



HIGHLIGHTS OF GOVERNOR'S PROPOSED 2023-24 MAY REVISION

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OVERVIEW

Governor Newsom’s May 2023 revised budget proposal reflects a \$31.5 billion “budget problem”—the amount of corrective budget actions needed to bring the 2023-24 budget into balance. The administration’s estimate of the budget problem is up from \$22.5 billion in January, reflecting continuing weakness in California’s personal income tax revenues. Some estimates of state costs also have increased.

The May Revision acknowledges significant uncertainties that may result in the need for additional corrective budget actions in 2024. In particular, the federal government is allowing most of the state’s high-income tax filers to delay paying personal income taxes between January and October 2023. As a result, billions of tax collections that ordinarily would have been received in April and reflected in the May Revision will not be received until October. This delay greatly increases the already significant margin of error in near-term state revenue estimates. In addition, Republicans in the U.S. Congress continue to threaten a federal government debt default, and credit and economic conditions are constrained due to challenges in the banking sector and higher interest rates. These challenges mean the state may already be in recession or soon will be. A recession would cause even more state revenue deterioration.

The May Revision largely holds the line on the Governor’s January proposals to cut or delay or “trigger cut” (if revenues continue to lag) several billion dollars of recent years’ budget investments, principally budgeted and planned one-time investments in climate, transit, student housing, and other priorities.

According to the Department of Finance, the general categories of the Governor’s budget-balancing proposals include:

- Spending reductions: \$6.7 billion (including \$1.1 billion of new proposals and revised lower spending estimates for some programs)
- Trigger cuts: \$3.9 billion
- Delayed spending: \$8.1 billion (including \$695 million of new proposals)
- Shifts from the General Fund to other state funds: \$7.5 billion (including \$3.3 billion of new proposals, such as a \$1.1 billion shift from cash to a “climate bond” for climate-related investments)
- Borrowing and revenues: \$4.9 billion (including \$2.5 billion more budget relief from the Governor’s managed care organization tax proposal and \$1.2 billion in additional borrowing from special funds)
- Reserves: \$450 million withdrawal from the Safety Net Reserve.

The May Revision proposes borrowing a small amount from the state’s over \$100 billion of cash on hand in the state treasury and withdrawing \$450 million from the discretionary Safety Net Reserve. The May Revision estimates General Fund reserves to be maintained at \$37.2 billion in 2023-24, including \$22.3 billion in the Budget Stabilization Account (BSA) rainy day fund and \$10.7 billion in the Proposition 98 reserve.

The Legislative Analyst’s Office has estimated that the Constitution would allow more than half of the BSA to be used to help balance the budget in 2023-24. In the May Revision, the Governor proposes no BSA withdrawals, noting that if “downward economic and fiscal conditions persist and/or any of the risks identified above be realized, this reserve will help protect the state from having to make the kind of drastic reductions to core programs that marked the state’s efforts to close significant deficits in the past.”

SUMMARY OF CHARTS

**2023-24 May Revision
General Fund Budget Summary**

(in millions)

	2022-23	2023-24
Prior Year Balance	\$55,462	\$24,119
Revenues and Transfers	\$205,129	\$209,054
Total Resources Available	\$260,591	\$233,173
Non-Proposition 98 Expenditures	\$158,357	\$145,733
Proposition 98 Expenditures	\$78,115	\$78,368
Total Expenditures	\$236,472	\$224,101
Fund Balance	\$24,119	\$9,072
Reserve for Liquidation of Encumbrances	\$5,272	\$5,272
Special Fund for Economic Uncertainties	\$18,847	\$3,800
Public School System Stabilization Account	\$9,936	\$10,684
Safety Net Reserve	\$900	\$450
Budget Stabilization Account / Rainy Day Fund	\$22,252	\$22,252

General Fund Expenditures by Agency

(in millions)

	2022-23	2023-24	<u>Change from 2022-23</u>	
			Dollar Change	Percent Change
Legislative, Judicial, Executive	\$18,407	\$9,630	-\$8,777	-47.7%
Business, Consumer Services & Housing	3,740	1,448	-2,292	-61.3%
Transportation	1,986	1,190	-796	-40.1%
Natural Resources	15,943	7,512	-8,431	-52.9%
Environmental Protection	3,892	339	-3,553	-91.3%
Health and Human Services	62,644	73,244	10,600	16.9%
Corrections and Rehabilitation	15,695	14,676	-1,019	-6.5%
K-12 Education	77,019	78,871	1,852	2.4%
Higher Education	22,659	22,598	-61	-0.3%
Labor and Workforce Development	1,274	856	-418	-32.8%
Governmental Operations	6,892	4,439	-2,453	-35.6%
General Government:				
Non-Agency Departments	2,557	2,443	-114	-4.5%
Tax Relief/Local Government	668	559	-109	-16.3%
Statewide Expenditures	3,096	6,295	3,199	103.3%
Total	\$236,472	\$224,101	-\$12,372	-5.2%

General Fund Revenue Sources

(in millions)

	2022-23	2023-24	<u>Change from 2022-23</u>	
			Dollar Change	Percent Change
Personal Income Tax	\$122,769	\$118,166	-\$4,603	-3.7%
Sales and Use Tax	33,072	33,366	294	0.9%
Corporation Tax	42,091	42,081	-10	0.0%
Insurance Tax	3,673	3,881	208	5.7%
Alcoholic Beverage Taxes and Fees	433	438	5	1.2%
Cigarette Tax	47	43	-4	-8.5%
Motor Vehicle Fees	37	37	0	0.0%
Other	3,551	11,042	7,491	211.0%
Subtotal	\$205,673	\$209,054	\$3,381	1.6%
Transfer to the Budget Stabilization Account/Rainy Day Fund	-544	-	544	-100.0%
Total	<u>\$205,129</u>	<u>\$209,054</u>	<u>\$3,925</u>	<u>1.9%</u>

HEALTH

California Health and Human Services Agency

- Proposes \$10 million (\$9 million General Fund) to establish the Health and Human Services Innovation Accelerator Initiative, a public-private partnership to create an environment for researchers and developers to create solutions to health challenges.

Department of Health Care Services (DHCS)

- Proposes an additional \$141.3 million Opioid Settlements Fund over four years to support the Naloxone Distribution Project, for a total of \$220.3 million over four years.
- Proposes renewal of the Managed Care Organization (MCO) Tax, effective April 1, 2023 through December 31, 2026, resulting in \$19.4 billion to help maintain the Medi-Cal program with \$8.3 billion over the MCO Tax period for General Fund offset, which represents \$3.4 billion (a \$2.5 billion increase over the Governor's budget) in General Fund offset in 2023-24, and \$11.1 billion over 8-10 years to make improvements to the Medi-Cal program, as follows:
 - \$237 million (\$98 million General Fund) in 2023-24, beginning January 1, 2024, and approximately \$580 million (\$240 million General Fund) annually thereafter to increase rates to at least 87.5 percent of Medicare rates for primary care, obstetric care (including doulas), and non-specialty mental health services; and,
 - \$10.3 billion, including \$922.7 million in 2023-24, to be set aside for future consideration by the administration and to be included in the 2024-25 Governor's Budget.
- Proposes \$128.9 million in 2023-24, \$234 million in 2024-25, \$290.6 million in 2025-26, and \$290.8 million in 2026-27 and ongoing (all General Fund) for DHCS and the Judicial Branch to implement the CARE Act. Includes \$67.3 million in 2023-24, \$121 million in 2024-25 and \$151.5 million in 2025-26 and ongoing to cover local county behavioral health department CARE Act costs.
- Reflects a decrease of \$1.4 billion General Fund in Medi-Cal expenditures in 2022-23 due to revised implementation updates to the Children and Youth Behavioral Health Initiative, the Behavioral Health Continuum Infrastructure Program, and the Behavioral Health Bridge Housing Program.

- Reflects an increase of \$6.7 billion General Fund in overall Medi-Cal expenditures for 2023-24, as compared to the revised 2022-23 expenditures, for a total of \$37.6 billion General Fund, reflecting the following:
 - One-time repayment to the federal government related to state-only populations;
 - Assumed loss of increased federal funding consistent with the end of the federal COVID-19 public health emergency;
 - The implementation of the Medi-Cal expansion to undocumented individuals aged 26-49 beginning January 1, 2024; and,
 - Partially offset by the MCO Tax renewal.
- Proposes an additional \$15 million one-time 988 State Suicide and Behavioral Health Crisis Services Fund in 2023-24 to support 988 call centers, for total funding of \$19 million in 2023-24 and \$12.5 million in 2024-25 and ongoing for 988 call centers.
- Proposes \$500 million one-time Mental Health Services Fund in 2023-24 in lieu of General Fund for the Behavioral Health Bridge Housing Program, thereby eliminating the Governor's Budget proposed delay of \$250 million General Fund to 2024-25.
- Shifts \$817 million General Fund from 2022-23 to the next three fiscal years to reflect updated programmatic timelines for the Behavioral Health Bridge Housing Program.
- Replaces \$50.5 million of General Fund with Mental Health Services Fund for the temporary extension of the CalHOPE program in 2023-24.
- Includes \$222 million General Fund savings by bringing the reserve in the Medi-Cal Drug Rebate Fund (drug rebate revenues for the Medi-Cal program) to \$0, rather than maintaining a reserve of approximately \$200 million as is typical to account for variations in actual rebate amounts and to reduce volatility.

California Department of Public Health (CDPH)

- Restores a \$49.8 million General Fund reduction, over four years, for various public health workforce training and development programs.
- Includes a \$50 million General Fund reduction for COVID-19 response.
- Proposes a \$400 million loan from the AIDS Drug Assistance Program Rebate Fund to the General Fund.

Department of State Hospitals (DSH)

- Includes a \$19.7 million reduction in 2022-23 and \$9.2 million reduction in 2023-24 to COVID-19 response expenditures.
- Reflects an \$8 million General Fund decrease in 2022-23 for unspent workers' compensation funding previously authorized for COVID-19 related claims.
- Includes a \$6.1 million general Fund increase in 2023-24 for patient-driven support costs.

Department of Health Care Access and Information (HCAI)

- Proposes \$30 million one-time Opioid Settlement Fund in 2023-24 to develop a lower cost, generic version of a naloxone nasal spray product through the CalRx Naloxone Access Initiative.
- Includes \$12 million one-time General Fund reappropriation from the Capital Infrastructure Security Program (\$20 million total in the 2022 Budget Act), and allows the use of these funds for reproductive health care.
- Proposes to borrow \$150 million from the reserve of the fee-supported Hospital Building Fund for the General Fund, to be repaid in 2026-27.
- Proposes to borrow \$15 million from the California Health Data Planning Fund to the General Fund to be repaid in 2026-27.

HUMAN SERVICES

Department of Social Services

CalWORKs

- Includes a projected 3.6 percent increase to CalWORKs Maximum Aid Payment (MAP) levels effective October 1, 2023, with an estimated cost of \$111.2 million in 2023-24. This is an upward adjustment from the 2.9 percent increase that was included in the Governor's January proposal for CalWORKs. These increased costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the 1991 Local Revenue Fund. MAP levels today remain for most families under 50 percent of the Federal Poverty Level, known as "deep poverty."
- Proposes a reversion of approximately \$280 million General Fund from 2021-22 from the CalWORKs Single Allocation. The Administration states that it will engage with the counties that administer the program to determine the precise amount.

In-Home Supportive Services (IHSS)

- Includes \$60.7 million (\$27.9 million General Fund) ongoing to increase access to authorized services and better serve the IHSS program's minor recipients and their families.
- Includes a six-month extension for the Home and Community-Based Services (HCBS) spending plan until September 30, 2024 for specified programs, such as the IHSS Career Pathways Program, to spend allocated funding based on critical programmatic needs.

Supplemental Security Income/State Supplementary Payment (SSI/SSP)

- Continues to include \$146 million General Fund in 2023-24 and \$292 million ongoing for an additional, planned SSP increase of approximately 8.6 percent, effective January 1, 2024.

Foster Care and Child Welfare

- Includes an additional \$163.7 million (\$83.4 million General Fund) for the Child Welfare Services-California Automated Response and Engagement System (CWS-CARES) Project, in alignment with Special Project Report 6, to support ongoing project development costs, and authority to access an additional \$36.6 million (\$18.3 million General Fund) should project activities accelerate. The

CWS-CARES will replace the existing case management system to benefit state, local and tribal child welfare agencies and will align with state and federal requirements.

Humanitarian Services

- Includes a one-time \$150 million General Fund in 2023-24 in the Rapid Response program for continued humanitarian efforts in partnership with local providers. The humanitarian mission will continue to fund respite sheltering for migrants and support their safe passage through border regions.

Food and Hunger

- Continues to work towards implementing the California Food Assistance Program (CFAP) expansion for income-eligible individuals aged 55 years or older, regardless of their immigration status (this initiative is also called "Food For All"). The Governor's Budget indicated that the program may begin food benefits issuance in January 2027. Automation is anticipated to begin in July 2023 and food benefits issuance is now anticipated to begin in October 2025. The May Revision includes \$40 million General Fund for automation and outreach efforts.
- Includes \$406.5 million (\$159.5 million General Fund) to reflect a revised budgeting methodology for county CalFresh administration activities, pursuant to Chapter 537, Statutes of 2022 (AB 207). This methodology and appropriation update was highly anticipated for this May Revision to assure the needed level of funding to administer critical food benefits to low-income Californians.
- Includes \$47 million (\$23.5 million General Fund) for Summer Electronic Benefit Transfer (EBT) Program outreach and automation costs to phase in this program for children who qualify for free or reduced-price school meals beginning summer 2024.
- Includes \$42.9 million in federal financial participation for associated administration and automation activities related to the federal reimbursement of food benefit theft. The federal Consolidated Appropriation Act of 2023 mandated the federal reimbursement of Supplemental Nutrition Assistance Program food benefit theft.
- Includes \$25 million General Fund, available over two fiscal years, to develop a bi-directional interface between the California Statewide Automated Welfare System (CalSAWS) Interface and CWS-CARES that allows for data exchange necessary to make Title IV-E eligibility determinations.

- Includes an additional \$10 million General Fund to support services for victims and survivors of hate crimes and their families and facilitate hate crime prevention measures in consultation with the Commission on Asian and Pacific Islander American Affairs.

Department of Developmental Services

- Includes \$15 million (\$8.5 million General Fund) beginning January 2024 to adjust Independent Living Services rate assumptions to align the types of services provided with more equivalent occupations, such as teachers, social and human service assistants, and rehabilitation counselors. Resources increase to an estimated ongoing \$60 million (\$34 million General Fund) beginning in 2024-25.
- Includes \$18 million (\$10.8 million General Fund) to continue funding the Coordinated Family Support pilot program through June 2024, which is currently funded through the Home and Community-Based Services (HCBS) Spending Plan. The program is designed to assist adults living with their families in coordinating the receipt and delivery of multiple services, including generic services.
- Continues suspension of the Annual Family Program Fee and the Family Cost Participation Program until December 31, 2023, to allow regional centers to restart assessments. Prior to the 2022 Budget Act, both programs had been suspended during the COVID-19 Pandemic through department directive. DDS conducted stakeholder discussions and will report on those conversations as part of the May Revision.

Department of Community Services and Development

- Includes an additional reversion of \$149.4 million, in addition to the \$400 million reversion that was in the Governor's January proposal, of energy utility arrearage funding that was appropriated in the 2022 Budget and is currently unspent.

Department of Aging

- Includes \$20 million General Fund in 2023-24, \$20 million General Fund in 2024-25, and \$10 million General Fund in 2025-26 at the California Department of Aging to support the continuation of the Older Adult Friendship Line, a targeted media campaign for older adults, and competitive grants to local jurisdictions to build organizational capacity to identify and address older adult behavioral health and substance use disorder needs.

- Includes a six-month HCBS extension until September 30, 2024 for specified programs, such as the Senior Nutrition Infrastructure Program, to spend allocated funding based on critical programmatic needs.

Child Support Services

- Estimates an implementation date of April 2024 for the Child Support Pass-Through to Formerly Assisted Families. Pursuant to existing law, implementation of this change is contingent upon completing necessary automation changes in the Child Support Enforcement System. The Department of Child Support Services states that the additional time is necessary due to a greater degree of system change complexity than previously anticipated. The revised implementation date results in approximately \$70 million of General Fund revenue in the May Revision.

California Health and Human Services Agency

- Includes an augmentation of \$9 million General Fund (\$10 million in total) at the Health and Human Services Agency to establish a new public-private partnership that will create the environment for researchers and developers to create solutions to the greatest health challenges facing Californians, such as targeting diabetes-related morbidity and mortality, addressing disparities in maternal and infant mortality faced by women and their babies, and preventing and mitigating infectious disease. The Initiative will look to accelerate the translation of research and development into innovations that help to directly address disparities and inequities in California's safety-net programs.

Safety Net Reserve

- Assumes the Safety Net Reserve is utilized to support health and social services programs in 2023-24, resulting in savings of \$450 million General Fund in 2023-24.

PK-12 PUBLIC EDUCATION AND EARLY EDUCATION

Proposition 98 Funding: Early Education, TK-12, and Community Colleges

- Provides a total Proposition 98 General Fund funding level of \$110.6 billion in 2021-22, \$106.8 billion in 2022-23, and \$106.8 billion in 2023-24.
- Provides \$597 million above the Test One guarantee level in 2023-24 for Universal Transitional Kindergarten enrollment growth.
- Projects historic TK-12 ongoing per-pupil spending to be \$127.3 Billion in 2023-24 from all funding sources, at a funding rate of \$23,706 per student. Proposition 98 TK-12 funding per student is projected at \$17,460 in 2023-24.
- Increases the projected Proposition 98 “Rainy Day” fund to \$10.7 billion through the Budget year. The current Rainy Day fund balance continues to trigger the statutory 10% cap on local school district reserves, and would reach the state constitutional cap.

Major PreK-12 Education Proposals

- Provides an increase of \$3.4 billion (\$2.7 billion one-time) in Proposition 98 funding for the Local Control Funding Formula (LCFF), reflecting Universal Transitional Kindergarten (UTK) and an 8.22% percent cost-of-living adjustment (COLA) in 2023-24. Total Budget Year LCFF is estimated at \$79.8 billion.
- Proposes a larger reduction to the current year investment in the discretionary Arts, Music, and Instructional Materials Discretionary Block Grant to \$1.8 billion, a reduction of \$1.78 Billion from the enacted Budget.
- Proposes to reduce the emergency Learning Recovery Block Grant by \$2.5 billion compared to the enacted Budget, to a total of \$5.4 billion one-time.
- Implements the voter-approved Arts and Music in Schools Act funding, \$933 million General Fund in the 2023-24 Budget. Proposes implementation trailer bill language.
- Maintains the January Budget proposal for a new, ongoing \$300 million LCFF equity multiplier and accountability system changes, to target low-performing student groups. Provides \$2 million for the associated System of Support proposal.

- Provides \$667 million for an 8.22 percent COLA to statutorily-required TK-12 programs, including nutrition and preschool.
- Provides \$2.0 billion in additional General Fund support for school facilities after the exhaustion of bond funds for new construction and modernization, and provides an additional \$30 million, one-time Proposition 98, for charter school facilities.
- Provides \$762 million to expand Universal Transitional Kindergarten (UTK) access including:
 - \$597 million General Fund to “rebench” the Proposition 98 guarantee for an estimated 42,000 new universal TK enrollments in 2023-24.
 - \$165 million Proposition 98 to maintain decreased UTK ratios at 1:12, adults to children.
 - Maintains the state’s 2025-26 goal for full UTK implementation.
 - Adjusts the 2022-23 guarantee rebench and funding to \$357 million, compared to \$614 million in the enacted Budget, and adjusts the class ratio costs to \$283 million compared to \$337 million.
- Maintains \$4 billion in on-going Proposition 98 funding for the Expanded Learning Opportunity Program for after school and summer options for all students. Provides encumbrance flexibility.
- Maintains the California universal meals commitment with \$1.5 billion ongoing annual funding, for two free meals for all students.
- Delays \$550 million in 2023-24 State Preschool, Transitional Kindergarten, Full Day Kindergarten facility funding to the 2024-25 Budget.
- Proposes major new funding for County Offices of Education:
 - \$80 million ongoing for County Court and alternative school programs.
 - 50 percent LCFF base increase for County Offices for Differentiated Assistance.
 - 8.22 percent COLA
- Proposes a new \$100 million one-time initiative to provide approximately \$200 per high school senior for “cultural enrichment” opportunities.
- Increases California’s early literacy initiative with proposals for:

- \$250 million one-time Proposition 98 funding for intensive interventions including literacy coaching, in addition to the enacted Budget's \$250 million.
- \$1 million one-time General Fund for a state Literacy Roadmap.
- \$1 million for reading screening assessments proposal.

- Proposes a \$15 million set-aside in the 2022-23 School Kitchen Infrastructure grant for dishwasher purchase and installation.

- Proposes \$3.5 million to address opioid overdoses in middle and high schools.

- Increases the California College Guidance Initiative by \$3.9 million in ongoing Proposition 98 funding.

- Increases the K-12 High Speed Network funding by \$3.8 million in ongoing Proposition 98 funding.

- Proposes \$119.6 million one-time federal funds for school climate and safety through the Stronger Connections Program.

- Proposes \$20 million one-time for extending the Bilingual Teacher Professional Development Program.

- Provides \$7 million one-time to support Restorative Justice best practice implementation.

- Increases funding for the Golden State Teacher Grant Program with \$6 million one-time federal funds for special education teacher candidates in high need schools.

- Increases the Department of Education's staff capacity by \$2.5 million General Fund for data systems and security.

- Increases the Fiscal Crisis and Management Assistance Team (FCMAT) funding by \$750,000 for a new Chief Business Officer mentorship and professional development initiative, and baseline cost increases, and \$2.1 million ongoing for an increase for the California School Information Services division.

- Proposes statutory changes to Special Education funding, to limit non-direct student services, extend a moratorium on new single-district Special Education Local Plan Areas, and require the Department of Education to post local fiscal documents.

- Proposes statutory changes to the Teacher Residency Grant Program, to require salaries or stipends, and extend service requirement deadlines.
- Proposes various educator credentialing flexibilities.

Major Early Education and Child Care Proposals

- Increases overall funding for child care to a total of \$6.6 billion annually, including \$3 General Fund for the 2023-24 Budget Year.
- Annualizes funding for the 2022-23 Budget Act 36,000 new child care slots.
- Maintains the goal from the 2021-22 Budget Act to serve 200,000 new children by 2025-26, but delays planned 20,000 new child care slots to 2024-25.
- Annualizes rate increases for the California State Preschool Program, funds the 2022-23 Budget Act changes to the program that require at least 7.5 percent of slots be provided to students with disabilities in the 23-24 fiscal year, and increase to 10% in the 24-25 school year. Backfills current year rate increases funded with one-time federal funds.
- Proposes eligibility changes for the California State Preschool Program, based on location of employment.
- Provides the child care nutrition programs an 8.22 percent COLA.
- Provides \$763,000 Proposition 98 funding for a preschool Classroom Assessment Scoring System.

HIGHER EDUCATION

University of California

- Shifts \$498 million in support for capital outlay projects at UC Riverside, UC Berkeley and UC Merced from General Fund to UC bond funding. Provides \$33.3 million ongoing General Fund to cover debt service payments for these projects.
- Shifts \$437 million in support for student housing projects from General Fund to UC bond funding. Provides \$30 million ongoing General Fund to cover debt service payments for these projects
- Shifts \$4.8 million ongoing General Fund from UC's main appropriation to UC's Agriculture and Natural Resources Division.
- Provides \$5 million one-time General Fund to the UCLA Ralph J. Bunche Center for African-American Studies.
- Provides \$2 million ongoing General Fund for the UC Riverside School of Medicine.
- Provides \$2 million one-time General Fund for the UC Global Entrepreneurs program.

California State University

- Shifts \$201 million in support for capital outlay projects at Cal Poly Humboldt from General Fund to CSU bonds. Provides \$16 million ongoing General Fund to cover debt service payments for these projects.
- Shifts \$655 million in support for student housing projects from General Fund to CSU bond funding. Provides \$45 million ongoing General Fund to cover debt service payments for these projects.
- Provides \$75 million one-time General Fund to support CSU university farms.
- Provides \$3.1 million ongoing General Fund to support the CSU Chico Human Identification Lab, which would be constructed using CSU bonds.

California Community Colleges

- Provides an increase of \$25.4 million ongoing Proposition 98 General Fund to support an 8.22% cost-of-living adjustment for apportionments.
- Provides an increase of \$3 million ongoing Proposition 98 General Fund to support an 8.22% cost-of-living adjustment for some categorical programs.
- Uses \$503 million one-time Proposition 98 General Fund to support the Student Centered Funding Formula.
- Provides \$10 million one-time Proposition 98 General Fund in each of next three years to support the Los Angeles Community College District LGBTQ+ student support centers.
- Provides \$2.5 million one-time Proposition 98 General Fund to support the East Los Angeles Community College Entrepreneurship and Innovation Center.
- Decreases support for student retention and recruitment by \$100 million one-time Proposition 98 General Fund.
- Decreases support for the COVID 19 Recovery Block Grant by \$345 million one-time Proposition 98 General Fund.
- Decreases support for deferred maintenance and instructional equipment by \$239 million one-time Proposition 98 General Fund, for a total reduction of \$452 million.
- Allows colleges to flexibly use funding for the Student Equity and Achievement Program, Financial Aid Administration and Student Mental Health services.
- Expands the use of Strong Workforce program funding to support student grants for third-party certifications and work-based learning programs.

California Student Aid Commission

- Eliminates the Golden State Education and Training Program.
- Allows the Cal Grant level for students attending private, non-profit institutions to remain at \$9,358.
- Provides \$397,000 ongoing General Fund and 4 positions to support CSAC operations.
- Provides \$103,000 ongoing General Fund to support the Cash for College program.

Scholarshare Investment Board

- Decreases support for the CalKIDS college savings account program by \$30 million one-time General Fund.
- Provides \$158,000 ongoing General Fund to support financial literacy efforts associated with the CalKIDS college savings account program.

CLIMATE CHANGE/ NATURAL RESOURCES

Fund Shifts to a Future Climate Bond

- Proposes shifting \$1.1 billion of General Fund to a future climate bond including:
 - Water Recycling- \$270 million
 - Salton Sea Restoration- \$169 million
 - Community Resilience Centers- \$160 million
 - Transformative Climate Communities- \$100 million
 - Regional Climate Resilience- \$100 million
 - Urban Greening- \$100 million
 - Statewide Parks Program- \$86.6 million
 - Sustainable Groundwater Management Act- \$60 million
 - Dam Safety- \$50 million
 - Multi Benefit Land Repurposing- \$20 million

Zero Emission Vehicles

- Shifts \$635 million of General Fund to Greenhouse Gas Reduction Fund (GGRF) over three years, with \$500 million in 2023-2024.

Wildfires

- Restores \$25 million General Fund for the Climate Catalyst Fund.

Water

- Reduces \$24.5 million General Fund for the Delta Salinity Barrier at the Department of Water Resources.
- Reverts \$25 million General Fund for the Landflex program at the Department of Water Resources.

Flood Response

- Invests \$290 million General Fund in new flood proposals. Including:
 - Proposes \$125 million to support preparedness, response and recovery related to the 2023 storms – with funding shifted from drought contingency dollars proposed in January;
 - Appropriates \$75 million to support local flood control projects;

- Adds \$25 million to expand the current California Small Agricultural Business Drought Relief Grant Program to provide direct assistance to eligible agriculture-related businesses that have been affected by the recent storms;
- Allocates \$25 million for potential additional disaster relief and response costs in this fiscal year to address immediate impacts;
- Restores \$40 million for the San Joaquin Floodplain restoration.
- Proposes \$25 million General Fund set aside for future disaster relief.
- Proposes trailer bill language to:
 - Extend certain streamlining efforts related to water conservation in the Colorado River Basin
 - Codify provisions from recent executive orders that allow for the safe diversion of flood flows for groundwater recharge purposes. These provisions would make it easier to capture floodwater to recharge groundwater by setting clear conditions for diverting floodwaters without permits or affecting water rights.

Department of Parks

- Proposes trailer bill language to address the structural deficit in the Harbors and Watercraft Revolving Fund including:
 - Increases boating registration fees beginning January 1, 2024, from \$10 per year to \$40 per year (from \$20 to \$80 biennially) and re-evaluate registration fees every four years thereafter.
 - Reduces Aquatic Invasive Species program expenditures by \$5.3 million ongoing and local assistance funding for Boat Launching Facilities grants by \$6 million.

Natural Resources Agency

- Appropriates \$2.1 million General Fund for renovations of the Museum of Tolerance to enhance diversity training for education and criminal justice professionals.

TRANSPORTATION

- Includes a reduction of \$2.85 billion (GF), partially offset by \$650 million of new state transportation funds for a net reduction of \$2.2 billion.
 - Includes a shift of \$150 million of General Fund to the State Highway Account for Port Infrastructure.
 - Maintains the cuts to the General Fund TIRCP program of \$2 billion.
- Projects that the Motor Vehicle Account will be insolvent at the end of 2024-25, and states the Administration is exploring potential revenue expenditures.
- Reverts \$104.7 million of the DMV's multi-year (GF) appropriation for REAL ID given the shift of the federal REAL ID enforcement date from May 2023 to May 2025.
- States that the Administration welcomes discussions with the Legislature on potential near-and-long solutions to support the viability of transit across the state.

ENERGY

- Proposes allocations for the \$1 billion Clean Energy Reliability Investment Plan secured by the Legislature in SB 846 (Dodd, Statutes of 2022).
- Reproposes trailer bill language to address the Energy Resources Program Account (ERPA) structural deficit to raise the statutory cap on the ERPA surcharge, tie the statutory cap to the Consumer Price Index, and extend the surcharge to apply to behind-the-meter electricity ratepayers. This increase will generate approximately \$3 million in additional revenues in 2023-24, and approximately \$6 million annually thereafter to offset recent revenue decreases and will allow the CEC to continue playing a critical role in fostering the clean energy system of the future.
- Reverts and additional \$149.4 million in California Emergency Relief Funds in 2022-23 to the General Fund, based on updated savings figures from the California Arrearage Payment Program due to actual applications received and approved for funding.
- Requests funds to implement SB x1-2 including:
 - \$5.9 million Energy Resources Programs Account and 14 positions on an ongoing basis for the CEC to collect new data, analyze and track trends in the petroleum supply chain and pricing, produce required reports, and establish a new oversight division, which will collectively help maintain a reliable supply of affordable and safe transportation fuels in California. Additionally, the Commission will redirect 10 existing positions internally to support the new Division of Petroleum Market Oversight.
 - \$1 million one-time Cost of Implementation Account for the California Air Resources Board to support development of the Transportation Fuels Transition Plan.
 - \$286,000 Occupational Safety and Health Fund and 1 position for the Department of Industrial Relations to support analysis on managing refinery turnaround and maintenance schedules to prevent price spikes.

ENVIRONMENTAL PROTECTION

- Proposes \$5.1 billion (\$339 million General Fund, \$4.8 billion special funds, and \$12 million bond funds) for various departments under CalEPA.

State Water Resources Control Board

- Appropriates \$4.8 million General Fund in 2023-24 and 2024-25 to support the State Water Board's oversight roles for basins deemed inadequate, as required by the Sustainable Groundwater Management Act (SGMA).

Department of Pesticide Regulation

- Allocates \$1.9 million Department of Pesticide Regulation Fund and \$1.4 million ongoing to improve and streamline the Department's registration and reevaluation processes, identify alternatives to high-risk fumigants, and lead strategic collaborations with stakeholders and agency partners to develop plans and programs to support implementation of sustainable pest management in agricultural, urban, and wildland settings.

Department of Toxic Substances Control

- Provides \$67.3 million from the Lead-Acid Battery Cleanup Fund over two years, including \$40.4 million in 2023-24 and \$26.9 million in 2024-25, to clean up 6,425 parkways surrounding the former Exide Technologies facility identified with high levels of lead and/or other metals.
- Receives loans from the following funds to address temporary projected shortfalls from fee reforms, which will be paid back over three years if not sooner:
 - A budgetary loan of \$100 million from the Beverage Container Recycling Fund to the General Fund
 - A budgetary loan of \$40 million from the Beverage Container Recycling Fund to the Hazardous Control Waste Account
 - A \$15 million loan from its Toxic Substances Control Account

LABOR

Employment Development Department

- Proposes a one-time loan of \$306 million from the Unemployment Compensation Disability Fund to the General Fund to pay the annual interest payment on the state's Unemployment Insurance loan balance for the 2023 calendar year. The Unemployment Compensation Disability Fund consists of all worker contributions used to pay Disability and Paid Family Leave benefits and administer those respective programs. The May Revision will propose language to prevent the State Disability Insurance contribution rate from increasing because of the loan.

Department of Industrial Relations (DIR)

- Restores \$15 million in 2023-24 and \$15 million in 2024-25 for the Women in Construction Priority Unit. This program was created to assist and provide resources to women and nonbinary individuals in the construction workforce. The January budget originally proposed to pause funding for the program in 2023-24 and 2024-25 and resume funding of \$15 million General Fund ongoing in 2025-26.

California Public Employees' Retirement System

- Decreases state contributions to CalPERS by \$1.7 million in 2023-24. The May Revision notes that the decrease is a result of CalPERS' adjustment to the state's contribution rates, driven by the progression of existing amortization and the application of supplemental pension payments in 2021-22 and 2022-23. The January budget allocated \$8.5 billion for the statutorily required annual state contributions to CalPERS for state pension costs.
- Estimates \$1.7 billion in one-time Proposition 2 debt repayment funding in 2023-24 to reduce unfunded liabilities of the CalPERS state plans.

California State Teachers Retirement System

- Increases state contributions to CalSTRS by \$8.8 million General Fund in 2023-24, due to a revision in reported compensation for K-12 and community college teachers. The January budget included \$3.9 billion for the statutorily required annual state contribution to CalSTRS.

Collective Bargaining

- Increases employee compensation by a net total of \$22.2 million in 2023-24 and ongoing to reflect increased employee compensation costs resulting from updated payroll information, updated health and dental rates, increased enrollment in health and dental plans, and a change in the health plan enrollment composition. The January budget included \$487.5 million for increased employee compensation, health care costs for active state employees, and retiree health care prefunding contributions for active employees.
- The May Revision notes that collective bargaining negotiations are ongoing with 15 of the state's 21 bargaining units for expired or soon-to-be expired contracts.

GENERAL GOVERNMENT

Housing

- Includes \$17.5 million in General Fund reductions for the Downtown Rebound from the 2000 Budget Act. The funds were originally provided for adaptive reuse of commercial and industrial structures.
- Defers \$345 million of the \$500 million one-time General Fund over four years for the Foreclosure Intervention Housing Prevention Program from the 2021 Budget Act.

Homelessness

- Continues to include \$3.7 billion in funding for homeless programs.
- Focuses on strengthening local collaboration between cities, counties and services providers to prevent and address homelessness as discussed in the January Budget.
- Restates the Governor's trailer bill language intent of prioritizing spending on supporting permanent housing and activities such as Homekey, and CARE Act.

Governor's Office of Business and Economic Development

- Increases by \$25 million the Small Agricultural Business Relief Grants to provide direct assistance to eligible agriculture-related businesses that have been affected by recent storms.
- Increases by \$23.5 million Federal Funds, to be spent over 5 years, for Office of Small Business Advocate to provide technical assistance to small business applying for the State Small Business Credit Initiative Capital programs.
- Maintains \$50 million of the \$300 million of the Government Budget Sustainability Fund to provide grants to support revenue stability in counties with high unemployment and high rates of poverty.
- Reallocated the remaining \$250 million to support the City of Fresno's Public Infrastructure Plan to invest in the downtown area.
- Reduces the CA Small Business COVID-19 relief Grant program by an additional \$50 million for a total reduction of \$142 million.

Cannabis

- Estimates \$567.4 million to be available in 2023-24 for Allocation 3 funding, which supports youth education, prevention, early intervention treatment, environmental protection, and public safety-related activities. Specifically:
 - Education, prevention, and treatment of youth substance use disorders and school retention—60 percent (\$340.4 million)
 - Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—20 percent (\$113.5 million)
 - Public safety-related activities—20 percent (\$113.5 million)

Exposition Park

- Proposes \$15.2 million (\$500,000 General Fund, \$14.1 million Public Buildings Construction Fund, and \$600,000 other funds) for continuation of the Parkwide Surveillance System and for the new Southeast Underground Parking Structure project. The Southeast Underground Parking Structure project includes three stories of underground parking, surface level green space, and event space.

TAXATION AND REVENUE

Tax Proposals

- Maintains several proposals from the January Budget:
 - An extension of the Film and Television Tax Credit from 2025-26 to 2029-30 and partial refundability for credits issued through the extended program.
 - A requirement that income derived from an incomplete gift non-grantor trust be subject to income tax for California residents.
 - Removal of the geographic requirement of the New Employment Credit for semi-conductor related businesses who compete for federal funding under the CHIPS Act.

- Projects personal income tax and corporation tax receipts down around \$9 billion cumulatively in the first 10 months of 2022-23. Important to note that cash results outside of personal income tax withholding and distorted by tax deadlines shifting to October and impact of Pass-Through Entity (PTE) Elective Tax on personal income tax payments.

Personal Income Tax

- Forecast Personal Income Tax to be lower by \$14.3 billion due to weak withholding tax receipts, downgraded wage growth, a slightly downgraded economic outlook, and higher participation in the PTE Elective Tax. Excluding the impact of the PTE Elective Tax, the personal income tax forecast is projected to be \$3.2 billion lower.

Corporation Tax

- Forecasts the Corporation Tax is \$6.2 billion higher due to the upgraded PTE Elective Tax payments. Excluding PTE Elective Tax payments, corporation tax revenues are projected to be \$4.3 billion lower due to weak cash payments and expectations of lower corporate profits.

Sales and Use Tax

- Revises the sales tax upward by \$100 million due largely to strong cash receipts through the first nine months of 2022-23.

**2023-24 May Revision
General Fund Revenue Forecast
Reconciliation with the 2023-24 Governor's Budget**
(Dollars in Millions)

Source	Governor's Budget	May Revision	Change From Governor's Budget	
Fiscal 2021-22 (Final)				
Personal Income Tax	\$136,762	\$137,144	\$382	0.3%
Corporation Tax	45,298	45,128	-169	-0.4%
Sales & Use Tax	32,915	33,026	112	0.3%
Insurance Tax	3,495	3,495	0	0.0%
Alcoholic Beverage	431	431	0	0.0%
Pooled Money Interest	362	362	0	0.0%
Cigarette	54	54	0	0.0%
Other Revenues	3,851	3,861	11	0.3%
Subtotal	\$223,168	\$223,503	\$335	0.2%
Transfer To/From BSA	-5,224	-7,065	-1,841	35.2%
Other Transfers	15,947	16,099	152	1.0%
Total	\$233,891	\$232,537	-\$1,354	-0.6%
Fiscal 2022-23				
Personal Income Tax	\$128,905	\$122,769	-\$6,136	-4.8%
Corporation Tax	38,482	42,091	3,610	9.4%
Sales & Use Tax	32,851	33,072	222	0.7%
Insurance Tax	3,641	3,673	31	0.9%
Alcoholic Beverage	436	433	-3	-0.8%
Pooled Money Interest	1,794	2,133	339	18.9%
Cigarette	49	47	-2	-3.7%
Other Revenues	4,589	2,079	-2,510	-54.7%
Subtotal	\$210,746	\$206,297	-\$4,449	-2.1%
Transfer To/From BSA	-1,620	-544	1,076	-66.4%
Other Transfers	-359	-957	-598	166.9%
Transfer Solutions	116	334	218	187.5%
Total	\$208,883	\$205,129	-\$3,754	-1.8%
Fiscal 2023-24				
Personal Income Tax	\$126,695	\$118,136	-\$8,559	-6.8%
Corporation Tax	39,308	42,081	2,773	7.1%
Sales & Use Tax	33,599	33,366	-233	-0.7%
Insurance Tax	3,863	3,881	18	0.5%
Alcoholic Beverage	441	438	-3	-0.6%
Pooled Money Interest	1,686	2,928	1,242	73.7%
Cigarette	45	43	-1	-3.1%
Other Revenues	4,040	5,736	1,696	42.0%
Revenue Solutions	30	30	0	0.0%
Subtotal	\$209,707	\$206,640	-\$3,067	-1.5%
Transfer To/From BSA	-911	0	911	-100.0%
Other Transfers	195	-608	-802	-412.4%
Transfer Solutions	1,183	3,022	1,839	0.0%
Total	\$210,174	\$209,054	-\$1,120	-0.5%
Three-Year Total Excluding BSA and Solutions			-\$8,430	
Three-Year Total			-\$6,228	

PUBLIC SAFETY**Department of Corrections and Rehabilitation**

- Provides \$14.4 billion (\$14. billion General Fund and \$374.6 million other funds) for CDCR in 2023-24, of which \$3.9 billion is for health care services, as part of the May Revision.
- Projects the average daily incarcerated population for 2022-23 to be 95,560, a decrease of 0.6% since 2022 Fall projections. Spring projections indicate the population will decrease by another 2,678 individuals between 2022-23 and 2023-24 from 95,560 to 92,882. By 2025-26, the population is projected to decline to 89,946.
- Projects the average parolee population to be 37,322 in 2023-24 and the average daily parolee population is projected to be 39,646. The parole population is projected to decline to 36,061 by June 30, 2027.
- Projects \$144.1 million in annual ongoing savings after the closure of California Correctional Center in Susanville in June of 2023.
- Estimates total savings of \$155.7 million ongoing General Fund based on the termination of the lease at California Correctional City Facility, and \$170 million in ongoing General Fund savings from the deactivation of several yards at six prisons.
- Proposes \$360.9 million in Public Buildings Construction Fund for the demolition and construction to establish a new educational and vocational center at San Quentin State Prison by 2025 and \$20 million General Fund for various improvement projects.
- Intends to increase per diem rates for future competitively bid contracts that will take effect on or after July 1, 2024.
- Provides \$4.2 million General fund in 2023-24 and \$2.6 million ongoing to support Board of Parole hearing functions including resources to increase the flat rate for state appointed attorney feeds, add a Supervising Administrative Law Judge position, continues attorney training and monitoring contract, and provides resources for the Board's IT system.

- Reduces the \$141.8 million one-time General Fund in 2023-24 for COVID-19 related measures proposed in the January Budget by \$45 million General Fund, bringing the total amount requested to \$96.9 million General Fund.
- Proposes a reduction of \$30.9 million General Fund annually over four years for COVID-19 Workers' Compensation costs to account for staff vacancy-related savings.
- Proposes a reduction of \$30 million General Fund for deferred maintenance funding which is the unspent total of the \$100 million General Fund included in the 2021 Budget Act.
- Proposes \$11 million General Fund and 85 positions in 2023-24 and \$17.3 million and 144 positions beginning in 2024-25 to expand the use of tele-mental health in prisons.
- Proposes \$39.7 million ongoing General Fund to address a projected deficit in the budget for contract medical services in the near term to allow for the Administration to develop a refined methodology for budget contract medical services beginning in 2024-25 to account for patient acuity and increasing medical costs.
- Proposes \$3.3 million one-time (\$200,000 General Fund and \$3.1 million reimbursement authority) in 2023-24, \$4.5 million General Fund in 2024-25, and \$3.7 million General Fund in 2025-26, to enable CDCR to develop an information technology system to support the Medi-Cal billing process in conjunction with the implementation of the statewide CalAIM Justice-Involved Initiative.
- Proposes a reappropriation of \$849,000 for the Valley State Prison Arsenic and Manganese Removal Water Treatment for the working drawings phase.

Division of Juvenile Justice

- Estimates 150 youth will remain at the time of DJJ's closure on June 30, 2023 and the May Revision reflects a decrease of \$92.1 million (\$89.3 million General Fund and \$2.8 million various funds) the DJJ in 2023-24 and by \$95.8 million (93 million General Fund and \$2.8 million various funds) ongoing starting in 2025-26.

Judicial Branch

- Provides \$5 billion (\$3.1 billion General Fund and \$1.9 billion other funds) for Judicial Branch operations, of which \$2.9 billion will support trial court operations, as part of the May Revision.

- Proposes an additional \$8.9 million General Fund in 2023-24 and \$4.7 million in 2024-25 to account for Los Angeles County's early implementation costs as Los Angeles was not statutorily included in the first cohort. The updated proposed resources to implement that CARE Act are \$32.7 million in 2023-24, \$55.3 million in 2024-25, and \$68.5 million ongoing.
- Proposes an additional \$16.8 million in 2023-24, \$29.8 million in 2024-25, and \$32.9 million ongoing to double the number of hours per participant for legal services from 20 hours to 40 hours as part of the CARE Act, bringing the total to \$22.9 million in 2023-24, \$51.6 million in 2024-25, and \$64.4 million ongoing for legal support.
- Restores \$20 million in 2023-24 and 2024-25 to restore funding for the Court Appointed Special Advocated Program which was proposed for reduction in the Governor's Budget.
- Provides \$105.1 million ongoing General Fund for support the Trial Court Trust Fund Backfill.
- Proposes to reduce \$20.7 million General fund in 2023-24 and \$30 million ongoing to reflect updated estimates for the Ability to Pay Program established in Chapter 57, Statutes of 2021, due to the associated revenue loss for courts being lower than expected. The total estimated backfill is \$26.4 million in 2023-24, and \$28.4 million ongoing.
- Proposes a reversion of \$25 million General Fund provided in the 2021 Budget Act for the acquisition of the New Fort Ord Courthouse in Monterey County.

Department of Justice

- Provides \$1.3 billion, including \$491.6 million General Fund, to support the Department of Justice, as part of the May Revision.
- Proposes a \$400 million budgetary loan from the Litigation Deposit Fund to the General Fund in 2023-24 to assist in addressing the state's budgetary shortfall.
- Proposes \$1.9 million (\$702,000 General Fund and \$1.2 million various Special Funds) in 2023-24, increasing to \$4 million (\$1.5 million General Fund and \$2.5 million various Special Funds) in 2026-27 and ongoing for their eDiscovery and Review Platform to collect, store, and process electronic discovery information related to litigation.

- Updates the Firearms Information Technology System Modernization Project Spring Proposal with a proposed increase of \$1.1 million ongoing, for a total of \$7.5 million Dealers Record of Sale Account in 2023-24 and \$2.6 million ongoing thereafter.

Local Public Safety

- Proposes \$12 million one-time General Fund for grants to support local tribes to investigate cases of missing and murdered indigenous persons, building on the investment made in the 2022 Budget Act which included \$12 million General Fund over three years for this effort.
- Proposes \$10 million one-time General Fund for the Nonprofit Security Grant Program.
- Proposes reallocation of \$25 million provided in the 2022 Budget Act for gun buyback programs to the Office of Emergency services to work directly with local law enforcement agencies to expedite targeted, coordinated gun buybacks.
- Estimates Proposition 47 savings to be \$112.9 million in 2023-24.
- Proposes an additional \$1.1 million General Fund to the January Budget proposal of \$8.2 million General Fund for Post Release Community Supervision, bringing the total to \$9.3 million General Fund in 2023-24.
- Proposes reimbursement authority of \$5.9 million in 2023-24 and \$5.7 million in 2024-25 and 2025-26 to support an interagency agreement with the Board of State and Community Corrections to implement federal funds from the Byrne State Crisis Intervention Program where Judicial Council will implement a statewide program that improves the execution of firearm relinquishment orders, and expands collaborative courts.