

# LEGISLATIVE UPDATE



Week of June 8, 2026

## State Issues

Budget Update:  
Two-Party Budget  
Agreement

Last night, the Legislature released a two-party deal budget agreement. That means that the Senate and Assembly have negotiated to achieve a balanced budget that will be voted on by Monday's deadline. You can access the Speaker Rivas' press release [here](#), and the Legislature's summary [here](#).

However, it is clear that Governor Newsom has not signed off on the proposals included in the budget document. This agreement, included in [AB 109](#), simply sets the stage for up to two weeks of budget negotiations between the Legislature and the Governor. Later budget bill amendments are expected to reflect a future "three party" deal between the two houses and the Governor.

The budget document is framed as the Legislature's response to President Trump, Congressional Republicans and the "Big Ugly Bill." They note that "health costs are climbing and Californians are losing access to care, as well as food assistance and other supports. The White House is aggressively — and proudly — dismantling safety net programs. It is a historic crisis." They state that this budget reflects California's leaders fighting back.

**Total Spending and Reserves.** The Legislature's Version builds reserves, is projected to be balanced through 2027-28, and reduces the long-term structural deficit to below \$10 billion. The Legislature's Version of the budget includes \$355.9 billion in total expenditures in 2026-27, including \$253 billion from the General Fund, and contains total reserves of \$36.5 billion.

**Taxes.** The budget plan includes new revenues by approving the proposal of a sales tax on pre-written software products and a permanent cap on business tax credits. They require the Administration to submit a report on the impact of these taxes in a few years.

**More Work to be Done.** The Senate and Assembly make it clear in their document that the health section, in particular, is a work in progress over the two-year budget cycle. They note, "Both the Assembly and Senate aim to revisit any final reductions enacted in the 2026 budget, and consider additional delays, restorations, or modification of those reductions as part of the 2027-28 budget process, consistent with the state's fiscal condition at that time."

**Health Budget Items.** Included below are some of the actions the Legislature is taking related to health care.

**MCO.** The Legislative deal adopts the Governor's plan for a new, federally compliant MCO tax effective January 1, 2027, and adopts the Administration's proposed MCO trailer bill language. This is the proposal that will bring in \$2.3 billion, with \$2 billion for general fund revenue and only \$300 million for provider rates. *(more)*

Budget Update  
(continued)

This is also estimated to increase health care commercial premiums by \$8.85 per member per month.

**Medi-Cal for Undocumented Californians.** The Legislature adopts a placeholder framework to retain individuals with Unsatisfactory Immigration Status in Medi-Cal managed care for non-emergency services in response to federal restrictions and maintains access to Community Supports and Enhanced Care Management for this population.

**County Funding.** They provide an additional \$139 million General Fund in 2026-27 for county eligibility workload related to HR 1 implementation and \$125 million General Fund in 2026-27 to establish an emergency services-only county indigent care program.

**Public Hospitals.** Provides \$250 million General Fund for 2026-27 to support California's public hospital system.

**Medi-Cal Premiums for UIS.** Increases Medi-Cal premium for individuals with Unsatisfactory Immigration Status from \$30 to \$50, effective July 1, 2027.

**Asset Test Limits.** Maintains the current Medi-Cal asset limit test of \$130,000 for a person, and \$195,000 for a couple, until July 1, 2027. Updates the Medi-Cal asset limit test to \$21,000 for a person, and \$31,000 for a couple, beginning July 1, 2027.

**PACE Programs.** Rejects the proposal to implement a rate cap for Program of All-Inclusive Care for the Elderly (PACE) organizations at the actuarial lower bound rate and provides \$800,000 in 2026-27 and ongoing (\$400,000 General Fund; \$400,000 Federal Fund) to hire additional nursing staff positions to evaluate the applications of frail, older Californians applying to enroll in a PACE program.

**Care for Seniors.** Adopts the "Be Home Soon California" framework proposal, an all-of-government, "whatever-it-takes" approach to transition seniors and people with disabilities from skilled nursing facilities (SNFs) and hospitals back home or to the community with family and caregivers.

**Denti-Cal.** Delays the elimination of Proposition 56 Medi-Cal Dental supplemental rates funded through General Fund to July 1, 2027, and delays the elimination of state-funded dental coverage for Medi-Cal enrollees with Unsatisfactory Immigration Status to July 1, 2027.

**Penalties for Large Employers with Employees on Medi-Cal.** They do not adopt, but move forward the "fair share for big corporations" by requiring Department of Finance to provide draft bill options by March 2027 to hold large employers accountable for employees on Medi-Cal.

**Gender Affirming Care.** Appropriates \$25,000,000 General Fund in 2026-27 to support a gender-affirming care provider network stabilization and uncompensated care grant program, and an additional \$1,000,000 to support the establishment of a gender-affirming care state-only Medi-Cal coverage and billing pathway.

(more)

<p>Budget Update <i>(continued)</i></p>	<p><b>Acupuncture.</b> Rejects the elimination of the Medi-Cal adult acupuncture benefit.</p> <p><b>ABA Therapy.</b> Adopts placeholder action related to utilization management for Applied Behavioral Analysis / Behavioral Health Treatment and Transportation Services.</p> <p><b>Cal AIM.</b> Adopts placeholder action related to refinements and efficiencies for Community Supports and Enhanced Care Management.</p> <p><b>Diaper Initiative.</b> Approves \$16.5 million for the purchase and distribution of diapers and wipes.</p> <p><b>HR 1 Implementation.</b> Includes \$20,453,000 in 2026-27 in federal funds to support administrative and eligibility system costs associated with the implementation of federal work and community engagement requirements.</p> <p><b>Covered California.</b> Lowers Covered California premiums with a total of \$300 million annually.</p> <p><b>Next Steps.</b> On Monday, June 15, at 10:00pm, the Senate Budget Committee is expected to hold its hearing on the bill and then come into Floor Session at 2:00pm for its vote. The Assembly Budget Committee will meet at 1:00pm for their committee hearing on the agreement and come into Floor Session at 5:00pm for the final. Additional budget legislation and trailer bills are expected later.</p>
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