



HIGHLIGHTS OF GOVERNOR'S PROPOSED 2024-2025 BUDGET

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OVERVIEW

As required by the Constitution, Governor Newsom presented his proposed 2024-25 state budget plan to the Legislature on January 10, 2024.

Late Tax Data Necessitates More Budget Balancing. Following an unprecedented decision by the federal government to allow high-income taxpayers to delay 2022 tax payments to November 2023, recent tax receipts show that the 2022 California budget surplus effectively was much less than estimated. In June 2023, the Legislature and the Governor addressed a more than \$30 billion shortfall to correct part of this overestimate. The November tax data show that additional budget balancing will be required in 2024 and over the next few fiscal years.

The Governor's new proposal estimates that \$37.9 billion of budget-balancing actions will be required to balance the 2024-25 state budget as required by the Constitution. (The Legislative Analyst's Office estimated a \$68 billion gap in a report last month but made different assumptions about revenues, Proposition 98 school funding, and baseline state spending.) Both the administration and the LAO note, as always, that the California tax system is unpredictable, and revenue estimates may change by many billions of dollars between now and this summer when the 2024 budget is finalized.

The Governor's budget summary notes that state revenues remain well above pre-pandemic levels. The administration notes that the stock market run-up through the end of 2021 led to a tax revenue surge that ended in 2022. In addition to general stock market declines, revenue sources attributable to high-income households and businesses in California's important technology sector—sources related to initial public offerings and venture capital funding—were weakened during 2022 and much of 2023. The Governor's summary notes the recent recovery of the stock market and growth in California's overall economy.

Governor Proposes Variety of Budget Balancing Actions. This document will summarize some of the Governor's key budget-balancing proposals based on early information provided by the administration. According to the administration, these proposals would generate savings for the 2024 budget as follows:

- **Withdrawing General Purpose Reserves: \$13.1 billion.** These reserve withdrawals include about \$12 billion from the Budget Stabilization Account, the rainy day fund created by Proposition 2 (2014). Even after the proposed withdrawals, under the administration's estimates, total budget reserves remain at \$18.4 billion in 2024-25, including \$11.1 billion in the BSA, \$3.9 billion in the Proposition 98 reserve, and \$3.4 billion in the discretionary state reserve fund (known as the Special Fund for Economic Uncertainties). In addition to the \$13.1 billion of general purpose reserve withdrawals, the Governor proposes a \$5.7 billion withdrawal from the Proposition 98 reserve to maintain support for school and community college districts.

- **Spending Reductions: \$8.5 billion.** The Governor proposes reducing funding for various items, including various climate spending reductions (\$2.9 billion), various housing program reductions (\$1.2 billion), school facilities aid (\$500 million), student housing loan funding (\$494 million), and legislative district priority appropriations yet to be determined (\$350 million). The administration proposes “sweeping” funds based on departments’ vacant positions, estimated to produce \$763 million of savings.
- **Revenue/Internal Borrowing: \$5.7 billion.** The Governor proposes actions to increase support by the Managed Care Organization (MCO) tax for the Medi-Cal program (\$3.8 billion) and conforming to the net operating loss limitation in the federal Tax Cuts and Jobs Act (\$300 million). Revenue increases often require passage with a two-thirds majority of both houses of the Legislature.
- **Spending Delays: \$5.1 billion.** The Governor proposes delaying various planned spending items and spreading that funding over a three-year period starting in 2025-26. Actions in this category include delays of transit funding (\$1 billion), implementation of service provider rate reform at the Department of Developmental Services (\$613 million), school and early childhood facilities grants (\$550 million), Clean Energy Reliability Investment Plan funding (\$400 million), Behavioral Health Bridge Housing Program funding (\$235 million), and toxic clean-up activities (\$175 million).
- **Fund Shifts: \$3.4 billion.** Recent data shows that the state’s special funds have tens of billions dollars of available balances—a very different situation from the 2009 budget downturn, when state coffers were near empty. The Governor proposes General Fund savings by shifting certain expenditures to these other state accounts, including the Greenhouse Gas Reduction Fund (\$1.8 billion) and Proposition 2 debt repayment funds (\$1.3 billion).
- **Deferrals: \$2.1 billion.** The budget proposes deferring some 2024-25 payments to the 2025-26 payments, consistent with one-time savings actions in prior budget downturns. These actions include reinstating the long-time deferral of the June state payroll to early July (\$1.6 billion), an action that does not affect state employees’ bank accounts. The budget also proposes a deferral of state payments to public universities for \$499 million of savings.

Proposition 98 Funding. The Governor's budget summary says his plan uses resources from the Proposition 98 reserve to preserve fiscal stability for California public schools. Revised revenue estimates result in notable adjustments to Proposition 98 funding. Specifically, Proposition 98 funding for schools and community colleges is estimated at \$98 billion in 2022-23, \$106 billion in 2023-24, and \$109 billion in 2024-25. This is a decrease of \$11 billion over the three-year period relative to 2023 state budget estimates. The Governor proposes statutory changes to minimize negative effects on existing school district budgets.

Recent Chaptered Legislation. The Governor's budget summary (pages 102-103) says that "with few limited exceptions," the Governor's plan defers decisions on new discretionary spending to this spring for discussing with the Legislature based on revenue trends. Specifically, the summary says the Governor's budget "defers the consideration of resource requests associated with recently chaptered legislation to the May Revision," noting the administration's commitment to work closely with the Legislature on how to prioritize such funding.

Early Action Requested on Some Items. The administration has asked legislative leadership to pass some budget actions earlier than June, including changes to Chapter 890, Statutes of 2023 (SB 525), concerning minimum wages for specified health care workers. Details of any early action package will be developed in the coming weeks.

Additional information will be provided in subsequent Assembly Budget Committee and subcommittee agendas and at dozens of budget hearings, including the committee's annual budget overview hearing on Tuesday, January 23, in Sacramento.

HEALTH

Health-Related “Budget Solutions:”

- Transfers \$900 million in Safety Net Reserve to maintain existing program benefits and services in Medi-Cal and CalWORKs.
- Reduces \$193.4 million (\$77.1 million Proposition 56) in 2024-25 for supplemental payments to Medi-Cal providers, originally funded solely by Proposition 56, due to declining revenue from Proposition 56 and the challenge with backfilling this reduction with General Fund given the General Fund deficit.
- Delays \$140.1 million General Fund to 2025-26 for the nursing and social work initiatives administered by the Department of Health Care Access and Information (HCAI).
- Delays \$189.4 million Mental Health Services Fund to 2025-26 for the social work initiative, addiction psychiatry fellowships, university and college grants for behavioral health professionals, expanding Master of Social Work slots, and the local psychiatry behavioral health program.
- Delays \$74 million General Fund until 2025-26 and 2026-27 for the Health and Human Services Innovation Accelerator Initiative.
- Delays \$48.4 million General Fund to 2025-26 for the Specialty Dental Clinic Grant program at the California Health Facilities Financing Authority.
- Reverts \$14.9 million in unexpended General Fund from the one-time \$70 million General Fund in the 2022 Budget Act for the Clinic Workforce Stabilization and Retention Payment Program that was agreed to be transferred to HCAI to support workforce development programs.
- Delays \$140.4 million General Fund from 2024-25 to 2025-26 for the final round of Behavioral Health Continuum Infrastructure Program grants.
- Shifts \$265 million from the Mental Health Services Fund that was appropriated in the 2023 Budget Act to the General Fund in 2024-25 related to the Behavioral Health Bridge Housing, and delays \$235 million General Fund from 2024-25 to 2025-26. Maintains \$1.5 billion for this program overall.
- Proposes to borrow \$500 million from the AIDS Drug Assistance Program Rebate Fund to the General Fund.

- Proposes to borrow \$50 million from the Hospital Building Fund, \$11 million from the California Health Data and Planning Fund, \$3 million from the Registered Nurse Education Fund, \$1 million each from the Vocational Nurse Education Fund and the Mental Health Practitioner Fund to the General Fund.
- Proposes to borrow \$22.9 million from the Managed Care Fund to the General Fund.
- Reflects no increased costs in the Budget Year as a result of a proposed implementation delay of SB 525 (Durazo, Chapter 890, Statutes of 2023) which increases health care worker wages, and also proposes to amend SB 525 to add a trigger making implementation of the bill contingent on a determination of sufficient General Fund.

Department of Health Care Services (DHCS)

- Maintains \$1.4 billion (\$1.2 billion General Fund) in 2023-24, \$3.4 billion (\$2.9 billion General Fund) in 2024-25, and approximately \$3.7 billion (\$3.2 billion General Fund) ongoing to fully implement the Medi-Cal expansion to income-eligible adults aged 26-49 regardless of immigration status, which began January 1, 2024.
- Maintains over \$8 billion total funds across various health and human services departments to expand the continuum of behavioral health treatment and infrastructure capacity.
- Maintains \$7.6 billion (\$350.4 million General Fund, \$87.5 million Mental Health Services Fund, \$2.6 billion Medi-Cal County Behavioral Health Fund, and \$4.6 billion federal funds) for DHCS and the Department of Social Services to implement the BH-CONNECT Demonstration, effective January 1, 2025.
- Maintains approximately \$2.4 billion (\$811.1 million General Fund) in 2024-25 to continue implementing CalAIM, including \$24.7 million (\$8.6 million General Fund) in 2025-26 increasing to \$179.9 million (\$69.3 million General Fund) to allow up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness transitioning out of institutional care.
- Proposes an increase to the 2023-approved Managed Care Organization Tax (MCO Tax) to realize \$20.9 billion in total funding to the state, an increase of \$1.5 billion compared to the 2023 version of the tax.
- Proposes \$12.9 billion in MCO Tax revenue to support the Medi-Cal program and balance the budget.
- Proposes \$8 billion in MCO Tax revenue for targeted Medi-Cal rate increases.

- Proposes \$2.8 billion (\$1.2 billion MCO Tax) in 2024-25, approximately \$6.5 billion (\$2.7 billion MCO Tax) in 2025-26 for targeted Medi-Cal provider rate increases, consistent with the 2023 Budget Act which includes \$727 million (\$291 million MCO Tax) annually for rate increases effective January 1, 2024.
- Increases slots in the Home and Community-Based Services Waiver and Assisted Living Waiver, resulting in \$10.8 million net General Fund savings in 2024-25.
- Includes \$9.5 million (\$4.1 million General Fund) in 2024-25 increasing annually to \$78 million (\$22.8 million General Fund) in 2027-28 to establish the wellness coach benefit in Medi-Cal effective January 1, 2025.
- Maintains \$200 million (\$100 million General Fund) in 2024-25 for the California Reproductive Health Access Demonstration Waiver to support access to reproductive health services, to be implemented no sooner than July 1, 2024, and \$85 million of General Fund to be replaced with federal Designated state Health Program funds by 2026-27.
- Includes \$2.3 billion (\$499 million General Fund) in 2023-24 over the 2023 Budget Act to reflect an increase in estimated Medi-Cal caseload of 583,000 for a total of 14.8 million. This reflects a higher than expected number of individuals remaining eligible after eligibility determinations.
- Reduces \$193.4 million (\$77.1 million Proposition 56) in 2024-25 for supplemental payments to Medi-Cal providers, originally funded solely by Proposition 56, due to declining revenue from Proposition 56 and the challenge with backfilling this reduction with General Fund given the General Fund deficit.
- Includes \$907 million (\$192.6 million General Fund) for all Proposition 56 supplemental payments, inclusive of \$465.2 million for physician services. Some providers who will receive MCO Tax rate increases will still receive net rate increases.
- Reflects a Current Year Medi-Cal estimate decrease of \$195.6 million General Fund compared to the 2023 Budget Act due to increased MCO Tax revenue, delayed funding for behavioral health initiatives, offsets from a one-time retroactive state-only claiming repayment, and increased caseload costs.
- Reflects a Budget Year Medi-Cal estimate decrease of \$1.4 billion General Fund for Medi-Cal compared to the Current Year for a total of \$35.9 billion General Fund in 2024-25.

California Department of Public Health (CDPH)

- Maintains full funding for the Future of Public Health, including \$100 million General Fund for CDPH and \$200 million for local health jurisdictions.

HUMAN SERVICES

Department of Social Services (DSS)

CalWORKs

- Includes a \$336 million General Fund reversion from the 2022-23 CalWORKs Single Allocation that is expected to be unexpended. The Governor's Budget also reflects a reversion of \$40.8 million General Fund in 2023-24 and a reduction of \$40.8 million General Fund in 2024-25 and on-going. The counties receive a Single Allocation which combines the funding for Eligibility Administration, Employment Services, and Cal-Learn into one allocation that may be used interchangeably. All other funding for various CalWORKs program services is separately allocated. Details of the rationale for this reduction and the real family and human impacts, including the consequences for appropriate county administration of this program and the possible effects of this reduction on administration of other safety net programs, of this proposal are unknown at this time.
- Includes a reversion of \$55 million General Fund in 2023-24 and a reduction of \$71 million General Fund beginning in 2024-25 and ongoing in the CalWORKs Family Stabilization program. Details of the rationale for this reduction and the real family and human impacts of this reduction proposal are unknown at this time.
- Includes a reduction of \$47 million General Fund beginning in 2024-25 and ongoing for the CalWORKs Employment Services Intensive Case Management. Details of the rationale for this reduction and the real family and human impacts of this reduction proposal are unknown at this time.
- Includes a reversion of \$134.1 million General Fund in 2023-24 and a reduction of \$134.1 million General Fund in 2024-25 and on-going for the CalWORKs Expanded Subsidized Employment program. Details of the rationale for this reduction and the real family and human impacts of this reduction proposal are unknown at this time.
- Includes a projected 0.8 percent increase to CalWORKs Maximum Aid Payment (MAP) levels, with an estimated cost of \$26.7 million, projected to begin October 1, 2024. These increased costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the 1991 Local Revenue Fund and will be updated at the May Revision. This increase is on top of the grant level increases that were approved as part of prior budget agreements.

DSS Housing and Homelessness Programs

- Delays \$80 million General Fund for the Bringing Families Home Program to 2025-26. Details on how much has been expended from the original allocations and the reasons for this proposed detail are still pending from the Administration.
- Delays \$65 million General Fund for the Home Safe Program to 2025-26. Details on how much has been expended from the original allocations and the reasons for this proposed detail are still pending from the Administration.
- Delays \$50 million General Fund for the Housing and Disability Advocacy Program to 2025-26. Details on how much has been expended from the original allocations and the reasons for this proposed detail are still pending from the Administration.

Migration and Border Communities

- Reverts \$10 million General Fund in 2023-24 for the Temporary Protected Status (TPS) Services program and makes a reduction of \$10 million General Fund in 2024-25 and ongoing, eliminating all resources for this program. Details of the rationale for this reduction and the real human impacts of this reduction proposal are unknown at this time.
- Reverts \$5.2 million General Fund in 2023-24 for the California State University Legal Services program and makes a reduction of \$5.2 million General Fund in 2024-25 and ongoing. The Governor's proposal maintains \$1.8 million ongoing General Fund for these purposes. Details of the rationale for this reduction and the real human impacts of this reduction proposal are unknown at this time.

Foster Care and Child Welfare

- Cuts \$30 million General Fund in 2024-25 and on-going for the Family Urgent Response System (FURS), effectively terminating this effort. Details of the rationale for this reduction and the real family and human impacts for children and caregivers in child welfare are unknown at this time. This initiative was a legislatively-sponsored proposal in a prior budget agreement.
- Cuts \$8.3 million General Fund in 2024-25 and on-going for the Los Angeles County Child Welfare Services Public Health Nursing Program, effectively terminating this effort. Details of the rationale for this reduction and the real family and human impacts for children and caregivers in child welfare are unknown at this time. This initiative was a legislatively-sponsored proposal in a prior budget agreement.

- Cuts \$195,000 in 2024-25 and \$25.5 million (\$18.8 million General Fund) in 2025-26 and on-going that was just approved in the 2024 Budget Act for Housing Supplements for Foster Youth in Supervised Independent Living Placements (SILPs). This initiative was a legislatively-sponsored proposal in the June 2024 budget agreement.
- Includes \$12 million General Fund in 2024-25 to make automation changes for a reformed level of care foster care payment structure, with full implementation anticipated as early as 2026-27. The actual costs of the new payment structure are not included at this time and it is unclear what will be included or not in the May Revision. The new rate system for foster care placements is intended to focus on the child's individual level of needs and strengths, rather than the placement type.
- Includes \$173.4 million (\$88.1 million General Fund) in 2024-25 to support continued project development and implementation costs, and an additional \$52 million (\$26 million General Fund) in one-time provisional authority, for the Child Welfare Services-California Automated Response and Engagement System (CWS-CARES) Project. It is unclear at the time of this writing if this is an additional amount of project costs or if these amounts have been previously assumed and approved as part of the development and implementation efforts for the CWS-CARES Project.
- Continues to assume a joint implementation effort between the Department of Social Services and the Department of Health Care Services, with investments for caseworker visits and activity stipends for children served in the Child Welfare Services/Foster Care system, for the California Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Demonstration. The Governor's Budget includes total combined resources of \$350.4 million General Fund, \$87.5 million Mental Health Services Fund, \$2.6 billion Medi-Cal County Behavioral Health Fund, and \$4.6 billion federal funds through the term of the waiver across both departments to implement the BH-CONNECT Demonstration, effective January 1, 2025.

Food and Hunger

- Includes no major changes or reductions to CalFresh or emergency food programs at the time of this writing.

In-Home Supportive Services (IHSS)

- Includes no major changes or reductions to the IHSS program at the time of this writing.

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

- Includes no major changes or reductions to the SSI/SSP program at the time of this writing.

Department of Developmental Services (DDS)

- Includes a proposal for DDS to develop a Master Plan for Developmental Services over the next year “to establish a more quality-driven and consumer-friendly experience for individuals and families receiving developmental services.” The Administration states that it will convene a workgroup of key stakeholders to inform the development of the Plan, specifically focusing on a “program management system that will be used to collect and analyze data and make recommendations that emphasize quality, equity, and outcomes, while improving regional center accountability.”
- Delays the final step in DDS service provider rate increases to July 1, 2025, instead of July 1, 2024. The impact of this delay for the Quality Incentive Program is unknown at the time of this writing.
- Delays for two years, from 2024-25 to 2026-27, the implementation of an annual \$10 million General Fund grant program to support preschool inclusion efforts such as facility modifications or staff training. The 2024 Budget had recently approved a delay from 2022-24.

Department of Community Services and Development (CSD)

- Includes no major changes or reductions to CSD programs at the time of this writing.

Department of Aging

- Reverts \$11.9 million General Fund for the Healthier at Home Pilot Program.

California Health and Human Services Agency

- Withdraws \$900 million from the Safety Net Reserve.
- Delays \$74 million General Fund until 2025-26 and 2026-27 for the Health and Human Services Innovation Accelerator Initiative.

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 \$98.3 billion in 2022-23, \$105.6 billion in 2023-24, and \$109.1 billion in the Budget Year.
- Provides a total of \$109.1 billion for Proposition 98 funding for 2024-25, which meets the Test One guarantee level, for state preschool, TK-12 public education, and community colleges. Proposes to rebench the guarantee to reflect the Proposition 28 arts funding and Universal Transitional Kindergarten growth.
- Reduces Proposition 98 funding by \$9.1 billion in the 2022-23 Budget Year, and \$2.7 billion in the 2023-24 Current Year compared to the enacted 2023-24 Budget Act.
- Reduces the projected Proposition 98 "Rainy Day" fund, the Public School System Stabilization Account, to \$3.852 billion through the Budget year. Proposes a total of \$5 billion in one-time withdrawals to support 2023-24 and 2024-25 school expenditures.
- Reduces the current year Rainy Day fund balance to \$5.7 billion, which continues to trigger the statutory 10% cap on local school district reserves.

Major Budget Act PreK-12 Education Proposals

- For the 2024-25 Budget Year, projects TK-12 per-pupil spending to be \$126.8 Billion from all funding sources. Due to continued declining enrollment, per-pupil funding remains relatively stable in the Governor's Budget to a funding rate of \$23,519 per student. State TK-12 funding per student is proposed to grow to \$17,653 in 2024-25.
- Proposes a total of \$8 billion in reductions PreK-14 through unspecified statutory changes.
- Decreases Proposition 98 funding for the Local Control Funding Formula (LCFF) by \$1.4 billion, reflecting declining enrollment, UTK and a 0.76% percent cost-of-living adjustment (COLA) in 2024-25. Total Budget Year LCFF is estimated at \$78.635 billion.
- Provides \$38.6 million for an 0.76% COLA to statutorily-required TK-12 programs, including nutrition and preschool, and the new LCFF equity multiplier.

- Decreases the planned Budget Year School Facilities Program general fund contribution by \$500 million in anticipation of a November 2024 School Bond initiative.
- Further delays the previously enacted 2022-23 facility funding for preschool, TK, and kindergarten classrooms to 2025-26.
- Maintains the California universal meals commitment with an increase of \$122.2 million in annual Proposition 98 funding, to maintain two free daily meals for all students.
- Maintains additional \$500 million one-time Proposition 98 for electric school buses, in the 2024-25 Budget Year.
- Increases the Mandate Block grant for a 0.76 percent COLA in the Budget Year and by \$25 million ongoing for the planned 2025-26 Dyslexia screener implementation.
- Proposes attendance recovery statute for Average Daily Attendance and higher standards for remote learning.
- Tightens allowable uses for the Learning Recovery Emergency Block Grant, and clarifies allowed use for new math frameworks implementation.
- Creates a new State Park Pass program for fourth graders with \$2.1 million ongoing Proposition 98 funding.
- Provides \$6 million one-time Proposition 98 to study remote learning models and student information systems attendance collection.
- Provides \$20 million one-time Proposition 98 for math coaching, in anticipation of a 2025 new math curricula adoption by the State Board of Education.
- Provides \$7 million one-time Proposition 98 for a science performance assessment bank.
- Increases the California College Guidance Initiative with \$5 million ongoing Proposition 98.
- Provides \$5 million one-time general fund for the school Broadband Infrastructure Grant, to extend through 2029.

- Increases the K12 High Speed Network funding by \$3.2 million in ongoing Proposition 98 funding.
- Provides \$2 million ongoing for a state Technical Assistance Center on college readiness, and \$1.5 million ongoing for a state Technical Assistance Center on homeless education.
- Provides \$3.4 million in one-time, and \$380,000 on-going general fund to the State Special Schools for IT infrastructure.
- Proposes professional support for educators in addressing student mental health needs, and wellness coaches for the Child and Youth Behavioral Health Initiative.
- Proposes authority for the Commission on Teacher Credentialing to create a new Arts and Music Career Technical Education credential.
- Proposes to replace the basic skills requirement with a bachelor's degree and streamline subject matter completion review, for teacher credentials.
- Expands Educational Revenue Augmentation Fund distribution to charter schools.

Major Early Education and Child Care Proposals

- Maintains the prior year commitments to 146,000 new child care slots, and the goal from the 2021-22 Budget Act to serve 200,000 new children by 2026-27.
- Sweeps \$140.6 million General Fund and \$206.3 million Prop 98 in one-time State Preschool savings.
- Provides the California State Preschool Program with \$53.7 million on-going General Fund to maintain existing reimbursement rates, previously supported with federal funds.
- Provides state preschool and child care nutrition programs a 0.76 percent COLA.

HIGHER EDUCATION

University of California

- Defers \$227.8 million ongoing General Fund to support a 5% base increase. The Administration states intent to provide this funding to UC in 2025-26 and to continue its agreement to provide additional 5% increases.
- Defers \$31 million ongoing General Fund to continue the 5-year program to replace nonresident students with California students at the Berkeley, Los Angeles and San Diego campuses. The Administration states intent to provide this funding to UC in 2025-26 and to continue to provide additional increases as agreed to.
- Provides \$2.6 million ongoing General Fund and \$247,000 one-time General Fund to backfill revenue for the Proposition 56 graduate medical education program.
- Provides \$14.5 million ongoing General Fund to support the Medical School Project at the Merced campus.
- Eliminates \$300 million one-time General Fund for the Institute for Immunology and Immunotherapy at UCLA, as the project has changed and the funding is no longer necessary.

California State University

- Defers \$240.2 million ongoing General Fund to support a 5% base increase. The Administration states intent to provide this funding to CSU in 2025-26 and to continue its agreement to provide additional 5% increases.

California Community Colleges

- Provides \$69.1 million ongoing Proposition 98 General Fund to support a 0.76% cost-of-living adjustment for Student Centered Funding Formula apportionments.
- Provides \$29.6 million ongoing Proposition 98 General Fund to support 0.5% enrollment growth.
- Provides \$9.3 million ongoing Proposition 98 General Fund to support a 0.76% cost-of-living adjustment for select categorical programs. Including adult education.
- Withdraws \$235.9 million Proposition 98 General Fund in 2023-24 and \$486.2 million in 2024-25 from the K-14 Rainy Day Fund to support Student Centered Funding Formula apportionments.

- Provides \$60 million one-time Proposition 98 General Fund to expand nursing programs, per an agreement from the 2023 Budget Act.

Student Housing

- Eliminates the Student Housing Revolving Loan Fund by pulling back \$194 million from 2023-24 and suspending previously agreed to future investments, including \$300 million in 2024-25.
- States intent to provide a proposal for a statewide lease revenue bond to support the community college portion of the Student Housing Grant Program in the May Revision.

California Student Aid Commission

- Acknowledges the 2022 Cal Grant Reform Act but does not provide funding to implement the act, stating it will work closely with the Legislature, Commission and other stakeholders.
- Forgoes a planned increase to the Middle Class Scholarship program of \$289 million one-time General Fund.

California State Library

- Pulls back \$131.3 million one-time General Fund of the \$439 million appropriated to support library infrastructure projects, and proposes to forego future planned investments of \$33 million in 2024-25, 2025-26, and \$34 million in 2026-27.
- Pulls back \$34 million one-time General Fund of the \$35 million appropriated to expand broadband access to under-served communities.

College of the Law, San Francisco

- Provides \$2.2 million ongoing General Fund to support a 3% base increase.

Career Education

- States that the Administration is working on a 13-month planning process to develop a Master Plan for Career Education involving education and workforce systems. The plan will be released in winter 2024.

CLIMATE CHANGE

Zero Emission Vehicles (ZEVs)

- Retains the \$10 billion total, but extends the package to seven years from six years.
- Cuts \$23.5 million General Fund from the Drayage Trucks and Infrastructure Pilot Program.
- Cuts \$7.3 million for ZEV Manufacturing Grants.
- Cuts \$7.3 million for emerging opportunities.
- Delays \$45 million Greenhouse Gas Reduction Fund (GGRF) from the Clean Cars for all and other equity projects.
- Delays \$120 million GGRF for ZEV Fueling Infrastructure Grants.
- Delays \$80 million GGRF for equitable at home charging.
- Delays \$137 million GGRF for Clean Trucks, Buses, and Off-Road Equipment.
- Delays \$198 million GGRF for Drayage Trucks and Infrastructure.
- Delays \$100 million GGRF for Community based plans, projects, and support for sustainable community strategies.
- Delays \$20 million GGRF for charter boats compliance.

Energy

- Cuts \$20 million General Fund from the total of \$30 million for capacity building grants at the California Public Utilities Commission.
- Cuts \$40 million from the Carbon Removal Innovation program at the Energy Commission.
- Cuts \$18.8 million from the Food Production Investment Program at the Energy Commission.
- Cuts \$283 million Equitable Building Decarbonization Program at the Energy Commission.

- Cuts \$22 million from the Industrial Decarbonization Program at the Energy Commission.
- Cuts \$35 million from the Hydrogen Grant Program at the Energy Commission.
- Cuts \$475 million from the Climate Innovation Program at the Energy Commission.
- Cuts \$6.4 million from the California Electric Homes program at the Energy Commission.
- Delays \$800 million of funding for the Clean Energy Reliability Investment Plan to \$100 million in 2023-24, \$100 million in 2025-26, \$300 million in 2026-27, and \$500 million in 2027-28.
- Delays \$150 million for Land Conservation and Economic Development near Diablo Canyon, which would be \$50 million per year over three years starting in 2025-26.
- Delays \$55 million from the Strategic Reliability Reserve at the Department of Water Resources from 2024-2025 to 2025-2026.
- Delays \$50 million from the Distributed Electricity Backup Assets Program at the Energy Commission with \$25 million until 2025-2026 and \$25 million in 2026-2027.
- Delays \$200 million from the Self Generation Incentive Program (SGIP) at the California Public Utilities Commission for residential solar and storage, with \$75 million in 2024-2025 and \$125 million in 2025-2026 to \$100 million in 2026-2027 and \$100 million in 2027-2028.
- Delays \$200 million (\$90 million in 2024-2025 and \$100 million in 2025-2026) for the Oroville Pump Storage Project to \$100 million in 2026-2027 and \$100 million in 2027-2028.

Water

- Proposes \$159.1 million in new General Fund spending to support flood protection, levee repair, and restoration of the Salton Sea. Within this \$159.1 million, the Governor's budget:
 - Proposes \$33 million General Fund to continue supporting the state cost share of U.S. Army Corps of Engineers projects and Urban Flood Risk Reduction projects.
 - Proposes \$31.3 million General Fund to support existing multi-benefit flood

risk reduction projects in the Central Valley.

- Proposes \$29.6 million General Fund to address storm damage at State Plan of Flood Control facilities and State-owned Delta lands for critical repairs associated with the 2023 winter storms.
- Proposes \$65.2 million General Fund to further implement the Salton Sea Management Program, including technical assistance and project management operations and maintenance, monitoring environmental compliance, conducting restoration project planning, and improving public outreach and communication
- Reduces \$796.8 million General Fund and delays \$100 million across various programs. Within the \$896.8 of reductions and delays, the Governor's budget:
 - Reverts \$88.4 million General Fund and reduces \$350 million over the next two years from various watershed and climate resilience programs within the Department of Water Resources and the Wildlife Conservation Board.
 - Reverts \$174.4 million General Fund and delays \$100 million General Fund until 2025-26 for water recycling and groundwater cleanup.
 - Reverts \$71.6 million General Fund and reduces \$30 million General Fund in 2024-25 for Per-and Polyfluoroalkyl (PFAS) support.
 - Reverts \$50 million General Fund from dam safety.
 - Shifts \$20.6 million General Fund to GGRF for the State Water Efficiency and Enhancement Program Funding. Funding being shifted for the program is delayed to 2024-25.
 - Reverts \$12.9 million from the California Emergency Relief Fund for drought relive to small farmers.
 - Reduces \$6.75 million General Fund ongoing from the Forecast Informed Reservoir Operations for runoff forecasting.
 - Reverts \$6 million California Emergency Relief for on-farm water use and agriculture technical assistance.

Wildfire and Forest Resilience

- Reduces General Fund expenditures by \$100.7 million, and shifts \$162.5 million of investments across programs from General Fund GGRF. Within the \$100.7 million reductions, the Governor's budget:
 - Reduces biomass to hydrogen/ biofuels pilot by \$43.5 million General Fund.
 - Reduces \$27.7 million General Fund for Conservancy Project Implementation in High-Risk Regions.
 - Reduces the Home Hardening Pilot program by \$12 million General Fund.
 - Reduces Monitoring and Research by \$5.7 million General Fund.
 - Reduces Forest Legacy funding by \$3.6 million General Fund.
 - Reduces Interagency Forest Data Hub funding by \$2.9 million General Fund.
 - Shifts \$82 million of Fire Prevention Grants within 2023-24 from General Fund to GGRF.
 - Shifts \$34.5 million General Fund to GGRF in Stewardship of State-Owned Land to 2024-25.
 - Shifts \$26 million General Fund to GGRF for Department of Forestry and Fire Protection Unit Fire Prevention Projects to 2024-25.
 - Shifts \$20 million General Fund to GGRF for Regional Forest and Fire Capacity to 2024-25.

Nature Based Solutions

- Reduces \$10 million General Fund for the Redondo Beach Wetlands Restoration.
- Reduces \$5 million General Fund for Resources Conservation Investment Strategies.

Extreme Heat and Community Resilience

- Reduces \$40.1 million General Fund for the Extreme Heat and Community Resilience Program and shifts \$70 million General Fund to GGRF. The \$70 million being shifted is delayed to 2024-25.

- Shifts \$23.8 million General Fund to GGRF for Urban Greening. The Governor's budget proposes to delay these shifted funds to 2024-25.
- Shifts \$15.6 million General Fund to the Labor and Workforce Development fund for Enhanced Protections for Vulnerable Populations.
- Reverts \$25 million General Fund and reduces \$50 million for the Regional Climate Resilience Program in the Office of Planning and Research.
- Reverts \$9.8 million General Fund for the Regional Climate Collaboratives Program at the Strategic Growth Council within the Office of Planning Research.
- Reverts \$5 million General Fund for Climate Adaptation and Resilience Planning Grants at OPR.

Coastal Resilience

- Reverts \$220.9 million General Fund for Sea Level Rise activities.
- Reverts \$171.1 million General Fund for Coastal Protection and Adaptation activities.
- Reverts \$25 million General Fund and shifts \$36.8 million to GGRF in 2024-25 for implementation of SB 1 (Chapter 236, Statutes of 2021).
- Reverts \$35 million General Fund for Ocean Protection funding.

Sustainable Agriculture

- Reverts \$33.2 million General Fund for the California Nutrition Incentive Program, maintaining \$1.8 million previous allocated.
- Shifts \$24 million General Fund to GGRF for the Livestock Methane Reduction program. Funding being shifted for the program is delayed to 2024-25.
- Reverts \$23 million General Fund for the Enteric Methane Incentives Program. The budget maintains \$2 million previously allocated for this program.
- Reverts \$14.4 million General Fund for the Farm to Community Food Hubs Program, maintaining \$600,000 allocated in previous budgets.
- Reverts \$8.5 million General Fund for the Healthy Refrigeration Grant program, maintaining \$12 million previously allocated for this program.

- Proposes \$22.1 million General Fund in 2023-24 to respond to multiple potentially harmful and destructive exotic fruit fly infestations throughout the state.

Other Climate-Related Reductions, Shifts, and Delays

- Reduces \$475 General Fund for the 2024-25 planned investment in the Climate Innovation Program.
- Reverts \$200 million General Fund for the Infill Infrastructure Grant Program.
- Shifts \$50 million General Fund to GGRF for the Oil and Gas Well Capping Program. Funding being shifted for this program is delayed until 2024-25.
- Delays \$40 million General Fund for a Goods Movement Workforce Training Facility in Southern California.
- Reduces \$15 million General Fund for the low Carbon Economy Grant Program, maintaining \$30 million.
- Reverts \$10 million General Fund Displaced Oil and Gas Worker Pilot Fund, maintaining \$30 million for the program.
- Reverts \$6.7 million General Fund for the Compost Permitting Pilot Program, maintaining \$800,000 previously allocated.

NATURAL RESOURCES & ENVIRONMENTAL PROTECTION

Department of Forestry and Fire Protection (CalFire)

- The Governor's Budget proposes the following significant budget adjustments for CalFire:
 - Increases \$198.9 million (\$197.1 million General Fund) and 338 positions in FY 2024-25, and \$770.4 million (\$756.3 million General Fund) and 2,457 positions on-going to reflect the 2022 MOU between CalFire Local 2881 and the State of California that committed to the reduction of the 72-hour workweek to a 66-hour workweek beginning on November 1, 2024. This will be phased in over five years.
 - Proposes \$18.7 million one-time General Fund for the acquisition of property for an additional CalFire training center.
 - Proposes \$12 million one-time General Fund to reconfigure the fire retardant loading pits at the Ramona Air Attack Base.
 - Proposes \$5.8 million one-time General Fund for the Boggs Mountain Helitack Base, Hollister Air Attack Base/Bear Valley Helitack Base, and fuel system project at Rohnerville Air Attack Base.
- Includes \$124 million (\$36.2 million General Fund and \$87.8 million Public Buildings Construction Fund) for the continuation and addition of major capital projects, including the replacement of fire stations, unit headquarters, helitack bases, and air attack bases.

Safe and Sustainable Pest Management

- The Governor's Budget proposes the following significant budget adjustments for the Department of Pesticide Regulation (DPR):
 - Proposes a \$17.9 million on-going increase to the DPR Fund to accelerate pesticide evaluation and registration timelines, develop and implement a priority pesticide process, and provide general administrative support.
 - Proposes an \$8.6 million on-going increase to the DPR Fund and a \$592,000 increase of on-going GGRF to support statewide and cross-jurisdictional enforcement and compliance, pesticide monitoring and data evaluation, and risk mitigation and regulation development.

- Proposes an increase of \$6.1 million on-going DPR Fund and \$125,000 on-going GGRF to provide training and compliance support for County Agricultural Commissioners, and local engagement transparency.

Protecting Water Quality and Habitat

- Includes \$6.1 million Waste Discharge Permit Fund in 2023-24, and \$7 million on-going for the State and Regional Water Boards to conduct water quality permitting and enforcement.

Exposition Park

- Proposes \$351.5 million Public Buildings Construction Fund for the Southeast Underground Parking Structure Project.

California Tahoe Conservancy

- Includes \$2.3 million (\$1.3 million General Obligation bond funds and \$1 million other funds) for the Sunset Stables Reach 6: Upper Truckee River Restoration Projects, as well as study and planning funds for possible future projects.

California Conservation Corps

- Includes \$9.1 million for the continuing Residential Center, Auberry, which involves construction of a new residential center in Fresno County for type I fire crews, for the Nonresidential Center Wilderness and Watersheds Restoration District, and a minor project focused on improving an athletic facility currently used by the Corps.

State Lands Commission

- Includes \$138.2 million (\$67.6 million General Fund and \$70.6 million other funds) for the Selby Slag Remediation project.

Department of Parks and Recreation

- Includes \$200.5 million (\$152,000 General Obligation bond funds and \$200.3 million other funds) over five years for continuing major capital projects at H.H. Meyer Memorial State Beach and the future California Indian Heritage Center.

Department of Water Resources

- Proposes \$54.3 million General Fund in Capital Outlay costs for various flood management systems projects in the Central Valley, including \$31.3 million for Systemwide Flood Risk Reduction projects and \$23 million for the Urban Flood Risk Reduction program, and an additional \$60 million General Fund in Capital Outlay Costs for the Salton Sea Management Plan.

Other Natural Resources and Environmental Protection Reductions, Shifts, and Delays

- Delays \$175 million General Fund for the Department of Toxic Substances Control's Cleanup in Vulnerable Communities Initiative Program.
- Includes a \$150 million loan, along with a one-year repayment deferral of an existing \$50.7 million budgetary loan, from the Underground Storage Tank Cleanup Fund to the General Fund.
- Reduces \$25 million General Fund for the outdoor environmental education and access programs through the Outdoor Equity Grants Program.
- Reverts \$12.3 million General Fund for various projects in urban areas adjacent to rivers and waterways.
- Reverts \$2.6 million General Fund for the Pesticide Notification Network.

TRANSPORTATION

- Delays \$2.125 billion of competitive Transit and Intercity Rail Capital Program funding to as late as 2027-2028, and shifts \$529.7 million from General Fund to the Greenhouse Gas Reduction Fund.
- Delays \$1 billion of the Formula based Transit and Intercity Rail Capital Program funding from 2024-2025 to 2025-2026, and shifts \$261.4 million General Fund to the Greenhouse Gas Reduction Fund in 2024-2025.
- Cuts \$200 million from the Active Transportation Program and delays \$400 million, with \$300 million to 2025-2026 and \$100 million to 2026-2027.
- Delays \$150 million General Fund from the Highways to Boulevards from 2021-2022 to \$50 million per year over three years.
- Delays \$100 million for the Port and Freight Infrastructure Program from 2024-2025 to 2026-2027.
- Cuts \$96 million from the Port of Oakland.
- Authorizes \$6 million for the High-Speed Rail Property Fund for the reinvestment of excess property sale revenues to offset future costs related to right of way acquisitions for the Central Valley Segment.

GENERAL GOVERNMENT

Housing

- Proposes \$1.2 billion of the \$5.2 billion invested since 2019 in General Fund reductions for various housing programs as follows:
 - Regional Early Action Planning Grants 2.0 (REAP 2.0) – A reversion of \$300 million GF.
 - Multifamily Housing Program – Proposes to revert \$250 million GF, leaving \$75 million in 2023-24.
 - Foreclosure Intervention Housing Preservation Program – Proposes a reduction of \$247.5 million GF over the next three years.
 - Infill Infrastructure Grant Program – Proposes to revert \$200 million leaving \$25 million in 2023-24.
 - CalHOME Program- Proposes to revert \$152.5 million GF.
 - Veteran Housing and Homelessness Prevention Program – Proposes to revert \$50 million GF.
 - Housing Navigators – Proposes a reduction of \$13.7 million.
 - Does not include an additional \$500 million for the Low Income Housing Tax.

Homelessness

- Continues the transition of homelessness grant programs from the California Interagency Council on Homelessness to the Department of Housing and Community Development.
- Proposes the following budget solutions for the HHAPP program:
 - Delays \$260 million in bonus round funding from 2023-24 to 2025-26.
 - Maintains a total of \$1.1 billion GF for HHAPP Round 5 across 2023-24 and 2024-25.

- Defers all new, discretionary spending discussion to this spring but states that homelessness crisis remains a top priority.
- Promises to continue to work with locals in spring on additional homelessness support so long as local continue commitments in HHAPP round 3-5.
- Reverts \$100.6 million in administrative set asides as GF savings for the administration of the HHAPP program, leaving \$51.1 million for program administration.

Governor's Office of Business and Economic Development

- Proposes to expand the California Competes grant program by a total of \$60 million (\$10 million in savings from 2023-24 and \$50 million in new funding in 2024-25, to extend the program for one additional year.
- Includes an increase of \$50 million GF to recapitalize the Infrastructure State Revolving Fund at the California Infrastructure and Economic Development Bank (IBank). This program provides financing tools to local governments for infrastructure related to clean energy, water, and environmental projects.
- Delays the City of Fresno Public Infrastructure Plan by \$100 million. The budget maintains \$50 million GF by one year, resulting in \$100 million being available in 2025-26 and 2026-27.

Labor and Workforce Development Agency

- Includes a budgetary loan of \$125 million from the Labor and Workforce Development Fund to the General Fund from resources not currently projected to be used.
- Delays \$300 million General Fund for California Jobs First, an inter-agency partnership between the Agency, the Office of Planning and Research, and Go-Biz to support resilient, equitable, and sustainable regional economies. Maintains \$100 million General Fund annually in 2024-25 through 2026-27 for the program.

California Workforce Development Board

- Reduces the High Road Training Partnership Program by \$45 million General Fund in 2023-24. Maintains \$90 million over two years for the program.

- Delays \$40 million General Fund for a Goods Movement Workforce Training Facility in Southern California. Maintains \$20 million General Fund for the project in 2025-26 and 2026-27.
- Reduces the Low Carbon Economy Grant Program by \$15 million General Fund. Maintains \$30 million over two years from the Greenhouse Gas Reduction Fund.

Employment Development

- Reverses \$10 million General Fund for the Displaced Oil and gas Worker Pilot Fund. Maintains \$30 million General Fund for the program.
- Reduces the Emergency Medical Technician Training program by \$10 million General Fund. Maintains \$30 million for the program over two years.
- Reduces the Women in Construction Unit by \$5 million General Fund ongoing. Maintain \$10 million General Fund ongoing for the program.
- Provides \$326.8 million one-time in 2024-25, of which \$163.4 million is General Fund, to continue the planning and development of EDDNext. EDDNext is the five-year modernization effort to improve EDD operations, including its call center, forms and notices, user interface, and fraud prevention and mitigation.
- Includes \$331 million one-time funding (\$231 million from the General Fund and \$100 million from the Employment Training Fund) to pay the annual interest payment on the state's Unemployment Insurance loan balance.

Department of Industrial Relations

- Delays \$40 million General Fund to 2025-26 and 2026-27 for the Apprenticeship Innovation Fund at the Department of Industrial Relations.
- Delays \$25 million General Fund to 2025-26 for the California Youth Apprenticeship Program.
- Provides \$12.3 million from the Workers' Compensation Administration Revolving Fund and 71 staff positions phased in over three years to address increasing workload and reduce hearing wait time at the Division of Workers' Compensation.
- Includes \$2.8 million from the Workers' Compensation Administration Revolving fund and 13 staff position phased over three years to reduce the backlog at the Workers' Compensation Appeals Board. Proposes statutory changes to clarify the time period for the Board to issue decision on an appeal.

- Appropriates \$22.1 million one-time from the Workers Compensation Administration Revolving Fund to continue modernizing the Electronic Adjudication Management System. The system is primarily used to manage the adjudication of benefit related issues, including the scheduling of hearings to review the issues brought before the Division of Workers' Compensation.
- Allocates \$25.2 million one-time from the Labor and Workforce Development Fund to continue the Division of Occupational Safety and Health (Cal/OSHA) data modernization information technology project to upgrade outdated systems and processes.
- Includes \$10.6 million one-time from the Labor and Workforce Development Fund to complete enhancements to the Public Works Information Technology System.
- Provides \$8.3 million from the Labor and Workforce Development Fund annually for three years for the Department of Industrial Relations and the Agricultural Labor Relations Board to educate rural workers on workplace rights under the direction of the Labor and Workforce Development Agency.

Office of Planning and Research

- Proposes reorganizing some programs within OPR to determine if other state departments are better suited to administer those programs. Further proposes to establish California Volunteers as a separate entity from OPR.
- Reverses \$5 million in 2023-24 and includes a reduction of \$8 million in 2024-25 and 2025-26 from the Office of Community Partnerships and Strategic Communications. Maintains \$60 million in 2023-24 and \$57 million in 2024-25 and 2025-26 to continue certain outreach campaigns.
- Reverses \$8.8 million from the California Experience Corps program.
- Includes \$2.3 million ongoing General Fund to implement the newly adopted and renewed judicial streamlining provisions in the Public Resources Code for certain infrastructure and environmental development projects.

Cannabis

- Proposes a budgetary loan of \$100 million from the Board of State and Community Correction's Cannabis Tax Fund subaccount to the General Fund from currently unobligated resources.
- Estimates \$568.9 million to be available for Allocation 3 programs in 2024-25, to be appropriated as follows:

- \$351.3 million (60 percent) for education, prevention, and treatment of youth substance use disorders and school retention.
- \$113.8 million (20 percent) for clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation.
- \$113.8 million (20 percent) for public safety-related activities.

Employee Compensation and Collective Bargaining

- Notes that the state will negotiate with each bargaining unit for the elimination of the telework stipend offered to state employees in 2021-22. Estimates savings of \$51.2 million through this solution, of which \$25.6 million would be General Fund.
- Notes that the Administration will work with departments and agencies to determine appropriate reductions associated with vacant positions in 2024-25.
- Proposes deferring state employee's payroll costs from June 30, 2025 to July 1, 2025. Deferring one month of payroll, estimated at \$3.2 billion, of which \$1.6 billion is General Fund, will shift associated costs from 2024-25 to 2025-26 and reduce costs in 2024-25. The Administration notes that this solution will only be reflected in the state's accounting system and will not affect the timing of payments issued to state employees.

California Public Employees' Retirement System and California State Teachers' Retirement System

- Includes \$1.3 billion, of which \$676.3 million is General Fund, for increased employee compensation, health care costs for active state employees, and retiree health care prefunding contributions for active employees in 2024-25. Included in these figures are collectively bargained salary and benefit increases resulting from contract and side letter negotiations, as well as projected increases in health care and dental premiums for 2025.
- Provides \$6.9 billion, of which \$3.5 billion is General Fund, for the statutorily required annual state contribution to CalPERS for state pension costs. Included in these figures are \$615.1 million General Fund for California State University retirement costs.
- Provides \$885 million one-time Proposition 2 debt repayment funding as supplemental payment toward the state plans' unfunded liabilities.

- Includes \$375 million in one-time Proposition 2 debt repayment funding in 2024-25 for the employer's share of contributions to pay for future retiree health benefits.
- Appropriates \$4.2 billion General Fund for the statutorily required state contribution to CalSTRS in 2024-25.

Broadband

- Appropriates an additional \$1.5 billion General Fund over two years (\$250 million in 2024-25 and \$1.25 billion in 2025-26) to the California Department of Technology to complete the middle mile network.
- Delays \$100 million General Fund in 2024-25 to 2026-27 for the California Public Utilities Commission for last mile infrastructure grants. This results in a total appropriation of \$2 billion with \$1.45 billion already appropriated and future appropriations of \$100 million in 2024-25, \$200 million in 2025-26, and \$250 million in 2026-27).
- Cuts \$250 million General Fund (\$150 million in 2024-25 and \$100 million in 2025-26) for the Broadband Loan Loss Reserve Fund. This maintains \$500 million for the program, with \$175 million in 2023-24, \$150 million in 2024-25, and \$175 million in 2025-26.
- Notes that the state has received significant federal investments and is expected to receive billions of dollars for broadband infrastructure projects through the American Rescue Plan Act and the Infrastructure Investment and Jobs Act.

Department of General Services

- Proposes a budgetary loan of \$50 million from the State Project Infrastructure Fund to the General Fund from idle resources for the Capitol Annex project to be returned in 2025-26 and 2026-27.

Legislative Budget Priorities

- Assumes \$350 million in savings from reducing legislative budget priorities that were included in prior year budget acts.

Legislative Bill Implementation

- Reflects a "pause" in implementation of unspecified chaptered legislation that was adopted in 2023.

REVENUES AND TAXATION

Tax Proposals

- Proposes several tax proposals that are estimated to increase General Fund revenues by a total of \$402 million in 2024-25 and to lead to ongoing revenue gains outside the budget window.
 - **Net Operating Loss Conformity** – Proposes to conform state law to federal law by limiting NOLs that are carried forward from prior years to 80 percent of any subsequent year's net income, joining the majority of state in restricting NOL usage to 80 percent or less of taxable income.

Under current federal law, the use of NOLs carried forward from prior years is limited to 80 percent of subsequent year's net income and carrybacks are disallowed. California conformed in 2019 to also disallow carrybacks, but did not conform to the 80 percent limitation.

Projects to lead to revenue gains of \$300 million in 2024-25, following by ongoing annual gain of \$200 million thereafter.

- **Charitable Conservation Easements Conformity** – Proposes to conform with federal law with respect to California's treatment of the charitable conservation easements deductions by adopting the changes made in the Consolidated Appropriations Act (CAA) of 2023.

The federal law does the following:

- Limited the deduction for owners of pass-through entities to two and a half times the value of taxpayers' investment; and
- Disallowed the deductions for participants who previously engaged in fraud.

Projects to increase GF revenues by \$55 million in 2024-25 and 2025-26 and by \$25 million per year thereafter.

- **Elimination of Bad Debt Deduction** – Proposes to eliminate the bad debt deduction and refund, effective in January 2025, joining the majority of state in disallowing deductions for non-retailer lenders for sales tax paid on bad debts.

Current law allows retailers, lenders, and retailers' affiliates to deduct or claim a refund for sales and use tax paid on accounts used to purchase

taxable goods on credit that are found worthless or charged off. Typically, loans to purchase goods are offered by retailer affiliate lenders such as banks, credit unions, and other financial companies who price in default risks through interest rates and law payment fees. Lenders can claim the deduction or refund even if a profit was made on the bad debt through interest and penalties.

Projects to increase GF by \$23.5 million in 2024-25 and about \$50.6 million per year thereafter.

- **Elimination of Oil and Gas Subsidies** – proposes to eliminate the following oil and gas subsidies beginning in tax year 2024:
 - Immediate deduction for intangible drilling costs
 - Percentage Depletion Rules for Fossil Fuels
 - Enhanced Oil Recovery Costs Credit.

Projects to increase GF revenues by \$22 million in 2024-25 and by \$17 million per year thereafter.

Personal Income Tax

- Forecasts the PIT to be lower by \$29.6 billion over the budget compared to the 2023 Budget Act forecast, with a shortfall of around \$21 billion in 2022-23, which decreases to \$4.4 billion in 2023-24 and to \$4.2 billion in 2024-25. The \$17.6 billion shortfall in non-withholding payments through November reflects weakness in payments related to tax years 2022 and 2023. The shortfall in cash receipts indicates that tax year 2022 liability, particularly capital gains realizations, was far lower than projected in the 2023 Budget Act.

Corporation Tax

- Forecasts the Corporation Tax to be lower by \$15.4 billion over the budget window. Corporation tax receipts were down \$6.6 billion through November including a \$2 billion shortfall in PTET payments. The 2023 Budget Act forecast assumed the delayed IRS deadline would shift around \$5 billion in non-PTET payments and \$8.3 billion in PTET payment to October. Instead, non-PTET payments were down \$3.4 billion through November, suggesting that 2022 corporate liability was much lower than assumed in the 2023 Budget Act.

Sales and Use Tax

- Forecasts the sales tax forecast to be higher by \$2.1 billion over the budget window, mainly because consumer spending growth was stronger than expected in the third quarter of 2023 due to a tight labor market and rising wages. However, consumer spending growth is expected to slow through 2024.

**2024-25 Governor's Budget
General Fund Revenue Forecast
Reconciliation with the 2023 Budget Act**
(Dollars in Millions)

Source	2023 Budget Act	Governor's Budget	Change From Budget Act Forecast	
Fiscal 2022-23 (Preliminary)				
Personal Income Tax	\$122,769	\$101,749	-\$21,020	-17.1%
Corporation Tax	42,091	37,140	-4,951	-11.8%
Sales & Use Tax	33,072	33,186	114	0.3%
Insurance Tax	3,673	3,690	18	0.5%
Alcoholic Beverage	433	421	-12	-2.8%
Pooled Money Interest	2,133	2,391	258	12.1%
Cigarette	47	47	0	1.0%
Other Revenues	2,081	2,520	438	21.1%
Subtotal	\$206,299	\$181,144	-\$25,155	-12.2%
Transfer To/From BSA	-544	0	544	-100.0%
Other Transfers and Loans	-621	-728	-107	17.2%
Total	\$205,134	\$180,416	-\$24,718	-12.0%
Fiscal 2023-24				
Personal Income Tax	\$118,161	\$113,768	-\$4,393	-3.7%
Corporation Tax	42,081	36,913	-5,167	-12.3%
Sales & Use Tax	33,366	34,643	1,277	3.8%
Insurance Tax	3,881	3,894	13	0.3%
Alcoholic Beverage	438	427	-11	-2.6%
Pooled Money Interest	2,928	3,044	116	4.0%
Cigarette	43	43	0	0.4%
Other Revenues	5,379	3,206	-2,173	-40.4%
Subtotal	\$206,277	\$195,938	-\$10,339	-5.0%
Transfer To/From BSA	0	-1,424	-1,424	n/a
Other Transfers and Loans	2,411	2,345	-66	-2.7%
Total	\$208,688	\$196,859	-\$11,828	-5.7%
Fiscal 2024-25				
Personal Income Tax	\$118,903	\$114,730	-\$4,174	-3.5%
Corporation Tax	43,369	38,055	-5,313	-12.3%
Sales & Use Tax	34,383	35,123	740	2.2%
Insurance Tax	3,998	4,021	23	0.6%
Alcoholic Beverage	446	433	-13	-2.9%
Pooled Money Interest	1,648	1,791	144	8.7%
Cigarette	42	42	0	0.2%
Other Revenues	5,580	6,810	1,230	22.0%
Revenue Solutions	n/a	402	402	n/a
Subtotal	\$208,368	\$201,407	-\$6,961	-3.3%
Transfer To/From BSA (Solution)	-180	12,026	12,206	-6781.1%
Non-BSA Transfers and Loans Solutions	n/a	2,504	2,504	n/a
Other Transfers and Loans	-1,089	-1,238	-150	13.8%
Total	\$207,100	\$214,699	\$7,599	3.7%
Three-Year Total Excluding Solutions			-\$44,059	
Three-Year Total			-\$28,947	

PUBLIC SAFETY

Department of Corrections and Rehabilitation

- Provides \$ 14.5 billion (\$ 14.1 billion General Fund and \$364.3 million other funds) for CDCR in 2024-25, of which \$4.1 billion is for healthcare services for incarcerated individuals.
- Projects the average daily incarcerated population for 2023-24 to be 94,222, a slight increase of 1.4% since 2023 spring projections. Fall projections indicate the population will trend downward, decreasing by 2,537 individuals between 2023-24 and 2024-25 from 94,222 to 91,685. By 2026-27, the population is projected to decline to 88,183.
- Projects the average parolee population to be 36,495 in 2023-24 and is expected to decline to 35,454 in 2024-25. The parole population is projected to be 35,182 in June 30, 2028.
- Excludes any new prison closures. Estimates ongoing savings of \$156 million General Fund annually beginning 2024-25 after the termination of the lease of the California City Correctional Facility which was previously announced in the 2023-24 budget. Estimates ongoing savings of \$148 million beginning in 2025-26 after the closure of Chuckawalla Valley State prison which was previously announced in the 2023-24 budget. Estimates \$9.6 million General Fund Savings in 2024-25, increasing to \$11.1 million ongoing to reflect a reduction in administrative workload and positions associated with these terminations.
- Includes \$11.4 million General Fund in 2024-25, growing to \$15.9 million in 2028-29 to increase community correctional reentry center contract rates for contracts expiring in 2024-25, as well as a methodology for additional funding to address future annual adjustments to sustain these contracts.
- Provides \$2.3 million General Fund, growing to \$3.4 million in 2028-29 to support increased contract rates and an annual adjustment for 11 parole reentry contracts that have recently expired or are set to expire in 2024-25, as well as a methodology for additional funding to address future annual adjustments to sustain these contracts.
- Provides \$270 million in 2024-25 for the Integrated Substance Use Disorder Treatment (ISUDT) Program, an ongoing program at CDCR that screens individuals for substance use disorders, provides Medication Assisted Treatment (MAT), and other cognitive behavioral interventions.

- Provides \$2.1 million ongoing General Fund in 2024-25 to continue increased state appointed attorney fees, which were initially funded on a limited term basis in the 2021-22 Budget, to remain competitive with market rates.
- Provides \$21.9 million General Fund beginning in 2024-25 for increasing utility rates which will be adjusted twice annually to reflect actual costs.
- Provides an increase of \$7.4 million one-time General Fund in 2023-24, and \$8.2 million ongoing, which totals \$32.6 million in 2023-24, and \$36.7 million ongoing to provide free voice calling pursuant to Chapter 827, Statutes of 2022.
- Provides \$40 million on-time General Fund in 2024-25 to address a deficit in the medical program.
- Provides \$36.5 million ongoing General Fund and a reduction of \$12.1 million in reimbursement authority to address a structural deficit in the budget for Contract Medical services.
- Maintains \$50.4 million General Fund in 2023-24 and associated ongoing resources for statewide correctional video surveillance projects at 5 prisons provided in the 2023-24 Budget and delays \$27.2 million General Fund for the implementation of fixed camera projects at five prisons to future fiscal years (2025-26 and 2026-27).
- Reverts \$38.8 million General Fund in 2023-24 to align with current year savings for COVID-19 related activities. Provides \$38.3 million ongoing General Fund beginning 2024-25 to support COVID-19 prevention and mitigation activities.
- Maintains \$31.2 million General Fund in 2024-25 and reverts \$5 million General Fund in 2023-24 and a reduction of \$9 million General Fund in 2024-25 for COVID-19 related workers compensation expenditures based on existing need.
- Reduces \$15 million ongoing General Fund for various areas within CDCR's administration with details forthcoming in spring.
- Reduces \$2 million General Fund for bus transportation to prisons.
- Reverts \$1.9 million General Fund in 2023-24 and an ongoing reduction of \$1.9 million beginning in 2024-25 associated with Parolee County of Release workload.
- Reduces \$100,000 General Fund in 2023-24 and ongoing to right size contracts for parolee urinalysis testing.

- Transfers \$7.3 million of unobligated funds within the Recidivism Reduction Fund to the General Fund.
- Reduces \$7.1 million ongoing General Fund for the Employee Health Program to account for identified efficiencies.

Juvenile Justice Realignment

- Reduces \$909,000 General Fund to align contract resources for maintaining closed Division of Juvenile Justice facilities.
- Provides \$208.8 million one-time General Fund in 2024-25 for the Juvenile Justice Realignment Block Grant (JJRBG) established by Chapter 337, Statutes of 2020 (SB 823), to support realigned youth from the Division of Juvenile Justice to local care. Reflects an estimated increase of \$16.2 million ongoing General Fund to adjust the JJRBG by a rate commensurate with growth in the Juvenile Justice Growth Special Account, bringing the total amount available to \$225 million in 2024-25.
- Proposes statutory changes to maintain the current SB 823 funding formula for 2024-25 in order to provide additional time for the Administration to work with the Legislature and stakeholders on a refined methodology and provide greater certainty to counties regarding their funding for 2024-25.

Judicial Branch

- Provides \$5.2 billion (\$3.2 billion General Fund and \$2 billion other funds) for Judicial Branch operations, of which \$3 billion will support trial court operations.
- Increases reserve cap for trial courts from 3 percent to 5 percent based on existing law that authorizes trial courts to maintain a reserve.
- Provides \$83.1 million ongoing General Fund for backfilling the Trial Court Trust Fund for revenue declines expected in 2024-25.
- Provides \$80 million General Fund in 2024-25 and \$119 million ongoing General Fund to the State Court Facilities and Construction Fund to maintain existing services levels.
- Provides an increase of \$19.1 million ongoing General Fund to Self-Help Centers.
- Provides an increase of \$15.8 million ongoing General Fund for trial court employee health benefit and retirement costs.

- Provides an increase of \$3.6 million ongoing General Fund for trial court facility operations and maintenance for a new Stanislaus County courthouse opening in 2024-25.
- Reverts \$75 million one-time unrestricted fund balance of the Trial Court Trust Fund to the General Fund.
- Reverts one-time \$5 million of the \$10 million available in the Trial Court Emergency Fund.

Department of Justice

- Provides \$1.3 billion, including \$487 million General Fund, to support the Department of Justice.
- Provides \$4 million General Fund in 2024-25 through 2026-27 to retain baseline level funding for small client legal workload.
- Proposes an increase to the Controlled Substance Utilization Review and Evaluation System (CURES) Fee from \$9 to \$15 beginning April 1, 2025 to cover actual costs to administer the CURES program.
- Includes a \$100 million budgetary loan from the Litigation Deposits Fund to the General Fund in 2024-25, which is in addition to the \$400 million loan from the 2023 Budget Act.

Local Public Safety

- Maintains significant past investments to support local public safety efforts, including \$373.5 million General Fund over 4 years to support law enforcement efforts to address retail theft and other crimes, \$75 million General Fund for increase support local law enforcement mutual aid, and \$65 million General fund for Officer Wellness and Training.
- Provides an increase of \$30 million General Fund (\$15 million in 2024-25 and \$15 million in 2025-26) to further expand the Military Department's existing drug interdiction efforts to prevent drug trafficking by transnational criminal organizations with a focus on assisting federal, state, local, and tribal law enforcement agencies in combatting fentanyl.
- Estimates Proposition 47 savings to be \$87.8 million in 2024-25 which will be allocated for purposes including but not limited to mental health and substance use treatment programs, truancy and dropout prevention, and victim services.

- Estimates \$4.4 million General Fund for Post Release Community Supervision.
- Provides \$113.6 million General Fund in 2023-24 for county probation departments for the Community Corrections Performance Incentive Grant and reverts to the previous methodology for calculating incentive payments for counties beginning in 2024-25 as specified in existing statute.
- Includes a budgetary loan of \$100 million from the Cannabis Tax Fund to the General Fund.
- Includes a one-year pause of \$57 million General Fund for the Adult Reentry Grant in 2024-25 with the 2024-25 funding reallocated across three years beginning in 2025-26 at \$19 million each year.
- Includes a reduction of \$9 million General Fund beginning in 2025-26 for the Cal VIP grant program which will be replaced by the funding from the newly created Gun Ammunition Tax (Chapter 231, Statutes of 2023). Estimates \$75 million will be available beginning in 2025-26 to support Cal VIP.
- Reverts \$21 million General Fund for the gun buyback program at the Office of Emergency Services.
- Reverts \$20 million for the Judicial Council Firearm Relinquishment Grant Program.
- Eliminates \$40 million General Fund in 2023-24 for the final year of funding for the Public Defender Pilot program. This funding was previously proposed for elimination by the Administration in the 2023-24 Budget which the Legislature rejected.
- Reduces \$8 million General Fund begging in 2024-25 and ongoing for counties that provide Community Corrections Plans and reports.
- Reduces \$835,000 General Fund beginning in 2024-25 and ongoing for the Proud Parenting Grant program.

Victim Services

- Maintains previous investments for expanded victim and supportive services programs, including but not limited to \$23 million for Trauma Recovery Centers (2022-23), \$100 million for Victims of Crime Act supplemental funding (2021-22), and \$10 million for Family Justice Centers (2023-24).

Office of Emergency Services

- Includes an increase of \$6.4 million State Emergency Telephone Number Account Fund for 12 additional positions to continue the implementation of the California Radio Interoperable System, a statewide public safety radio system that dramatically improves the ability for state, local and federal public safety responders to have equal access to voice and data communications wherever their mission takes them.
- Delays \$47.5 million General Fund appropriated in the 2022 Budget Act to establish an assistance program to improve the safety, healing, and financial stability for survivors and the loved ones of those violently injured or killed.
- Reverts \$45 million General Fund for a grant program that supports community hardening efforts through leveraging the federal Hazard Mitigation Grant Program. The budget maintains \$55 million one-time General Fund for this program.
- Reverts \$15 million General Fund for establishing the Seismic Retrofitting Program for Soft Story Multifamily Housing authorized in Chapter 48, Statutes of 2022 (SB 189).

SUMMARY OF CHARTS

**2024-25 Governor's Budget
General Fund Budget Summary**

(in millions)

	2023-24	2024-25
Prior Year Balance	\$42,078	\$8,029
Revenues and Transfers	\$196,859	\$214,699
Total Resources Available	\$238,937	\$222,728
Non-Proposition 98 Expenditures	\$155,337	\$131,824
Proposition 98 Expenditures	\$75,571	\$76,894
Total Expenditures	\$230,908	\$208,718
Fund Balance	\$8,029	\$14,010
Reserve for Liquidation of Encumbrances	\$10,569	\$10,569
Special Fund for Economic Uncertainties	-\$2,540	\$3,441
Public School System Stabilization Account	\$5,730	\$3,852
Safety Net Reserve	\$900	-
Budget Stabilization Account / Rainy Day Fund	\$23,132	\$11,106

General Fund Expenditures by Agency

(in millions)

	2023-24	2024-25	<u>Change from 2023-24</u>	
			Dollar Change	Percent Change
Legislative, Judicial, Executive	\$13,346	\$7,514	-\$5,832	-43.7%
Business, Consumer Services & Housing	3,391	654	-2,737	-80.7%
Transportation	1,121	726	-395	-35.2%
Natural Resources	12,263	5,468	-6,795	-55.4%
Environmental Protection	1,466	715	-751	-51.2%
Health and Human Services	74,136	73,588	-548	-0.7%
Corrections and Rehabilitation	15,525	14,314	-1,211	-7.8%
K-12 Education	76,134	76,177	43	0.1%
Higher Education	22,075	22,126	51	0.2%
Labor and Workforce Development	1,077	771	-306	-28.4%
Governmental Operations	4,791	3,239	-1,552	-32.4%
General Government:				
Non-Agency Departments	2,501	1,533	-948	-37.9%
Tax Relief/Local Government	595	579	-16	-2.7%
Statewide Expenditures	2,487	1,295	-1,192	-47.9%
Total	\$230,908	\$208,718	-\$22,190	-9.6%

General Fund Revenue Sources

(in millions)

	2023-24	2024-35	<u>Change from 2023-24</u>	
			Dollar Change	Percent Change
Personal Income Tax	\$113,768	\$114,826	\$1,058	0.9%
Sales and Use Tax	34,643	35,148	505	1.5%
Corporation Tax	36,913	38,336	1,423	3.9%
Insurance Tax	3,894	4,021	127	3.3%
Alcoholic Beverage Taxes and Fees	427	433	6	1.4%
Cigarette Tax	43	42	-1	-2.3%
Motor Vehicle Fees	46	46	0	0.0%
Other	8,549	9,821	1,272	14.9%
Subtotal	\$198,283	\$202,673	\$4,390	2.2%
Transfer to the Budget Stabilization Account/Rainy Day Fund	-1,424	12,026	13,450	944.5%
Total	<u>\$196,859</u>	<u>\$214,699</u>	<u>\$17,840</u>	<u>9.1%</u>