

# LEGISLATIVE UPDATE



Week of January 8, 2024

## State Issues

Legislature Reconvenes for 2024 Session

On Monday, January 3<sup>rd</sup>, the Legislature began the 2024 legislative session – the second year of a two-year session. You can access the official Legislative 2024 calendar of events, deadlines, and holidays [here](#).

The Alliance is continuing to work in support of a bill that stalled during last year’s session but is finding new life at the beginning of this session. AB 977 (Rodriguez) would extend the penalties for violence committed against first responders to include all health care workers who provide services within emergency departments. The bill was finally able to be heard in the Assembly Public Safety Committee this week and was supported unanimously. Because it is a 2-year bill and has an expedited time frame, it will have to be heard in the Appropriations Committee next week and voted on the Assembly Floor before the end of the month.

Legislators are in the early phases of legislation development, and the deadline for new bills to be introduced is February 16.

2024 January Budget Proposal

On Wednesday, the Governor released his January Budget proposal. You can find the summary via this [link](#). Included below are some of the key highlights from the Governor’s press conference and summary documents.

The Governor began his press conference by asserting that the state budget deficit is \$37.86 billion and not the \$68 billion estimated by the Legislative Analyst Office late last year. He also stated the budget is stabilizing after years of dramatic ups and downs. He went on to highlight six subject areas:

1. Homeless Services: Maintains \$15.3 billion investment.
2. Mental Health: Includes \$87 billion investment, including \$4.7 billion for children and youth, and highlighted the March ballot initiative to reform the Mental Health Services Act.
3. Safety: Allocates \$1.1 billion over four years and he spent time focusing on his commitment to addressing retail theft and how much better California has addressed this issue than other states.
4. Education: Maintains school funding and maintains free 2-year community college admissions, but he pulls money from the education rainy day fund.
5. Climate Change: Proposes \$2.9 billion in cuts and \$1.9 billion in delays.
6. Economic Dominance: Maintains small business grants and several tax credits, including the Research and Development tax credit, among many other programs.

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2024 January  
Budget Proposal  
(continued)

Specially regarding the health care budget, the Governor’s budget proposal addresses the following key issues:

**Health Care Minimum Wage:** No specific details are included in the budget document on the state’s implementation of the \$25 minimum wage bill passed last year, except it notes that “Given the overall economic and General Fund revenue outlook and the significant fiscal impact of SB 525 on the state, the Administration is seeking early action in January by the Legislature to add an annual “trigger” to make the minimum wage increases subject to General Fund revenue availability, clarify the exemption for state facilities, and make other implementation clarifications.” When pressed by the journalist in the room for more details, including if the changes will push the entire implementation out several years or only the ongoing rate increase once it hits the \$25 mark, the Governor did not answer. He simply said he will present more details soon. He also was asked several times why he signed it if he knew the State budget was as bad as it was, and he indicated it was because they had already made the deal on implementing the trigger. There is no money included in the budget for implementation.

**Managed Care Organization (MCO) Tax:** The Governor touts the recently approved MCO tax, effective April 1, 2023 – December 31, 2026. The budget proposes to provide \$12.9 billion to support Medi-Cal and “maintain a balanced budget,” and \$8 billion for targeted rate increases for community providers. He states the MCO maintains current programs and minimizes the need for reductions in Medi-Cal.

**Increase MCO:** The Administration will be seeking early action by the Legislature to request the federal government approve an amendment to the MCO plan to increase the total amount by an additional \$1.5 billion, within the current framework. He stated that they have a great relationship with the federal government and he’s not worried about it not being approved. It remains unclear if all of these new funds will go the State General Fund or will be shared with providers, but given the state of the general fund, it is likely these funds if/when secured will be used for the state budget.

**Medi-Cal Budget and Caseload:** The Medi-Cal budget includes \$157.5 billion in 2023-24 and \$156.6 billion in 2024-25. Medi-Cal is projected to cover approximately 14.8 million Californians in 2023-24, which reflects an increase of 583,000 and 13.8 million in 2024-25 — more than one-third of the state’s population.

**Coverage for Undocumented:** The budget proposal continues funding for expanding Medi-Cal to all income eligible Californians, regardless of immigrations status.

**Safety Net Reserve Withdrawal:** The budget taps into the Safety Net Reserve and withdraws all \$900 million “to maintain existing program benefits and services for the Medi-Cal and CalWORKs programs.”

**Behavioral Health:** Maintain funding for children and youth behavioral health treatment and infrastructure.

**CalAIM:** Maintains funding for CalAIM, including full implementation of housing for the homeless population.

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2024 January  
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(continued)

**Wellness Coaches:** Provides \$9.5 million for the new child and youth Wellness Coaches authorized by Department of Health Care Access and Information (HCAI) and promises to increase that amount to \$79 million in 2027 to establish it as a full Medi-Cal benefit in 2025.

**Reproductive health care:** Maintains one time \$200 million for the California Reproductive Health Access Demonstration waiver.

**Tobacco Tax (Proposition 56)/Medi-Cal physician rate payment supplement:** Due to declining Proposition 56 revenues and the General Fund condition, the Budget reduces Proposition 56 funding for physician services supplemental payments by \$193.4 million in 2024-25. All other Proposition 56 supplemental payments remain fully funded. The California Medical Association has been very protective of these funds in years' past.

**Healthcare Workforce:** They propose a delay of \$140.1 million General Fund to 2025-26 for the nursing and social work initiatives administered by HCAI. This was a highly controversial proposal last year.

**AIDS Drug Assistance Program Rebate Fund:** The Administration is proposing a budgetary loan of \$500 million from the AIDS Drug Assistance Program Rebate Fund.

Department of Finance Director, Joe Stephenshaw, outlined the nine issues the Administration hopes to address in early legislative action, and noted that there may not be 9 separate bills:

- Managed Care Organization Tax
- Health Care Minimum Wage
- Shifts of current year funding to other funds
- Storm damage funding
- Lab repairs in Tulare County
- Fruit fly containment
- Cal Recycle technical issues
- Other funding issues that were priorities to the Legislature last year

**Next Steps:** We should expect those early-action bills from the Governor "soon," but the Governor has not provided a date certain. Proposed Trailer Bill Language should come out by February 1. On January 23, 2024, both the Senate and Assembly full Budget Committees will have hearings on the proposal, and Budget Subcommittee on Health should begin hearing health issues shortly thereafter.

As a reminder, this is just the beginning of a 6-month budget process, culminating in a statutorily mandated balanced budget by July 1. Much more to come!