



**COUNTY OF LAKE
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April 7, 2026

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento CA, 95814

RE: County H.R. 1 Budget Request

Dear Governor Newsom,

Lake County writes to express our commitment to working with your Administration to protect our safety net from the impacts of H.R. 1. This law fundamentally shifts fiscal responsibility for health and human services programs from the federal government to states and counties. In order to prevent our safety net from crumbling, counties need a true partnership with the state. Toward that end, I write to share a multi-year H.R. 1 budget request that was developed jointly with counties and county association partners.

H.R. 1 will increase county health and human services program costs due to expanded demand for indigent medical care, direct cost shifts to counties, increased county eligibility workload, and changes to Medi-Cal financing. Lake County anticipates that the impact of these changes could result in county costs ranging from \$6.0 billion to \$9.5 billion annually at full implementation. Counties have collectively developed a reasonable multi-year request for state funding of **\$1.9 billion in 2026-27 and \$4.5 billion in 2027-28** to address these impacts. This request is outlined below and further detailed in the coalition H.R. 1 County Budget Multi-Year Request attachments.

County Indigent Care – \$761 million in 2026-27 and \$2.4 billion in 2027-28 and ongoing

Counties are mandated to provide indigent care to low-income Californians who have no other source of health care. When the Affordable Care Act was implemented and demand for indigent care dramatically reduced, the Realignment funding provided to counties to meet this mandate was redirected by the state. With more than one million people estimated to lose Medi-Cal

coverage, California residents will come to counties for these services and currently counties do not have a funding source to provide this care on behalf of the state. Counties need funding from the state to provide state-mandated basic health care to roughly 417,000 people, or about one-third of the individuals who are estimated to lose coverage through the new community engagement requirements, seek this care, and be eligible for these services. The indigent care funding request also includes \$200 million in one-time funding in 2026-27 to rebuild the infrastructure that will be needed to provide this care and \$50 million in ongoing funding for public health programs to provide services to individuals who lose health care coverage.

Public Hospital Systems – \$500 million in 2026-27 and \$850 million in 2027-28 and ongoing

Public hospital systems rely on a funding mechanism known as state-directed payments due to low Medi-Cal base rates. Public hospitals put up the non-federal share in place of the state for many of their payments, including state directed payments and fee-for-service inpatient Medi-Cal services. H.R. 1 reduces the ability of states to use state-directed payments, which will significantly reduce public hospital system revenues. Counties request State General Funds to begin stabilizing public hospital system revenues and protect patient care.

County Eligibility – \$373 million in 2026-27 and \$402 million in 2027-28 and ongoing

The county eligibility workforce plays an essential role in helping individuals and families obtain and retain Medi-Cal coverage and CalFresh benefits. Counties face a substantial increase in workload as a result of the new Medi-Cal community engagement requirements, more frequent Medi-Cal redeterminations, and reinstated and expanded CalFresh work requirements. The county eligibility request reflects the increased funding that will be needed for counties to implement the new eligibility requirements and maximize the number of people who can obtain exemptions or meet the work requirements to keep their health care and nutrition assistance. It also includes two budget neutral CalFresh items: (1) provide a temporary match waiver allowing counties to draw down full federal funding; and (2) hold counties harmless for penalties occurring outside of county control which are exacerbated by H.R. 1.

County Behavioral Health – \$224 million in 2026-27 and \$828 million in 2027-28 and ongoing

In addition to Medi-Cal specialty mental health services and substance use disorder services, counties provide behavioral health coverage to other individuals. Demand for these services is likely to increase as individuals lose eligibility for Medi-Cal. This budget request will support counties in providing services to this population.

In Lake County, H.R. 1 will place significant strain on both residents and county systems responsible for administering CalFresh and Medi-Cal. As a rural county with limited staffing capacity, we are not positioned to absorb the increased workload associated with expanded CalFresh Able-Bodied Adults Without Dependents (ABAWD) requirements, new Medi-Cal work rules, and more frequent eligibility redeterminations. Many of our residents particularly those with unstable employment, limited access to technology, or complex health needs require direct assistance to navigate these programs. Without additional resources, eligible individuals are at heightened risk of losing food assistance and health coverage due to procedural barriers rather than true ineligibility.

At the same time, increased administrative cost burdens and exposure to federal penalties create serious fiscal challenges for the County. With limited reserves, we may be unable to meet new match requirements or sustain current service levels, jeopardizing our ability to draw down available state and federal funding. Without targeted state support, these combined pressures will lead to delays in processing, growing backlogs, and reduced access to essential services for vulnerable residents in our community.

The county H.R. 1 multi-year budget request is intended to mitigate direct harm to Lake County residents who will lose health and nutrition services, as well as prevent cuts to other critical services that counties provide such as public safety and elections. This multi-year request comprehensively addresses the wide-ranging impacts to county health and human services programs. With this funding, counties will be able to maximize the number of individuals who retain Medi-Cal and CalFresh, rebuild county indigent care programs to serve individuals who lose health coverage, and protect needed patient care in public hospitals.

Addressing the health care and nutrition assistance needs of individuals impacted by the H.R. 1 changes to Medi-Cal and CalFresh will be a fundamental, structural element of the state's budget in 2026-27 and for years to come. We have attached information that details this multi-year budget request.

Lake County is eager to partner with your Administration and the Legislature to find workable fiscal and policy solutions to protect Lake County residents. Thank you for your consideration.

Respectfully,

COUNTY OF LAKE

Brad Rasmussen, Chair
Lake County Board of Supervisors

Helen Owen
District 1 Supervisor

Bruno Sabatier
District 2 Supervisor

Eddie Crandell
District 3 Supervisor

Jessica Pyska
District 5 Supervisor

Attachments:

County H.R. 1 Budget Request Summary

County H.R. 1 Budget Request Analysis

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