



Established in 1991, UCC serves as the representative voice for state legislative advocacy for high-population counties in California. Initially composed of seven counties, the association has grown to 14 today. Just over 80 percent of the state's population reside in UCC counties. Consequently, urban counties carry out critical programs and services to the state's most vulnerable populations. For more information, including details on our Board of Directors, please visit [our website](#).

Special 2023-24 Budget Update

June 28, 2023

In the Nick of Time, Legislative Leaders and Governor Agree on Budget Deal

On Monday night, Governor Gavin Newsom, Assembly Speaker Anthony Rendon, and Senate President pro Tempore Toni Atkins **announced** that they had reached agreement on the 2023-24 state budget. With the clock ticking for gubernatorial action on the previously passed **SB 101** (the Legislature's spending plan approved on June 15), the "Big Three" were able to reach agreement by removing acceleration of the controversial Delta tunnels project from the Governor's infrastructure proposals. Although the infrastructure bills are not officially part of the budget package, the deal on the overall spending plan was effectively conditioned on a three-way compromise on the Governor's infrastructure reforms. As noted in the table immediately below, the Legislature is expected to take action on six additional policy bills that represent the consensus approach to implementing reforms that accelerate infrastructure projects.

- Our Friday update will provide additional details on the infrastructure policy bills listed [here](#), which will be taken up this week.

As for the budget package itself ... on Tuesday afternoon, the Senate and Assembly took up and approved about 20 budget bills jr. and trailer bills, while two other trailer bills not yet eligible for hearing will be considered on the floors likely on Thursday. In the meantime, Governor Newsom – accompanied by Assembly Budget Committee Chair Phil Ting – signed SB 101, the initial building block of the

2023-24 budget, while **aboard a BART train**. Notably, the overall 2023-24 spending package saves BART and other transit agencies from toppling off a “fiscal cliff” attributed to flagging ridership that endures post-pandemic. Read more on the *Los Angeles Times*’ take on the budget deal **here**. See a full list of budget and trailer bills, along with a comprehensive summary of key provisions, at this **link**.

While action this week likely wraps up a considerable round of action on the 2023-24 state budget, there will undoubtedly be additional items to consider in the months ahead. Our summary of the various trailer bills approved by the Legislature and sent to the Governor is provided in the attached. Additionally, we have included some supplemental information specific to the MCO tax agreement below. As always, please feel free to reach out if you have questions about any 2023-24 budget issues.

Additional Details on Managed Care Organization (MCO) Tax

The Administration, Legislature, and health care interests have agreed to a renewal of the managed care organization (MCO) tax that will provide \$19 billion over the next five years — most of which will be spent on improving access to care provided by the Medi-Cal program. After federal funds are factored in, the amount the state will be able to spend totals approximately \$35 billion. **AB 119** is the vehicle for the MCO taxation structure. The spending plan for the MCO tax is in **AB 118**, the health omnibus trailer bill.

In 2024, the funds will be allocated as follows (please note these numbers *do not* include the federal matching funds; these details are outlined in AB 118):

- \$3.5 billion to the General Fund to balance the budget.
- \$241 million to raise 2024 reimbursement rates for primary, maternity and some mental health services, which will provide 87.5 percent of what the federal government pays through Medicare.
- \$150 million to the Distressed Hospital Loan program (in addition to the \$150 million that was allocated earlier this year).
- \$50 million into the hospital loan program for seismic retrofitting.
- \$75 million for new medical residency slots. These funds will start in 2024 and continue for the next four years.

AB 118 also includes language allowing for additional targeted increases to Medi-Cal payments or other investments in January 2025 for the following:

- Primary care services
- Obstetric care and doula services
- Non-specialty mental health services

- Specialty care services
- Community or hospital outpatient procedures and services
- Family planning services and women's health providers
- Hospital-based emergency and emergency physician services
- Ground emergency transport services
- Designated public hospitals
- Behavioral health care for beneficiaries in hospital and institutional long-term care settings
- Investments to maintain and grow the health care workforce

While the details are not included in the trailer bills, we understand that under the agreement – starting in 2025 and through 2029 – the tax revenue will annually be allocated to these purposes (note these numbers do not include the federal matching funds):

- \$1.5 billion to \$1.7 billion for the General Fund.
- \$450 million for primary, maternity, and non-specialty mental health care services.
- \$575 million for specialty care.
- \$245 million for community and outpatient procedures and services.
- \$90 million for abortion and family planning access.
- \$50 million for services and supports in primary care, maternity and non-specialty mental health.
- \$255 million for emergency rooms.
- \$100 million for emergency room doctors.
- \$150 million for designated public hospitals.
- \$50 million for ground emergency transport.
- \$300 million for behavioral health throughput
- \$75 million for Graduate Medical Education.
- \$75 million for Medi-Cal workforce in facilities with Labor Management Committees.