



Bill Analysis

Author: Bonta, et al.

Sponsor:

Bill Number: AB 2729

Related Bills: See Legislative
History

Amended: March 19, 2026

SUBJECT

Employer Responsibility for Medi-Cal Trust Fund

SUMMARY

This bill, under the Welfare and Institutions Code (WIC), would create the Employer Responsibility for Medi-Cal Trust Fund within the State Treasury. This bill would be effective January 1, 2027, and only operative on that date if the Medicaid provisions of Public Law (PL) 119-21 are not repealed prior to January 1, 2027.

This is the Franchise Tax Board's (FTB) first analysis of the bill and only addresses the provisions of the bill that would impact the FTB's programs or operations.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The March 19, 2026, amendments removed intent language relating to requiring certain employers to pay a penalty as a contribution to a Medi-Cal fund and replaced it with the provisions discussed in this analysis.

REASON FOR THE BILL

The reason for the bill is to help prevent the loss of health care coverage, benefits, or access to health care.

ANALYSIS

This bill would, under the WIC, create the Employer Responsibility for Medi-Cal Trust Fund within the State Treasury, and would provide that the fund would only consist of new taxes and deposits, which would include but would not be limited to, employer penalties as specified in the Budget Act of 2026.

Furthermore, the total amount of money that may be deposited in the fund from all sources would be determined by the Director of Finance in consultation with the Treasurer.

The bill further provides that money in the fund would be continuously appropriated without regard to fiscal years to the State Department of Health Care Services to fund direct and indirect costs of administering the Medi-Cal program to prevent the loss of or to restore health care coverage, benefits or access to health care following the passage of the Medicaid provisions of federal House Resolution 1 (PL 119-21) and subsequent state budget actions.

Effective/Operative Date

This bill would be effective January 1, 2027, and would be operative January 1, 2027, unless the Medicaid provisions of federal House Resolution 1 (PL 119-21) are repealed prior to January 1, 2027.

Federal/State Law

Federal Law

The One Big Beautiful Bill Act of 2025 (PL 119-21) introduced various changes to Medicaid, including new administrative requirements and updated eligibility conditions for individuals seeking to enroll in or maintain Medicaid coverage.

State Law

No comparable provision in state law.

Implementation Considerations

The FTB has identified the following implementation consideration and is available to work with the author's office to resolve these and other considerations that may be identified.

This bill uses undefined terms, "new taxes and deposits." The absence of clarifying language could lead to confusion and could complicate the administration of this bill. Additionally, it is unclear which taxes collected in which taxable year would apply to the fund. The author may want to amend the bill to clarify the term definition and provide clarity of the timing of deposits into the fund.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

No legislation similar to this bill has been identified.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be determined.

ECONOMIC IMPACT

Revenue Estimate

This bill, as amended on March 19, 2026, would not impact the computation of state income or franchise tax.

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Assembly Committee on Health Committee Report, dated April 18, 2026

Support

California Alliance for Retired Americans
California LGBTQ Health and Human Services Network
California Physicians Alliance
California State Council of Service Employees International Union (SEIU California)
Community Health Partnership
Courage California
CPCA Advocates, Subsidiary of the California Primary Care Association
Health Access California
National Health Law Program
United Domestic Workers/AFSCME Local 3930
Western Center on Law & Poverty

Opposition

California Attractions and Parks Association
California Chamber of Commerce
California Farm Bureau
California Fuels and Convenience Alliance
California Grocers Association
California Restaurant Association
California Trucking Association
International Franchise Association
TechNet

ARGUMENTS

Assembly Committee on Health Committee Report, dated April 18, 2026

Proponents

Writing in support of this bill, SEIU California writes in part:

Medi-Cal is intended as a public safety net program, yet many employers evade their responsibilities and shift the cost of job-based health coverage onto taxpayers and the public. SEIU California writes that employers that don't provide affordable or any health care and that pay low wages have workers that rely on Medi-Cal not as a safety net, but as their only source of coverage, despite being employed. SEIU California notes the federal H.R. 1, signed into law in 2025, threatens to shred the Medi-Cal safety net for millions of Californians and leave states on the

hook to provide care and forcing families to forgo needed care or risk medical bankruptcy. SEIU California argues that only with new revenue can we prevent further loss of or restore health care coverage, benefits, or access to care following the passage of federal H.R. 1 and subsequent state budget actions.

Writing in support of this bill, Health Access California writes in part:

California taxpayers are subsidizing large employers and profitable companies who refuse to provide health care coverage to their employees. This bill will ensure that if the Legislature takes action in this year's budget act to hold large employers accountable, a fund is in place to ensure that those contributions can safeguard the sustainability of California's vital safety net program.

Opponents

Writing in opposition to this bill, CalChamber notes in part:

Without being given the opportunity to review the underlying "fair share" proposal, it's unclear how much of an impact this measure, and other related measures, will have on California's economy. However, CalChamber notes, they are opposed to the approach of penalizing employers for their employees enrolled in the Medi-Cal program. CalChamber contends this bill seeks to punish California's businesses without addressing the underlying drivers of health coverage inequities, such as increasing costs of healthcare services across all markets, healthcare workforce shortages, etc. They argue individuals like students, second-chancers, and seasonal workers, who may only be able to work part-time, or are looking to build their resumes and gain professional experience, will have a more difficult time securing certain positions. Lastly, CalChamber asserts this bill attempts to implement new taxes and penalties on employers without providing meaningful input from affected stakeholders.

LEGISLATIVE CONTACT

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