LEGISLATIVE UPDATE

Alliance of Catholic Health Care

Week of January 19, 2026

State Issues	
State Budget Hearings	This week, both the Senate and Assembly Budget Committee held overview hearings of the Governor's proposed January Budget. You can access the LAO's very brief report to the Committees **here**. The full Assembly Budget Committee, chaired by Jessie Gabriel, has a new vice chair in Assembly Member David Tangipa. The Committee this year has a whopping 33 members – more than 40% of the Assembly. The Senate Committee has a new Chair and Vice Chair, but the two leaders have a history of working on budget issues together: Senator John Laird chairs the Senate Budget Committee, with Senator Roger Niello acting as Vice Chair. Both held the same position when they were colleagues in the Assembly in the mid-2000s, during the Schwarzenegger Administration. They work very well together, despite their political differences. There were a few themes that ran through the hearings: ▪ The LAO believes the deficit for 2026-2027 is somewhere between $10 billion and $20 billion, and the out-years the deficit is expected to be anywhere from $20 billion to $60 billion. ▪ They feel that the state needs to start dealing with the deficit in a real way now and not wait until it gets worse. Dealing with the deficit in increments is better than waiting until we're $60 billion in the hole and only have one year to climb out of it. ▪ The LAO believes that the reason for the deficit is clear: Nearly four years ago—on the heels of the pandemic and two years of extraordinary revenue growth and historic surpluses—revenues fell sharply, posting double-digit declines. Since then, revenues resumed growing, even above historic averages, but not fast enough to catch up with the state's spending level. As a result, deficits have transitioned from cyclical to structural. ▪ Both the LAO and members of the Committees expressed an interest in beginning deliberation on budget solutions now, as it would provide time for public scrutiny and legislative vetting. They note delaying until May forces the Legislature to either accept solutions that have not received sufficient deliberation and public discussion or defer action even more. Spending cuts and revenue increases involve increasingly more difficult choices as budget problems grow. Beginning work this year allows Legislature to take a more thoughtful approach. Implementing some reductions now gives time to ensure solutions are working as intended. The Department of Finance agreed that working together sooner, rather than later, made sense and said that conversations could begin as soon as key members were available. How much of these conversations will be public and held in Budget Subcommittees, and how much will be held behind closed doors, is not yet clear. *(more)*

Many Californians Are Paying More for Health Insurance from Covered California	The Public Policy Institute of California has recently released a report on the status of insurance coverage purchased with in Covered California. They shared some interesting insights. Californians have until January 31 to purchase health insurance during Covered California's open enrollment period. In 2025, nearly two million Californians were insured through Covered California, and most enrollees received federal tax credits that lowered their monthly premiums. However, the expiration of enhanced federal subsidies, along with rising costs, means many Californians will pay more for health coverage. Premiums for health plans sold through Covered California are set to rise by more than 10%, on average. Premiums vary considerably across California regions due to differences in health care markets. Costs are much lower in large Southern California counties like Los Angeles, San Diego, and Riverside compared to other areas, especially rural counties in the state's northern region and parts of the Central Coast. This year's increases also vary across the state, from about 7.4% in the Sacramento region to nearly 13% in the Fresno area. Although the statewide increase is the largest jump in Covered California premiums in recent years, it is much lower than the nationwide increase of 26% for 2026. About 90% of Covered California enrollees receive federal subsidies that increase as premiums rise, providing some buffer against higher costs. However, without the extension of enhanced tax credits, many Californians will pay more this year. Roughly 160,000 Californians who purchased insurance through Covered California in 2025 have lost eligibility for federal subsidies. Families could see annual increases of more than $6,000 per person on average. About 1.5 million Covered California lower-income enrollees earning below 400% of the federal poverty level should continue to receive ACA subsidies averaging $9,700. But without the enhanced subsidies, they will see an average increase of about $975 per year, ranging from $500 to $1,200 across counties. While, federal policymakers are revisiting the issue of maintaining enhanced subsidies, it seems unlikely that anything will happen this year. As a result, many Californians—especially middle-income households—are now facing significantly higher costs.