



Early Action Summary

April 4, 2024

Assembly Budget Committee

Jesse Gabriel, Chair

April 2024 Early Action Budget Package

This early action budget package includes **about \$17 billion** of early actions to help address this year's budget shortfall.

- Follows joint statement of the Governor, the Speaker, and the Pro Tem committing to a \$12 billion to \$18 billion early action package.
- Represents **about two-thirds** of budget solutions (excluding reserves) that the Governor proposed in January.

The Legislature can revisit, change, or expand upon early actions in the June budget.

The early action package includes specific authority for the administration to freeze certain one-time 2021, 2022, and 2023 budget allocations.

- This was a key Assembly priority to preserve at least a few billion dollars more of budget-balancing options for June.
- More options for balancing the budget means the Legislature has more authority in the process.

The early action package generally omits proposed cuts to housing production and homelessness programs, deferring such discussions to June.

The early action package avoids cuts to core health, human services, public safety, and education programs. (Cuts in all of these areas are likely in the June budget, but the goal will be to minimize cuts to core programs.)

In the coming weeks, budget subcommittees will consider the rest of the Governor's budget proposals and, if unable to agree to some of them, will begin to identify alternative cuts in order to balance the 2024 state budget. In addition, budget subcommittees will begin considering whether to pursue cuts to ongoing programs to begin to address the state's projected structural deficit of future years. Additional budget balancing actions likely will be required in 2025.

Types of Budget Actions in the Early Action Package

- **\$5.2 billion** of delays and deferrals.
- **\$3.4 billion** of fund shifts (shifts of costs from the General Fund to other state funds).
- **\$3.6 billion** of reductions (generally reductions of one-time funding).
- **\$1.4 billion** of borrowing from other state funds.
- \$3.8 billion of MCO tax actions, including SB 136 (signed into law March 25) and the administration's other proposed MCO budget solutions (pending final decisions in June).

Use of Reserves in the 2024 Budget Package

- Legislative intent that the state does not plan to use all of its rainy-day budget reserve in 2024.
- The Governor's January plan uses about half of the state's reserves, leaving more than \$18 billion of reserves at the end of the 2024-25 fiscal year. Goal is to try to keep reserves around that level this year.
- This legislative intent will be reflected in updated deficit estimates in May, along with the decisions in the early action package.
- The Governor and the Legislature can make different decisions about reserves in June—if, for example, April revenues come in much stronger than expected.
- The state's reserves and other budget flexibilities were intended to give policy makers time to make thoughtful decisions about balancing the budget, rather than being rushed into decisions. This plan works as intended.

Progress in Addressing the Deficit

- In January, the 2024 budget shortfall was estimated at \$38 billion to \$53 billion. **This decisive early action to implement about \$17 billion in early action solutions—plus the planned partial use of the rainy day fund—reduces the budget shortfall substantially.** Specifically, using January revenue estimates, the shortfall would be reduced to somewhere between **\$9 billion and \$24 billion.**
- State revenues through the end of January ran substantially below estimates, and the LAO has warned that May revenue estimates may increase the deficit estimates from January. Alternatively, if April revenues come in above estimates, it is possible the deficit would not increase. In any event, this early action package will reduce deficit estimates in May substantially below what they otherwise would be.

- Tough work remains ahead. Decisions on some of the most difficult budget proposals await the Legislature's deliberations between now and June.

Budget Management

- Amends 2023 Budget Act to explicitly authorize Director of Finance to suspend undisbursed one-time appropriations from Section 2.00 of the 2021, 2022, and 2023 Budget Acts (the main section of each Budget Act), through end of June 2024, subject to Joint Legislative Budget Committee review period.
- Requires Director of Finance to submit letter to Joint Legislative Budget Committee memorializing the elements of this early action package, including 2024-25 items that cannot be reflected in the April 2024 “Budget Bill Jr.,” and legislative intent to use rainy day funds in 2024 budget generally consistent with Governor’s January budget proposal. Accordingly, the intent of the Legislature is to avoid using all of the rainy day fund this year and leave a substantial amount in reserves for use after 2024. These items can always be modified, added to, or changed in June budget agreement as conditions warrant.

California Health and Human Services Agency

- Delays \$74 million cumulative funding (\$42 million in 2023-24 and \$32 million in 2024-25) for two years for the Health and Human Services Innovator.

Department of Health Care Access and Information

- Loans the General Fund \$66 million of special fund balances, including \$50 million from the Hospital Building Fund, \$3 million from the Registered Nurse Education Fund, \$1 million from the Vocational Nurse Education Fund, \$1 million from the Mental Health Practitioner Fund, and \$11 million from the California Health and Data Planning Fund.

Department of Managed Care

- Loans \$22.9 million from the Managed Care Fund to the General Fund.

Department of Health Care Services

- Shifts \$162.7 million of the Medi-Cal Drug Rebate Special Rebate Fund to the General Fund, with \$135.1 million in 2023-24 and \$27.6 million in 2024-25. Shifts reserve funds.
- Reflects \$3.8 billion in General Fund savings from the extension of the MCO tax and the drawdown of reserve funds in the budget year. This early action is subject to further Legislative Review in the June Budget package.
- Rescinds the 2023 proposal to eliminate the two-week fee for service check write hold, resulting in a one-time General Fund savings of \$532.5 million.
- Delays \$235 million for Behavioral Health Bridge Housing by one year, from 2024-25 until 2025-26.
- Delays \$140.4 million for Behavioral Continuum Infrastructure by one year, from 2024-25 until 2025-26.

Department of Public Health

- Shifts \$4 million for Skilled Nursing staffing audits from the General Fund.
- Cuts \$3.1 million for the Climate and Health Surveillance Program.
- Shifts \$9.7 million for the Community-Based Clinical Education Rotations for Dental Students from the General Fund.
- Reflects the reduction of \$1.8 million of COVID-19 Website Transition and Informational Technology Resources.
- Loans \$500 million from the AIDS Drug Assistance Program Rebate Fund to the General Fund, with agreement to take actions that will increase the use of the funding moving forward to minimize future borrowing from this fund.

Department of Developmental Services

- Delays funding of \$10 million annually for Preschool Inclusion Grants, now to 2026-27, which were intended to enable preschool programs to include more children with exceptional needs.

Department of Social Services

- Reverts an unspent \$336.6 million from the CalWORKs Single Allocation from the 2022-23 fiscal year.

- Includes reappropriation language for 2021 and 2022 funding for Rapid Response services at the border, allowing for the full utilization of these previously appropriated funds given administrative complications and continuing needs.

California Department of Aging

- Removes one-time funding of \$11.9 million in 2023-24 for the Healthier at Home Pilot, due to the inability to resolve implementation issues locally.

Office of Public School Construction

- Delays \$550 million of Transitional Kindergarten and Full-Day Kindergarten Facilities Grant program.
- Reduces \$500 million from the School Facilities Aid program.

State Library

- Reduces \$34 million from the California Collaborative Connectivity grant.

University of California

- Defers \$258.8 million for new UC Compact funding by one year, from 2024-25 to 2025-26.
- Reduces \$300 million from the UCLA Institute of Immunology and Immunotherapy Facility Program.

California State University

- Defers \$240.2 million for new CSU Compact funding by one year, from 2024-25 to 2025-26.

Greenhouse Gas Reduction Fund

- Adopts a proposal similar to the Governor's to shift costs primarily from the General Fund to the Greenhouse Gas Reduction Fund (GGRF): in amounts of \$557 million in 2023-24 and \$1.2 billion in 2024-25, with specific programs to be determined later.

California State Transportation Agency

- Delays \$1 billion from the Formula Transit and Intercity Rail Capital Program from 2024-25 to 2025-26.
- Delays \$100 million from the Ports and Freight Infrastructure Program of the \$1.2 billion total.
- Reduces \$96 million for the Port of Oakland of the \$250 million total.

Department of Motor Vehicles

- Approves two fund shifts of \$16.8 million total from General Fund to Lease Revenue Bonds for the Oxnard Field Office and the El Centro Field Office.

California Highway Patrol

- Shifts \$13.1 million from General Fund to bonds for six area offices.

Department of Water Resources

- Provides \$13.5 million including \$12.845 million in local assistance and \$677,000 in State Operations to address critical levee repairs to protect DWR-owned lands and infrastructure in the Sacramento and San Joaquin Delta.
- Provides \$3 million to DWR for the State's cost share of United States Army Corps of Engineers sites for Land, Easements, Rights-Of-Way, Relocations, and Disposal Areas (LERRDS) construction payments.
- Delays \$55 million from the Strategic Reliability Reserve from 2024-25 to 2025-26 of the \$2.3 billion total.
- Delays \$90 million for the Oroville Pump Storage project of the total \$200 million.
- Reduces Forecast Informed Reservoir Operations funding by \$6.8 million ongoing of the total \$17 million ongoing.

State Water Resources Control Board

- Loans \$200.6 million from the Underground Storage Tank Cleanup fund to the General Fund.

Department of Water Resources / Wildlife Conservation Board

- Reduces Watershed Climate Resilience funding by \$206.5 million of \$494.5 million total.

Various Departments

- Delays \$110 million of planned 2024-25 costs for Diablo Canyon land conservation and economic development efforts—less than the administration's proposed \$150 million delay.

Department of Toxic Substances Control

- Delays \$175 million from the Clean Up in Vulnerable Communities Initiative; \$85 million to 25-26 and \$90 million to 26-27.

Department of Pesticide Regulation

- Reduces Pest Notification funding by \$2.6 million of \$10 million total.

CalRecycle

- Provides \$200,000 General Fund needed to close out cleanup of the McKinney Fire.
- Reduces Compost Permitting Pilot Program funding by \$6.7 million of \$8 million total.

California Air Resources Board

- Reduces Drayage Trucks & Infrastructure Pilot Project by \$14.2 million of \$40 million total.

Department of Fish and Wildlife

- Provides \$13.1 million to repair infrastructure at the 11,800-acre Mendota Wildlife Area in Fresno County.

California Energy Commission

- Reduces Drayage Trucks & Infrastructure Pilot Project by \$9.3 million of \$25 million total.
- Reduces Zero Emission Vehicle (ZEV) Manufacturing Grants by \$7.3 million of \$250 million total.
- Reduces Emerging Opportunities funding by \$7.3 million of \$100 million total.
- Cuts the Climate Innovation Program by \$100 million of the \$477 million total.
- Reduces the Food Production Investment Program by \$18.8 million of the \$65 million total.
- Reduces the Industrial Decarbonization Program by \$22 million of the \$90 million total.
- Reduces the Hydrogen Grants Program by \$35 million of the \$100 million total.
- Reduces California Electric Homes program by \$6.4 million of \$75 million total.
- Delays \$50 million from the Distributed Electricity Backup Assets Program.
- Delays \$100 million from the Clean Energy Reliability Investment Plan.

Wildlife Conservation Board

- Reduces funding for Resources Conservation Strategies by \$5 million.

CAL FIRE

- Reduces funding for the Forest Legacy Program by \$3.6 million.
- Reduces funding from the Interagency Forest Data Hub by \$2.9 million.

Department of Conservation

- Reduces the Biomass to Hydrogen Pilot program funding by \$45.5 million.

Department of Food and Agriculture

- Provides \$22.7 million General Fund in 2023-24 to repair the damage to the California Animal Health and Food Safety South Valley Laboratory caused by severe flooding in Tulare County in March 2023. This includes an extended encumbrance and expenditure deadline of June 30, 2026.
- Provides \$22.1 million General Fund in 2023-24 to respond to numerous unanticipated emergencies related to infestations of exotic fruit flies. Due to the unprecedented numbers of exotic fruit fly activities statewide, additional resources are required to offset the personnel and operational costs associated with the required regulatory responses associated with each of the exotic fruit fly infestations
- Reduces On-Farm Water Use and Agricultural Technical Assistance funding by \$6 million of the \$15 million total.

California Public Utilities Commission

- Cuts \$20 million from the Capacity Building Grant Program of the \$30 million total.
- Delays \$100 million from Broadband Last Mile Infrastructure Grants from 2024-25 to 2026-27.
- Cuts \$150 million from Broadband Loan Loss Reserve in 2024-25, of the \$750 million total.

Government Operations Agency

- Reverts \$2.2 million back to the General Fund, originally appropriated in 2019 for census workload. As the 2020 census is largely complete, this unencumbered balance is deemed no longer needed.

Fi\$Cal

- Reverts \$5.5 million set aside for State Payroll System Fi\$Cal activities back to the General Fund.

State Project Infrastructure Fund

- Loans \$50 million from the State Project Infrastructure Fund to the General Fund.

Employee Compensation, Pensions, and Retirement

- Applies a prior-year supplemental pension payment towards the annual required annual state contribution to state pension costs. This action achieves \$1.3 billion in General Fund savings. Details will be addressed in June budget action.
- Authorizes the Director of Finance to identify one-time spending reductions related to savings for vacant positions across executive branch state departments. This proposal would achieve an estimated \$762.5 million in General Fund savings. Details may be added in June budget action to enhance likelihood savings is achieved in 2024-25.
- Reinstates a one-day accounting delay for state employee payroll costs from June 30, 2025 to July 1, 2025. This action is anticipated to achieve \$1.6 billion in General Fund savings by shifting one month of payroll costs to the following fiscal year. This action will only be reflected in the state's accounting and will not affect the timing of payments issued to state employees.

Labor and Workforce Development Agency

- Provides a loan of \$125 million from the Labor and Workforce Development Fund to the General Fund, with a 2028-29 repayment date.
- Delays repayment of a \$107 million loan from the Labor and Workforce Development Fund from 2024-25 to 2027-28.

Department of Housing and Community Development

- Reduces by \$85 million the Foreclosure Intervention and Housing Preservation Program (FIHHP) for 2024-25.

Office of Planning and Research

- Reverts \$8.8 million from the California Experience Corps (formerly known as the Foster Grandparent Program) back to the General Fund.
- Withdraws \$13 million from the Office of Community Partnerships and Strategic Communications.
- Reduces funding for Regional Climate Collaboratives by \$9.8 million.
- Reduces Climate Adaptation and Resilience Planning Grants by \$5 million of the \$25 million total.

Employment Development Department

- Uses \$100 million from the Employment Training Fund to pay a portion of the annual interest payment on the state’s unemployment insurance loan balance.
- Reverts \$10 million from the Displaced Oil and Gas Worker Fund back to the General Fund, maintaining \$30 million from the program.
- Withdraws \$10 million from the Emergency Medical Technician Training program, maintaining \$30 million from the program.
- Delays \$275 million of \$600 million of 2023-24 funding from the California Jobs First program (formerly known as CERF).
- Shifts \$6 million of costs from the General Fund to the Unemployment Compensation Disability Fund across 2023-24 and 2024-25 for fraud mitigation and cybersecurity efforts.

California Workforce Development Board

- Delays \$40 million for the Goods Movement Workforce Training Campus by reallocating \$20 million in 2025-26 and another \$20 million in 2026-27.

Department of Industrial Relations

- Delays \$40 million for the Apprenticeship Innovation Fund, reallocating \$20 million in 2025-26 and 2026-27.
- Shifts \$1.3 million of costs from the General Fund to the Labor Enforcement and Compliance Fund for the Department’s “Reaching Every Californian” campaign.
- Shifts \$15.6 million General to the Labor and Workforce Development Fund for the Enhanced Protections for Vulnerable Populations (Extreme Heat Package).

Department of Corrections and Rehabilitation

- Reduces \$11.9 million General Fund in 2023-24 for the Deuel Vocational Institution Defeasance Excess Appropriation Authority (Capital Outlay) to reflect the prison's closure in 2021.
- Reduces \$100,000 General Fund in 2023-24 and ongoing for the Division of Adult Parole Operations Urinalysis Contract Funding to right size the contract based on actual need.
- Reduces \$38.8 million General Fund in 2023-24 for COVID-19 Prevention and Response Funding to reflect current year savings.
- Reduces \$900,000 General Fund in 2024-25 and ongoing for the Division of Juvenile Justice (DJJ) Warm Shutdown costs to align with actual needs. DJJ facilities were closed effective June 30, 2023 pursuant to SB 823 (Chapter 337, Statutes of 2020).
- Reduces \$1.9 million General Fund in 2024-25 and ongoing to reflect the adjusted cost to implement SB 990 (Chapter 826, Statutes of 2021) which allowed people on parole additional eligibility to move to counties outside of their original county of commitment.
- Reduces \$5 million General Fund in 2023-24 and \$9 million in 2024-25 for COVID-19 Workers Compensation expenditures based on actual need and claims processed.
- Delays \$27.2 million General Fund in 2023-24 for the implementation of the Statewide Correctional Video Surveillance proposal and updates the completion of the installations to 2025-26 and 2026-27.
- Reduces \$15 million General Fund in 2024-25 and ongoing to reflect a baseline administrative reduction. This reflects reductions in administrative staffing to reflect recent prison closures and reductions in workload.
- Transfers \$7.3 million of unobligated funds in 2023-24 in the Recidivism Reduction Fund to the General Fund.

Board of State and Community Corrections

- Reduces \$8 million General Fund in 2024-25 for the Community Corrections Partnership Plan to reflect savings of unencumbered funds.
- Loans \$100 million from the Board of State and Community Corrections' Cannabis Tax Fund to the General Fund, with \$50 million to be repaid in 2026-27 and the remaining \$50 million to be repaid in 2027-28.

Commission on Peace Officer Standards and Training

- Reverts \$2.9 million General Fund in 2023-24 and ongoing for local assistance funding for peace officer trainings to reflect unused savings.
- Reduces \$8 million General Fund in 2023-24 to reflect current year savings for implementation of SB 2 (Chapter 409, Statutes of 2021) which is related to the process for decertification of peace officers.

Judicial Branch

- Reverts \$75 million in 2024-25 from the Trial Court Trust Fund Unrestricted Fund Balance. This is an unencumbered balance that is not needed at this time and will not impact any programs.
- Reduces \$5 million in 2024-25 from the Trial Court Trust Fund Emergency Fund for Trial Courts, leaving \$5 million available for the program.

Department of Justice

- Loans \$100 million from the Unfair Competition Law Fund to support the General fund, leaving a fund balance of approximately \$163 million.

Office of Emergency Services

- Reverts \$45 million of unallocated funding for building resiliency efforts.
- Reduces \$12 million from the Home Hardening program.