

LEGISLATIVE UPDATE



Week of June 15, 2026

State Issues

<p>2026-2027 Budget Bill Passed</p>	<p>There was significant activity on the budget this week, with the Legislature voting to approve AB 109 (Gabriel) – the official budget bill for 2026-2027. Both the Senate and Assembly voted during their respective session on Monday.</p> <p>In his presentation on the bill, Senate Budget Chair Laird touted pausing cuts to the Medi-Cal program that they rolled back until July 1, 2027. He notes it delays cuts to health care clinics and a postponement of the elimination of access to Denti-Cal. He noted the budget includes \$190 million in forgivable loans to distressed hospitals and \$250 million in funding to Public Hospitals. Republican Senator Strickland was critical of the measure. He called out many of the spending plans as challenges for families who will have to decide between buying a gallon of milk and a gallon of gas. In his presentation, he mentioned wasteful spending in the budget and calls out Governor Newsom’s diaper access initiative that is estimated cost about \$20 million (about \$.50 per diaper compared to Target “it’s about \$.16 per diaper”). Senator Menjivar touted all of the health and human services funding included in the bill that helped them address the affordability crisis. She referenced the new “Be Home Soon” program that the Senate hopes will address the cost California spends on acute hospitals and by supporting their care community settings. She also expressed concerns that the State has not yet reversed the freeze on Medi-Cal for undocumented adults. Senator Durazo abstained from voting for the Budget bill, after expressing concerns that Medi-Cal for undocumented California is not included.</p> <p>In the Assembly, Dr. Bains was a vocal critic of the measure and was the lone Democratic member of the Assembly not voting for the bill. The bill passed both the Senate and Assembly and is on its way to the Governor. The negotiations between the Legislature and the Governor are ongoing. It is possible we will see a Budget Bill Jr. amending AB 109 emerge sometime before the June 30 deadline that might reflect changes they need to be made to the budget bill to reflect those negotiations.</p>
<p>Budget Trailer Bills Pending</p>	<p>The Senate heard several key Budget Trailer Bills on Wednesday, and several were voted on the Senate Floor on Thursday. These bills are focused on creating new revenues to help the state balance its budget.</p> <p>SB 122 (Budget Committee): Software Sales Tax and Limit on Business Tax Credits. This measure would add two new revenue sources for the state. It would add digital products to the definition of tangible property effective January 1, 2027, and subject them to sales/use tax. The Legislative Analyst’s Office (LAO) outlined the tax’s provisions here. The Governor’s office estimates total tax revenue from this source would be about \$1 billion, while the LAO sets the cost closer to \$2 billion. During the course of this debate, the impact this would have on hospitals was raised. This bill also includes a permanent limit on business tax credits. The LAO memo reviewing this proposal can be found here.</p> <p style="text-align: right;"><i>(more)</i></p>

<p>Budget Trailer Bills Pending (continued)</p>	<p>Specifically, the measure would extend from January 1, 2027, to January 1, 2030, the current \$5 million cap on the use of all business tax credits, as well as refundable amounts provisions. Effective January 1, 2030, the limit on all business tax credits would be 70% or \$5 million, whichever is greater. From January 1, 2027, to January 1, 2030, the \$800 minimum franchise tax for LPs, LLPs, and LLCs would be \$400. This bill passed the Senate Floor and is on its way to the Governor’s desk for signature. Stakeholders will continue advocacy on this measure – specifically looking for an exemption to the sales tax proposal for health care providers in the hopes of getting changes made before the session ends on August 31.</p> <p>SB 125 (Budget Committee): MCO Provider Tax. This bill reflects the Legislature’s acceptance of the Governor’s new, HR 1-compliant MCO proposal. It would impose an MCO provider tax on a health plan for the 2027, 2028, and 2029 calendar years. This proposal will bring in \$2.3 billion, with \$2 billion for general fund revenue and only \$300 million for provider rates. This is also estimated to increase health care commercial premiums by \$8.85 per member per month. It is strongly opposed by the MCO coalition, including the California Medical Association, whose press release on the issue can be found here, and the California Hospital Association. This proposal will require federal approval before it can be implemented. This bill passed the Senate Floor and is on its way to the Governor’s desk for signature.</p> <p>SB/SB 177 (Budget Committee). The “Fair Share” Study Trailer Bill would require the Department of Finance, by March 1, 2027, to present to the Joint Legislative Budget Committee one or more options for holding the state’s corporations accountable for the taxpayer costs of their employees enrolled in the Medi-Cal program. This bill will sunset or not go into effect if the federal HR 1 cuts to Medi-Cal are repealed.</p>
<p>California Physician New Board Chair of AMA</p>	<p>California physicians will serve consecutive terms as chair of the American Medical Association (AMA) Board of Trustees, with San Diego physician Toluwalasé “Lasé” A. Ajayi, M.D., taking over the role from David H. Aizuss, M.D., a Los Angeles ophthalmologist and former California Medical Association (CMA) president.</p> <p>Toluwalasé A. Ajayi, M.D. is a San Diego pediatrician, pediatric and adult palliative medicine specialist, and clinical researcher, was elected chair of the AMA Board of Trustees. First elected an AMA trustee in 2022, Dr. Ajayi also previously served as chair of the CMA Council on Medical Services and is past president of the San Diego County Medical Society, where she was the first black woman president in the organization’s 152-year history. She emigrated from Nigeria to the U.S. at the age of seven as a political refugee, growing up in Lawrence, Kansas. She earned her medical degree from the University of Kansas, completed her pediatric residency at the University of Kansas Medical Center, and further specialized in adult and pediatric palliative medicine at the Institute for Palliative Medicine at San Diego Hospice.</p> <p>Currently, Dr. Ajayi holds a joint faculty position as a clinical professor at UC San Diego in the departments of medicine, pediatrics and family medicine. She is also the program director for the UC San Diego and Scripps Health Palliative Medicine Fellowship program. Clinically, Dr. Ajayi practices at Rady Children’s Hospital San Diego as a newborn hospitalist and home-based physician for medically fragile children and serves as the chief of the Division of Pediatric Palliative Care. Additionally, she is an adult palliative medicine consultant at UC San Diego Health.</p>