NOVEMBER 13, 2025

Overview of Major Impacts of H.R. 1—One Big Beautiful Bill Act on CalFresh

PRESENTED TO: Senate Committee on Human Services
Hon. Jesse Arreguín, Chair

LEGISLATIVE ANALYST'S OFFICE

Background

- House Resolution 1 of 2025 (H.R. 1)—also known as the One Big Beautiful Bill Act—was signed by the President in July 2025.
- H.R. 1 introduces multiple significant changes to major health and human services programs, primarily Medicaid (known as Medi-Cal in California) and the Supplemental Nutrition Assistance Program (SNAP, known as CalFresh in California).
- H.R. 1 includes changes to CalFresh in three major categories:
  - Limits eligibility.
  - Reduces benefits and services.
  - Shifts costs from the federal government to the state and counties.
- CalFresh provided over $12.5 billion in food assistance to an average monthly caseload of 5.5 million people in 3.3 million households in 2024-25.

Limits Eligibility

Expanded Work Requirements for Able-Bodied Adults Without Dependents (ABAWDs)

- ABAWDs are limited to three months of CalFresh assistance in a three-year period unless they work or participate in other qualifying activities for at least 20 hours per week.
- Prior to H.R. 1, the ABAWD time limit was not imposed on individuals who are:
  - — Over age 54.
  - — In a household that includes children under age 18.
  - — Pregnant.
  - — Unable to work due to a physical or mental limitation.
  - — Adults through age 24 who aged out of foster care.
  - — Veterans.
  - — Homeless.
  - — Living in an area for which the time limit was waived. Waivers were available for areas with an unemployment rate of more than 10 percent or with a demonstrated lack of sufficient jobs. Until recently, California had an approved statewide waiver of the ABAWD time limit through January 1, 2026, based on a finding of insufficient jobs.
- H.R. 1 makes several changes to the ABAWD time limit. Specifically, H.R. 1:
  - — Expanded the time limit to adults through age 64 (rather than 54).
  - — Expanded the time limit to adults whose youngest dependent is age 14 or older (rather than 18 or older).
  - — Eliminates the previous exemptions for former foster youth, veterans, and homeless individuals. (These exemptions had been set to expire in 2030.)
  - — Adds a new exemption for Native Americans and individuals eligible for Indian Health Services.

Limits Eligibility

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— Limits waivers to only areas with an unemployment rate of more than 10 percent, eliminating waivers based on a finding of insufficient jobs. As a result of this change, California's statewide waiver ended November 2, 2025. In place of this statewide waiver, the state recently received approval for a waiver in three counties—Colusa, Imperial, and Tulare—through October 2026.

- The California Department of Social Services (CDSS) has estimated that there are about 610,000 nonexempt ABAWDs, of which 115,000 are working 20 hours per week, with the remaining 495,000 at risk of discontinuance under the H.R. 1 requirement. The average monthly CalFresh benefit per person is about $190, but individuals who are discontinued could lose up to about $300 in CalFresh assistance per month, depending on household size, income, and other factors.
- The expanded federal ABAWD time limit is effective upon enactment of H.R. 1, but has not been implemented pending work by the state to interpret federal guidance, provide additional guidance and training to counties, and put needed operational changes in place.

Narrowed Immigrant Eligibility

- "Qualified" immigrant populations who have certain legal statuses are eligible to receive federally funded CalFresh benefits.
- H.R. 1 narrowed the definition of qualified to remove asylees, refugees, parolees, battered noncitizens, and trafficking victims, among others.
- CDSS has estimated that 73,900 individuals will lose CalFresh eligibility as a result of this change.
- The changes to the definition of qualified immigrants are effective upon enactment of H.R. 1, but implementation of this change has not yet taken place as it is pending federal guidance.

Limits Eligibility

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Estimated Lost Federal Funds From Limits on Eligibility

- Taken together, H.R. 1 provisions related to eligibility will likely result in a reduction in CalFresh benefits in the high hundreds of millions of dollars annually.

Reduces Benefits and Services

Changes to Thrifty Food Plan Calculation

- The Thrifty Food Plan is developed by the federal government to represent a frugal but nutritious monthly food budget. The Thrifty Food Plan determines maximum CalFresh benefit amounts for different household sizes.
- H.R. 1 changes how the Thrifty Food Plan is calculated and applied by:
  - — Capping growth in Thrifty Food Plan to the rate of inflation.
  - — Placing a cap on the maximum CalFresh benefit based on the Thrifty Food Plan for households of 18 or more individuals.
- These changes went into effect October 1, 2025.

Restrictions on Use of Standard Utility Allowance (SUA) and Consideration of Internet Expenses

- ***SUA Results in Higher CalFresh Benefit for Some Households.*** A household's CalFresh benefits are reduced as it has more income, after accounting for certain expenses. A portion of utility expenses are deducted from income when determining CalFresh benefits. This means that households with higher utility expenses will generally receive a larger CalFresh benefit. In some cases, states may apply an SUA instead of basing benefits on actual utility costs. Some households receive a higher CalFresh benefit when the SUA is used.
- ***State Utility Assistance Payment Used to Broaden Use of SUA.*** Prior to H.R. 1, households that received a state or federally funded utility assistance payment would automatically have the SUA applied to their benefit calculation (rather than their actual utility costs). California provides such a utility assistance payment so that CalFresh households may use the SUA in cases where this results in a higher monthly benefit.

Reduces benefits and Services

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- ***H.R. 1 Restricts Use of Such Utility Assistance Payments to Households with Elderly or Disabled Members.*** CDSS has estimated that this provision will result in reduced benefits for 444,000 and lost eligibility for 18,000 individuals, equivalent to about $180 million in reduced benefits annually. This provision took effect October 31, 2025.
- ***Removes Requirement That Internet Expenses Be Considered.*** H.R. 1 also rescinds a prior federal requirement that states consider internet expenses when determining the SUA and instead prohibits consideration of internet expenses. California had not yet implemented an SUA that considered internet expenses, so this H.R. 1 provision does not affect the CalFresh benefits available today.

End of Nutrition Education Funding

- Prior to H.R. 1, California received annual federal funding to support nutrition education activities through the California Department of Public Health, the California Department of Aging, higher education institutions, and nonprofit organizations.
- H.R. 1 ends this nutrition education funding beginning with the federal fiscal year that started in October 2025. California and other states may continue to use prior-year nutrition education funding through September 2026. The annual amount of nutrition education funding received by the state has increased gradually over time, to $132 million in the most recent year funding was received.

Shifts Benefit Costs to the State

- ***Payment Error Rate Measures the Accuracy of Benefit Calculations.*** Each year, a sample of CalFresh cases is reviewed to assess whether or not each household received the correct benefit amount based on its circumstances. The payment error rate is the ratio of discrepancies between the correct benefit and the actual benefit (both underpayments and overpayments) relative to total benefit payments.
- ***Imposes State Share of Benefit Costs, Dependent on Payment Error Rate.*** Today, the federal government covers the entire cost of federal CalFresh food benefits. H.R. 1 requires states with a payment error rate of 6 percent or higher to begin covering a share of benefit costs beginning in October 2027.

State Shares of CalFresh Benefit Costs for Different Payment Error Rates

Payment Error Rate	State Share of Benefit Costs	Approximate Annual California Cost
Less than 6%	—	—
From 6% to less than 8%	5%	$650 million
From 8% to less than 10%	10	$1.3 billion
10% or greater	15	$2 billion

- ***Based on Most Recently Published Error Rate Data, California's Share Would Be 15 Percent.*** California's error rate for the 2023-24 federal fiscal year (October 2023 through September 2024) was nearly 11 percent, corresponding to a state share of 15 percent of benefit costs, or approximately $2 billion in annual costs shifting from the federal government to the state.

Shifts Benefit Costs to the State

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- ***Initial State Share Dependent on Error Rate in Current Federal Fiscal Year.*** H.R. 1 determines the state's initial share of benefit costs for federal fiscal year 2027-28 (October 2027 through September 2028) based on the payment error rate in either federal fiscal year 2024-25 or 2025-26, at the state's option. While not yet published, the states' payment error rate for federal fiscal year 2024-25 (the most recently ended year) likely is not significantly lower than the 11 percent rate for 2023-24. Consequently, the state's opportunity to mitigate increased costs for CalFresh benefits beginning in October 2027 depends on the payment error rate in federal fiscal year 2025-26 (the current federal fiscal year).

Increases State and County Share of Administrative Costs

- ***Nonfederal Share of Administrative Costs Increasing From 50 Percent to 75 Percent.*** Currently the federal government reimburses the state for 50 percent of costs to administer the federal CalFresh benefit. The state and counties cover the remaining 50 percent. H.R. 1 reduces federal reimbursement to 25 percent, increasing the state and county share of costs to 75 percent, effective October 2026.
- ***The State and Counties Will Share Increased Costs.*** Under current law, counties are responsible for 30 percent of CalFresh administrative costs that are not reimbursed by the federal government. This means that, beginning October 2026, the state share will increase from 35 percent to 52.5 percent and the county share will increase from 15 percent to 22.5 percent. This is expected to result in new annual costs of approximately $450 million for the state and $200 million for counties.

Recent State Budget Actions Related to H.R. 1 Impacts in CalFresh

As part of the final 2025-26 budget package, the Legislature provided funding in response to the more immediate impacts anticipated from H.R. 1. Funding includes:

- $39.9 million (including $20.1 million General Fund) for CDSS to pursue data and technology changes and outreach to CalFresh beneficiaries to reduce the payment error rate and limit increased state costs for CalFresh benefits.
- $20 million General Fund (on top of a $52 million augmentation prior to H.R. 1's approval) for the CalFood program to support food banks.
- Upon approval of the Department of Finance, up to $15 million General Fund to implement forthcoming federal guidance.
- Upon approval of the Department of Finance, up to $20 million to support county implementation of changes to the ABAWD time limit.