California 2026-27 Enacted Budget:

Impact on Older Adults and People With Disabilities

REPORT • AUGUST 2026

On June 29, the governor signed the enacted 2026–27 budget, rejecting many of the detrimental reductions to programs that older adults and people with disabilities rely on that were proposed in the May Revision.

The enacted budget assumes a balanced budget through fiscal year (FY) 2027–28, supported by approximately $5 billion in new revenues and a combination of General Fund (GF) spending reductions.[1] It also incorporates updated estimates of the fiscal impacts of the federal Budget Reconciliation Act of 2025–26 (H.R. 1), which will affect key programs, including Medi-Cal and CalFresh, California's Supplemental Nutrition Assistance Program.

Compounding these impacts is the ongoing federal scrutiny of California's Medi-Cal spending, particularly on home-and-community-based services (HCBS). On May 13, the Centers for Medicare and Medicaid Services (CMS) sent a letter to California warning the federal government will defer $1.3 billion in Medi-Cal funds, most of which are allocated for the In-Home Supportive Services (IHSS) program.[2] Additionally, CMS and the U.S. Department of Health and Human Services announced on July 21 that they will defer an additional $867.5 million in federal Medicaid payments to California.[3]

While the enacted budget is considerably less harmful than the governor's original May Revision proposal, it still includes reductions that will limit access to health care and HCBS for older adults and people with disabilities. These cuts are inconsistent with the goals of California's Master Plan for Aging (MPA) and weaken the state's commitment to expanding the services and supports that enable Californians to age and live in their homes and communities.

The following is a breakdown from The SCAN Foundation of the impact of the final budget on programs that serve older adults and people with disabilities in California.

MEDI-CAL AVOIDS MAJOR CUTS, BUT ELIGIBILITY AND ACCESS CHALLENGES REMAIN

Medi-Cal remains a critical source of health care and HCBS for older adults and people with disabilities who have low incomes.

While the final 2026–27 budget avoided many of the most severe Medi-Cal reductions proposed in the governor's May Revision, it still includes several program changes that will negatively impact access to care. These include:

- Policy changes to California Advancing Innovation in Medi-Cal (CalAIM) Enhanced Care Management (ECM) and Community Supports (CS) benefits that will reduce budget costs, but ultimately restrict eligibility and access for specific CS.[1]
- Medi-Cal asset limit for the Aged, Blind, and Disabled enrollment category reduced from $130,000 for individuals ($195,000/couples) to $21,000 for individuals ($31,000/couples) effective July 1, 2027.[1] While this is higher than the federal minimum of $2,000 for individuals ($3,000/couples) as proposed in the May Revise Budget,[4] it will still negatively impact access to Medi-Cal, leading to loss of eligibility for some Californians. However, the delayed implementation provides a window for advocacy to pursue alternatives in future budget negotiations.
- Several changes that will impact individuals with unsatisfactory immigration status (UIS), including the transition of this population to Medi-Cal fee-for-service (FFS), due to new federal policy prohibiting individuals with UIS from receiving emergency Medicaid services in managed care delivery systems.[1]

The following table further outlines the cuts to Medi-Cal and associated expenditure reductions that were included in the enacted budget, as well as minor investments.

Item	Action	Estimated GF Reduction/Investment[1]
Asset Limit	Partially reinstates asset test limit for Aged, Blind, and Disabled enrollees, beginning July 1, 2027	Reduction of $348.5 million FY 2027-28 and $407 million ongoing
Enhanced Care Management	Refines eligibility and utilization management criteria, service definitions, and payments for the CalAIM ECM benefit, beginning January 1, 2027	Reduction of $41.4 million FY 2026-27 and $99.2 million ongoing
Community Supports	Narrows referral pathways, eligibility and utilization management criteria, and service definitions for select CS, beginning January 1, 2027	Reduction of $26.9 million FY 2026-27, $58.8 million FY 2027-28, and $51 million ongoing

Transition of Individuals with UIS to FFS	Transitions individuals with UIS to Medi-Cal FFS beginning January 1, 2027	Reduction of $524.9 million FY 2026-27 and $1.3 billion ongoing
Care Coordination for FFS UIS Transition	Includes new funding to support care coordination and clinic- and community-based organization navigators to assist members with UIS with the transition to FFS	Investment of $39 million FY 2026-27 (one-time funds)
Monthly Premiums for Adults with UIS	Continues the implementation delay of Medi-Cal premiums for the UIS population until July 1, 2027, and assumes a $50 monthly premium, although this is subject to the next governor setting a premium level between $30 and $50 in the 2027 May Revision	Reduction of $427.3 million FY 2027-28 and $314.3 million by FY 2028-2029

IN-HOME SUPPORTIVE SERVICES LARGELY PROTECTED, BUT ENROLLMENT LOSSES ARE EXPECTED FROM ASSET TEST CHANGE

The enacted budget protects access to IHSS by not including several reductions proposed in the governor's May Revision. By preserving the Back-Up Provider System, maintaining the state's share of costs associated with growth in IHSS service hours, and continuing funding for the IHSS Residual Program, the budget helps sustain critical supports that enable older adults and people with disabilities to remain safely in their homes and communities. The IHSS Residual Program continues to serve as an important safety net for individuals who temporarily lose Medi-Cal eligibility. The budget does, however, address reduction in IHSS enrollment related to the partial reinstatement of the Medi-Cal asset test.[1] The following table highlights this expenditure reduction.

Item	Action	Estimated GF Reduction[1]
Medi-Cal Asset Test	Reduced IHSS enrollment due to partial reinstatement of the Medi-Cal asset limit for older adults and people with disabilities, beginning July 1, 2027	$112.9 million FY 2027-28

SUPPORT FOR NUTRITION ACCESS

Changes enacted through H.R. 1, including the reduction in the federal share of CalFresh administrative costs from 50% to 25% along with new eligibility and work requirement provisions,[5] are expected to place significant pressure on California's nutrition assistance system. To help offset these challenges, the enacted budget provides new one-time investments in both CalFresh and CalFood (California's food assistance program that supports food banks and food distribution networks). These funds are intended to help sustain access to nutrition assistance and mitigate some of the impacts of the federal changes on Californians with low incomes, including older adults and people with disabilities, and state and county systems. The following are investments included in the enacted budget.

Item	Action	Estimated GF Investment[1]
County CalFresh Administration	Provides support for increased county administration workload due to implementation of Able-bodied Adults Without Dependents (ABAWD) work requirements in H.R. 1	$223 million FY 2026-27 (one-time funds)
CalFood	Provides funding to bolster food banks to address increased demand	$100 million FY 2026-27 (one-time funds)

ADDITIONAL FUNDING FOR HOUSING AND HOMELESSNESS PROGRAMS

Older adults are the fastest-growing portion of California's homeless population,[6] making stable and affordable housing a critical component for healthy aging.

Recognizing this need, the 2026–27 enacted budget includes increased investments in housing and homelessness programs, including targeted funding for initiatives that serve older adults and people with disabilities. The following table outlines these investments.

Item	Action	Estimated GF Investment[1]
Home Safe Program	Provides additional funding to support individuals involved in Adult Protective Services and at risk of homelessness	$50 million FY 2026-27 (one-time funds)
Housing and Disability Advocacy Program	Provides additional funding to connect people with disabilities experiencing homelessness to disability benefits and housing supports	$25 million FY 2026-27 (one-time funds)
Homeless Housing, Assistance, and Prevention Program	Provides additional funding for grants to cities and counties to prevent and end homelessness	$900 million FY 2026-27 (one-time funds)

OTHER NOTABLE INCLUSIONS IN THE ENACTED BUDGET

Aging Network Modernization

The enacted budget extends the deadline for the California Department of Aging (CDA) to work with Area Agencies on Aging (AAAs) and stakeholders to create greater consistency in services for older adults and family caregivers, implementing the updates to the Mello-Granlund Older Californians Act included in Senate Bill 1249 (2024). By September 30, 2027, CDA must:

- Identify the core services that all AAAs should provide and establish performance measures for those services
- Update the funding formula used to distribute federal Older Americans Act funding
- Develop a statewide outreach plan to improve public awareness of AAA services, particularly among underserved populations
- Adopt regulations that define how AAAs are designated, the criteria for designation or removal, and how major funding formula changes will be made[7]

These changes will affect how AAA services are delivered in the future. This new timeline will allow for more stakeholder engagement to inform how these modernization efforts unfold.

Covered California

To help offset rising health insurance costs resulting from the expiration of enhanced Affordable Care Act premium subsidies, the enacted budget allocates $300 million from the Health Care Affordability Reserve Fund to the Covered California program.

This one-time investment will provide financial assistance to eligible Californians with incomes up to 200% of the federal poverty level, helping maintain access to affordable health coverage for individuals with low incomes, including older adults and people with disabilities who do not have Medi-Cal and are not yet eligible for Medicare.[1]

Rainy Day Fund

The enacted budget package includes Assembly Constitutional Amendment (ACA) 20, which would increase the required GF contribution to California's Rainy Day Fund from 10% to 20% and require additional deposits during years when capital gains revenues exceed expectations. This fund is not for regular spending but acts as a financial safety net during budget emergencies, such as economic recessions. The proposal is intended to bolster the state's fiscal reserves, providing greater protection against future downturns and budget shortfalls. Because ACA 20 is a constitutional amendment, it must be approved by California voters in November 2026 before it can take effect.[1]

ESTIMATED BUDGET IMPACTS OF H.R. 1

The enacted budget assumes the estimated costs associated with implementing required H.R. 1 policy changes that were projected in the May Revise.[4] H.R 1 requires changes that will impact eligibility and access to Medi-Cal and CalFresh.[5] These changes will be implemented over time, with additional impacts anticipated in future years. The following tables outline anticipated costs to the state for implementation of required H.R. 1 changes and projected budget savings, or reductions, in combined GF and federal funds due to the impact of the changes.

Medi-Cal

Item	Federal Policy	Estimated Budget Impact[1]
Work and Community Engagement Requirements	Medi-Cal enrollees, ages 19-64, eligible through ACA expansion, must comply with federal work or community engagement requirements, unless they meet an allowable exemption or short-term exception, beginning January 1, 2027. Approximately 44,000 individuals are projected to lose access in 2026-27 and up to 1.1 million by 2029-30.[1]	Reduction of $357.6 million ($90.3 million GF) FY 2026-27 and $9.6 billion ($2.4 billion GF) by FY 2029-30

Eligibility Redeterminations	Implementation of changes to federally required eligibility redetermination from annually to every six months for enrollees ages 19-64 begins with renewals scheduled on or after December 31, 2026	Reduction of $747.3 million ($186.4 million GF) FY 2027-28 and $2.5 billion ($633 million GF) by FY 2029-30
Retroactive Coverage	Changes retroactive Medi-Cal coverage 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 $34.6 million ($14.7 million GF) FY 2026-27 and $75.5 million ($32.1 million GF) by FY 2029-30
Immigrant Eligibility	Federal requirements exclude individuals with certain immigration statuses from full-scope Medi-Cal, beginning October 1, 2026. The state is transitioning impacted enrollees to restricted-scope Medi-Cal, but is delaying the transition until July 1, 2027.	GF cost of $364.9 million FY 2026-27 and GF reduction of $359.8 million FY 2029-30 and ongoing
Medical Assistance Percentage for Emergency Services	The federal match for emergency services provided to enrollees ages 19-64 with UIS will reduce from 90% to 50%, beginning October 1, 2026	GF cost of $669 million FY 2026-27 and $718 million by FY 2029-30

CalFresh

Item	Federal Policy	Estimated GF Reduction[4]
Eligibility	• 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 ABAWD work requirements to include adults ages 55-64 and parents of children ages 14-17. Nearly 1 million Californians will be subject to the ABAWD work requirements, with men ages 55-64 disproportionately impacted[8]. • Imposes limits to state utility allowance subsidy	$66.2 million FY 2026-27

CONCLUSION

Overall, the 2026–27 enacted budget preserves critical investments in programs that support health and wellbeing, including IHSS, nutrition assistance, and housing and homelessness services. At the same time, the budget is not without consequences. The partial reinstatement of the Medi-Cal asset limit and other adopted reductions will create new barriers to health care and HCBS for some Californians, which will likely lead to increased reliance on costly emergency and institutional care.

This is counter to the goals of California's MPA and what most Californians want: to age in their homes and communities. Supporting people's ability to age with dignity is not only the right thing to do, but also a fiscally sound and socially responsible investment. Because several of the most significant policy changes will not take effect immediately, advocates, stakeholders, and policymakers still have an opportunity to pursue solutions that protect and expand access to care. As federal uncertainty looms, continued advocacy and legislative action will be essential to ensuring California remains on track toward a future where everyone can age with dignity and have the support they need to thrive.

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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/.**