

LEGISLATIVE UPDATE



Week of November 18, 2024

State Issues	
Legislature Convenes on December 2	<p>While some Assembly and Senate election results are still outstanding, most are gearing up for the next legislative session. On December 2, Legislators will be in Sacramento to get sworn into office and to begin the Special Session called by Governor Newsom – you can access the special session announcement here. The Governor has called a special session to take steps to “safeguard” California from the incoming Trump Administration. He intends to provide funding to the Attorney General and other state agencies to “immediately file affirmative litigation challenging actions taken by the incoming Trump administration.” We should expect proposed budget action and policy bills to be introduced at that time.</p> <p>The Legislature will reconvene for the first year of the 2025-2026 Legislative Session on January 6. You can access next year’s legislative calendar here.</p>
LAO Issues Fiscal Outlook Report	<p>This week, the independent Legislative Analyst’s Office released its 2025-2026 Fiscal Outlook Report. You can find it here. The Fiscal Outlook gives the Legislature an independent analysis of the state’s budget condition for the 2025-26 budget process. It is widely seen as the document that sets the stage for next year’s budget negotiations.</p> <p>The report outlines the Legislature’s actions in successfully resolving the 2024-25 budget deficit. It also explains how revenues, since the passage of the current year’s budget, are running over expectations and ahead of the broader state economic picture. Currently, revenues are approximately \$2 billion over expectations. However, they caution that the majority of those funds are already accounted for to accommodate spending increases in the budget, as well as addressing some of the costs needed to fund programs passed on the November ballot.</p> <p>They also argue that revenues are not likely to continue this growth pattern and will not grow fast enough to catch up to high spending growth baked into the state budget framework. They note that over the next few budget cycles, they expect spending to increase by around 5.8% but a revenue growth of just around 4%. Because of that, they predict that without substantive change, the State will be in double digit operating deficits for the foreseeable future – “In our view, this year’s budget does not have capacity for new commitments, particularly ones that are ongoing.”</p> <p style="text-align: right;"><i>(more)</i></p>

<p>LAO Issues Fiscal Outlook Report <i>(continued)</i></p>	<p>We should expect the Governor’s January Budget proposal to reflect this focus on future year deficits and seek to curtail state spending.</p>
<p>Secretary Kim Johnson Takes on New Health Care Leadership Roles</p>	<p>In September, California Health and Human Services Secretary Mark Ghaly announced he was leaving state service after being in his role for 5 years. At that time, Governor Gavin Newsom appointed new Secretary Kim Johnson. Secretary Johnson will be confirmed by the CA Senate early next year. Secretary Johnson comes from a deep background in human services, most recently as the Director of the California Department of Social Services. She’s also led programs addressing family engagement and empowerment, CalWORKs and Child Care. Her health care experience comes in the context of these social programs. She has a bachelor’s degree in social welfare, with a minor in education, from the University of California, Berkeley.</p> <p>This week, Secretary Johnson was appointed Chair of two of the most important health care policy boards in the State. First, she was appointed Chair of the Office of Health Care Affordability Board by Governor Newsom. Her appointment came as a bit of a surprise. It was widely expected that she would sit on the Board, but another member who has been on the Board since its inception would become the Chair. The Health Care Affordability Board is a decision-making body charged with setting statewide and sector-specific health care spending targets, with the authority to fine those who exceed the cap. Secretary Johnson also was elected Board Chair of Covered California. Covered California is the health insurance marketplace established under the ACA for individuals to access private health insurance at subsidized rates. Secretary Johnson had the authority to name a designee to sit on the Board to represent the Agency but has decided to take up the mantle.</p>

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