ECONOMIC MOBILITY FOR LOW-WAGE WORKERS

ECONOMIC SECURITY

FUNDING HIGHLIGHT

$2.5B

Estimated revenue in the 2026-27 California budget to fund Medi-Cal via the Managed Care Organization tax[1]

California's social safety net serves low-wage workers, children, immigrants, older adults, people with disabilities, and caregivers. Critical social safety net programs support preventive health care and cover basic needs, building individual capacity to pursue economic mobility. For low-wage workers, these programs help prevent a crisis from disrupting work and make it easier to stay employed, pursue training, and advance in their careers. CalEITC increases income for low-wage workers, but gaps in program design create access barriers. Federal policy changes and state budget pressures threaten benefit availability and access across the social safety net, increasing the burden on low-wage workers seeking economic mobility. California's next governor can **improve coordination and simplify eligibility,** so workers connect with the programs that were designed to support them.

CRITICAL FOCUS AREAS FOR THE NEXT GOVERNOR

→ *Protecting access to benefits that support economic security.*

Millions of Californians rely on public benefits to stay healthy, work, and maintain financial stability, but access is becoming more constrained as federal policy changes, state budget decisions, and new eligibility requirements reshape California's safety net. Medi-Cal alone covers more than one-third of Californians, and according to some[2], recent federal and state changes could contribute to 1.3 million people losing coverage by 2029–30. California can reduce unnecessary benefit loss by using existing wage, tax, and benefits data to verify eligibility and exemptions; improving data-sharing across safety-net programs so people do not repeatedly submit the same information; and streamlining how Californians report changes and renew benefits. Reducing administrative burdens can help ensure that eligible Californians retain critical support even as the safety net becomes more difficult to navigate.

→ *Using tax credits to promote economic stability.*

As California families face a high cost of living and access to some safety-net benefits becomes more constrained; tax credits can provide important financial relief to low-income workers and families. California has increasingly used tax credits as policy tools to support workers and families and address challenges such as housing affordability. The state can build on this approach by protecting existing credits that benefit lower-income Californians, funding enhancements and commitments already authorized, and making it easier for eligible households to claim the credits available to them. Maintaining these investments and improving their reach can help more Californians keep more of their income and provide an important source of economic stability[7] as other supports become less available.

CALIFORNIA'S ECONOMIC SECURITY SYSTEM AT A GLANCE

$1.3B
Anti-poverty tax credits paid to ~3M filers in 2025[3]

14M
Californians enrolled in Medi-Cal[4]

5.5M
CalFresh recipients in FY 2024–25[5]

371,548
Households helped by COVID-19 Rent Relief[6]

STRATEGIC QUESTIONS FOR CONSIDERATION

How will the next administration improve data-sharing and coordination across safety-net programs to reduce administrative burdens, prevent eligible Californians from losing benefits, and strengthen economic stability?

How can California use existing touchpoints with Medi-Cal, CalFresh, CalWORKs, and other safety-net programs to identify and connect eligible workers with the CalEITC and free tax-filing assistance?

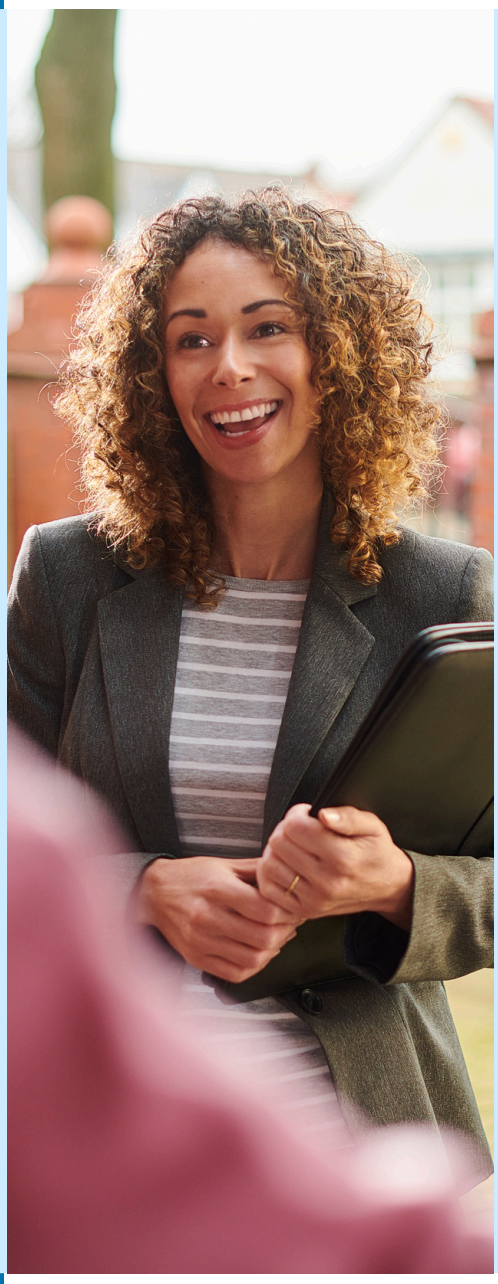
ECONOMIC SECURITY

KEY LEADERSHIP DECISIONS

- Secretary, Health and Human Services
- Director, Department of Health Care Services
- Director, Department of Social Services
- Secretary, Housing and Homelessness Agency
- Director, Housing and Community Development
- Director, Department of Finance

Cabinet Secretaries, Senior Advisors, and Legislative Affairs Secretaries for Health and Human Services & Housing and Homelessness

PROGRAMS TO KNOW



Core Social Safety Nets: Medi-Cal, CalFresh, and CalAIM

Purpose: Social safety net programs help reduce exposure to financial shocks and improve access to health care and basic needs. This publicly funded stability can support people with maintaining employment, completing training, and pursuing economic advancement.

Why it matters

- Medi-Cal, California's Medicaid program, helps reduce exposure to potentially destabilizing health expenses and, as a form of affordable health insurance, can help people obtain and maintain employment.[8]
- SNAP, which funds CalFresh, is one of the strongest anti-poverty programs in the United States.[9] The CalFresh program kept 856,000 Californians, including 312,000 children, out of poverty in 2023.[10]
- H.R. 1 introduces new community-engagement (or work) requirements for Medi-Cal, expands CalFresh's existing work requirement, and ends California's statewide CalFresh waiver. It also requires more frequent Medi-Cal eligibility reviews and removes select groups of lawfully present immigrants from federal funding eligibility. These changes will reduce some benefits and substantially shift more administrative costs to California,[11] increasing reliance on state funding and adding budget pressures that have already prompted program reductions.
- Since 2022, California has invested nearly $12B of state and federal funding in California Advancing and Innovating Medi-Cal (CalAIM)[12] social services to support its highest-need Medi-Cal enrollees in addressing social determinants of health. The program is showing promising results; the Department of Health Care Services reported a general reduction in emergency room visits and hospitalizations among participants, reducing costs to Medi-Cal.[13]

Project produced by Capitol Impact, supported by The James Irvine Foundation.

PROGRAMS TO KNOW



Tax credits for low-income Californians

Purpose: The California Earned Income Tax Credit (CalEITC) and other tax credits increase disposable income for low-income workers and families, helping improve financial stability, reduce poverty, and support workforce participation. They represent one of the state's largest direct cash-support strategies for working Californians.

Why it matters

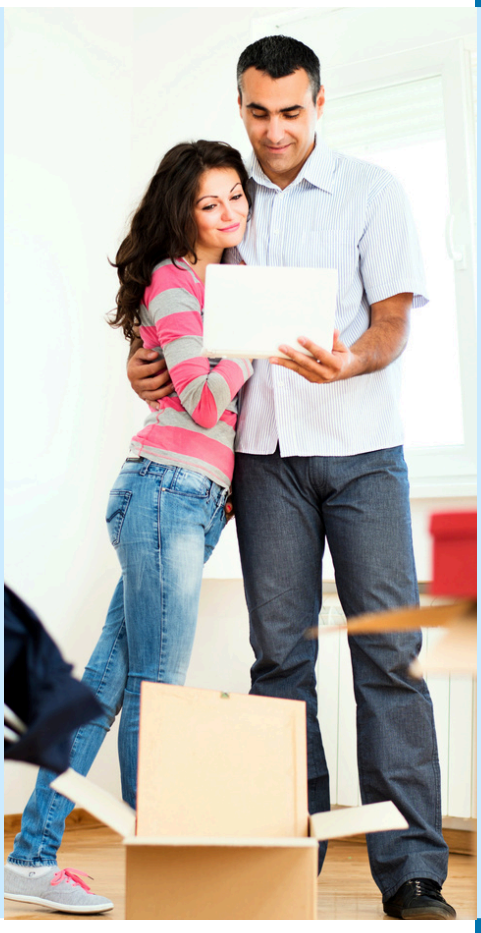
- These types of tax credits become money that is refunded back to low-income households to strengthen financial security and allow households flexibility to address housing, food, transportation, childcare, debt, and other expenses.
- Eligible individuals or households must file a tax return to receive tax credits, but many low-income workers owe no taxes and may skip filing to avoid the time or cost.
- A 2021 report identifying the CalETIC Take-up Gap found that nearly 500,000 eligible Californians missed out on the tax credit: two-thirds from not filing taxes and one-third from not claiming the credit on their taxes.[14]

Short-Term Rental Assistance

Purpose: Housing instability can disrupt employment, education, and training; homelessness makes those connections far harder to maintain. Short-term rental assistance intervenes at two points: emergency rental assistance prevents evictions before households lose their housing, and rapid rehousing moves people out of homelessness quickly so they can reconnect to work, school, and services. Acting before a housing crisis becomes a prolonged episode of homelessness may improve outcomes and reduce long-term public costs.

Why it matters

- Emergency rental assistance can preserve gains from wages and safety-net programs that would otherwise be erased when low-income households devote an unsustainable share of income to housing.
- Nearly 86% of emergency rental assistance from California's COVID-19 Rent Relief Program went to households earning at or below 50% of area median income.[15]
- A recent study on Rapid Re-Housing found that families that leased up experienced additional health benefits including being "less likely to use emergency rooms and crisis stabilization mental health services in the four years after RRH enrollment."[16]



Project produced by Capitol Impact, supported by The James Irvine Foundation.

ENDNOTE

[1] California Department of Finance, "Health and Human Services," in California State Budget 2026-27: Enacted Budget Summary (Sacramento: California Department of Finance, June 2026), 100-101, https://ebudget.ca.gov/2026-27/pdf/Enacted/BudgetSummary/HealthandHumanServices.pdf.

[2] California Senate Committee on Budget and Fiscal Review, Subcommittee No. 3, "Agenda: Oversight Hearing – The Impact of H.R. 1 on California's Safety Net," March 19, 2026, Redefine Alliance, "WIOA Overview – Title I," accessed August 26, 2026, https://sbud.senate.ca.gov/system/files/2026-03/03.19.2026-agenda-dhcs-and-cdss-hr-1-calworks.pdf

[3] Center on Budget and Policy Priorities, "The Earned Income Tax Credit," Policy Basics, updated December 19, 2025, https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit.

[4] California Franchise Tax Board, Economic and Statistical Research Bureau, "FTB EITC Summary of CA Residents June 2026," dataset, California Open Data, last updated August 5, 2026, https://catalog.data.gov/dataset/ftb-eitc-summary-of-ca-residents-june-2026.

[5] Legislative Analyst's Office, "The 2026-27 Budget: County Administration and H.R. 1 Implementation," March 5, 2026, https://lao.ca.gov/Publications/Report/5149.

[6] Legislative Analyst's Office, "The 2026-27 Budget: Food Assistance Programs," February 18, 2026, updated March 16, 2026, https://lao.ca.gov/Publications/Report/5126.

[7] California Department of Housing and Community Development, "ERAP Dashboard," accessed October 9, 2026, https://www.hcd.ca.gov/housing-open-data-tools/erap-dashboard.

[8] Kaiser Family Foundation, The Relationship Between Work and Health: Findings from a Literature Review, Issue Brief, August 2018, https://collections.nlm.nih.gov/master/borndig/101740317/Issue-Brief-The-Relationship-Between-Work-and-Health-Findings-from-a-Literature%20Review.pdf.

[9] U.S. Department of Agriculture, Economic Research Service, "Supplemental Nutrition Assistance Program (SNAP) - Key Statistics and Research," updated August 31, 2026, https://www.ers.usda.gov/topics/food-nutrition-assistance/supplemental-nutrition-assistance-program-snap/key-statistics-and-research.

[10] Sarah Bohn et al., "Poverty in California," Public Policy Institute of California, July 2026, https://www.ppic.org/publication/poverty-in-california/.

[11] California Department of Social Services, "H.R. 1 (One Big Beautiful Bill Act) & CalFresh: Frequently Asked Questions," updated September 9, 2026, https://www.cdss.ca.gov/benefits-services/food-nutrition-services/calfresh/frequently-asked-questions.

[12] Angela Hart, "As GOP Cries Fraud, Newsom Backs Medicaid Spending on Housing and Food," KFF Health News, July 13, 2026, https://kffhealthnews.org/medicaid/medicaid-social-services-gavin-newsom-california-republican-criticism/.

[13] Hart, "As GOP Cries Fraud."

[14] John Iselin et al., CalEITC Falls Far Short of Its Full Reach: Measuring the CalEITC Take-up Gap among CalFresh Enrollees, Policy Brief (California Policy Lab, July 2021), https://capolicylab.org/wp-content/uploads/2021/07/CalEITC-Falls-Far-Short-of-Its-Full-Reach.pdf.

[15] California Department of Housing and Community Development, California COVID-19 Rent Relief Program: Monthly Report to Joint Legislative Budget Committee – May 2024 (Sacramento: California Department of Housing and Community Development, 2024), https://www.hcd.ca.gov/sites/default/files/docs/policy-and-research/plan-report/erap-report-to-jlbc-052024.pdf.

[16] Brian Blackwell and Max Gross, "Does Rapid Re-Housing Reduce Homelessness?," Journal of Urban Economics (August 2026), https://www.sciencedirect.com/science/article/abs/pii/S0094119026000604.

RESOURCES

California Department of Health Care Services
Medi-Cal
https://www.dhcs.ca.gov/medi-cal/

California Department of Social Services
CalFresh
https://cdss.ca.gov/inforesources/calfresh

California Department of Health Care Services
California Advancing and Innovating Medi-Cal (CalAIM)
https://calaim.dhcs.ca.gov/

California Franchise Tax Board
California Earned Income Tax Credit (CalEITC)
https://www.ftb.ca.gov/file/personal/credits/caleitc/index.html

California Department of Housing and Community Development
CA COVID-19 Rent Relief Program and Emergency Rental Assistance Program (ERAP)
https://www.hcd.ca.gov/funding/archive/erap

ABOUT CAPITOL IMPACT

Capitol Impact is a social impact consulting firm that is dedicated to forging a better future for all Californians. To achieve this mission, the firm partners with visionary leaders across the social sector to advance practical solutions to California's most pressing challenges.

This project is supported by The James Irvine Foundation.