



July 2025

Impact of State and Federal Budgets

Crafting a Budget

A budget is more than dollars and cents; it is about our values and priorities.



Other considerations?

Rules we have to follow? 15% overhead!

Who takes the lead?

Who reviews and approves?

How are decisions made throughout the year - stay on track, get back on track, or adjust the track?

Understanding Medicaid



Medicaid is a program funded by the US Congress that helps people pay for healthcare and other services



The Federal government and each State government work together to fund and run Medicaid.



To pay for Medicaid programs, the Federal government shares the cost with each state – the **'Federal Match.'**



Without the Federal Match, States would need to:

Pay more for services by raising taxes or taking it from the State budget,
Have fewer people get services,
Have fewer services, or
A combination of all three



Some uses of Medicaid here in CA

Youth: WIC, Head Start, Free meals at Schools, Foster Care, School Services Speech and Language, Before/After School Programs, CA Children's Services

For Adults: Medi-Cal Health and Dental, Prescription Drugs, Rental Assistance

For Aging Adults: IHSS, Adult Protective Services, Transportation, Home-Delivered Meals, Nursing Facility/Assisted Living

For People with Developmental Disabilities: All Regional Center Services, Self-Determination Program, IHSS, DME (wheelchairs, CPAP, walkers, canes)



How many
Californians
could be
impacted?

43% of Californians could be impacted by **H.R.1 - One Big Beautiful Bill Act.**

- These numbers include:
 - 14,580,349 health coverage for workers, people with disabilities, children, and seniors (Medi-Cal)
 - 5,568,482 getting food (Cal-Fresh)
 - 1,766,490 working people with Covered California health insurance (ACA)
 - 1,438,090 new mothers and babies getting formula and other help (WIC)
 - 830,000 people receiving support to live in their own homes (IHSS)
 - 488,133 people with developmental disabilities (Regional Center Services)
 - 59,172 foster youth

The results are still being analyzed! More to come!



What we do know...

When meeting with different members of the California House delegation, people with developmental disabilities and families have been told they are being lied to. That H.R. 1 will not impact them.

People with developmental disabilities and their families know something important for the Representative to know too: services for people with developmental disabilities are optional. When Medicaid funding drops, optional services are cut.

Here is a list of mandatory and optional Medicaid services. People with developmental disabilities rely on the **highlighted** services.

Mandatory Medicaid Benefits States MUST Provide	Optional Medicaid Benefits States can CHOOSE
Inpatient/outpatient hospital services Physician services	Home and Community Based Services (regional centers) Community supported living

Historically, when Medicaid funding drops, states cut optional services. This happened during the last recession, and the Congressional Budget Office predicts it will happen under H.R. 1:

*CBO expects that in response to those provisions, states would modify their Medicaid or state-funded insurance programs to curtail their spending by reducing provider payment rates, **reducing the scope or amount of optional services**, and reducing Medicaid enrollment.*

H.R. 1 results in less Medicaid funding to states, which results in less services for people with developmental disabilities and their families. This includes people with Down Syndrome, Autism, Cerebral Palsy, epilepsy, and other conditions that require lifelong supports.

What's in H.R. 1?

To pay for part of the tax cuts, there are cuts to Medicaid and other services

Work Requirements	Require childless adults and parents of children older than 14 to work, volunteer or attend school for 80 hours a month as a condition of enrollment, unless they qualify for an exception, DD excepted	\$317 billion
Provider Taxes	Freeze current taxes states use to pay its part of the federal match and slowly lower the allowed rates from 6% to 3.5%	\$183 billion
Medicaid Eligibility Rule	Allow states to require more paperwork and more frequent eligibility checks for people in Medicaid	\$78 billion
More Eligibility Checks	Require states to check eligibility of people in the Medicaid expansion every six months instead of once a year	\$58 billion
Managed Care Taxes	Prevent states from using taxes on managed care plans to increase federal funding (CA uses this to help pay its share of Medicaid services)	\$34 billion
Reduce Emergency Payments for Immigrants	Lower the share of medical bills paid by the federal government for undocumented immigrants who are treated for emergencies	\$28 billion

What's in it continued?

To pay for part of the tax cuts, there are cuts to Medicaid and other services

Nursing Home Staffing	Cancel a regulation that required minimum staffing ratios for nursing homes	\$23 billion
New Co-Payments	Require states to charge some Medicaid patients co-payments of up to \$35 for medical services	\$7.5 billion
Limit Immigrant Medicaid Coverage	Limit eligibility after a 5-year waiting period to green card holders and certain other immigrants (current law includes all who are “lawfully present”)	\$6.2 billion
Obamacare Verification	Requires annual verification of income and other changes	\$82 billion
Obamacare Penalties	Require people who estimate their income incorrectly to refund the govt for more tax credit.	\$20 Billion

WHEN?

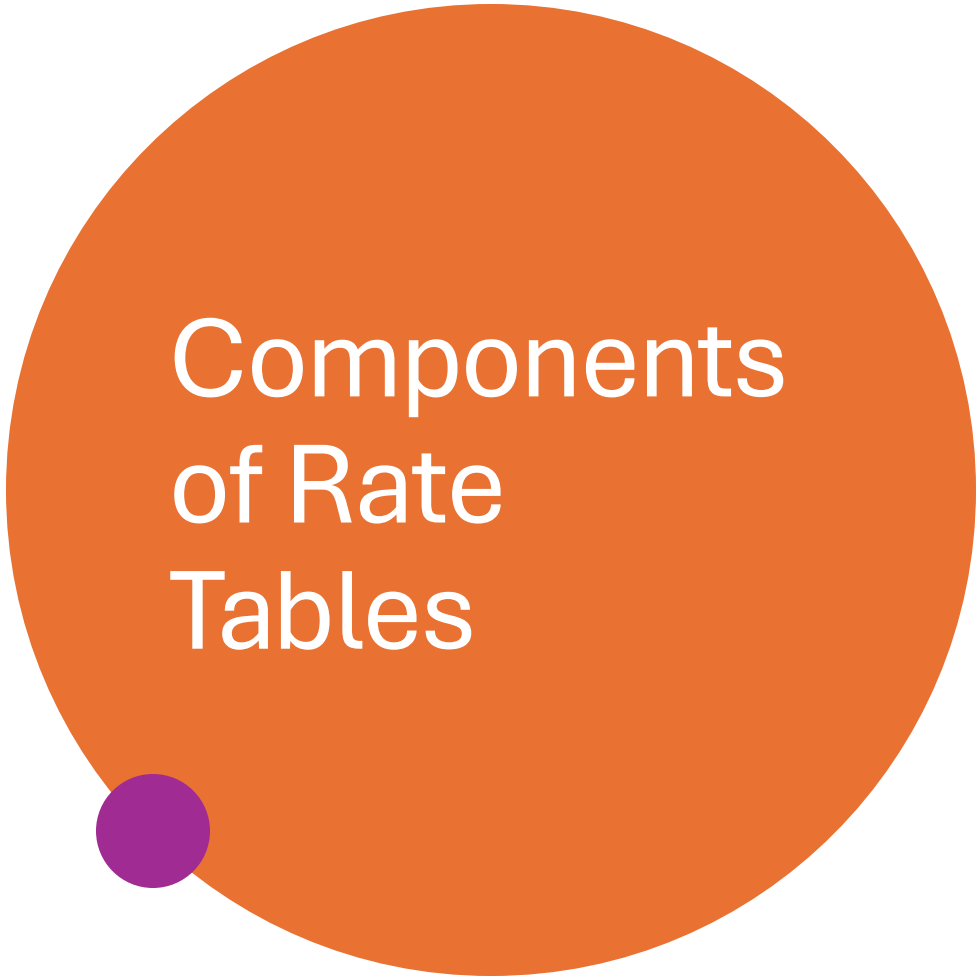
When will it go into effect? Cut taxes now, cut services later

What?	When?
Tax cuts	Now in 2025
State have a plan for Medicaid work requirements	January 2026
Medicaid work requirement go into effect	December 31, 2026
Medicaid funding changes	2028

There may be a year or more before you see changes

Brief History

- Pre-2016 –rates fixed and stagnant (and/or cut in 2008 recession)
- 2016 –the Legislature funded a rate study to determine the appropriate rates for DD services.
- 2019 –DDS published rate study, effective January 2020
- 2021-2022 budget (modified in 2022-23 budget), the Legislature funded the implementation of the rate study in three steps:
 - 25% of the difference between current and new rate on April 1, 2022;
 - Another 25% of the difference on January 1, 2023; and,
 - 90% of the rate study rate with 10% withhold for quality on July 1, 2024.
- 2022 –DDS updated rates, effective February 2022
- 2023-2024 budget fixed 90/10 implementation problems
- 2024 –rates to be updated for state min. wage & IRS mileage 7/1/24
- 2024-2025 budget delayed final step to January 1, 2025.



Components of Rate Tables

- Three Primary Drivers:
 - DSP Wage
 - DSP Productivity
 - Attendance (day programs)
- Regional Differences
- Impact of State Min Wage Increases and Inflation

Services Code Alignment

- Standard Services
 - Limited, standard set of services
 - Each service has the same rate in the same Regional Center (some differences in different Regional Centers due to geographic factors)
 - Consistency across the State
 - New names for some services



Alignment to Standard Categories and Ratios

Day Services

Existing Service Code	Service Codes to Consider
055 - Community Integration Training Program <i>(can no longer be used unless the Department approves an exemption)</i>	531 - Day Services
	532 - Behavioral Day Services
	533 - Medical Day Services
	520 - Independent Living Program
	952 - Supported Employment-Individual, Job Development
	952 - Supported Employment-Individual, Job Coaching
	950 - Supported Employment-Group
	Other

Exemption

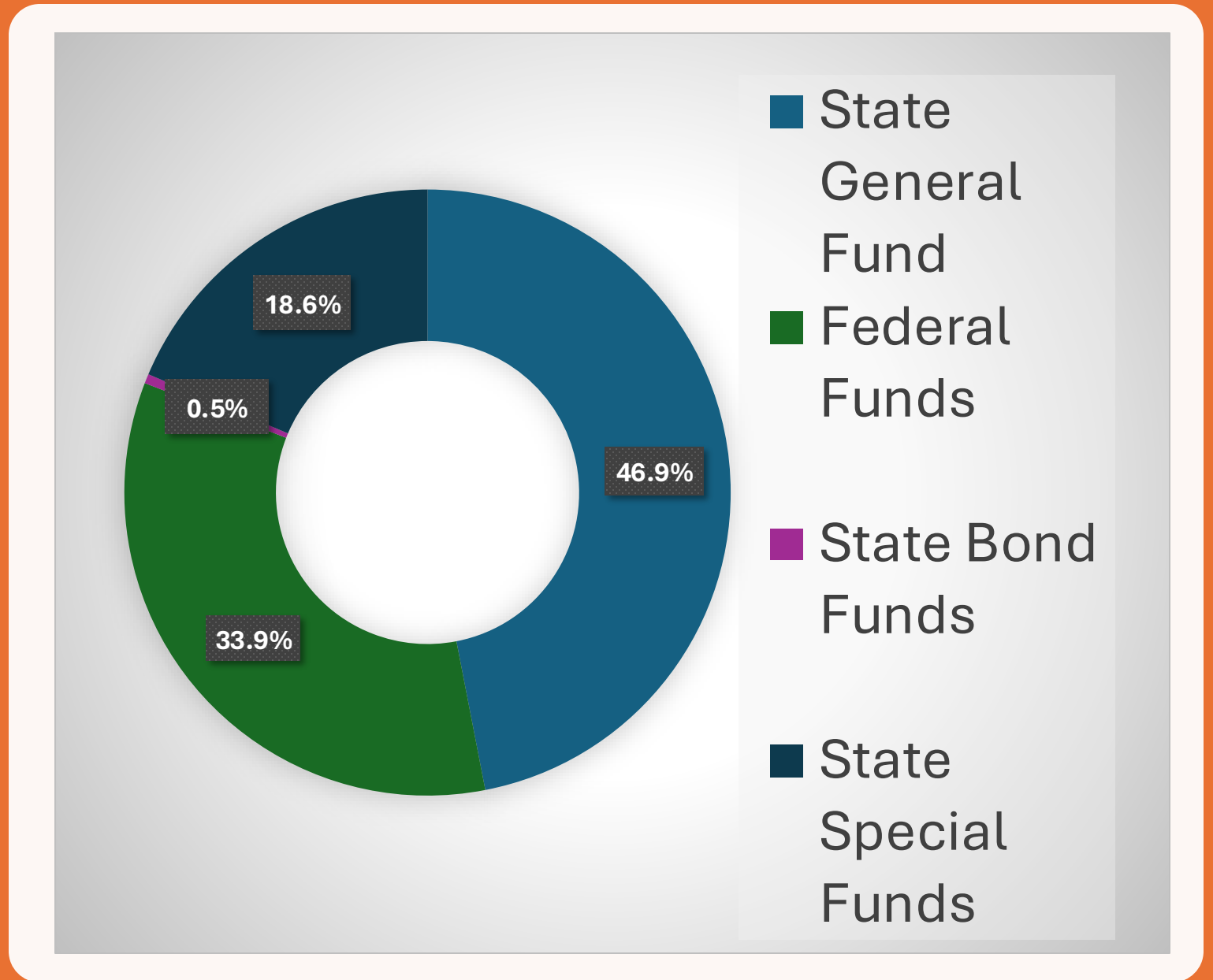
Service Code not
included

Service code included,
program model meets
standard category,
operating ratio not
included

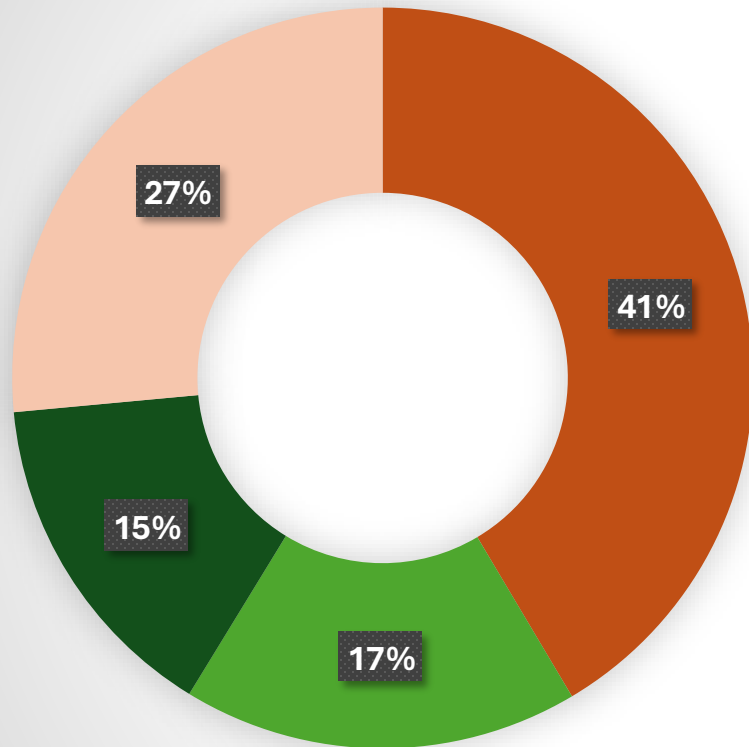
Service Code included,
but program model
does not meet a
standard category, so
it doesn't convert



Understanding the State Budget

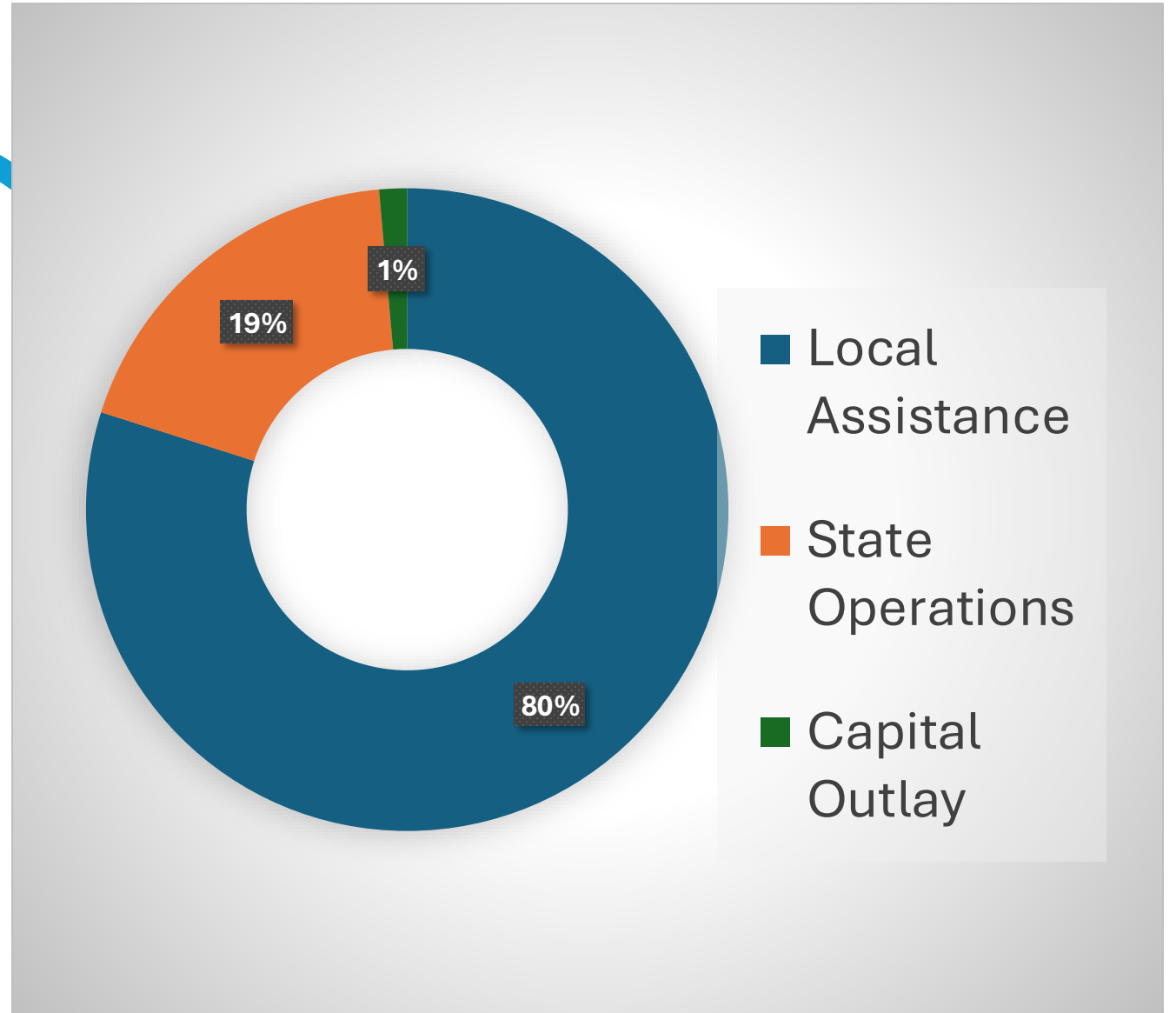


State Revenue



- Personal Income Tax
- Sales & Use Tax
- Corporation Tax
- Other

State Expenses





Governor's Budget FY26

Final California State Budget FY 2025-26 and Impact to Disability Community

The Arc Beacon - Regular video updates
from The Arc of California Executive
Director Jordan Lindsey.

- <https://youtu.be/E-z1cXyVbVI>
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Governor's Budget FY26 Key Takeaways

- WE (CA) will need to balance our budget again due to the passing of HR 1.
- (NOW) Major Impacts:
 - **Repeal of Regional Center Monthly Parental Fee**
 - **Implementation of Rate Model – Hold Harmless was moved to February 28, 2026**
 - **IHSS**
 - **Rejects the cap on overtime hours**
 - **However, creates a new asset limit on individuals and couples starting January 1, 2026**
 - **Medi-Cal**
 - **Freeze enrollment for individuals with unsatisfactory Immigration Status (UIS) 19 and older, beginning January 1, 2026**
 - **This bill implements a \$30/month Medi-Cal premium, effective July 1, 2027, for UIS individuals ages 19-59.**
 - **Eliminates full-scope, state-only dental coverage for Medi-Cal enrollees with UIS status, ages 19 and above, on July 1, 2026**
 - **Rejects the proposal to eliminate IHSS and long-term care benefits for Medi-Cal enrollees with UIS**

Governor's Budget FY26 Key Takeaways

REGIONAL CENTER SERVICES

- **Service Provider Quality Incentive Payment:** Approves the May Revision proposal regarding the Provider Mandates for Quality Incentive Payment Eligibility. Includes a reduction of \$221.7 million General Fund in 2026-27 and ongoing associated with requiring compliance with Electronic Visit Verification, financial review/annual audits, and Home and Community-Based Services (HCBS) rules as a pre-condition for eligibility of the quality incentive component of the rate models.
- **Rate Model Implementation, Hold Harmless:** Approves the May Revision proposal regarding the Service Provider Rate Reform Hold Harmless Provision. Approves a reduction of \$75 million General Fund in 2025-26, and a decrease to reimbursements by \$37,952,000, one-time to end service provider rate reform hold harmless policy as of February 28, 2026, instead of June 30, 2026.
- **Self-Determination Program:** Approves a reduction of \$22.5 million General Fund in 2025-26, and \$45.5 million General Fund ongoing by making various changes to the Self-Determination Program, including, among others, establishing the participants' individual budget generally based on the services authorized instead of being based on purchase of service expenditures, requiring a regional center to certify that participants' spending plans satisfy certain criteria, and requiring the department to establish statewide standardized processes and procedures for the program, with community input, no later than March 1, 2027.
- **Tailored Day Services:** Existing law requires the hourly rate for the tailored day service option to be calculated in a specified manner. The budget will end use of the above-described calculation methodologies on June 30, 2025, and, commencing on July 1, 2025, would require the hourly rate for the tailored day service option for vendored programs to be set by the department and posted on its internet website.
- **Direct Support Professional Training (aka DSP University):** Rejects the Governor's May Revision proposal to eliminate the Regional Centers Direct Service Professional Workforce Training and Development Program.
- **Repeal of Regional Center Monthly Parental Fee:** The budget repeals the existing monthly parent fee, which currently requires the department to assess a monthly fee to parents of children under 18 years of age who are receiving 24-hour out-of-home care services through a regional center or who are residents of a state hospital when the family's gross income is above 200% of the federal poverty level, as specified.
- **Supported Employment:** The budget removes the hourly rate for both supported employment services and group services and would instead require the department to set a rate and post the rate to its internet website. The bill would also remove the requirements that job coaching hours for group services be allocated on a prorated basis and that a new work activity program receive the statewide average rate, and would instead require that the program receive the rate posted on the department's internet website.
- **Health & Safety Waiver Assistance:** Approves the May Revision proposal regarding Health and Safety Waiver Assistance. Approves a reduction of \$3.0 million General Fund in 2025-26, with reimbursements to decrease by \$1,412,000, and ongoing for resources related to providing consumers and families assistance in applying for health and safety waivers. Approves associated, corresponding trailer bill language.

MASTER PLAN ON DEVELOPMENTAL SERVICES

- This bill would require the Master Plan for Developmental Services Committee to meet at least 2 times each year, as specified, and would set forth the information to be included in the initial report and recommendation updates, including, among other things, a narrative summary of the master plan committee meetings.

IN-HOME SUPPORTIVE SERVICES (IHSS):

- Approves \$3.3 million and adopts trailer bill language that would require the Department of Human Resources, in collaboration with the State Department of Social Services, to appoint a statewide bargaining advisory committee to review the full cost of care for IHSS provided through the IHSS program under a statewide collective bargaining model. Authorizes \$3.3 million for funding one-time from the General Fund.
- Rejects the May Revision proposal regarding In-Home Supportive Services (IHSS) Provider Overtime and Travel Hours.
- Rejects the May Revision proposal regarding In-Home Supportive Services for Undocumented Adults.
- Modifies the May Revision Proposal to require the asset test limit as it was in the prior interim step, which permitted assets up to \$130,000 for individuals and \$195,000 for couples, that was in effect from July 1, 2022 to December 31, 2023, starting January 1, 2026, consistent with the same change in Medi-Cal under the Department of Health Care Services. This results in savings for IHSS of \$15.96 million in 2025-26, \$220.3 million in 2026-27, and \$317.2 million in 2027-28 (all General Fund) and ongoing. This change would apply to all IHSS consumers, as IHSS is a Medi-Cal benefit.

MEDI-CAL

- Freezes enrollment in Medi-Cal for individuals with undocumented immigration status, ages 19 and older, beginning January 1, 2025. Includes a three-month grace & cure period allowing for re-enrollment. Individuals already enrolled in the program cannot "age out."
- Implements a \$30 per-month Medi-Cal premium, effective July 1, 2027, for individuals with Unsatisfactory Immigration Status, ages 19 to 59.
- Eliminates full-scope, state-only dental coverage for Medi-Cal enrollees with Unsatisfactory Immigration Status, ages 19 and older no sooner than July 1, 2026.
- Rejects the proposal to eliminate long-term care benefits for Medi-Cal enrollees with Unsatisfactory Immigration Status.

- **SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP) BASE GRANTS:** Approves the May Revision estimates adjustments with no major changes for SSI/SSP.

HOUSING

- Approves \$44.6 million General Fund for 2025-26 on a one-time basis for the Housing and Disability Advocacy Program (above the \$25 million base amount for this program already included in the Governor's Budget), with budget bill language.

MISCELLANEOUS

- **Special Olympics:** Appropriates \$30 million, one-time Proposition 98 for the Special Olympics.