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CBHA Responds to Governor Newsom’s January 2026-27 Budget Proposal

SACRAMENTO, CA — January 9th, 2026— The California Behavioral Health Association (CBHA) responds to Governor Gavin Newsom’s Budget Proposal for 2026-27 with cautious optimism. The budget proposal prioritizes fiscal stability amid volatility but illustrates existing risks for behavioral health. The proposed budget totals approximately \$349 billion, including \$248 billion in General Fund spending. The Administration cites continued unpredictable revenue, federal policy uncertainty, and constitutional obligations as key drivers for their cautious approach.

Notable Investments:

- The Budget allocates **\$343.6 billion for Health and Human Services programs**, including \$94.4 billion in General Fund dollars.
 - The **Medi-Cal budget includes \$222.4 billion** in total funding, including \$48.8 billion in General Fund dollars. Enrollment is expected to decline slightly to 14 million members. The budget increase over Fiscal Year (FY) 2025-26 accounts for funding changes and new federal requirements under H.R. 1.
 - The state will receive **\$233.6 million in federal funds through the Rural Health Transformation Program** to expand care, workforce, and infrastructure in rural communities including behavioral health services.
 - \$1 billion increase for **Community Schools Partnership Program**
- Housing and Homelessness
 - The Budget transfers \$560 million from cap-and-invest revenues to the **Housing Development and Finance Committee** for affordable housing programs.
 - The state is planning a seventh round of **HHAP funding awards totaling \$500 million**.



- Criminal Justice and Judicial Branch
 - The Budget allocates **\$4.1 billion** in General Fund dollars for California Department of Corrections and Rehabilitation **health care programs** including mental health for incarcerated individuals.
 - The Budget allocates **\$285.3 million** in ongoing General Fund dollars to maintain the **Integrated Substance Use Disorder Treatment Program**, including MAT for incarcerated individuals.
 - The Budget allocates **\$8.9 million** in General Fund dollars for **expanded telemental health services** for incarcerated individuals.

Despite federal rulings that challenged California’s MCO Tax structure, the Administration has included these investments in the 26-27 budget proposal, noting the Federal Administration is allowing the state a transition period through mid-2026. For 26-27, the proposal includes the MCO tax will be fully funded for \$2 billion. **For behavioral health providers, the budget proposal includes \$95.5 million in funding.**

Areas of Concern

Federal Impacts:

CBHA remains deeply concerned about the anticipated impacts of H.R.1 on California’s budget and essential services. The budget projects an **estimated cost of \$1.4 billion** in General Fund dollars (\$1.1 billion for Medi-Cal and ~\$300 million for CalFresh). Medi-Cal eligibility redeterminations, reduced federal matching funds for emergency services, and changes to the Hospital Quality Assurance Fee have influenced the impact on the State’s budget. Additionally, the budget reflects an **increase in \$300 million** in state costs for CalFresh administration, further demonstrating how federal costs shifts are placing a growing strain on state resources. These pressures threaten provider stability and access to care for millions of Californians. “The behavioral health system is already operating under significant workforce shortages and financial pressure,” **CBHA CEO Dr. Le Ondra Clark Harvey said. “Any disruption to Medi-Cal financing or eligibility processes risks destabilizing providers and interrupting care for individuals with complex behavioral health needs.”**



Lack of New Behavioral Health Investments

The Governor's Budget is a workload budget and does not propose new, General Fund investments in behavioral health. While existing programs are maintained, the proposal does not address growing systems pressures related to workforce shortages, rising provider costs, and administrative burden.

Projected shortfall

The Administration projects a **\$2.9 billion shortfall** in the 2026-27 fiscal year after accounting for reserve targets and constitutional funding obligations.

CBHA calls on the Legislature and Administration to take additional steps in the May Revision to safeguard California's behavioral health transformation.

"We appreciate the Administration's decision to protect existing behavioral health investment and avoid program cuts. As the budget process moves toward the May Revision, we look forward to working with state leaders to address workforce shortages and ensure Californians continue to receive timely access to behavioral health care," says Dr. Clark Harvey.

CBHA urges lawmakers to work collaboratively with providers, advocates, and consumers to ensure that the 2026-27 Budget reflects California's commitment to behavioral health equity, workforce development, and care access for all.

For more information on the Governor's January Budget Proposal:

- [Governor's Budget Summary](#)
- [Department of Health Care Services Budget Highlights](#)
- [Multiyear Budget Projection Summary](#)
- [Administration summary of Governor's proposed budget, including links to departmental detail](#)
- [Assembly Budget Committee overview document \(including summary I helped prepare at the beginning of the document\)](#)
- Senate Budget and Fiscal Review Committee overview document: not yet posted but available later at <https://sbud.senate.ca.gov/>
- [Administration budget change proposals](#)



- Governor's proposed budget bill (introduced in each house as required by Constitution): Expected later today or in coming days, as required by Constitution, via <https://leginfo.legislature.ca.gov/faces/home.xhtml> (to be introduced by budget chairs [Asm. Gabriel and Sen. Laird])
- Statewide by Assembly Speaker and Budget Committee Chair: not yet posted online but expected later at <https://sd21.senate.ca.gov/news/press>
- [Department of Health Care Services local assistance estimates](#)
- [Department of Social Services local assistance estimates](#)