



SAN JOAQUIN
— COUNTY —
Board of Supervisors

Board of Supervisors

Sonny Dhaliwal, *Chair, Third District*
Steven J. Ding, *Vice-Chair, Fourth District*
Mario Gardea, *First District*
Paul Canepa, *Second District*
Robert Rickman, *Fifth District*
Rachél DeBord, Clerk of the Board

June 19, 2026

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

RE: San Joaquin County 2026-27 State Budget Priorities

Dear Governor Newsom,

San Joaquin County remains ready to work with your Administration to enact a budget that supports counties in delivering the services California's communities rely on. There is no bigger priority for San Joaquin County than to address the fiscal challenges the State and counties face and meet our shared responsibility to protect the safety and well-being of Californians.

The Legislative Budget Plan, as passed by AB 109 (Gabriel) on June 15, 2026, funds a number of priorities that are essential to maintaining a high quality of life for Californians, including funding to implement H.R. 1, address homelessness, reduce crime, and maintain the current fiscal requirements for the In-Home Supportive Services (IHSS) program. These are not optional programs; they are core to the State's long-term health, safety, and stability.

While building reserves and addressing budget deficits are necessary, San Joaquin County continues to stress that the budget must also mitigate impacts on California's communities, particularly those associated with H.R. 1. Counties deliver a number of health and human services (HHS) on behalf of the State and without additional State support, San Joaquin County will be forced to mitigate these impacts at the expense of other essential public services, including public safety, fire response, elections and more, leaving counties facing significant challenges in delivering the services California communities need and deserve.

As you consider AB 109, which is pending before you, and you negotiate a final budget agreement, San Joaquin County respectfully requests the following to be included in the final 2026-27 State Budget.

County HHS H.R. 1 Impacts

As passed on June 15, 2026, via AB 109, the Legislature's budget plan provides additional funding above the May Revision to support counties in protecting safety net services for vulnerable Californians, including funding for the county eligibility workforce, indigent care and public hospital systems. Without these investments, we will be unable to provide critical medical care and nutrition assistance on behalf of the State and millions of Californians will suffer.

(1) County Indigent Care Programs: Adopt the Legislature's Action that Provides \$125 million General Fund for an Indigent Care/Emergency Only Medi-Cal Program

AB 109 provides \$125 million General Fund in 2026-27 for the creation of an emergency only program for the indigent care population that will lose full-scope Medi-Cal due to H.R. 1 community engagement requirements. This funding will help ensure continued access to health care services for hundreds of thousands of Californians while the State develops a long-term approach to meeting the health care needs of medically indigent individuals.

(2) Public Hospital Systems: Adopt the Legislature's Action that Provides \$250 million General Fund for Public Hospital Systems

Regarding the fiscal challenges that public hospitals will face under H.R. 1, AB 109 provides \$250 million in 2026-27 for public hospital system support. This funding will enable public hospitals to continue to provide quality services to all members of their communities, regardless of if they receive State or Federal health care. San Joaquin General Hospital (SJGH) anticipates between \$1 million and \$5.7 million reductions of FMAP for emergency services for Medi-Cal/Medicaid coverage expansion populations from 90% to 50% for unsatisfactory immigration status individual. There will be unknown costs caused by work requirements for Medicaid covered expansion populations and frequent eligibility checks.

(3) County Eligibility Workforce: Adopt the Legislature's Action that Provides \$459 million General Fund for County Eligibility Work

AB 109 increases investments beyond what was included in the May Revision to help people maintain their Medi-Cal coverage and CalFresh benefits. Taken together, the Legislature is providing \$459 million General Fund for county eligibility workload and administration related to H.R. 1 implementation in 2026-27, with multi-year expenditure authority. Without full Federal funding, San Joaquin County anticipates a \$4.6 million impact to its Human Services Agency, which equates to 24 full-time staff positions.

Funding for Distressed Hospitals

Adopt the Legislature's Action to Fund up to \$190 million General Fund, Upon Approval of the Department of Finance, for Additional Loans Through the Existing Distressed Hospital Loan Program

Hospitals in California, particularly those in rural areas, are facing significant financial pressures, due to the impacts of H.R. 1, which will reduce health care coverage and increase uncompensated care, limit bargaining power with health plans, and challenge maintaining their workforce. SJGH estimates a \$10 to \$25 million impact caused from State directed payments being capped at current levels and reduced by 10% per year until payment rates are down to Medicare levels.

In-Home Supportive Services (IHSS)

Adopt the Legislature's Action to Reject the IHSS Cost Shift Proposal

AB 109 rejects the Administration's proposal that would shift costs to counties for hours per case growth within the IHSS program. This cost shift is estimated to result in increased county costs of \$360.6 million starting in 2027-28 and growing each year. San Joaquin County opposes this proposal because it would undermine the existing IHSS fiscal structure, misdiagnose the cause of hours growth, and negatively impact IHSS recipients and providers. San Joaquin County's IHSS caseload has increased by 60.4% in the last five years while funding for IHSS administration has decreased by 19.7% in the same period. Funding per case has decreased from \$707 to \$568 despite the 60.4% caseload growth and program complexity.

Medi-Cal Mobile Crisis Benefit

Adopt the Legislature's Action to Reject the Administration's Proposal to Make Mobile Crisis a County-Optional Medi-Cal Benefit and Instead Provide \$125 million from the 988 Special Fund and \$53 million in Proposition 35 (MCO Tax) Funding for Mobile Crisis Services

Medi-Cal mobile crisis is currently a Statewide benefit, preventing hospitalizations and law enforcement encounters with people who need behavioral health services in the community. The Administration's proposal to make it a county-optional benefit would shift the costs to counties, which are already struggling with flat realignment funding and the impacts to county finances from H.R. 1. Of the BHCIP funding San Joaquin County's Behavioral Health Services has received, an early round was to support infrastructure to expand its mobile crisis response program. These investments are already showing results as they now respond to approximately 225 to 250 mobile crisis calls each month – an increase of nearly 40 percent. The Mobile Crisis Medi-Cal benefit and 988 have fundamentally shifted San Joaquin County's crisis response system in a positive way. Continued investment and support from the State is essential to providing mobile crisis services as demand increases.

Homeless Housing, Assistance, and Prevention (HHAP) Program

Build Upon the Legislature's Action to Fund HHAP at \$900 million General Fund in 2026-27 by Reinstating Intent Language to Fund an Additional \$1 billion General Fund for HHAP in 2027-28, and Pass Trailer Bill Language (TBL) to Streamline Distribution of Funding by September 1, 2026

AB 109 provides an additional \$400 million General Fund for Round 7 of HHAP, in addition to the \$500 million already appropriated. The \$900 million General Fund in total funding is almost the full amount counties advocated for in 2026-27. The Legislature's budget plan also includes placeholder TBL to implement the funding. San Joaquin County looks forward to working with your administration and the Legislature to ensure that there is streamlined distribution of Round 7 funding by September 1, 2026, and that new funding requirements are appropriate, realistic, and not administratively burdensome. The most recent Point-In-Time count showed San Joaquin County's unsheltered population went down by 47%. This is in large part due to investments the County was able to make through HHAP funding.

Proposition 36

Build Upon the Legislature's Action on Proposition 36 Funding

AB 109 allocates \$50 million one-time General Fund to support the implementation of Proposition 36 and language that indicates the allocation will be determined in future legislation.

The inclusion of funding for local implementation of Proposition 36 in the Legislative Plan is a strong first step in recognizing the will of the voters in passing the initiative and the ongoing challenges counties face in delivering necessary services. However, San Joaquin County must continue to reinforce the dire need for ongoing funding across multiple impacted county departments, with a particular demand for recovery support services and building out treatment capacity.

Victims of Crime Act (VOCA)

Adopt the Legislature's Action to Provide \$50 million for VOCA Funding

AB 109 includes \$50 million one-time General Fund to supplement funding for VOCA, an increase of the \$25 million General Fund proposed in the May Revision, to support counties and other service providers in maintaining critical victim services for thousands of survivors Statewide.

Indigent Defense

Adopt the Legislature's Action to Provide \$5 million one-time General Fund for an Indigent Defense Pilot Program

AB 109 provides \$5 million one-time General Fund for an indigent defense pilot program, geared towards supporting counties in disproportionately impacted areas of the State, who have demonstrated a willingness to improve their systems of indigent defense.

Development Impact Fees

Adopt the Legislature's Action to Defer the Development Impact Fee Proposal

The Legislature's budget plan defers action on the Administration's Development Impact Fee TBL proposal, which would discourage or prohibit county development impact fees assessed on affordable housing projects. San Joaquin County imposes impact fees to fund development related essential infrastructure and services such as water, sewer, fire protection, parks, flood control, and libraries. These fees are strictly cost recovery tools, not revenue sources, and they enable the infrastructure necessary for new housing and economic development.

Sustainable Aviation Fuel Tax Credit

Reject the Sustainable Aviation Fuel Tax Credit Proposal's Inclusion in the Final Budget Agreement

The Legislature's budget plan adopts the Administration's Sustainable Aviation Fuel Tax Credit proposal, which would divert diesel excise tax revenues away from the roads, bridges, freight corridors, and local streets they are intended to support. This proposal is estimated to reduce diesel excise tax revenues by as much as \$165 million per year initially, growing to \$300 million annually over time. This translates to an annual reduction of between \$25 million to \$90 million in State funds counties receive through the Local Streets and Roads program. Some estimates suggest that revenue reductions could be even higher depending on how many oil refiners take advantage of the program.

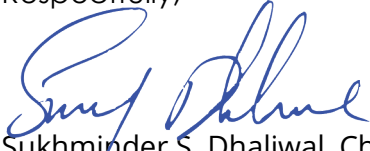
Workers' Compensation – Subsequent Injuries Benefits Trust Fund (SIBTF)

Adopt the SIBTF TBL as Introduced by the Administration in January

The Legislature's budget plan adopts the Administration's SIBTF proposal as placeholder TBL. San Joaquin County is in support of the SIBTF TBL and believes it is critical to adopt the language as it read when it was introduced in January.

Thank you for considering San Joaquin County's position on the above budget issues. We urge the State to meet this moment and stand with counties to protect the essential services millions of Californians rely on every single day.

Respectfully,



Sukhminder S. Dhaliwal, Chair

San Joaquin County Board of Supervisors

c : Nathan Barankin, Chief of Staff, Office of the Governor
 Jamie Callahan, Deputy Chief of Staff, Office of the Governor
 Christine Aurre, Legislative Affairs Secretary, Office of the Governor
 Nani Coloretti, Cabinet Secretary, Office of the Governor
 Joe Stephenshaw, Director, California Department of Finance
 Erika Li, Chief Deputy Director of Budgets, California Department of Finance