

California 2026-27 Proposed Budget:

Impact on Older Adults and People With Disabilities

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On January 9, 2026, Governor Newsom released the 2026-27 fiscal year (FY) proposed California budget which included an estimated \$2.9 billion General Fund (GF) shortfall.¹ The proposed budget reflects the federal 2025-26 Budget Reconciliation Act (H.R. 1) changes and while it includes minimal reductions and modest investments for programs that serve older adults and people with disabilities, there are some suggested reductions that will impact access to long-term services and supports (LTSS). The budget includes higher than anticipated revenues (\$42 billion, an increase from Legislative Analyst Office (LAO) projected \$10 billion²) and offers solutions to address the shortfall, which was much smaller than the \$18 billion that was projected by the LAO in late 2025.³ However, the administration noted the state is still seeing growth in baseline program expenditures which they plan to address in the May Revise Budget. This could result in more budget reductions.

H.R. 1 implemented [sweeping changes](#) to several programs that older adults and people with disabilities depend on, including Medi-Cal and CalFresh. While the governor has not proposed any major reductions to eligibility or services, H.R. 1 requirements will impact access to these critical services. These changes will:

- Limit who is eligible for these programs
- Change retroactive coverage timelines and eligibility redetermination frequency
- Reduce federal funding for services

Adults ages 65 and older are the fastest-growing segment of Californians, projected to outnumber Californians under age 18 by 2030.⁴ Sustained investments in services to help them age at home and in their communities is critical. The following is a breakdown from [The SCAN Foundation](#) of proposed budget reductions (\$1.8 billion GF) and investments (\$237.9 million GF) for FY 2026-27, impacting programs that serve older adults and people with disabilities in California.

PROPOSED REDUCTIONS TO IN-HOME SUPPORTIVE SERVICES

The proposed budget maintains current funding support for most LTSS programs, however, there are proposed changes to In-Home Supportive Services (IHSS), California's personal attendant program. IHSS serves approximately 880,734 recipients statewide.⁵ The IHSS Residual Program (IHSS-R) currently allows enrollees who temporarily lose Medi-Cal coverage due to paperwork or administrative errors to continue receiving services, but the proposed budget would eliminate this option, which could result in gaps in care and increased risk of hospitalization or institutionalization.

IHSS costs are shared by the federal government, the state, and counties. The federal government currently pays about 54% of costs, while the remaining 46% is split between the state and counties through individual county maintenance-of-effort agreements.⁶ Proposals in the governor’s budget would eliminate part of the state’s share, which will shift the burden of those costs onto counties that are already experiencing funding and administrative capacity challenges.

Item	Proposal	Estimated GF Reductions
IHSS-R	Aligns termination of IHSS eligibility with termination of Medi-Cal eligibility, beginning in FY 2026-27	\$86 million FY 2026-27
IHSS Back-Up Provider System (BUPS)	Eliminates the IHSS BUPS, which provides short-term emergency services to IHSS enrollees in urgent need of personal care services, beginning in FY 2026-27	\$3.5 million FY 2026-27
State Share of Cost for IHSS Hours Per Case Growth	Eliminates the state’s share of cost for IHSS hours per case growth, beginning in FY 2027-28	\$233.6 million FY 2027-28

NEW FUNDS FOR MEDICARE ADVOCACY

New funding to modernize the Health Insurance Counseling and Advocacy Program (HICAP) is included in the 2026-27 proposed budget. HICAP is California’s State Health Insurance Assistance Program, which offers free, unbiased counseling, education, and assistance with navigating Medicare, long-term care insurance, and other health insurance-related issues. The new funding will be used to advance California’s HICAP modernization efforts, including statewide training for paid staff and volunteers and three positions at the California Department of Aging (CDA) to provide local HICAP training, technical assistance, and data collection and analysis.⁷

Item	Proposal	Investment
HICAP	New HICAP Fund support for HICAP modernization	\$3.49 million FY 2026-27

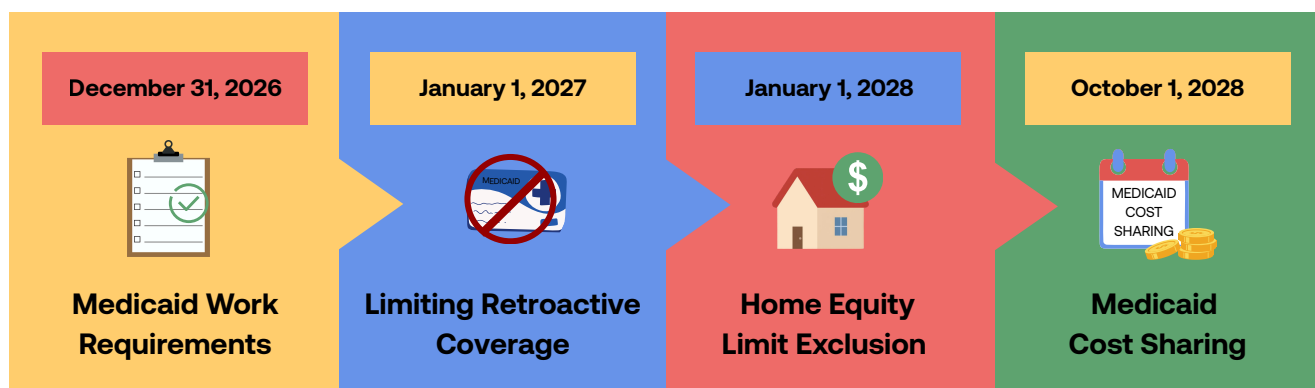
RURAL HEALTH TRANSFORMATION PROGRAM

H.R. 1 included funding for the Rural Health Transformation Program (RHTP), an initiative to improve access to health care and outcomes for rural communities. California submitted an [application](#) for \$1 billion over five years and was awarded \$233.6 million for FY 2026-27. Funds can be used to support a variety of initiatives focused on rural health care, including efforts to enhance primary and specialty care, recruit and retain workforce, and improve infrastructure and technology.⁸

Item	Proposal	Investment
RHTP	New federal funds for the Department of Health Care Access and Information to increase access to care, strengthen the workforce, and boost infrastructure in rural and frontier communities	\$233.6 million FY 2026-27

ESTIMATED BUDGET IMPACTS OF H.R. 1

H.R. 1 requires the state to make changes to Medi-Cal and nutrition programs which will impact access to critical services for some older adults and people with disabilities. The proposed budget captures initial impacts of these federal policy changes for FY 2026-27. Some of the policy changes in H.R. 1 result in budget reductions due to eligibility changes while others increase costs for the state. Because H.R. 1 changes will be implemented over time, additional impacts are anticipated in future years. The following timeline outlines key Medi-Cal-related H.R. 1 policy changes. For more information, read our [H.R. 1 analysis](#).



Medi-Cal

Medi-Cal serves approximately 2.5 million older adults and people with disabilities in California, representing a critical lifeline to health care and LTSS.⁹ While there are no state-initiated reductions to Medi-Cal services, H.R. 1 requires changes that will impact eligibility and access to the program. The following table outlines the changes required by H.R. 1 and their related budget costs and reductions (GF and federal funds).

Item	Federal Policy	Estimated Budget Impacts
Medi-Cal Work and Community Requirements	Enrollees part of the Affordable Care Act expansion population (individuals ages 19-64) must comply with federal work or community engagement requirements as a condition of Medi-Cal eligibility, unless they meet an allowable exemption or short-term exception, beginning January 1, 2027	Reduction of \$373 million FY 2026-27 and \$13.1 billion by FY 2029-30
Eligibility Redetermination	The required federal eligibility redetermination frequency is changing from once per year to every six months for enrollees ages 19-64 for eligibility renewals scheduled on or after December 31, 2026	Reduction of \$463 million FY 2026-27 and \$3 billion by 2029-30
Retroactive Medi-Cal Coverage	Changes retroactive Medi-Cal coverage timelines from three months before an individual's application date to one month for enrollees ages 19-64 and two months for all other enrollees, beginning January 1, 2027	Reduction of \$23 million FY 2026-27 and \$48 million ongoing
Medical Assistance Percentage for Emergency Services	The federal match for emergency services provided to enrollees ages 19-64 with unsatisfactory immigration status is reducing from 90% to 50%, beginning October 1, 2026	Cost of \$658 million FY 2026-27 and \$872 million by 2029-30

Immigrant Eligibility	Individuals with certain immigration statuses will be excluded from federal eligibility for full-scope Medi-Cal, beginning October 1, 2026. Because of this federal policy, the state is transitioning enrollees impacted by this change to restricted-scope Medi-Cal.	Reduction of \$786 million FY 2026-27 and \$1.1 billion ongoing
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CalFresh

CalFresh, California’s [Supplemental Nutrition Assistance Program](#), provides 1.2 million older Californians ages 60 and older benefits for nutrition support.¹⁰ While there are no reductions or new investments to baseline funding, the budget does account for impacts of H.R. 1. To address the reduction in the federal share of CalFresh administrative costs from 50% to 25%, the budget includes an increase of \$382.9 million GF for 2026-27. The following table outlines eligibility changes required by H.R. 1 and related budget reductions, which may disproportionately affect adults near retirement, increasing the risk of food insecurity among older Californians.

Item	Federal Policy	Estimated GF Reductions
Eligibility	<ul style="list-style-type: none"> Restricts eligibility for CalFresh benefits to legal permanent residents, Cubans and Haitians who entered via family reunification program, and Compacts of Free Association immigrants Updates Able-Bodied Adults Without Dependents work requirements to include adults ages 55-64 and parents of children ages 14-17 Imposes limits to state utility allowance subsidy 	\$66.2 million FY 2026-27

MANAGED CARE ORGANIZATION TAX

The proposed budget accounts for revenue from the managed care organization (MCO) tax at \$4.5 billion in 2025-26 and \$2.5 billion in 2026-27. The MCO tax has historically been used to draw down additional federal funds to support the Medi-Cal program.

In its current form, the MCO tax is not in compliance with H.R. 1. California has been given until June 30, 2026 to come into compliance. However, the state is exploring options to extend the deadline until December 31, 2026, to avoid a 2026-27 GF cost of approximately \$1.1 billion. Due to [Proposition 35](#) and [H.R. 1](#) requirements, changes to the MCO tax structure will need to be made, which will further limit the amount of ongoing funding support for Medi-Cal in future years.

CONCLUSION

Taken together, the proposed budget and the federal changes enacted through H.R. 1 signal both immediate and longer-term risks for older adults and people with disabilities, even in the absence of broad state-level program reductions. In the short term, targeted reductions—particularly to IHSS—and new federal eligibility and administrative requirements are likely to create disruptions in coverage, gaps in care, and increased pressure on counties and community-based systems. While there is modest new funding via HICAP and the RHTP, these investments will not offset the impacts of the proposed reductions and required policy changes. Over the longer term, the phased implementation of H.R. 1, combined with ongoing growth in baseline program costs and uncertainty around key financing mechanisms, could result in future budget constraints. As California's older adult population continues to grow rapidly, these compounding pressures underscore the importance of closely monitoring impacts, mitigating access barriers, and prioritizing investments that support aging at home and in the community despite a challenging fiscal environment.

WHAT'S NEXT?

The Assembly and Senate budget committees and subcommittees will hold hearings to review the proposals in the governor's budget. The governor will submit his revised budget by May 14, 2026, at which time the legislature must consider the May Revise and offer budget proposals of their own. They have until June 15 to pass a balanced budget, which the governor must sign or veto before July 1, 2026.

References

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About The SCAN Foundation

The SCAN Foundation (TSF) envisions a society where all of us can age well with purpose. We pursue this vision by igniting bold and equitable changes in how older adults age in both home and community. Our grants and impact investments prioritize communities that have been historically marginalized with an emphasis on: older people of color, older adults with lower incomes, and older residents in rural communities. Learn more at <https://www.thescanfoundation.org/>.