

LEGISLATIVE UPDATE



Week of May 25, 2026

State Issues

Budget Update:
Senate Approves
Plan to Begin
Negotiations

This week, the Senate acted on the 2026-2027 State budget. Senate Democrats released their response to Governor Newsom's May Revision on Thursday, held a vote by each Subcommittee, and put out a summary. The Senate Version will now be the basis for deliberations with the Assembly and the Administration as work continues in developing the Final Version of the budget.

On the revenue side: The Senate Version of the budget is based on the May Revision forecast for 2026-27 and beyond. However, the Senate Version does incorporate a portion of LAO's higher current year forecast and includes \$5 billion in higher revenues. Part of the new revenue proposals included the "**Fair Share Contribution**" program. Beginning April 1, 2027, the plan would require corporations of 500 or more employees to pay \$285 per month per employee who are enrolled in Medi-Cal. It seeks to reduce taxpayer costs for Medi-Cal and would generate \$575 million in 2026-2027, and \$2.3 billion ongoing. It raises the same amount of funding as the Governor's new MCO proposal – which the Senate rejects.

The Senate also includes **two additional revenue proposals:** 1) Sales tax extension on digital prewritten software and software as a service, as proposed in the May Revision. It raises \$450 million in 2026-27 and \$900 million ongoing. 2) Permanent cap on business tax credits of \$5 million or 50 percent of tax liability, generating \$850 million in 2026-27 and \$1.8 billion in 2027-28. The Senate plan pushes back on many of the Governor's proposals – especially on health care. The Senate proposes to **reverse or delay many of the Medi-Cal proposals.**

The Senate delays until October 1, 2027:

- Unsatisfactory Immigration States (UIS) – Monthly Premiums (previously scheduled for July 1, 2027)
- UIS – Dental Benefit Elimination (previously scheduled for July 1, 2026)
- UIS – Reduce Clinic Payments (previously scheduled for July 1, 2026)
- Eliminate Prop 56 Dental (previously scheduled for July 1, 2026)

The Senate also **rejects many** of the Governor's most impactful **Medi-Cal cuts**, including:

- Elimination of full-scope Medi-Cal for asylees, human trafficking victims, domestic violence victims, etc.
- Restoration of the \$2,000 Medi-Cal asset test
- Increased Medi-Cal premiums for UIS population from \$30 to \$50
- Cap Rates for Programs for All-Inclusive Care for the Elderly (PACE)
- Elimination of the acupuncture benefit in Medi-Cal

(more)

<p>Budget Update: Senate Approves Plan to Begin Negotiations <i>(continued)</i></p>	<p>In addition, the Senate approves some of the health care spending the Governor has included in his May Revise:</p> <ul style="list-style-type: none"> ▪ Adopts the transition of the UIS population from managed care to fee-for-service in Medi-Cal but maintains CalAIM benefits to help avoid high-cost utilization, and includes protections for beneficiaries, such as continuity of care. ▪ Increases by \$139.6 million the Governor’s commitment to Medi-Cal County eligibility workers to address workload related to HR 1. ▪ Implements the Senate’s “Be Home Soon California” Proposal, a “whatever-it-takes” approach to transition seniors and people with disabilities from skilled nursing facilities and hospitals back home or to the community with family and caregivers. Results in \$425 million General Fund savings in 2026-27 and \$850 million ongoing. ▪ Implements a five-year expenditure plan for projects to end the epidemics of HIV/AIDS and other STIs, using nearly \$1 billion of ADAP Rebate Fund resources being repaid from previous General Fund loans. ▪ Maintains Mobile Crisis Benefit in Medi-Cal, provides funding for the “Press 3” option in 988, and provides \$20 million additional funding for 988 Crisis Centers. ▪ Increases the Governor’s allocation for Distressed Hospitals from \$50 million to \$200 million. ▪ Maintains \$113.3 million of funding to continue operation of the state’s critical public health information technology systems. ▪ Approves the Governor’s \$30 million proposal over five years for Sickle Cell Centers for Excellence. ▪ Restores funding at the Commission for Behavioral Health for the Innovation Partnership Fund and for behavioral health advocacy contracts. ▪ Approves the allocation of \$300 million to support increased subsidies for health care consumers purchasing coverage in the Covered California health benefit exchange. <p>The Assembly has not yet scheduled their own Budget Subcommittees, and it remains unclear whether they will hold their own hearings or rely primarily on the proposals advanced by the Senate. There is no word from the Governor on his thoughts on this plan. Negotiations are ongoing and the Legislature will have a budget agreement by June 15. The Governor must sign a budget by July 1.</p>
<p>Health-Related Ballot Initiatives in Play</p>	<p>As of today, there are eight statewide ballot initiatives that are eligible to appear on the November ballot. These are initiatives that have already gathered enough signatures and have been approved by the Attorney General. There are another twenty-six in various stages of approval. In recent years, the ballot initiative process has become a big negotiation tactic in California politics. Organizations, including health care labor unions, submit and even gather signatures for a ballot initiative to either help bring people to the negotiating table or to gain the upper hand in ongoing negotiations. This has become the trademark move of Service Employees International Union – United Healthcare Workers (SEIU-UHW).</p> <p>Included below is a list of the 2026 ballot initiatives that are either sponsored by or a reaction to the initiative activity by SEIU-UHW and attached provides more details on what is included in the initiative, who supports it and why, who opposes it and why, and the status.</p> <p>“California One-Time Wealth Tax for State-Funded Healthcare, Education, and Food Assistance Programs Initiative.” This is what is being called the Billionaires Tax. The measure imposes one-time tax of up to 5% on taxpayers and trusts with covered assets valued over \$1 billion. Covered assets include businesses, securities, art, collectibles, and intellectual property, but exclude real property and some pensions and retirement accounts. The measure allocates 90% of these tax revenues for health care, 10% for food assistance or education-related programs.</p> <p style="text-align: right;"><i>(more)</i></p>

<p>Health-Related Ballot Initiatives in Play</p>	<p>“California Limit Compensation of Healthcare Executives Initiative,” also called the Executive Comp initiative. The initiative would establish a \$450,000 limit on compensation for executives and managers of private hospitals, private physician groups, and public hospitals owned by special districts. Unlike other similar measures in the past, this applies to a much broader group of employees than just hospital CEOs and includes the leadership of large physician groups. Specifically, the cap would apply to those who exercise “executive, managerial, or administrative” authority, but does not apply to those who primarily provide “medical services, medical research, direct patient care, or other non-managerial, non-executive, and non-administrative services.” The definition of compensation includes all remuneration for past and future work, as well as all forms of benefits, except health care. Enforcement rests with the Attorney General, although a private right of action could be pursued as well. Penalties could include revocation of the tax-exempt status, appointment of a governing board member for a specified time, or maximum fines of \$100,000-\$200,000 per violation.</p> <p>“California Spending Requirements for Federally Qualified Health Centers Initiative.” The initiative would require nonprofit federally qualified health centers (FQHCs) to spend at least 90% of their annual total revenue on expenses that advance the FQHC’s mission. Mission-related expenses would be defined and the ratio calculated by the Attorney General. The initiative would authorize the Attorney General to conduct audits. The initiative would authorize the state Department of Public Health to levy penalties for not meeting the 90% mission spend ratio, which would be equal to the difference between the 90% requirement and the amount the clinic spent on mission-related expenses in that year.</p> <p>“California Require Healthcare Union Member Approval for Ballot Measure Campaign Spending Initiative.” The initiative would require healthcare labor unions to inform members annually how member dues are being spent on political activities, specifically spending on state and local ballot measures, and require a majority of members to approve such expenditures. Imposes monetary penalties on unions as follows: 1) for violations of member consent requirements, the amount spent in violation of the requirements; and 2) for violations of member notice requirements, \$1,000 per member.</p>
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Health-Related Ballot Initiatives in Play May 29, 2026

As of this writing, there are eight statewide ballot initiatives that are eligible to appear on the November ballot. These are initiatives that have already gathered enough signatures and been approved by the Attorney General. There are another twenty-six in various stages of approval.

In recent years, the ballot initiative process has become a big negotiation tactic in California politics. Organizations, including health care labor unions, submit and even gather signatures for a ballot initiative to either help bring folks to the negotiating table or to gain the upper hand in ongoing negotiations. This has become the trademark move of Service Employees International Union – United Healthcare Workers (SEIU-UHW).

Included below is an overview of the 2026 ballot initiatives that are either sponsored by or a reaction to the initiative activity by SEIU-UHW.

“California One-Time Wealth Tax for State-Funded Healthcare, Education, and Food Assistance Programs Initiative.” This is what is being called the Billionaires Tax.

What it does: The measure imposes one-time tax of up to 5% on taxpayers and trusts with covered assets valued over \$1 billion. Covered assets include businesses, securities, art, collectibles, and intellectual property, but exclude real property and some pensions and retirement accounts. The measure allocates 90% of these tax revenues for health care, 10% for food assistance or education-related programs.

Who supports it and why: The initiative is sponsored by SEIU-UHW, led by Dave Reagan. It is supported by Senator Bernie Sanders, gubernatorial candidate Tom Steyer and Congressman Ro Khanna. Senator Sanders notes, "It should be common sense that the billionaires pay just slightly more so that entire communities can preserve access to life-saving medical care. Our country needs access to hospitals and emergency rooms, not more tax breaks for billionaires." Proponents point to reports from economist at UC Berkeley saying that over the last few years, California billionaires' wealth grew an average of over 15 percent per year, while they paid, on average, just 0.26 percent of their wealth annually in state income taxes. Their income tax payments accounted for only 2.4 percent of California's income tax revenue.

Who opposes and why: The opposition to the measure is led by Governor Gavin Newsom. He is joined by the California Business Roundtable, Congressman Kevin Kiley, and gubernatorial candidates Xavier Becerra and Steve Hilton. Gavin Newsom has said, "It's really damaging to the state. ... The evidence is in. The impacts are very real — not just substantive economic impacts in terms of the revenue, but start-ups, the indirect impacts of ... people questioning long term-commitments, medium-term. That's not what we need right now, at a time of so much uncertainty. Quite the contrary." They also note that the tax is retroactive and would apply to all eligible residents beginning January 1, 2026, incentivizing wealthy residents to leave the state before the tax passes.

Status: The proponents have submitted signatures and are awaiting review of the Attorney General. Governor Newsom is actively working to negotiate with SEIU-UHW to get this removed from the November ballot. Proponents of each measure have until June 25 to voluntarily remove their initiative from the ballot. The question is, what does SEIU want more than this and can the Governor give it to them. It is worth pointing out that many of the other unions are not pleased with SEIU-UHW for moving this because of all of the potential political ramifications, so it is yet to be determined if that adds to the pressure for SEIU-UHW to negotiate. _____

“California Limit Compensation of Healthcare Executives Initiative,” also called the Executive Compensation Initiative.

What it does: The initiative would establish a \$450,000 limit on compensation for executives and managers of private hospitals, private physician groups, and public hospitals owned by special districts. Unlike other similar measures in the past, this applies to a much broader group of employees than just hospital CEOs, and they’ve also included the leadership of large physician groups. Specifically, the cap would apply to those who exercise “executive, managerial, or administrative” authority, but does not apply to those who primarily provide “medical services, medical research, direct patient care, or other non-managerial, non-executive, and non-administrative services. The definition of compensation includes all remuneration for past and future work, as well as all forms of benefits, except health care. Enforcement rests with the Attorney General, although a private right of action could be pursued as well. Penalties could include revocation of the tax-exempt status, appointment of a governing board member for a specified time, or maximum fines of \$100,000-\$200,000 per violation.

Who supports it and why: SEIU-UHW led the campaign in support of the initiative. This is the sixth time the union has filed similar compensation cap initiatives. They state that at a time when healthcare facilities across the country are facing massive federal budget cuts that threaten critical programs like Medicaid, “healthcare workers say it’s more important than ever that every healthcare dollar be invested in providing quality patient care, not in multimillion-dollar executive pay packages.”

Who opposes and why: California Hospital Association. CHA notes that while our health care systems are dealing with the largest cut to health care in history, “this is a moment when the state should be doing all it can to recruit and retain thoughtful, mission-driven leaders who can develop innovative ways to preserve access to vital health services for patients. Instead, this proposal will only make it difficult — if not impossible — to do so.”

Status: This measure has already qualified for the November ballot.

“California Spending Requirements for Federally Qualified Health Centers Initiative.”

What it does: The initiative would require nonprofit federally qualified health centers (FQHCs) to spend at least 90% of their annual total revenue on expenses that advance the FQHC’s mission. Mission-related expenses would be defined and the ratio calculated by the Attorney General. The initiative would authorize the Attorney General to conduct audits. The initiative would authorize the state Department of Public Health to levy penalties for not meeting the 90% mission spend ratio, which would be equal to the difference between the 90% requirement and the amount the clinic spent on mission-related expenses in that year.

Who supports it and why: SEIU-UHW. This might seem familiar, because the organization sponsored a bill in 2025 to move this policy legislatively. AB 1113 (Mark Gonzalez) was held in the Assembly Appropriations Committee. Clinic staff stated at the time of filing that clinics receive public dollars to serve vulnerable populations, but “when that money is siphoned off for bloated administrative costs, it’s the patients and workers who suffer. This measure ensures that resources go where they’re needed most: into the clinics and toward care.”

Who opposes and why: The California Primary Care Association is leading the charge in opposition to the measure and have created the “Coalition to Protect Clinic Patients.” They have recently filed suit to stop the initiative from being allowed on the ballot, stating that it interferes with federal laws and regulations that place strict spending requirements on nonprofit health clinics that serve low-income

patients. They say this is a “dangerous statewide ballot measure [that] threatens care for millions of patients who rely on community health centers and clinics for their health care.”

Status: This measure has qualified for the November ballot. |

“California Require Healthcare Union Member Approval for Ballot Measure Campaign Spending Initiative.”

What it does: The initiative would require healthcare labor unions to inform members annually how member dues are being spent on political activities, specifically spending on state and local ballot measures, and require a majority of members to approve such expenditures. Imposes monetary penalties on unions as follows: 1) for violations of member consent requirements, the amount spent in violation of the requirements; and, 2) for violations of member notice requirements, \$1,000 per member.

Who supports it and why: The initiative was filed by the California Hospital Association as a response to SEIU-UHWs initiative on Executive Comp. Right now, health care union members have little to no say in how their dues are spent. In fact, a few health care union executives in California have spent more than \$150 million of their members’ dues on ballot measure campaigns in the last 15 years without getting approval from the very members that pay those dues.

Who opposes and why: As of April 29, 2026, no funding in opposition to the measure has been reported and no official opposition is noted. SEIU-UHW seems to have no official comment on the initiative proposal.

Status: Proponents have submitted signatures to the Attorney General and are awaiting review.