



2026-27 Governor's January Budget Proposal

Overview

Governor Newsom released the proposed 2026-27 State Budget amid continued revenue volatility and significant federal cost shifts. The proposal is a *workload budget* that maintains existing programs and prior commitments but does not include major new investments.

The proposed budget totals \$348.9 billion across all funds, including \$248.3 billion from the General Fund. Health and Human Services spending totals \$343.6 billion, with \$94.4 billion allocated from the General Fund.

Budget Highlights

- **Medi-Cal and Health Coverage**
 - **What's Changing:** Medi-Cal spending is projected to increase from \$196.7 billion in 2025-26 to \$224.4 billion in 2026-27, with General Fund support rising from \$46.4 billion to \$48.8 billion. Enrollment is expected to decline from 14.5 million to 14 million beneficiaries as eligibility redeterminations continue.
 - **CAC Predicted Impact:** Projected enrollment declines raise concerns about disruption in coverage, delays in medication access, and interruptions in behavioral health treatment. CAC members serving high-need populations should expect increased administrative burden and greater challenges maintaining continuity of care for individuals with serious mental illness and substance use disorders.

- **Federal Policy Impacts (H.R.1)**
 - **What's Changing:** Federal policy changes introduce work requirements for ACA expansion populations, more frequent eligibility redeterminations, reduced federal matching funds for certain populations, and new eligibility restrictions affecting immigrant communities. The state backfills a position of these costs but does not include targeted mitigation funding.
 - **CAC Predicted Impact:** These changes are expected to increase gaps in coverage and disrupt medication continuity for Medi-Cal beneficiaries. CAC members are likely to see increased administrative complexity, delayed access to treatment, and greater instability for individuals with co-occurring mental health and substance use conditions.



- **Managed Care Organization (MCO) Tax**

- **What's Changing:** The Budget continues to rely on the MCO tax revenues to support Medi-Cal. Federal guidance, requirements under H.R.1, and Proposition 35 limit the size and structure of any future tax, potentially reducing ongoing Medi-Cal funding.
- **CAC Predicted Impact:** Ongoing uncertainty for long term Medi-Cal financing creates risk for future rates stability and formulary decisions. CAC members are facing potential downstream impact on medication access, network adequacy, and affordability for Medi-Cal beneficiaries.

- **In-Custody Treatment and Transitions of Care**

- **What's Changing:** The Budget includes \$285.3 million in ongoing General Fund to maintain substance use disorder treatment and medication-assisted treatment within correctional settings. No funding is included for post-release care coordination or continuity of medication.
- **CAC Predicted Impact:** The absence of transition funding increases the risk of treatment disruption upon release, leading to relapse, hospitalization, and recidivism. CAC members serving justice-involved populations may experience increased demand without the resources to match.

- **CalFresh**

- **What's Changing:** Federal policy changes reduce the federal share of CalFresh administrative costs from 50 percent to 25 percent, resulting in a significant General Fund backfill. The Budget does not include additional resources to support county administrative capacity or enrollment assistance.
- **CAC Predicted Impact:** For CAC members serving low-income individuals with behavioral health needs, increased administrative strain may lead to enrollment barriers and delayed access to nutrition supports that are closely tied to treatment stability.

- **Housing and Homelessness**

- **What's Changing:** The Budget includes a \$560 million transfer from cap and invest revenues to support affordable housing programs and proposes \$500 million for a seventh round of Homeless Housing, Assistance, and Prevention (HHAP) funding. These resources focus primarily on housing production, shelter, and local homelessness response infrastructure.
- **CAC Predicted Impact:** The absence of parallel services funding limits access for individuals with complex behavioral health needs. CAC members can expect



continued challenges placing and stabilizing clients without adequate behavioral health and medication support linked to housing.

- **Integrated Substance Use Disorder Treatment Program (ISUDT)**
 - **What's Changing:** The Budget includes \$285.3 million ongoing General Fund to maintain this program. The ISUDT Program, implemented in 2019, continues as the primary approach to addressing alcohol and opioid related substance use disorders within California's State Prisons.
 - **CAC Predicted Impact:** Ongoing funding supports continued access to evidence-based substance use disorder treatment during incarceration. However, the budget does not include additional funding to ensure medication continuity or treatment access post release.

- **Telemental Health Services**
 - **What's Changing:** The Budget includes an augmentation of \$8.8 million General Fund and 69 positions in 2026-27, and \$13.5 million General Fund and 119 positions in 2027-28 and ongoing.
 - **CAC Predicted Impact:** Expanded telemental health capacity improves timely access to specialty mental health services for incarcerated individuals and helps cushion workforce shortages in hard to fill clinical positions.

- **Menopause Services**
 - **What's Changing:** The Budget includes \$3.4 million in total funding for menopause related services, including up to \$3 million General Fund in 2026-27 and \$391,000 from the Managed Care Fund on an ongoing basis. This funding intends to expand health care coverage for perimenopause and menopause, access to care, provider education, and a statewide public awareness campaign.
 - **CAC Predicted Impact:** Targeted investment in menopause services has the potential to improve access to appropriate care. For CAC members, provider education and coverage clarity may reduce misdiagnosis, improve medication management, and support timely access to both physical and behavioral health treatment.

Conclusion

The January Budget sets a baseline but leaves critical access and affordability issues unresolved. The May Revision will be a key opportunity to address gaps affecting CAC members.



CAC urges lawmakers to work collaboratively with providers, advocates, and consumers to ensure that the 2026-27 Budget reflects California's commitment to protect coverage, stabilize access, and strengthen consumer protection.

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](#)