support the timely and successful implementation of the requirements listed in AB 79. The Analyst III will coordinate and facilitate all efforts related to the quarterly workgroup meetings.

The expected outcomes and program/policy implications from the AB 79 work include increased CalFresh participation among students of the identified higher public education institutions and reduced food insecurity on college campuses.

| Workload Measure | CY | BY | BY+1 | BY+2 | BY+3 | BY+4 |
|---|-----|-----|------|------|------|------|
| Facilitate Stakeholder Meetings | N/A | 2 | 4 | 4 | 4 | 4 |
| Develop and facilitate Trainings | N/A | 2 | 3 | 4 | 4 | 4 |
| Legislative Report | N/A | 1 | N/A | N/A | 1 | N/A |
| Provide Technical Assistance to County Liaisons, Higher Ed Segments, Stakeholders, etc. | N/A | 600 | 600 | 600 | 600 | 600 |

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of this proposal.
2. Please provide an update on the department’s efforts to improve CalFresh access among eligible college students.

Issue 9: CalFresh Disaster SNAP Utilities (AB 777)

Budget Change Proposal – Governor’s Budget. CDSS requests \$248,000 (\$168,000 General Fund) in 2026-27 and \$242,000 (\$179,000 General Fund) in 2027-28 and ongoing for 1 position. This position will analyze and report aggregate data for Disaster Supplemental Nutrition Assistance Program (D-SNAP) to support timely, automated mass benefit replacements in response to a declared disaster and maximize all available food assistance during declared disasters as required by AB 777 (Celeste Rodriguez), Chapter 709, Statutes of 2025.

Background. Existing law requires CDSS to request and operate D-SNAP for regions affected by major disasters. AB 777 clarifies the process and timeframe through which data is received from electrical corporations and local publicly owned electric utilities for purposes of D-SNAP. AB 777 requires CDSS to maximize the amount of federal assistance received through D-SNAP and other federally funded nutrition programs. This includes using available utility data to support timely, automated mass replacement of specified benefits following a disaster.

CDSS will need to prepare and collect utility data to match with internal administrative data to identify impacted households and monthly benefit amounts for those living within disaster-impacted zip codes. CDSS must then aggregate this data and request disaster funding shortly after a disaster declaration. CDSS will also need to submit a report to the Legislature on or before December 31, 2026 related to maximizing food assistance in response to declared disasters.

Resource Request. CDSS requests ongoing funding equivalent to one 1 Research Data Specialist III position for the Research, Automation, and Data Division to analyze and report data in support of the request to operate D-SNAP in regions affected by major disaster. The requested funding will provide data science expertise to build code routines to link data across utility-provided data and social services data for the purpose of identifying disaster-impacted CalFresh recipients and calculating funds needed to mass-replace lost benefits.

This funding will also support the development of data sharing agreements with utility companies that opt to execute them for the timely transfer of aggregate zip code data.

CDSS states that with the expected increase in utility-provided data, this work is not absorbable within existing CDSS positions.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following.

1. Please provide an overview of this proposal.

Issue 10: Disaster CalFresh and Waiver Requirements

Trailer Bill Language – Governor’s Budget. The Governor’s Budget proposes trailer bill language updating requirements regarding CDSS’s responsibility to request D-SNAP from the federal government as part of emergency response.

Background. D-SNAP (known as Disaster CalFresh in California) provides supplemental food benefits to CalFresh households and temporary food benefits to disaster victims who were not eligible for regular CalFresh benefits at the time of the disaster.

In accordance with the Food Stamp Act of 1977 and the Disaster Relief Act, the United States Department of Agriculture, Food and Nutrition Service (FNS) may authorize emergency assistance and establish temporary eligibility standards for the duration of the disaster to affected households when there is a Presidential Major Disaster Declaration with Individual Assistance. A disaster, as defined under this program, results in conditions that are severe enough to have disrupted commercial channels of food distribution and have affected a sufficient number of households that the regular CalFresh program cannot meet their temporary food needs. Based on prior Disaster CalFresh operations, an Individual Assistance declaration typically occurs three weeks after the initial date of the disaster.

Under the provisions of AB 607 (Gloria), Chapter 501, Statutes of 2017, all impacted areas (such as counties) included in the Presidential Major Disaster Declaration with Individual Assistance are required to be included in CDSS’s federal request to operate D-SNAP, regardless of the unique impacts of the disaster. This D-SNAP request must include an Automated Mass Replacement Waiver and a Hot Foods Waiver request for eligible households in the declared area.

Since the enactment of AB 607 in 2017, CDSS requested and was approved to implement 11 Disaster CalFresh operations in 42 counties. In 2023, there was an operation which included 14 counties. During this operation, 6 of the 14 counties had fewer than 10 households approved for Disaster CalFresh. A second operation included 13 counties; 8 of the 13 counties had fewer than 10 households approved. While submitting a request to operate D-SNAP was mandated, it was later determined that a D-SNAP operation may not have been warranted and that state and county resources were not effectively utilized in making the request.

When CDSS develops an Emergency Response Waiver request, FNS requires CDSS to include a compelling justification regarding the cause and extent of the customer impact, including any barriers customers experienced that prevent them from requesting individual replacement benefits within 10 days from food loss, and how the county informs customers about the availability of individual benefit replacements within the prescribed 10-day timeframe.

FNS recently denied California’s request for an Automated Mass Replacement Waiver, citing the impacted households had already been provided with an adequate opportunity to request replacement benefits under existing federal requirements, and the state’s request would not result in a more effective and efficient administration of SNAP. CDSS anticipates that FNS may deny future federal waivers without the specific justification that a particular waiver is part of an appropriate response.

Proposed Trailer Bill Language. The proposed trailer bill language requires CDSS and the county human services agency to collaborate to assess the appropriate disaster response, including whether to request to operate D-SNAP for the regions affected by the disaster and other related federal waivers. The proposed trailer bill further outlines the factors the department shall consider in making this determination, which include:

- The extent and severity of the disaster.
- The size and location of the impacted population.
- The amount of and duration of any power outages.
- The number of homes and infrastructure damaged or destroyed.
- The length of time between the start of the disaster and the issuance of a presidential major disaster declaration for individual assistance.

CDSS states that updating these requirements will allow CDSS and impacted counties to analyze available data to assess the impact and severity of the disaster on households in the county to determine the appropriate disaster response option. This includes if requesting D-SNAP and emergency response waivers will be beneficial to recovery efforts. CDSS will have the final determination as to whether requesting a D-SNAP or other emergency response waivers is appropriate. CDSS further notes that given the federal reimbursement for CalFresh administrative expenses will be reduced from 50 percent to 25 percent beginning October 1, 2026, CDSS seeks to increase the effective use of state and federal resources.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of this proposal.
2. Could the new process outlined in this trailer bill for determining whether to request Disaster CalFresh negatively impact access to Disaster CalFresh, in terms of extending the process to request federal Disaster CalFresh? Could this lead to Disaster CalFresh not being requested or received in certain cases?

Issue 11: Consecutive Recovery of CalFresh and CFAP Over issuances

Trailer Bill Language – Governor’s Budget. The Governor’s Budget proposes trailer bill language to establish consecutive benefit reduction for CalFresh and the California Food Assistance Program (CFAP) overissuance claims that were caused by the same error or program violation. The consecutive recovery of claims would only apply to ongoing households containing both CalFresh and CFAP members. Under consecutive recovery, collection via benefit reduction will first be applied to the CalFresh claim. Once resolved, collection via benefit reduction will be applied to the CFAP claim. The consecutive benefit reduction will become operative effective October 1, 2027. This proposal is not contingent on CFAP Expansion.

Background. Existing state law requires overissuance claims for CalFresh to be reduced in accordance with Welfare and Institutions Code section 18927. Currently, CalFresh and CFAP overissuance claims are combined into a single claim, with no practical distinction between programs. There are three types of overissuance claims:

- Intentional Program Violation
- Inadvertent Household Error
- Administrative Errors (AE) claims

Repayment methods include a lump sum payment, or allotment reduction or installment according to a ratio that depends on the type of over issuance. (For example, 10 percent of the household allotment or \$10, whichever is greater).

Beginning October 1, 2027, CFAP benefits will be issued separately from CalFresh and no longer be linked to the federal bank account. At that time, overissuances for CalFresh and CFAP will be established and collected separately due to differing state and federal funding sources. Therefore, when an ongoing household containing both CalFresh and CFAP members incurs an overissuance, an over issuance claim will be established for each program and all adult household members will be responsible for repayment.

Under current rules, households receiving both CalFresh and CFAP benefits could face double reductions in their monthly benefits—\$40 for intentional program violations or \$20 for inadvertent household or agency errors. This would result in lower monthly benefits compared to similarly situated households receiving only CalFresh or only CFAP.

Proposed Trailer Bill Language. The proposed trailer bill language would establish a consecutive process for repayment of CalFresh and CFAP overissuance claims that were caused by the same error for households that contain both CFAP and CalFresh members. Under consecutive recovery, collection via benefit reduction will first be applied to the CalFresh claim. Once resolved, collection via benefit reduction will be applied to the CFAP claim until full repayments are made or adjusted for both programs.

Without this change, households which receive only CalFresh or only CFAP would be subject to at most \$20 for IPV and \$10 for over issuance claims while households that receive both CalFresh and CFAP would receive double those reductions. To ensure equity for households that receive both CalFresh and CFAP with those which receive only CalFresh or only CFAP, CDSS is proposing a change to allow

repayments to be collected one after the other, rather than at the same time. This would limit the reduction to \$20 or \$10 per month for households with members receiving both benefit types.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of this proposal.

Issue 12: CalWORKs Overview

CalWORKs. California Work Opportunities and Responsibilities to Kids (CalWORKs), the state’s version of the federal Temporary Assistance for Needy Families (TANF) program, is the state’s primary anti-poverty program for families with children. CalWORKs provides cash assistance and job services, known as welfare-to-work, to eligible low-income families with children. CalWORKs is funded through a combination of the federal TANF block grant (\$3.7 billion annually), the state General Fund, realignment funds, and other county funds. The program is administered locally by counties and overseen by CDSS. CalWORKs was created in 1997 in response to the 1996 federal welfare reform legislation that created the TANF program.

To qualify for CalWORKs, a family generally must earn less than about 80 percent of the federal poverty level (about \$21,000 per year for a family of three in 2025) and have limited assets. The foundational elements of the CalWORKs program are cash aid and employment services. Participation in “welfare-to-work” activities (such as employment, job training, and education) are a condition of receiving aid, and parents who do not meet work requirements (generally 20-35 hours per week) may be “sanctioned” – meaning their monthly cash aid is reduced. State law provides for a cumulative 60-month lifetime limit on cash aid for adults. California provides a safety net program for children of adults who exhaust the 60-month time limit. The children may continue to receive cash aid, if otherwise eligible, up to the age of 18.

CalWORKs offers an array of supportive services. These include: child care, family stabilization, subsidized employment, home visiting, mental health and substance use disorder programs, and two housing programs, Homeless Assistance and the Housing Support Program, which offer temporary and permanent housing assistance.

Governor’s Budget – CalWORKs. The Governor’s revised 2025-26 budget includes \$6.4 billion (\$820.2 million General Fund) for CalWORKs, which reflects a net decrease of \$16.8 million (decrease of \$193.6 million General Fund) from the Budget Act of 2025. The net decrease reflects lower CalWORKs assistance expenditures due to slower caseload growth than previously projected. The decrease in General Fund is due to available federal TANF carry forward funds.

The Governor’s proposed 2026-27 budget includes \$6.5 billion (\$1.2 billion General Fund), a net increase of \$71.5 million (\$169 million General Fund) from the Budget Act of 2025. The increase reflects higher Employment Services expenditures due to higher projected caseload and full funding restoration for CalWORKs Home Visiting and Mental Health and Substance Use Services (the 2024 Budget Act included multiyear limited-term reductions to those programs).

The Governor’s proposed budget projects minor growth in caseload and services costs in 2026-27. Costs for cash assistance are projected to increase by \$40 million (1 percent) in 2026-27, which reflects a very slight projected caseload increase. Similarly, costs for employment services and Stage 1 child care are projected to increase by \$26 million (2 percent) and \$15 million (2 percent), respectively.²⁹

²⁹ Legislative Analyst’s Office (2026 February 18). “The 2026-27 Budget: CalWORKs.” [The 2026-27 Budget: CalWORKs](#)

CalWORKs Budget Summary

All Funds (Dollars in Millions)

| | 2025-26 | 2026-27 Proposed | Change From 2025-26 to 2026-27 Proposed | |
|--|------------------|---------------------|---|--------------|
| | | | Amount | Percent |
| Number of CalWORKs Cases | 356,744 | 360,137 | 3,393 | 1% |
| Cash Grants | \$4,270 | \$4,310 | \$40 | 1% |
| Single Allocation | | | | |
| Employment services | \$1,193 | \$1,220 | \$26 | 2% |
| Cal-Learn case management | 11 | 11 | — | 1 |
| Eligibility determination and administration | 453 | 453 | — | — |
| Subtotals | (\$1,657) | (\$1,683) | (\$26) | (2%) |
| Stage 1 Child Care | \$615 | \$630 | \$15 | 2% |
| Other Allocations | | | | |
| Home Visiting Program | \$94 | \$120 | \$26 | 28% |
| Housing Support Program | 95 | 95 | — | — |
| Expanded Subsidized Employment | 134 | 134 | — | — |
| Family Stabilization | 66 | 67 | 1 | 1 |
| Mental Health and Substance Abuse Services | 104 | 130 | 26 | 25 |
| Subtotals | (\$493) | (\$546) | (\$53) | (11%) |
| Other^a | \$52 | \$23 | -\$30 | -57% |
| Totals | \$7,087 | \$7,192 | \$104 | 1% |

^aPrimarily includes various state-level contracts.

Source: Legislative Analyst’s Office (LAO). Note that the LAO summary includes higher program totals for CalWORKs due to the inclusion of CalWORKs Stage One Child Care and CalWORKs Housing Support Program, which are reflected in other areas of the CDSS budget (child care and housing programs, respectively).

Restoration of Full Funding for CalWORKs Home Visiting and Mental Health. The Governor’s proposed 2026-27 Budget restores funding for the CalWORKs Home Visiting Program by \$26 million and restores funding for CalWORKs Mental Health and Substance Use Disorder Services by \$26 million. This reflects the expiration of limited-term reductions in the 2024 Budget Act.

TANF carry forward. The primary funding source for CalWORKs is the federal TANF block grant of \$3.7 billion per year. Most TANF block grant funds directly support CalWORKs, with some block grant funds diverted to student aid for low-income college students and other human services programs.

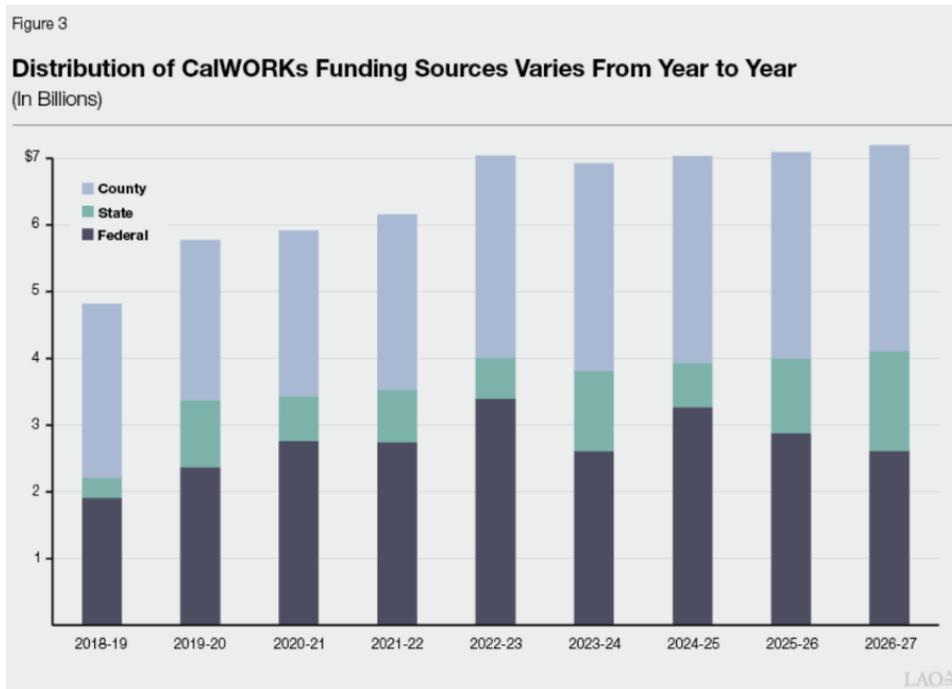
In order to receive the annual TANF block grant, states must meet a Maintenance of Effort (MOE) requirement, meaning states must maintain a certain level of state and local funding for CalWORKs eligible families. California’s MOE requirement is \$2.9 billion annually, which can be spent directly on CalWORKs or other programs that meet federal requirements.

States are permitted to carry over unspent funds from the TANF block grant into future years, known as TANF carry forward.

According to the LAO, General Fund spending on CalWORKs is down in 2025-26 largely due to unspent TANF funds. This decrease of \$194 million (15 percent) compared to the 2025 Budget Act is primarily because the Governor’s Budget uses unspent prior-year TANF funds that were not accounted for at budget enactment to replace General Fund Spending.³⁰ The Governor’s budget proposes \$1.5 billion from the General Fund for CalWORKs in 2026-27, a year-over-year increase of \$368 million (33 percent). The LAO notes that this increase is primarily because the Governor’s budget assumes there will be no remaining unspent TANF funds in 2026-27 to offset General Fund costs as is the case in 2025-26.

The LAO notes that from 2020-2023, spending plans significantly overestimated CalWORKs caseload and caseload-related costs (largely due to challenges predicting caseload during the COVID-19 pandemic). This resulted in hundreds of millions of unspent TANF funds in those years, which were available to carry forward and offset General Fund in recent years. The LAO notes that most TANF carry forward funds were used to offset General Fund in 2022-23 (about \$767 million), meaning federal funds made up a larger portion of CalWORKs total funds in 2022-23 than in years prior. LAO notes that this is a technical issue that does not indicate changes in CalWORKs policy.

According to the LAO, “With \$270 million in unspent TANF identified for 2025-26, the level of carried-over funding is decreasing. As already noted, the Governor’s budget projects no unspent TANF available in 2026-27. Given the long history of technical adjustments in the CalWORKs budget, it is possible that there will be additional unspent TANF identified for 2026-27. However, the amount of such carry-in funding is uncertain. We do not recommend any adjustments to the proposed budget related to unspent TANF funds at this time.”³¹



Source: Legislative Analyst’s Office

³⁰ Legislative Analyst’s Office

³¹ Legislative Analyst’s Office

CalWORKs caseload. The Governor’s proposed budget estimates the CalWORKs caseload to be 360,137 families in 2026-27, compared to 356,744 families in the revised 2025-26 budget.

The average CalWORKs family contains two children. About 90 percent of all CalWORKs head of households are women, approximately 58 percent identify as Hispanic, 19 percent identify as White, and 18 percent identify as Black. Approximately 56 percent of parents entering CalWORKs have no high school diploma. Program data shows an alarmingly high rate of homelessness among CalWORKs families (approximately 15 percent of the CalWORKs caseload requested homelessness assistance at some point in 2024-25).

Governor’s Budget Holds CalWORKs grants flat. CalWORKs grants vary based on region, number of eligible family members, and income. Generally grants increase as family size increases and decrease as family income increases.

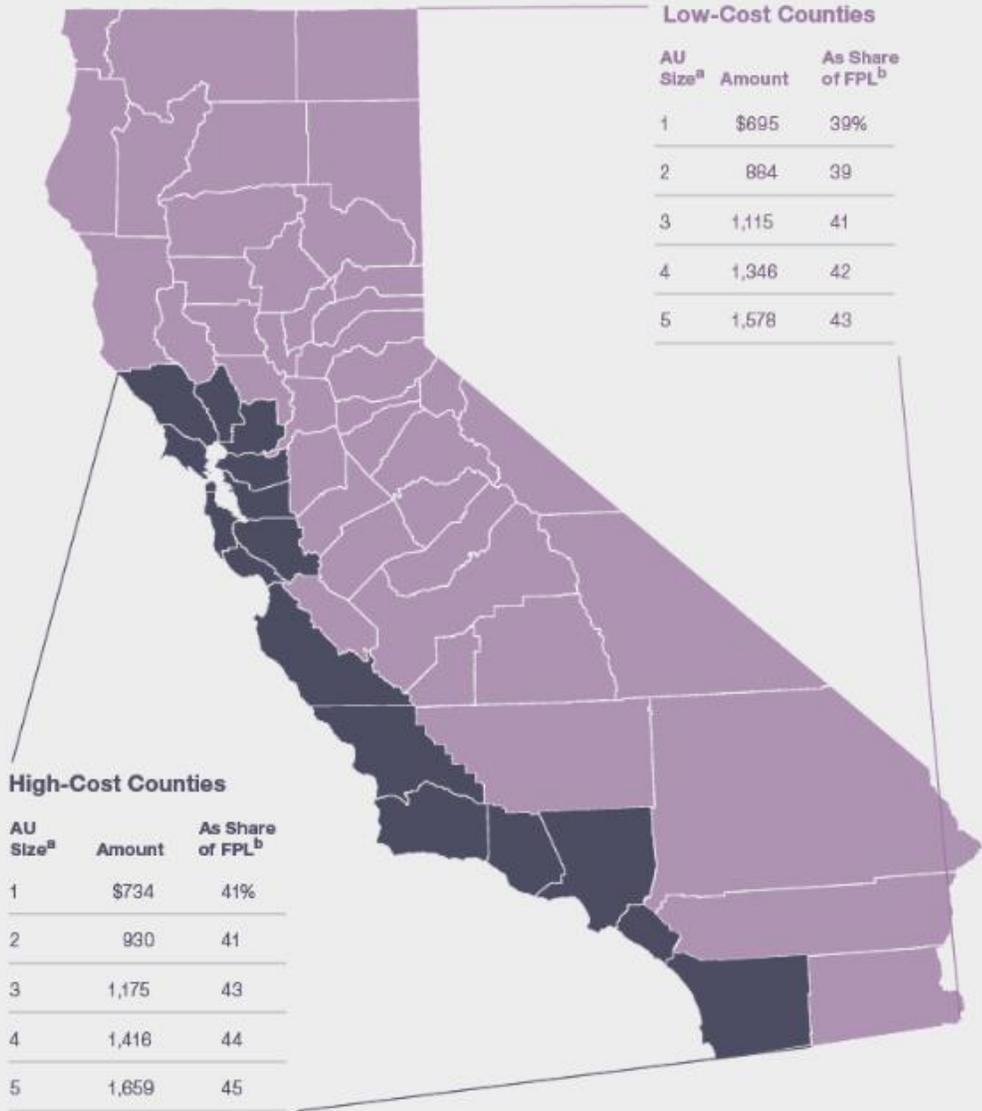
As part of 1991 realignment, some local revenue growth accrues to the Child Poverty and Family Supplemental Support Subaccount, which automatically triggers CalWORKs grant increases when the Subaccount experiences sufficient growth. The Governor’s Budget does not propose any additional grant increase from realignment funds in 2026. The Governor’s Budget projects an average monthly CalWORKs grant (across all regions and household sizes) of \$992 in 2026-27.

Majority of CalWORKs families live in deep poverty. A 2023 analysis found that only about 40 percent of the CalWORKs caseload includes the full family size in the “assistance unit” (AU), the number of CalWORKs-eligible people in the household. Family members may be excluded from the AU for several reasons, most commonly, because they exceeded the 60-month lifetime limit on aid for adults; are sanctioned for not meeting program requirements; receive federal disability benefits (SSI/SSP), or due to their immigration status. When a family member is excluded from the AU, this means the grant the family receives is for a family one person smaller than their actual family size.

Because about 60 percent of the CalWORKs caseload does not include the full family size in the AU, the Legislature set a goal in the 2018 Budget Act to increase CalWORKs grants to 50 percent of the federal poverty level for a family that is one person larger than the AU size (to account for CalWORKs households in which the actual family size is larger than the CalWORKs AU). Fifty percent of the federal poverty level is used as a measure of deep poverty. Despite significant grant increases in recent years, including a 10 percent grant increase which was made permanent in the 2023 Budget Act, current grant levels still leave most CalWORKs families living in deep poverty, as shown in the LAO figure below. This chart measures CalWORKs grants against the poverty level for a family that is one person larger than the AU size. Across regions and family size, grants range from 39 to 45 percent of the federal poverty level.

The federal poverty level is adjusted each year for inflation. Because grant levels are unchanged from the 2025 Budget Act and the Governor’s Budget does not propose a grant increase in 2026-27, CalWORKs grants fall farther away from 50 percent of the federal poverty level relative to 2025-26.

CalWORKs Grants Unchanged in Governor’s Budget



^a Assistance unit size is the number of family members who are eligible for CalWORKs.

^b Share of 2026 federal poverty guideline for a family size that is one person larger than the AU size.
 AU = assistance unit and FPL = federal poverty level.

Note: Grant amounts are for non-exempt households. Non-exempt households are generally those that do not include adult(s) receiving Supplemental Security income, In-Home Supportive Services, or other disability benefits.

LAO

Source: Legislative Analyst’s Office.

CalWORKs county administration. Funding for county administration of the CalWORKs program is provided via the CalWORKs single allocation, which is a combination of federal TANF funds and state

General Fund. The single allocation combines funding for eligibility administration, employment services, and Cal-Learn county functions into one allocation that may be used interchangeably. Cal-Learn provides case management to pregnant and parenting teens participating in CalWORKs. The majority of single allocation funding is dedicated for eligibility administration (processing applications and other program administration functions) and employment services, with Cal-Learn making up a small portion. Funding for all three components of the single allocation are interchangeable, meaning counties can shift funds across components.

Total single allocation funding for 2025-26 and 2026-27 is \$1.7 billion in the Governor's Budget. This reflects an increase of \$44.8 million total funds in 2025-26 and \$70.7 million total funds in 2026-27 compared to the Budget Act of 2025. These increases are primarily due to faster caseload growth in Employment Services than previously projected for 2025-26 and a higher projected Employment Services caseload for 2026-27.

2024 Budget Act Reductions. The 2024 Budget Act made several reductions to CalWORKs programs to address a 2024-25 budget problem. The cuts, described below, were intended to temporarily align funding to recent actual expenditures and to avoid adverse impacts to families in the programs.

- **CalWORKs Home Visiting.** Reduction of up to \$30 million General Fund in 2023-24, \$25 million General Fund in 2024-25, and \$25 million General Fund in 2025-26. The Governor's Budget restores Home Visiting to \$122 million in 2026-27.
- **CalWORKs Subsidized Employment.** Reduction of up to \$30 million General Fund in 2023-24 and \$37 million General Fund in 2024-25, to align funds to approximate 2022-23 spending. Program funding returned to the baseline level in 2025-26 and is funded at \$134 million in the governor's 2026-27 budget.
- **CalWORKs Mental Health and Substance Use Disorder Services.** Reduction of \$30 million General Fund in 2023-24, \$37 million General Fund in 2024-25, and \$26 million General Fund in 2025-26. The Governor's Budget restores program funding to the \$130 million baseline in 2026-27.

Recent spending data indicates that the CalWORKs Home Visiting Program was over 96 percent spent in 2024-25, pending final closeout adjustments. Local programs reported negative impacts from the 2024 reductions to Home Visiting programs, such as growing waitlists for services, reduction in staff and services, and needing to refer families to other programs not funded by CDSS. As the Home Visiting Program is restored to \$122 million in 2026-27, there is likely sufficient program demand to expend the full restored Home Visiting Program allocation.

The CalWORKs Subsidized Employment program spent over 99 percent of the reduced allocation in 2024-25, pending final closeout. Full funding of \$134 million was restored in 2025-26, and while it is likely too early to determine if the allocation will be fully spent at the end of 2025-26, CDSS notes that the number of program participants is increasing and expects a commensurate increase in program expenditures. Some counties, such as Amador and Mono, have launched new programs as a result of the restored funding.

The CalWORKs Mental Health/Substance Use Disorder Services program spent about 85 percent of the reduced allocation in 2024-25, pending final closeout. Given this trend it is unlikely that the fully restored \$130 million allocation will be fully spent in 2026-27.

2025 Budget Act: Transforming CalWORKs. The 2025 Budget Act included an increase of \$1.5 million total funds in one-time automation costs and decrease of \$18.2 million total funds in ongoing savings to streamline the CalWORKs program experience by implementing a set of policy changes that are consistent with family-centered approaches to CalWORKs. The \$18.2 million in savings results from replacing county welfare to work data reporting activities with data elements using administrative extracts from California Statewide Automated Welfare System (CalSAWS).

Corresponding trailer bill language included in SB 119 (Committee on Budget and Fiscal Review), Chapter 79, Statutes of 2025 includes the following program changes:

- Revises the sequence of activities for counties and CalWORKs participants upon enrolment
- Requires CDSS to develop an updated streamlined appraisal tool
- Expands allowable activities under a welfare-to-work plan
- Requires transportation costs included in a welfare-to-work plan to be advanced to participant
- Makes job club an optional program component
- Requires a county to verify a CalWORKs participant has secured child care prior to issuing a sanction
- Defers sanctions during the initial 90 days of program participation
- Simplifies the process for curing a sanction
- Repeals the requirement that any future Work Participation Rate penalties be passed on to counties

Transforming CalWORKs Implementation Update. CDSS convenes two work groups for community partner engagement to inform implementation of the policy reforms for the CalWORKs program that were included in this year's budget: (1) The Transforming CalWORKs Advisory Committee (TCAC), an advisory group of cross-sector stakeholders which meets every two weeks; and (2) The CalWORKs Implementation Collaborative (CWIC), a county-only community of practice which advises on county implementation. In collaboration with these workgroups, CDSS has achieved the following progress in updating CalWORKs policy to align with the 2025 Transforming CalWORKs budget and trailer bill package:

- CDSS published a high-level overview of the changes to the California Work Opportunity and Responsibility to Kids (CalWORKs) program from SB 119 and SB 146 via [All County Letter \(ACL\) 25-78](#) on October 31, 2025.
- Detailed guidance on the elimination of the Work Participation Rate (WPR) penalty pass-through was published via [ACL 25-74](#) on November 4, 2025.
- Detailed guidance on the elimination of County Case Sampling Workload for Research and Development Enterprise Project (RADEP) and Enterprise II Lite (E2Lite) was published via [ACL 25-77](#) on November 17, 2025.

- *Implementation of Revised Welfare-to-Work (WTW) Activity Flow.* TCAC began developing WTW activity sequence and program flow recommendations in September 2025. Recommendations focus on how to ease access to program resources, remove barriers to program participation, and improve relationships between program participants and county staff. CDSS anticipates releasing guidance in summer 2026.
- *New Streamlined Appraisal Tool to Replace the Online CalWORKs Appraisal Tool (OCAT).* CDSS has completed a landscape analysis of alternative appraisal tools, highlighting best practices nationally, and has convened conversations with community partners about the new OCAT. CDSS has developed a draft appraisal tool that is significantly simplified relative to the current tool while reflecting all required elements. CDSS anticipates releasing guidance in summer 2026 and making the tool available as a paper version while automation in CalSAWS is being completed.
- *Advanced Payments for Transportation.* CDSS has proposed draft guidance that is currently being reviewed by stakeholders and anticipates releasing final guidance in March 2026, which will be followed by an automation period.
- *Making Job Club Optional.* After receiving recommendations from the TCAC in early 2026, CDSS is developing draft guidance and anticipates completing final guidance by May 2026.
- *Child care “check.”* CDSS anticipates releasing policy guidance in April 2026.
- *90-day Sanction Deferral.* CDSS has engaged the two work groups and released policy for stakeholder review; CDSS anticipates the release of final guidance in April 2026, followed by an automation period.

Federal TANF “Freeze.” On January 6, 2025, the federal government notified California and four other states that it was freezing allocations from the TANF block grant (\$3.7 billion), as well as two other significant federal grants: the Child Care and Development Block Grant (\$1.1 billion) and the Social Services Block grant (SSBG) (\$190.7 million). The federal government indicated that the freeze was related to concerns about improper use of federal funds. On January 8, 2025, California and the other states sued to prevent the freeze. A federal court initially granted a temporary restraining order that was followed by a preliminary injunction, ordering that funds continue to be available pending resolution of the case.³²

For the duration of the preliminary injunction, the federal Administration for Children and Families is required to issue funds for all three programs in a business-as-usual fashion. TANF funds for Quarter 2 of federal fiscal year 2026 were delayed to all 50 states; however, CDSS reports that the department is not facing issues drawing down federal funds currently. However, the federal government has yet to release SSBG funds. If CDSS continues to experience significant delays in accessing federal funds, the Department of Finance and the Legislature would likely need to approve a General Fund loan through the Joint Legislative Budget Committee in order to avoid funding shortfalls, which could occur within weeks of a federal funding delay. This process is outlined in Control Section 28.31 of the 2025 Budget Act.

³² Legislative Analyst’s Office

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the Governor’s proposed 2026-27 budget for CalWORKs, including caseload, grants, and the single allocation.
2. Please provide an update on implementation of the Transforming CalWORKs package included in the 2025 Budget Act and SB 119.
3. Please provide an update on the status of federal TANF and SSBG drawdown subject to the current preliminary injunction.

Issue 13: California Necessities Index

Trailer Bill Language – Governor’s Budget. The Governor’s Budget proposes trailer bill language to modify data inputs needed to calculate the California Necessities Index for purposes of determining CalWORKs grants and other public social services.

Background. According to the LAO, the California Necessities Index is used to measure changes in the money required to purchase certain necessities in California. In contrast to other common price indices such as the Consumer Price Index, which calculates changes in the cost of all goods bought by broad groups of consumers, the California Necessities Index focuses on goods and services considered essential: food, apparel, rent, household fuels and other utilities, and transportation.³³

The California Necessities Index is a factor used to adjust benefits and cost-of-living adjustments for various CDSS programs, including adjusting payment rates for foster care providers and updating grants for CalWORKs and Supplemental Security Income/State Supplementary Payment. The California Necessities Index formula is based on statistics published by the federal Bureau of Labor Statistics using data from surveys of consumer spending. In California, the BLS publishes data for the Los Angeles, San Francisco, San Diego, and Riverside metropolitan areas.

In early 2025, the federal Bureau of Labor Statistics announced it would no longer publish statistics for the household fuels and other utilities category for metropolitan areas. Because this input is a part of the California Necessities Index formula, the California Necessities Index can no longer be calculated.

Proposed Trailer Bill Language. The Department of Finance proposes trailer bill language to clarify that if data relating to a component of the Consumer Price Index for All Urban Consumers is not available, the Department of Finance may use an estimate.

In an August 2025 report, the Legislative Analyst’s Office provided a comprehensive analysis of various options to serve as an alternative to discontinued federal statistics in order to maintain a functional California Necessities Index formula.³⁴ Ultimately, the Legislative Analyst’s Office concluded that using a national estimate instead of metropolitan area estimates for the household fuels and other utilities category would best replicate the current California Necessities Index.

The proposed trailer bill does not identify a specific alternative data source, but rather allows the Department of Finance the flexibility to use an estimate if any of the data components are not available.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Department of Finance respond to the following:

1. Please provide an overview of this proposal.

³³ Legislative Analyst’s Office: Updating the California Necessities Index, August 2025: <https://lao.ca.gov/reports/2025/5065/Updating-CA-Necessities-Index-081425.pdf>

³⁴ Legislative Analyst’s Office: Updating the California Necessities Index, August 2025. <https://lao.ca.gov/reports/2025/5065/Updating-CA-Necessities-Index-081425.pdf>

NOT FOR PRESENTATION**Issue 1: Proposals for Investment**

Proposals for Investment. The subcommittee has received the following proposals for investment:

- 1. Preserve existing CalFresh Outreach network from being cut by H.R. 1.** The California Association of Food Banks, 211 San Diego, and Aliados Health propose \$14 million General Fund one-time in 2026-27 to preserve CalFresh Outreach efforts which are reduced under the H.R.1 CalFresh administration cost shift.

According to these groups, “Since 2003, California has implemented a CalFresh outreach program to help Californians mitigate the challenges of applying for CalFresh and navigating the public benefits system. Throughout its history, this program has been matched dollar-for-dollar by the federal government as a SNAP State Administrative Expense to help support statewide programming and coordination, as well as provide some funding at the local level.

H.R. 1 reduces federal funding for CalFresh Outreach by reducing the federal SNAP State Administrative Expense reimbursement from 50 percent to 25 percent beginning October 1, 2026. This will impact the existing CalFresh Outreach Network, putting more costs onto community-based non-profits and other local entities that conduct or manage CalFresh Outreach. Many community-based organizations will not be able to take on this cost, therefore will not be able to continue providing these vital services to their community members, leaving vulnerable Californians at risk of going hungry because they are unable to navigate the public benefits system on their own, at a time when CalFresh policies are getting more complex due to H.R. 1.”

“According to CDSS, in 2025, CA’s CalFresh Outreach Network across 58 counties helped:

- 1.4 million individuals learn about CalFresh to see if they may be eligible
- 331,000 households apply for benefits
- 33,700 submit their 6-month or yearly renewal paperwork to continue receiving CalFresh.
- Bringing in a total of \$1.32 billion in federal food benefits, and \$2.36 billion in local economic activity to California.”

- 2. Mitigating Impacts of Pre-H.R. 1 County CalFresh Penalties.** County Welfare Directors Association (CWDA) proposes a budget-neutral trailer bill language change to temporarily hold counties harmless from errors outside county control. This proposal would not result in a General Fund impact.

According to CWDA, “Prior to the passage of H.R. 1, federal rules imposed fiscal penalties for states with persistently high SNAP Payment Error Rates (PER). SNAP has complex rules for program eligibility and administration and the PER is intended to measure payment accuracy, including underpayments, not fraud or or misuse. Under these pre-H.R. 1 Rules, states that exceed 105 percent of the national PER average for 2 consecutive federal fiscal years may be financially

sanctioned. In California, a portion of those penalties are passed through to 19 Performance Measurement Counties (PMCs), who comprise the vast majority of CalFresh benefits in California. The 19 PMCs are: Alameda, Contra Costa, Fresno, Kern, Los Angeles, Merced, Monterey, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Joaquin, Santa Clara, Solano, Stanislaus, Tulare, and Ventura....yet counties do not control many of the drivers for PER, including federal policy timelines, state implementation decisions, and external disruptions such as federal shutdowns. For example: Benefits payments during the 2025 Federal Shutdown were repeatedly in flux based on conflicting federal guidance and legal challenges....While existing regulations provide for an appeal of sanction pass-through, including for situations or actions beyond the county's control, counties should not be forced to appeal implementation decisions outside of county control.”

3. **\$60 million new annual baseline and \$50 million one-time H.R. 1 support for CalFood.** The California Association of Food Banks requests \$52 million General Fund ongoing beginning in 2026-27 and an additional \$50 million General Fund one-time in 2026-27 to permanently increase the CalFood program to a \$60 million baseline and respond to the immediate impacts of H.R. 1.

According to the California Association of Food Banks, “The CalFood program enables food banks to purchase California grown foods to meet their communities’ diverse needs. The program is incredibly efficient, as food banks leverage private donations and incredible economies of scale. Each dollar enables California food banks to provide approximately five meals. Food banks use these precious dollars to purchase healthy, expensive items like eggs that are rarely donated, and meet the local cultural needs of their communities. CalFood also provides significant return on investment. Even a 1 percent drop in hunger saves California \$600 million in prevented healthcare costs, as well as supporting our hard-hit farmers and food producers in our food economy.”

“With grocery prices now being reported as the number one affordability concern for Americans, food banks remain a lifeline in helping families to put food on the table. Currently, an estimated 10 percent of Californians are reporting getting free groceries from a food bank, food pantry, or other place that provides free food in the previous 7 days, representing over 2.6 million Californians (this is compared to 7 percent for the U.S. overall). On top of already alarming poverty and hunger, our state faces the largest cuts to CalFresh in the program’s history, thanks to H.R.1. According to the LAO, an estimated 732,000 Californians will lose CalFresh this year. Many of these people will turn to food banks as they face the crisis of being unable to pay for food... We are grateful that CalFood has been funded at \$8 million ongoing since the 2017-18 Budget, and for the additional investments the last few years that averaged about \$62 million a year between 2022 and 2025, and \$80 million in the 2025-26 budget year. While this is an important foundation, \$8 million was never sufficient to meet the need even prior to the pandemic when we had 4 million hungry Californians. We now feed 6 million Californians per month, and that is before we face a surge in need due to H.R.1. Food banks need extra help to meet this need.”

4. **CalFresh California Anti-Hunger Response and Employment & Training (CARET) Program.** A coalition of organizations (California Association of Food Banks, Grace/End Child Poverty, Western Center on Law and Poverty, Public Interest Law Project, and Coalition of California Welfare Rights Organizations) propose \$1.3 billion General Fund beginning in 2026-27 to provide state-funded “CARET” benefits and optional Employment & Training for Californians

who are discontinued from federally funded CalFresh benefits as a result of the H.R. 1 time limit on CalFresh that restricts ABAWD individuals to three months of CalFresh in a three-year period if they cannot prove they meet work requirements.

According to this coalition, “With the signing of H.R. 1, the amount of people subject to the time limits has been expanded to include adults through age 64. It also limits a dependent-child exemption to adults caring for children under 14, rather than under 18 and eliminates exemptions for former foster youth, veterans, and homeless individuals. Unless exempt due to disability or pregnancy, these recipients are limited to receiving federal food benefits for just 3-months each 36-month period unless they satisfy the 20 hours-per-week work requirement associated with this time limit. These time limits are largely understood to undermine health and have no evidence of increasing employment. If not addressed, CalFresh time limits will increase hunger in California. The USDA reports that individuals likely to be cut off by the 3-month limit have an average monthly income of less than 50 percent of the federal poverty level and typically qualify for no other income support. SNAP time limits do not help people gain employment. While cutting off someone’s food assistance is sure to increase hunger, it does nothing to improve that person’s ability to find and maintain steady employment. In fact, losing eligibility for CalFresh severs the connection to CalFresh Employment and Training Programs, which can help people gain skills and resources to support their job search. Research shows that people who can work are already working, and that SNAP is often a short-term support for people who experience periods of joblessness. The reality is that low wage jobs in today’s economy are often unpredictable and provide an inconsistent number of hours per week... By providing state funded ‘CARET’ benefits and optional Employment & Training, we can ensure Californians do not go hungry.”

- 5. Food for All: expand access to the California Food Assistance Program (CFAP) for all Californians, regardless of immigration status.** Nourish California and the California Immigrant Policy Center request \$524.7 million General Fund in 2027-28 and \$720 million in 2028-29 and ongoing to expand the CFAP program to humanitarian immigrants who are discontinued from federally funded CalFresh as a result of H.R. 1, in addition to immigrants of all ages regardless of status. This request is for funding above the level needed to expand CFAP to immigrants age 55 and older regardless of immigration status, which is scheduled to implement October 1, 2027, subject to appropriation.

According to this coalition, “The enactment of H.R. 1 creates new exclusions for many previously eligible categories of lawfully present immigrants from CalFresh, including refugees, asylees, trafficking survivors, survivors of domestic violence with pending petitions, and individuals granted humanitarian parole. According to CDSS, these changes are effective April 1, 2026 will take CalFresh benefits away from nearly 72,000 Californians and result in the loss of \$127 million in federal funding in 2026-27 and \$168 million ongoing. These cuts will also reduce benefits for mixed-status households that include U.S. citizens.”

“While federal and state food assistance programs (CalFresh and CFAP) provide a critical lifeline for millions of low-income Californians, these programs unjustly exclude hundreds of thousands of residents on the basis of their immigration status. Those eligible for federal SNAP/CalFresh must be U.S. citizens or lawfully present immigrants who have either lived in the country (in a qualified status) for five years, receive disability-related assistance or benefits, regardless of entry

date, or are children who are qualified and lawfully admitted for permanent residence under the Immigration and Naturalization Act....CFAP excludes undocumented immigrants, Deferred Action for Childhood Arrivals (DACA) recipients, Temporary Protected Status holders, certain visa holders, and now humanitarian immigrants with the statuses listed above. CFAP does not accurately reflect the makeup nor the needs of our immigrant communities. Thus, recent efforts have pushed for an expansion of CFAP.”

“The 2023-2024 State Budget confirmed an expansion of eligibility for CFAP to include all Californians, age 55 years or older, who are income-eligible, regardless of their immigration status, starting October 1, 2025. The 2024-2025 State Budget pushed the implementation date for this expansion to October 1, 2027. With this expansion, roughly 110,000 of California’s older immigrants will gain access to CalFresh food benefits. However, without an expansion of eligibility to include all ages, regardless of immigration status, between 380,000 to 550,000 Californians will continue to be excluded, including 92 percent of California’s undocumented farmworkers.”

- 6. \$100 million one-time to extend and expand the CalFresh Fruit and Vegetable supplemental benefits program.** Fullwell proposes \$100 million General Fund one-time in 2026-27 to support and expand the California Fruit and Vegetable EBT pilot program.

According to Fullwell, “This funding would enable the program to reach 2.5 times more families in more regions of California and run uninterrupted for the entire fiscal year. Currently, the program operates at 91 grocery stores and one farmers’ market, which collectively serve 67,000 CalFresh households each month. With this additional funding, the program could reach 168,000 CalFresh households, including expansion into areas of California that currently have no participating retailers.

- 7. Diaper Bank Funding.** The California Association of Diaper Banks proposes \$16.5 million General Fund ongoing to support California’s diaper bank network.

According to the California Association of Diaper Banks, “The California Association of Diaper Banks is requesting \$16.5 million in the 2026-27 budget and ongoing to continue operations and provide free diapers and wipes to low-income families in need across California. The state began providing limited-term funding for Diaper Banks seven years ago. The 2021-22 state budget included \$30 million one-time over three years for eight diaper banks across California, which expired June 30, 2024. Each site was originally receiving \$1.25 million annually for diapers. The 2024-25 and 2025-26 state budgets each extended operations by one year to eleven Diaper Banks by providing a reduced amount of \$9 million and \$7.4 million.”

“Between 2019 and September 2025, state funding allowed Diaper Banks to distribute 204.5 million diapers to 1.7 million families and 2.7 million children. Because of these investments, California leads the nation in state-funding for Diaper Banks—ranked at number one by the National Diaper Bank Network among the 10 other states which provide funding. However, without an extension of funding in this year’s budget, Diaper Bank distributions will cease to exist in California.”