


January 16, 2026

Welcome to America's Physician Groups' *California Update*. Each week APG reports the latest on health care happenings in the Golden State.

Here's what you'll find in this week's edition:

- California Legislative Analyst Office Releases Critique Of Governor Newsom's [Proposed 2026-27 State Budget](#)
- APG California Policy & Advocacy [2026 Meeting Dates](#)
- APG California Advocacy Member [Resources](#)



California Legislative Analyst Office Releases Critique Of Governor Newsom's Proposed 2026-27 State Budget

As mentioned last week, California Governor Newsom has released his proposed 2026-27 California State Budget. This week, the California Legislative Analyst Office (LAO) issued their analysis of the Governor's 2026-27 State Budget. A link to the report can be found here: [The 2026-27 Budget: Overview of the Governor's Budget \[Publication Details\]](#) The LAO is a nonpartisan Office providing "fiscal and programmatic expertise and nonpartisan analyses of the state budget." The LAO's Budget analysis notes that the Governor's Budget projection of a \$3 billion deficit is lower than the LAO's recent estimate of an \$18 billion deficit. The LAO's analysis concludes, "[n]early 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 have continued growing, even above historic averages, but not fast enough to catch up with the state's spending level. As a result, recent budgets have proven difficult for policymakers as deficits have transitioned from cyclical to structural."

In the LAO's analysis of why the projected budget deficit was \$15 billion larger than the Governor's proposed 2026-27 Budget, the LAO found:

- **Stock Market Risks.** "Several historically reliable signs suggest the stock market is overheated and at high risk of reversing course

into a downturn in the next year or so. Should a stock market downturn occur, income tax revenues would fall considerably. These risks are severe enough that not incorporating them into this year's budget, as the Governor proposes, would put the state on precarious footing. Further amplifying this precariousness, even under the administration's more optimistic revenues, the budget is only roughly balanced in the near term."

- **Higher Spending Estimates.** "Across the rest of the budget, the administration's estimates of baseline costs—that is, the cost of the state's services under current law and policy—are also higher than our November estimates by a couple billions of dollars. Among these, some of the largest drivers of increased costs include Medi-Cal, debt service on general obligation bonds, and employee compensation."
- **Multi-year Deficits Demonstrate "Chronic" and "Structural" Budget Problems.** "Both our office and the administration expect the state to face multiyear deficits, with estimates ranging from \$20 billion to \$35 billion annually. These deficits are concerning for three reasons. First, after four years of projected deficits and a cumulative total of \$125 billion in budget problems solved so far, the state's negative fiscal situation is now chronic. Second, structural deficits have grown—our November outlook is the most negative forecast of the budget's position since the pandemic. Finally, deficits have persisted even as the state's economy and revenues have grown, underscoring that the problem is structural rather than cyclical. Taken together, these trends raise serious concerns about the state's fiscal sustainability."

The Legislature will begin having hearings and negotiations with the Governor's Office regarding the 2026-27 State Budget. In May, the Governor will release his "May Revision," modifying the January budget to reflect new economic data. The Governor and Lawmakers have until June 15th to pass the Budget.



2026 APG California Policy & Advocacy Meeting Dates

Members, please mark your calendars for APG's California Policy Forum and California Medi-Cal Forum meetings. You can download APG's 2026 events calendar [here](#).

California Policy Forum
2:00 - 3:00 pm

- February 5
- April 9
- June 3
- December 3

California Medi- Cal Forum

4:00 - 5:00 pm

- February 10
- March 10
- April 14
- May 12
- June 9
- August 11
- October 13
- November 10
- December 8



APG California Advocacy Member Resources

- [2025 Legislative Implementation Guide](#)
- **Tracked Health Care Bills [2025-26](#):** bills we're following in the California State Legislature
- November 2025 IHA Provider Directory webinar [recording](#)
- **Office of Health Care Affordability** [regulations](#) and [explanatory slide deck](#)
- **DMHC Quality and Equity Reporting** program [All Plan Letter](#)

For more news and resources, please visit APG's [website](#) or contact a member of APG's California advocacy team.

William Barcellona, EVP of Government Affairs..... wbarcellona@apg.org

David Gonzalez, Senior Legislative Advocate..... dgonzalez@apg.org

Norma Springsteen, Administrative Coordinator.... nspringsteen@apg.org



This message was sent to nspringsteen@apg.org from:

America's Physician Groups

611 N. Brand Blvd., Ste. 1300, Glendale, CA 91203

Click [here](#) to unsubscribe or to change your subscription preferences.