



January 31, 2025 Update

States Secure Temporary Restraining Order on OMB Funding Freeze

As has been widely reported, the Trump Administration's Office of Management and Budget (OMB) this week attempted to freeze federal spending across a vast array of programs. The confusion associated with these efforts has been overwhelming for states, local agencies, and service providers across the country and has been complicated by conflicting information from the White House and federal agencies.

Today, a coalition of states, including California, secured a temporary restraining order (TRO) stating that the President, OMB, and other federal defendants "shall not pause, freeze, impede, block, cancel, or terminate Defendants' compliance with awards and obligations to provide federal financial assistance to the States, and Defendants shall not impede the States' access to such awards and obligations, except on the basis of the applicable authorizing statutes, regulations, and terms." Federal defendants are additionally barred "from reissuing, adopting, or implementing or otherwise giving effort to the OMB Directive under any other name or title or through any other Defendants (or agency supervised, administered or controlled by any Defendant), such as the continued implementation identified by the White House Press Secretary's statement of January 29, 2025."

Previously, on January 28, in a suit brought by a coalition of non-profit providers and public health organizations, a federal judge issued an administrative stay, preventing implementation of the OMB directive "with respect to the disbursement of Federal funds under all open awards" until 5 p.m. on February 3.

Federal Funding Freeze Prompts Delay in Legislature's Approval of Legal Defense Funding

The Assembly delayed a vote on approving [ABX1 1](#) and [SBX1 2](#), which would provide a total of \$50 million, including at least \$25 million for state agencies and the Department of Justice, and \$25 million for local frontline legal and community based organizations that protect the civil rights of vulnerable populations. Legislators wanted to make doubly sure that the legislature was "airtight" after a week of confusing and chaotic messaging from the federal government. The Senate has already approved the measures, but there will necessarily be additional conversations between the Legislature and Administration on amendments to the legislation.

Senate Budget Committee Hears Overview of Governor's 2025-26 State Spending Plan

The Senate Budget and Fiscal Review Committee met yesterday to receive an overview from the Newsom Administration and the Legislative Analyst's Office (LAO) on the Governor's proposed 2025-26 state budget. The hearing lasted several hours, with nearly every Senator asking questions; the length of the hearing resulted in the cancellation of the second part of the agenda on the California Air Resources Board implementation of climate disclosure legislation.

Senate budget chair Scott Wiener opened the discussion by asking the Department of Finance (DOF) and LAO to comment on the impacts of potential federal actions on Medi-Cal, threats of mass deportations, elimination of federal funds for infrastructure projects, and the imposition of tariffs.

The DOF representative responded that each of these factors could have significant budgetary and workforce impacts for state and local governments, noting that California receives \$11 to 15 billion a month in federal funds. Many infrastructure projects would have to stop. She also affirmed that the state is in no position to backfill the loss of billions of federal funds. The LAO emphasized the breadth of fiscal uncertainty and noted that his office is distinguishing between administrative action and statutory actions from Congress. He also expressed concern about the chilling effects related to dramatic changes in federal immigration policies. On tariffs, the LAO noted that most economists agree that they could lead to higher inflation, which would introduce market volatility that, in turn, would affect state tax revenues linked to the stock market.

From there, member questions touched on a variety of topics, including the Proposition 98 guarantee for schools, funding for higher education (recent news of the closure of six departments at Sonoma State University was highlighted by several senators), housing and homelessness funding, the Governor's proposed Housing and Homelessness Agency, budgetary impacts from the recently enacted Proposition 36 and associated implications for Proposition 47 (2014) funding, encampment clean up, fire recovery and prevention, Medi-Cal spending on undocumented Californians, middle mile broadband, human services related housing programs, the elimination of the senior asset limit and its impact on Medi-Cal caseload, among weighty issues.

The Senate Budget and Fiscal Review subcommittees will start their hearings at the end of February.