

Summary of the Governor's 2024-25 January Budget Proposal January 10, 2024

This morning, Governor Gavin Newsom – touting a “story of correction and normalization” to the state’s General Fund revenues “after a period of distortion” – presented his [2024-25 proposed state budget](#) in Sacramento. The Administration has projected \$37.9 billion shortfall for 2024-25, far short of the previously reported \$68 billion budget deficit calculated by the Legislative Analyst’s Office in December; the Governor specifically requested on more than one occasion during his presentation that the media correct their previous statements to reflect the Administration’s new estimates. Similarly, the Governor’s remarks generally adhered to an overarching theme of “it’s not as bad as the naysayers would suggest.” That said, the Governor’s proposal includes withdrawing from the state’s Rainy Day Fund, securing additional revenues, borrowing from internal special funds, appropriation delays, fund shifts, and deferrals to resolve the significant budget shortfall.

Of course, a considerable portion of the Administration’s fiscal challenges laid in the unprecedented deferral of income tax delays by the Internal Revenue Service that precluded the use of taxpayer data to develop budget estimates for 2023-24. The Governor repeatedly referenced the delay as the main culprit in masking the scope of the revenue decline, as tax receipts reflected 2022 tax liabilities associated with the concurrent market downturn. The filing delay also created an truncated timeline to prepare the Governor’s budget, leaving the Administration with little time and information to address a major revenue dip.

While market conditions improved in 2023, making the Administration optimistic about 2024 fiscal conditions, the Governor cautioned that economic risks remain, including tightening financial conditions, stock market and asset price volatility and declines, as well as geopolitical turmoil.

As described in further detail in relevant policy sections below, the Governor’s budget proposal closes the estimated deficit as follows:

- **Reserves (\$13.1 billion):** The Governor’s budget proposes to withdraw from the state’s budget reserves, as follows:
 - Withdrawal from Mandatory Budget Stabilization Act (BSA) Balance and Transfer Suspension (\$10.4 billion)
 - Withdrawal from Discretionary BSA Balance (\$1.8 billion)
 - Withdrawal from the Safety Net Reserve (\$900 million)



- **Reductions (\$8.5 billion):** The Governor's budget reduces funding for various items, outlined in broad categories, as follows:
 - Various climate reductions (\$2.9 billion)
 - Various housing program reductions (\$1.2 billion)
 - State vacant position funding sweep (\$762.5 million)
 - School Facilities Aid Program (\$500 million)
 - Student Housing Revolving Loan Fund Program (\$494 million)
 - Legislative requests (\$350 million)
 - University of California Los Angeles Institute of Immunology and Immunotherapy (\$300 million)
 - Middle Class Scholarship Program (\$289 million)

- **Revenue/Internal Borrowing (\$5.7 billion):** The Governor's budget includes support from revenue sources and borrows internally from special funds. Some solutions in this category include:
 - Increasing the Managed Care Organization (MCO) Tax support for Medi-Cal (\$3.8 billion)
 - Conforming to the Tax Cuts and Jobs Act Net Operating Loss (NOL) limitation (\$300 million)

- **Delays (\$5.1 billion):** The Governor's budget delays funding for multiple items and spreads appropriations across the three-year period, beginning in 2025-26, without reducing the total amount of funding through this period, including:
 - Transit and Intercity Rail Capital Program (\$1 billion)
 - Full implementation of DDS service provider rate reform (\$613 million)
 - Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program (\$550 million)
 - Clean Energy Reliability Investment Plan (\$400 million)
 - Behavioral Health Bridge Housing Program (\$235 million)

- **Fund Shifts (\$3.4 billion):** The Governor's budget shifts certain expenditures from the General Fund to other funds, as follows:
 - Various shifts to the Greenhouse Gas Reduction Fund (GGRF) (\$1.8 billion)
 - State plans retirement contribution reductions using Prop 2 Debt Repayment Funding (\$1.3 billion)
 - Unemployment insurance interest payment (\$100 million)

- **Deferrals (\$2.1 billion):** The Governor's budget defers specific obligations to the 2025-26 fiscal year, including:
 - June to July payroll deferral (\$1.6 billion)
 - University of California and California State University deferrals (\$499 million)

In addition to these proposals, the Administration has taken the position that the state's Proposition 2 Rainy Day Fund provisions that cap mandatory deposits of General Fund revenues, combined with the provisions of the 1970's-era Gann Limit provisions of the Constitution must be reformed to improve the effectiveness of both measures. Specifically, any additional deposits to the state's Rainy Day Fund then counts as an "expenditure" under the Gann Limit. The Administration suggests working in partnership with the Legislature on changes to the law that allow the state to save more during economic upswings, enhancing the state's ability to protect vital programs and services during future budget downturns. Finally, the Administration is also proposing to defer all new, discretionary spending decisions until this spring (i.e., the May Revision), for discussion with the Legislature, including consideration of resource requests associated with recently chaptered legislation.

Health Care

Medi-Cal

Managed Care Organization Tax

In December 2023, the federal government approved California's Managed Care Organization Provider Tax (MCO Tax), effective April 1, 2023, through December 31, 2026. Given the projected \$37.9 billion budget shortfall, the Administration is seeking early action by the Legislature to request that the federal government approve an amendment to increase the tax to achieve \$20.9 billion in total funding to the state, an increase of \$1.5 billion compared to the approved MCO Tax. The Governor's budget proposes \$12.9 billion to support the Medi-Cal program and maintain a balanced budget, and \$8 billion for targeted rate increases and investments from this MCO Tax. As proposed, the MCO Tax helps maintain existing services in the Medi-Cal program and minimizes the need for reductions in the program. The Governor's budget includes \$2.8 billion (\$1.2 billion Medi-Cal Provider Payment Reserve Fund) in 2024-25 and approximately \$6.5 billion (\$2.7 billion Medi-Cal Provider Payment Reserve Fund) in 2025-26 for targeted rate increases and investments consistent with the 2023-24, of which \$727 million (\$291 million Medi-Cal Provider Payment Reserve Fund) annually is for Medi-Cal provider rate increases effective January 1, 2024.

DHCS indicates that a memorandum will be forthcoming later this week with additional details about the proposed provider rate increases. Additionally, there will be trailer bill language on the provider rate increases released in February.

Medi-Cal Caseload and Eligibility Redeterminations

Following the end of the COVID-19 public health emergency continuous coverage requirement, Medi-Cal eligibility redeterminations resumed in June 2023. The Governor's budget assumes Medi-Cal caseload of 14.8 million in 2023-24, an increase of 583,000 individuals compared to the 2023-24 budget. The increase is primarily due to a higher number of individuals remaining eligible for Medi-Cal after eligibility redeterminations, which results in increased costs of \$2.3 billion (\$499 million General Fund) in 2023-24 compared to the 2023 Budget Act. Redeterminations are estimated to reduce Medi-Cal spending by \$3.1 billion total funds (\$1.2 billion General Fund) in 2023-24.

Reproductive Health Services Waiver

The Governor's budget maintains one-time \$200 million (\$100 million General Fund) in 2024-25 for the California Reproductive Health Access Demonstration Waiver (CalRHAD) to support access to reproductive health services beginning no sooner than July 1, 2024. By 2026-27, \$85 million General Fund will be offset by Designated State Health Program federal funds. CalRHAD is pending CMS approval with program operations to begin no sooner than July 1, 2024 and will promote the following objectives: 1) support access to family planning and related services for Medi-Cal members, as well as other individuals who may face barriers to access; 2) support the capacity and sustainability of California's reproductive-health safety net; and 3) promote system transformation for California's reproductive-health safety net.

Proposition 56

Due to declining Proposition 56 revenues and the General Fund condition, the Governor's budget reduces Proposition 56 funding for physician services supplemental payments by \$193.4 million (\$77.1 million Proposition 56) in 2024-25. All other Proposition 56 supplemental payments remain fully funded. The Governor's budget includes \$907.4 million (\$192.6 million General Fund) for all Proposition 56 supplemental payments, inclusive of \$465.2 million for physician services. Certain providers currently receiving Proposition 56 supplemental payments, including physician services, will receive MCO Tax rate increases.

Assisted Living Waiver (ALW) Slot Increase

The Governor's budget includes an additional \$2.1 million total funds (\$0.5 million General Fund savings) in 2023-24 and \$14.1 million total fund savings (\$7 million General Fund) in 2024-25 to increase the number of slots for the ALW as the Waiver will reach capacity in 2024-25. This change would increase enrollment into the ALW, generating additional Waiver costs. However, to the extent that new enrollment is from individuals leaving institutional settings, there would be offsetting savings in future years. Additionally, this proposal would result in new costs of \$84,000 total funds (\$42,000 General Fund) in 2023-24 and \$2.1 million total funds (\$1 million General Fund) in 2024-25 related to minimum wage impacts for ALW providers.

Home and Community Based Alternatives (HCBA) Waiver Slot Increase

The Governor's budget assumes an increase in slot allocations for the HCBA Waiver. As some members will be transitioning from Skilled Nursing Facilities, a savings of \$1.7 million total funds (\$866,000 General Fund) in 2023-24 and \$12.9 million total funds (\$6.4 million General Fund) in 2024-25 are estimated to be realized. Additionally, there would be an increase in administrative costs of \$335,000 total funds (\$167,000 General Fund) in 2023-24 and \$3.3 million total funds (\$1.6 million General Fund) in 2024-25.

2023-24 Budget Update

The Governor's budget reflects lower Medi-Cal expenditures of approximately \$195.6 million General Fund in 2023-24 compared to the enacted budget due to additional support from the MCO Tax and

updated programmatic timelines of various behavioral health initiatives, offset by increases from a one-time retroactive state-only claiming repayment, and increased caseload costs.

Year-Over-Year Comparison

The Governor's budget projects Medi-Cal expenditures of \$35.9 billion General Fund in 2024-25, a decrease of \$1.4 billion General Fund compared to the revised 2023-24 expenditures.

Withdraw Buyback of Two-Week Checkwrite Hold

The 2023-24 budget deferred until 2024-25 the planned buy-back of an existing two-week hold on fee-for-service Medi-Cal payments each June until the following fiscal year. The Governor's budget withdraws the buy-back, resulting in an estimated General Fund savings of \$532.5 million in 2024-25.

Defer Chaptered Legislation Local Assistance Impact

The Governor's budget defers the consideration of resource requests associated with recently chaptered legislation to the May Revision, including: [AB 425](#) (Chapter 329, Statutes of 2023) related to pharmacogenomic testing; [AB 1163](#) (Chapter 832, Statutes of 2023) related to lesbian, gay, bisexual, and transgender disparities reduction; [SB 311](#) (Chapter 707, Statutes of 2023) related to Medicare Part A buy-in; and [SB 496](#) (Chapter 496, Statutes of 2023) related to biomarker testing.

Behavioral Health

CARE Act Implementation

The Governor's budget continues to fund the CARE Act implementation at \$292 million – no change from the proposed amount in the current year budget. The total funds are for the state, counties, and court implementation.

Behavioral Health Continuum Infrastructure Program

The Governor's budget assumes that \$140.4 million General Fund associated with Round 6 in the BHCIP program is delayed from 2024-25 to 2025-26.

Behavioral Health Bridge Housing

The Governor's budget delays \$265 million from the Mental Health Services Fund (MHSF) in 2023-24 to 2024-25 and replaces it with General Fund, addressing a reduction in the amount of MHSF projected to be available. Additionally, the Governor's budget delays the remaining \$235 million General Fund appropriation originally intended for 2024-25 to 2025-26

Other Behavioral Health Adjustments

- *Children and Youth Behavioral Health Initiative Wellness Coaches* – The Governor's budget includes \$9.5 million (\$4.1 million General Fund) in 2024-25 increasing annually to \$78 million (\$33.8 million General Fund) in 2027-28 to establish the wellness coach benefit in Medi-Cal effective January 1, 2025. Wellness coaches will primarily serve children and youth and operate as part of a care team in school-linked settings and across the Medi-Cal behavioral health delivery system.

Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Implementation Timeline

Based on timelines to submit federal waiver applications, the BH-CONNECT demonstration is now anticipated to begin January 1, 2025. As a result, costs previously estimated for 2023-24 have shifted to 2024-25. The Governor's budget includes \$40.6 million total funds (\$762,000 General Fund) in 2024-25 for BH-CONNECT.

Public Health

The Governor's budget does not include cuts or deferrals in the public health budget.

Workforce

Health Care Minimum Wage

[SB 525](#) (Chapter 890, Statutes of 2023) increases the minimum wage incrementally to \$25 an hour for specified health care workers, effective June 1, 2024. Given the overall economic and General Fund revenue outlook and the significant fiscal impact of SB 525 on the state, the Administration is seeking early action in January by the Legislature to add an annual "trigger" to make the minimum wage increases subject to General Fund revenue availability, clarify the exemption for state facilities, and make other implementation clarifications.

Clinic Workforce Stabilization Payments

The Governor's budget includes a reversion of \$14.9 million in unexpended General Fund from the one-time \$70 million General Fund included in the 2022 Budget Act for the Clinic Workforce Stabilization and Retention Payment Program that was planned to be transferred to the Department of Health Care Access and Information for workforce development programs.

Healthcare Workforce

The Governor's budget includes a delay of \$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. Given lower-than-projected Mental Health Services Act revenue, the Governor's budget also 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. Despite the delays, the Governor's budget maintains \$974.4 million (General Fund and Mental Health Services Fund) for these initiatives; however, the funds will go out later than originally planned.

Various Other HHS Budget Solutions

To address the projected budget shortfall, the Governor's budget proposes General Fund solutions to achieve a balanced budget. These include:

- *Safety Net Reserve Withdrawal* – \$900 million in Safety Net Reserve to maintain existing program benefits and services for the Medi-Cal and CalWORKs programs.
- *Health and Human Services Innovation Accelerator Initiative* – A delay of \$74 million General Fund until 2025-26 and 2026-27 for the Health and Human Services Innovation Accelerator Initiative.
- *Specialty Dental Clinic Grant Program* – A delay of \$48.8 million General Fund to 2025-26 for the Specialty Dental Clinic Grant program at the California Health Facilities Financing Authority.
- *Healthier at Home Pilot* – A reversion of \$11.9 million General Fund for the Healthier at Home Pilot program at the California Department of Aging.
- *AIDS Drug Assistance Program Rebate Fund* – A budgetary loan of \$500 million from the AIDS Drug Assistance Program Rebate Fund to the General Fund from resources not currently projected to be used for operational or programmatic purposes.
- *Department of Health Care Access and Information Special Funds* – Budgetary loans of \$50 million from the Hospital Building Fund, \$11 million from 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 from resources not currently projected to be used for operational or programmatic purposes.
- *Managed Care Fund* – \$22.9 million budgetary loan from the Managed Care Fund to the General Fund from resources not currently projected to be used for operational or programmatic purposes.

Human Services

While the Governor's budget largely spares the health and human services sector from direct cuts, the two areas where the Administration is proposing budget cuts are to the CalWORKs program and child welfare services. Additionally, the Administration is proposing to delay funding for implementation of the developmental services rate study by an additional 12 months.

CalWORKs

The Administration is proposing over \$250 million in ongoing cuts to services and supports related to employment for CalWORKs. Some of the cuts are proposed to start in the current year. Additionally, the budget includes approximately \$40 million in cuts to CalWORKs eligibility funding. In the past counties have backfilled eligibility cuts by shifting funds from employment services; however, given the magnitude of proposed employment services cuts, it may be difficult to backfill the proposed cut. Details of the cuts include:

- *Single Allocation* – The Governor's budget includes a reversion of \$336 million General Fund from 2022-23 that is projected to be unexpended in the CalWORKs Single Allocation. The Governor's budget also reflects a reversion of \$40.8 million General Fund in 2023-24 and reduction of \$40.8 million General Fund in 2024-25 and ongoing which was previously approved as part of an ongoing augmentation for this program. The single allocation is used for eligibility and county administration of the CalWORKs program.
- *Family Stabilization* – The Governor's budget 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.

- *Employment Services Intensive Case Management* –The Governor's budget includes a reduction of \$47 million General Fund beginning in 2024-25 and ongoing.
- *Expanded Subsidized Employment* – The Governor's budget 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 ongoing.

Work Participation Rate Pilot

The federal Fiscal Responsibility Act of 2023 allows up to five states to participate in a pilot to promote accountability and test alternative benchmarks for work and family outcomes in lieu of the Work Participation Rate. California plans to pursue this opportunity to reform the accountability tools in the CalWORKs program to improve outcomes for families. It is unclear how the proposed cuts to employment services will impact the work participation rate pilot.

Projected CalWORKs Grant Increase

The Governor's budget includes approximately 0.8-percent increase to CalWORKs Maximum Aid Payment levels, with an estimated cost of \$26.7 million, is projected to begin October 1, 2024. A determination and update of the projected grant increase will be made at the May Revision. These projected increased costs would be funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the 1991 Local Revenue Fund and would be in addition to the 3.6-percent statutory increase in 2023-24.

Children's Services

To address the projected budget shortfall, the Governor's budget includes the following ongoing cuts:

- *Family Urgent Response System* – A reduction of \$30 million in 2024-25 and ongoing.
- *Los Angeles County Child Welfare Services Public Health Nursing Program* – A reduction of \$8.3 million in 2024-25 and ongoing.
- *Housing Supplement for Foster Youth in Supervised Independent Living Placements* – A reduction of \$195,000 in 2024-25 and \$25.5 million (\$18.8 million General Fund) in 2025-26 and ongoing.

Additionally, the Governor's budget includes the following investments:

- *Child Welfare Services-California Automated Response and Engagement System (CWS-CARES) Project* – The Governor's budget 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, of the CWS-CARES project. 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.
- *Foster Care Rate Reform* – The Governor's budget includes \$12 million General Fund in 2024-25 to make automation changes for a reformed foster care payment structure, with full implementation anticipated as early as 2026-27. The new rate system for foster care placements will focus on the child's individual level of needs and strengths, rather than the placement type.

Human Services Housing Programs

Bringing Families Home Program

The Governor's budget delays \$80 million General Fund for the Bringing Families Home to 2025-26.

Home Safe Program

The Governor's budget delays \$65 million General Fund for the Home Safe Program to 2025-26.

Housing and Disability Advocacy Program

The Governor's budget delays \$50 million General Fund for the Housing and Disability Advocacy Program to 2025-26.

In-Home Supportive Services

The Governor's budget does not propose cuts or deferrals in the In-Home Supportive Services (IHSS) budget. The Governor's budget maintains investments in provider wage increases, a permanent provider back-up system, and the full-scope Medi-Cal expansion to IHSS undocumented recipients of all ages including the recent expansion for ages 26 to 49, as of January 1, 2024.

Supplemental Security Income/State Supplementary Payment

The Governor's budget does not propose cuts or deferrals to the Supplemental Security Income/State Supplementary Payment (SSI/SSP) budget. The Governor's budget includes \$3.7 billion General Fund in 2024-25 for the SSI/SSP program, including CAPI. The average monthly caseload in this program is estimated to be 1.1 million recipients in 2024-25. The Governor's budget also includes a 3.2-percent federal SSI cost-of-living adjustment and maintains the 9.2-percent SSP increase, which took effect on January 1, 2024. These adjustments raise the maximum SSI/SSP grant levels to \$1,183 per month for individuals and \$2,023 per month for couples. CAPI benefits are equivalent to SSI/SSP benefits and have residency and income eligibility requirements.

Other CalHHS Human Services Initiatives

While not included in the budget summary documents, on a call with stakeholders this afternoon, Secretary Ghaly highlighted three specific major priorities for the California Health and Human Services Agency this year:

- In the context of the Master Plan for Aging, rethinking how local aging service delivery works, including the Area Agencies on Aging. The Secretary talked about supporting service delivery and making it more consistent across every county and region.
- Creating a master plan for Developmental Services.
- Rate reform in foster care.

Child Care

The Governor's budget maintains the child care commitments made in prior budgets, which includes \$2.1 billion for roughly 146,000 new subsidized child care slots expected to be filled by 2024-25, working towards the goal of creating over 200,000 new slots by 2026-27.

The Governor's budget also maintains funding to implement the current memorandum of understanding between the state and Child Care Providers United – California and the parity provisions for non-represented providers pursuant to Chapter 193, Statutes of 2023 (SB 140) (\$723.8 million General Fund). The Administration and stakeholders continue to work towards a single rate structure and an alternative methodology for estimating the costs of care. By July 2024, the State of California will submit a state plan to the federal Administration for Children and Families for approval of an alternative methodology.

Immigration Services

Temporary Protected Status Services

The Governor's budget reverts \$10 million General Fund in 2023-24 and makes a reduction of \$10 million General Fund in 2024-25 and ongoing. The Governor's budget maintains existing levels of ongoing funding for Immigration Services Funding and Unaccompanied Undocumented Minors Legal Services.

California State University Legal Services

The Governor's budget reverts \$5.2 million General Fund from 2023-24 and reduces \$5.2 million General Fund in 2024-25 and ongoing. With this reduction, \$1.8 million ongoing General Fund remains in the Governor's budget for California State University Legal Services.

Migration and Border Communities

For several years, California has funded humanitarian services for migrants released from short-term federal custody in the Southern border region, including a \$150 million one-time investment in 2023-24. California cannot maintain its efforts without federal support and has continued to advocate to Congress to provide federal funding to local communities that are receiving new arrivals. In the coming months, the Administration will continue to assess operational needs in these humanitarian efforts for possible consideration in the May Revision.

Developmental Services

While the 2024-25 Governor's budget proposal maintains funding levels in 2023-24 and 2024-25 to support the ongoing implementation of service provider rate reforms that have been implemented to-date, the proposal shifts the final rate increase back to the original 2025-26 timeline (July 1, 2025). Additionally, the Administration notes the Department of Developmental Services will be developing, with stakeholder input, 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. A key element of this work will be a program management system to collect and analyze data

and make recommendations that emphasize quality, equity, and outcomes while improving regional center accountability.

General Government

Local Library Infrastructure

The Governor's budget proposes to pull back \$131.3 million one-time General Fund of the \$439 million in one-time General Fund support provided for the Local Library Infrastructure Grant Program in the 2021 Budget Act and proposes to forgo planned one-time General Fund investments of \$33 million in 2024-25, \$33 million in 2025-26, and \$34 million in 2026-27.

Statewide Library Broadband Services

The Governor's budget proposes to pull back \$34 million of the \$35 million provided to expand broadband access to isolated and under-served communities through a collaborative partnership of local education agencies and regional libraries due to low participation in the program.

City of Fresno Public Infrastructure Plan

The Governor has proposed delaying \$100 million for the City of Fresno's Public Infrastructure plan. The 2023-24 budget included \$250 million to support the development of downtown Fresno. The Governor's budget maintains \$50 million for this purpose in 2023-24 and delays the remaining \$200 million by one year, resulting in \$100 million being available in 2025-26 and 2026-27.

Broadband

Middle Mile Investments

The Administration is proposing an additional \$1.5 billion investment over two years (\$250 million in 2024-25 and \$1.25 billion in 2025-26) for the California Department of Technology to complete the development of the statewide middle-mile network. Due to changes in scope and associated costs (including those due to inflation), additional funding will be necessary to complete the project and bring broadband connectivity to the state's remaining unconnected and under-connected communities by December 31, 2026.

Last Mile Grants

The Administration is proposing to delay \$100 million from 2024-25 to 2026-27 for last-mile infrastructure grants at the CPUC. This maintains the previously appropriated \$1.45 billion and reflects future investments of \$550 million General Fund over three years for a total of \$2 billion.

Broadband Loan Loss Reserve (BLLR) Fund

The Governor has proposed a reduction of \$250 million (\$150 million in 2024-25 and \$100 million in 2025-26) for the BLLR. The proposal maintains \$500 million for the program, with \$175 million in 2023-24, \$150 million in 2024-25, and \$175 million in 2025-26.

Local Public Safety Investments

Juvenile Justice Realignment Funding

With the final closure of all Division of Juvenile Justice (DJJ) facilities on June 30, 2023 and the associated transition of all youth in DJJ custody to counties, the full responsibility of the juvenile justice system – pursuant to [SB 823](#) (Chapter 337, Statutes of 2020) and [SB 92](#) (Chapter 18, Statutes of 2021) – now resides with county governments.

The Governor's budget details several important elements regarding Juvenile Justice Realignment Block Grant (JRBG) funding:

- Consistent with statutory provisions, counties will receive \$208.8 million in JRBG grant funding in 2024-25, which is intended to support counties' responsibility for the care, treatment and custody of the realigned population.
- Additionally, the budget highlights that – pursuant to an important provision negotiated in SB 823 – an estimated \$16.2 million in growth funding (for a total of \$225 million in statewide funding) also will be available to counties in 2024-25. Pursuant to Welfare and Institutions Code 1991(b), the JRBG, beginning in 2024-25, will be adjusted by the growth rate applicable to the Juvenile Justice Growth Special Account in 2011 Realignment. Any growth attributable to the JRBG will roll into the base to create the subsequent base funding level for the subsequent year.
- As for the requirement in SB 823 that the JRBG funding distribution methodology be revisited, the budget indicates that – despite the January 10, 2024 deadline for refining this methodology – the Administration is proposing to maintain the existing distribution methodology for 2024-25, citing a need to (1) provide more time for the Administration to engage the Legislature and stakeholders on identifying the best approach to refining an allocation methodology that will lead to improved outcomes for realigned youth and (2) create greater funding certainty and stability for counties in recognition of the fiscal environment.

Lastly, the budget also reflects a reduction in the state corrections budget of \$909,000 associated with an alignment of contract resources for maintaining shuttered DJJ facilities with actual needs.

Community Corrections Planning (CCP) Grants

The 2024-25 budget proposes to eliminate \$7.95 million for statewide Community Corrections Planning grants, which are meant to support ongoing implementation of AB 109 (2011) and the associated work of the CCP. These fixed-amount grants determined by county size have been available to counties since implementation of 2011 Realignment, with receipt conditioned upon the submission of required information to the Board of State and Community Corrections (BSCC) as well as an update of the county's CCP plan.

Proposition 47

As a result of the implementation of Proposition 47 (2014), the Department of Finance estimates net state correctional system savings of \$87.8 million in 2024-25, which will be dedicated to three policy priorities identified by the initiative: (1) behavioral health treatment and diversion programs (65

percent), (2) programs to improve outcomes for K-12 students and reduce trancies (25 percent), and (3) support for victims' services through trauma recovery centers (10 percent).

Community Corrections Performance Incentive Grant (SB 678)

For the last three fiscal years, counties' SB 678 funding has been based on each jurisdiction's highest funding level for the three years prior to 2021-22 in recognition of the pandemic's impact on probation population levels. The Governor's budget proposes to revert to the previous funding methodology, which would produce a statewide SB 678 funding level of \$113.6 million. The Governor's budget narrative suggests probation populations data appear to be normalizing to pre-pandemic levels.

Post-Release Community Supervision Funding

In recognition of increases in post-release community supervision responsibilities associated with implementation of Proposition 57 (2016), the Governor's budget contains \$4.4 million for county probation departments.

Public Defense Pilot Program

The Governor's budget proposes to eliminate the 2023-24 allocation of \$40 million for the third and final year of funding for the [Public Defense Pilot Program](#) administered by the Board of State and Community Corrections. Recall that the program was originally funded in 2021-22 at \$50 million per year over three years; the Governor proposed to revert the final year of funding in the 2023-24 budget, but the Legislature ultimately restored \$40 million for this purpose in the current year. It is that \$40 million that the Governor's spending plan released today proposes to claw back.

State Corrections

The Governor's budget provides \$14.5 billion in funding for the California Department of Corrections and Rehabilitation (CDCR), of which \$4.1 billion is directed for health, mental health, and dental care services for those in custody. The Governor's budget summary includes details on projected prison and parole populations; the state institutional population is expected to continue its downward trend, while the parolee population is projected to remain stable – at about 35,000 statewide – over the next several years.

Prison Closures and Capacity

The Governor's budget summarizes the state's recent actions to terminate contracts for out-of-state and in-state prison capacity as well as recent prison closures: Deuel Vocational Institution (Tracy, San Joaquin County) – closed as of September 2021; California Correctional Center (Susanville, Lassen County) – closed in June 2023; and various facility deactivations across six prisons last year. These activities have resulted in \$465 million per year in ongoing savings. Finally, CDCR previously announced plans to close Chuckawalla Valley State Prison (Blythe, Riverside County) by March 2025, which is expected to generate annual savings of \$148 million.

Rehabilitation and Reentry; Reimagining San Quentin with the California Model

The Governor's budget discusses ongoing investments in community correctional reentry centers and various post-release reentry programs and services to support the state's efforts to improve community reintegration outcomes and reduce recidivism. The Governor's budget proposes various modest increases to adjust contract rates to address inflationary trends and ensure reentry programming remains sustainable over time.

Additionally, the budget references the Governor's March 2023 announcement to transform San Quentin State Prison into the San Quentin Rehabilitation Center meant to expand and enhance rehabilitative and educational opportunities. A multi-disciplinary Advisory Council created last year released this [report](#) earlier this month that provides recommendations for achieving the cultural and transformational change needed to reimagine San Quentin and implement The California Model.

Significant Budget Adjustments

The Governor's budget proposes to make various administrative reductions, reversions, transfers of unobligated funds, and spending delays to help address the budget shortfall.

Judicial Branch

The judicial branch budget supports the operations of the Supreme Court, courts of appeal, superior courts, the Habeas Corpus Resource Center, and the Judicial Council. The Governor's budget provides \$5.2 billion in judicial branch resources, the vast majority of which (\$3 billion) is directed to trial court operations.

Trial Court Reserves

This budget increases trial court reserve caps – the reserve balance of its total operating budget from the previous fiscal year that each superior court can maintain locally - from three percent to five percent; the five smallest courts would be permitted to hold up to \$100,000 in reserves. This change is meant to give the local court additional flexibility and to plan for large, one-time expenses such as technology projects or facility repairs.

Dependency Counsel

The Governor's budget maintains the expected 2024-25 statewide dependency counsel funding level. It assumes \$252.7 million in total funding, \$216.7 million General Fund and \$66 million in federal draw down.

Additional Budget Adjustments

Other notable components of the judicial branch budget include:

- *Court Facilities and Construction Fund Backfill* – \$80 million in 2024-25 and \$119 million ongoing to backfill an expected shortfall in the State Court Facilities Construction Fund and to maintain existing services.

- *Trial Court Trust Fund (TCTF) Backfill* – \$83.1 million ongoing to continue backfill of TCTF given ongoing revenue declines.
- *Trial Court Employee Benefit and Retirement Costs* – \$15.8 million ongoing annually to cover health and retirement benefits for trial court employees.
- *Self-Help Centers* – \$19.1 million ongoing annual increase to continue current baseline funding level for self-help centers across the state.

Statewide Criminal Justice Investments for Safe and Secure Communities

Included in a lengthy narrative on the Governor’s continued commitments to public safety and funding is the following table that details various public safety investments since 2022-23 and as proposed through 2025-26:

Notably, the Organized Retail Theft local law enforcement grants are proposed to be funded in 2024-25 but not in future budget years. The CHP’s Retail Theft Task Force is proposed to be funded at \$6 million in 2024-25 and at \$10.5 million in 2025-26. Additionally, the budget proposes to increase the Military Department’s existing drug interdiction effort by \$15 million in 2024-25 and \$25 million in 2025-26. This initiative seeks to prevent drug trafficking by transnational criminal organizations, with a specific focus on supporting law enforcement agencies at all levels of government – including tribal governments – in their efforts to combat fentanyl.

			Public Safety Investments			
Category	Department	Program	Dollars in Millions - General Fund Unless Footnoted			
			2022-23	2023-24	2024-25	2025-26
Organized Retail Theft and Other Crimes	BSCC	Local Law Enforcement Grants	\$85.0	\$85.0	\$85.0	\$-
	BSCC	Vertical Prosecution Grant Program	10.0	10.0	10.0	-
	CHP	Retail Theft Task Force Expansion	6.0	6.0	6.0	10.5
	DOJ	Special Operations Unit	-	7.2	7.2	7.2
	DOJ	Task Force Participation and Prosecution Teams	11.0	11.0	11.0	5.4
Gun Violence	BSCC	California Violence Intervention and Prevention Grant Program ^{1/}	67.0	66.0	-	-
	Cal OES	Gun Violence and Domestic Violence Restraining Orders Public Outreach and Education ^{2/}	-	4.0	-	-
	DOJ	Carry Concealed Weapon Licenses ^{3/}	-	5.0	3.2	-
	DOJ	Implementation of Firearms Legislation ^{3/}	0.5	8.0	6.6	5.0
	Judicial	Firearm Relinquishment Program	20.0	-	-	-
UC	Gun Violence Research	3.0	3.0	3.0	3.0	
Illicit Drugs	DOJ	Fentanyl Enforcement Program	7.9	6.7	6.7	6.7
	Military	Drug Interdiction Program ^{4/}	15.0	15.0	15.0	15.0
Victim Services	BSCC	Missing and Murdered Indigenous Persons ^{5/}	4.0	16.0	4.0	-
	Cal OES	Emergency Services for Human Trafficking ^{6/}	10.0	17.0	7.0	7.0
	Cal OES	Family Justice Centers ^{7/}	-	10.0	-	-
	Cal OES	Medical Evidentiary Examinations for Sexual Assault Victims ^{7/}	6.7	6.7	6.7	6.7
	Cal OES	Sexual and Domestic Violence Prevention Grants ^{8/}	-	2.3	-	-
VCB	Innovative Pilot Program for Victim Services and Trauma Recovery Centers	23.0	-	-	-	
Community Public Safety	BSCC	Officer Wellness Grants	50.0	-	-	-
	BSCC	Use of Force and Deescalation Training Pilot Program	10.0	-	-	-
	Cal OES	California Internet Crimes Against Children Task Force	5.0	5.0	5.0	-
	Cal OES	Increase Support for the Law Enforcement Mutual Aid	25.0	35.0	25.0	-
	Cal OES	Nonprofit Security Grant Program ^{9/}	50.0	40.0	-	-
	CHP	Body Worn Camera Statewide Implementation ^{3/}	-	9.9	9.9	4.9
	CHP	Highway Violence Task Force	4.0	3.3	3.3	-
	CHP	Recruitment Campaign ^{3/}	2.0	2.0	2.0	-
CHP	Side Show Task Force	5.5	-	-	-	
POST	Officer Wellness Training and Research	5.0	-	-	-	
Totals:			\$425.6	\$374.1	\$216.6	\$71.4

^{1/} \$200 million appropriated over three years beginning in 2021-22.
^{2/} \$11 million one-time appropriated in 2021-22.
^{3/} Special Fund.
^{4/} Limited-term funding through 2025-26.
^{5/} An additional one-time augmentation of \$12 million appropriated in 2023-24.
^{6/} \$10 million appropriated in 2021-22.
^{7/} \$6.7 million appropriated in 2021-22.
^{8/} \$15 million one-time appropriated in 2021-22.
^{9/} \$50 million one-time appropriated in 2021-22.

Significant budget adjustments to help address the budget shortfall included the following:

- *BSCC Loan* – The Governor's budget proposes to make a \$100 million loan from the Cannabis Tax Fund to the General Fund from resources not currently planned for operational or programmatic purposes.
- *Adult Reentry Grant* – The Governor's budget proposes to impose a one-year pause on the \$57 million intended for the Adult Reentry Grant in 2024-25 along with a reallocation of this funding across three years beginning in 2025-26 (at \$19 million per year).
- *Cal VIP Grant* – The Governor's budget proposes to reduce funding for the California Violence Intervention and Prevention Grant ([Cal VIP](#)) by \$9 million, which will be replaced in a like amount by funding from the newly created Gun and Ammunition Tax pursuant to [AB 28](#) (2023). Beginning in 2025-26, it is estimated that up to \$75 million annually will be appropriated from the gun and ammunition tax to BSCC for purposes of administering and awarding Cal VIP grants.
- *Firearm Relinquishment Programs* – The Governor's budget proposes to reduce 2023-24 funding to two firearm relinquishment programs: \$21 million decrease for the Office of Emergency Services' Gun Buyback Program and \$20 million decrease (of \$40 million appropriated for this purpose) to the Judicial Council's Firearm Relinquishment Grant Program.
- *Proud Parenting Grant Program* – The Governor's budget proposes to impose a reduction of \$835,000 annually beginning in 2024-25 for the Proud Parenting Grant Program administered by the BSCC. These grants are available to county probation departments, tribes, county offices of education, and community-based organizations to support young parents (aged 25 and younger) who are system-involved.

Department of Justice

Notable Department of Justice (DOJ) budget adjustments include the following:

- *Controlled Substance Utilization Review and Evaluation System (CURES) Fee* – The Governor's budget proposes to increase the CURES fee from \$9 to \$15 beginning April 1, 2025 to cover DOJ's actual costs to administer the program.
- *Litigation Deposits Funds* – To address the budget shortfall, \$100 million is proposed to be loaned from the Litigation Deposits Fund to the General Fund, which is on top of a similar loan of \$400 million executed in the 2023-24 budget.

Office of Emergency Services

The Governor's budget proposes an increase of \$6.4 million State Emergency Telephone Number Account funds as well as an additional 12 positions to continue implementation of the California Radio Interoperable System. Additionally, the budget proposes various budget delays and reversions to help address the budget shortfall.

1991 and 2011 Realignment Revenue Estimates

As is customary, the budget estimates 1991 and 2011 Realignment revenues. Note that these estimates will be updated at the May Revision. At the very highest level, sales tax performance continues to show positive growth according to the Administration's projections, while Vehicle License Fee revenue remains relatively flat over the next year or more. See more details in the charts below.

2011 Realignment Estimate at 2024 Governor's Budget*

	(\$ millions)					
	2022-23	2022-23 Growth	2023-24	2023-24 Growth	2024-25	2024-25 Growth
Law Enforcement Services	\$3,336.8		\$3,432.1		\$3,512.8	
Trial Court Security Subaccount	637.3	9.5	646.8	8.1	654.9	6.9
Enhancing Law Enforcement Activities Subaccount ¹	489.9	340.8	489.9	363.0	489.9	364.0
Community Corrections Subaccount	1,893.2	71.4	1,964.7	60.6	2,025.2	51.9
District Attorney and Public Defender Subaccount	76.7	4.8	81.5	4.0	85.5	3.5
Juvenile Justice Subaccount	239.7	9.5	249.2	8.1	257.3	6.9
<i>Youthful Offender Block Grant Special Account</i>						
	(226.4)		(235.4)		(243.1)	
<i>Juvenile Reentry Grant Special Account</i>	(13.2)		(13.8)		(14.2)	
Growth, Law Enforcement Services		436.0		443.7		433.3
Mental Health²	1,120.6	8.8	1,120.6	7.5	1,120.6	6.4
Support Services	5,125.9		5,293.9		5,436.4	
Protective Services Subaccount	2,984.7	79.6	3,064.3	67.5	3,131.8	57.9
Behavioral Health Subaccount	2,141.1	88.5	2,229.6	75.0	2,304.6	64.3
<i>Women and Children's Residential Treatment Services</i>	(5.1)		(5.1)		(5.1)	
<i>County Intervention Support Services Subaccount³</i>	(3.7)					
Growth, Support Services		176.9		150.0		128.6
Account Total and Growth	\$10,196.1		\$10,440.3		\$10,631.7	
Revenue						
1.0625% Sales Tax	9,345.5		9,563.9		9,750.1	
General Fund Backfill ⁴	20.0		23.5		27.7	
Motor Vehicle License Fee	830.7		852.9		853.9	
Revenue Total	\$10,196.1		\$10,440.3		\$10,631.7	

*This chart reflects estimates of the 2011 Realignment subaccount and growth allocations based on current revenue forecasts and in accordance with the formulas outlined in Chapter 40, Statutes of 2012 (SB 1020).

¹Base Allocation is capped at \$489.9 million. Growth does not add to the base.

²Base Allocation is capped at \$1,120.6 million. Growth does not add to the base.

³This chart reflects a fiscal year 2022-23 transfer of \$3.7 million from Behavioral Health Subaccount Fund 3217 to the County Intervention Support Services Subaccount Fund 3325 pursuant to GOV 30027.10

⁴General Fund backfill pursuant to Revenue and Taxation Code sections 6363.9 and 6363.10; Chapter 690, Statutes of 2019; Chapter 78, Statutes of 2020; Chapter 82, Statutes of 2021; Chapter 225, Statutes of 2022; Chapter 251, Statutes of 2022; Chapter 442, Statutes of 2023; Chapter 833, Statutes of 2023; and Chapter 56, Statutes of 2023.

1991 Realignment Estimate at 2024 Governor's Budget

\$s in Thousands

Amount	2022-23 State Fiscal Year (Actual)						Total
	CalWORKs MOE	Health	Social Services	Mental Health	Family Support	Child Poverty	
Base Funding							
Sales Tax Account	\$752,888	\$152,266	\$2,480,037	\$337,129	\$462,930	\$512,972	\$4,698,222
Vehicle License Fee Account	367,663	1,071,315	216,223	105,480	185,798	420,228	2,366,708
Subtotal Base	\$1,120,551	\$1,223,582	\$2,696,259	\$442,610	\$648,728	\$933,200	\$7,064,929
Growth Funding							
Sales Tax Growth Account:	\$-	\$6,469	\$66,200	\$13,122	\$-	\$15,463	\$101,253
Caseload Subaccount	-	-	(66,200)	-	-	-	(66,200)
General Growth Subaccount	-	(6,469)	-	(13,122)	-	(15,463)	(35,053)
Vehicle License Fee Growth Account	-	21,888	-	44,399	-	52,320	118,608
Subtotal Growth	\$-	\$28,357	\$66,200	\$57,520	\$-	\$67,783	\$219,861
Total Realignment 2022-23¹⁾	\$1,120,551	\$1,251,939	\$2,762,459	\$500,130	\$648,728	\$1,000,983	\$7,284,790
2023-24 State Fiscal Year (Projected)							
Base Funding							
Sales Tax Account	\$752,888	\$117,991	\$2,546,237	\$350,251	\$503,675	\$528,434	\$4,799,475
Vehicle License Fee Account	367,663	1,093,203	216,223	149,879	185,798	472,549	2,485,315
Subtotal Base	\$1,120,551	\$1,211,194	\$2,762,459	\$500,130	\$689,473	\$1,000,983	\$7,284,790
Growth Funding							
Sales Tax Growth Account:	\$-	\$28,097	\$72,820	\$56,993	\$-	\$67,162	\$225,072
Caseload Subaccount	-	-	(72,820)	-	-	-	(72,820)
General Growth Subaccount	-	(28,097)	-	(56,993)	-	(67,162)	(152,252)
Vehicle License Fee Growth Account	-	13,873	-	28,140	-	33,160	75,173
Subtotal Growth	\$-	\$41,970	\$72,820	\$85,133	\$-	\$100,322	\$300,245
Total Realignment 2023-24¹⁾	\$1,120,551	\$1,253,164	\$2,835,279	\$585,263	\$689,473	\$1,101,305	\$7,585,035
2024-25 State Fiscal Year (Projected)							
Base Funding							
Sales Tax Account	\$752,888	\$218,416	\$2,619,057	\$407,244	\$431,347	\$595,596	\$5,024,547
Vehicle License Fee Account	367,663	1,107,076	216,223	178,019	185,798	505,709	2,560,488
Subtotal Base	\$1,120,551	\$1,325,492	\$2,835,279	\$585,263	\$617,145	\$1,101,305	\$7,585,035
Growth Funding							
Sales Tax Growth Account:	\$-	\$3,911	\$80,102	\$7,933	\$-	\$9,349	\$101,295
Caseload Subaccount	-	-	(80,102)	-	-	-	(80,102)
General Growth Subaccount	-	(3,911)	-	(7,933)	-	(9,349)	(21,193)
Vehicle License Fee Growth Account	-	5,018	-	10,179	-	11,995	27,192
Subtotal Growth	\$-	\$8,929	\$80,102	\$18,112	\$-	\$21,344	\$128,487
Total Realignment 2024-25¹⁾	\$1,120,551	\$1,334,421	\$2,915,381	\$603,375	\$617,145	\$1,122,649	\$7,713,522

¹⁾ Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

Homelessness

The 2024-25 Governor's budget proposal does not reduce the previously planned, 2023-24 investments in the Encampment Resolution Grant Program (\$400 million) or Homeless Housing, Assistance, and Prevention (HHAP) program (\$1 billion). However, the proposal does not include new funding to extend either program into 2024-25. Instead, the Administration notes that, with few exceptions, the overall budget proposal defers all new, discretionary spending discussion to this spring. The Administration additionally states that they are committed to working closely with the Legislature on additional funding to support local governments' response to the homelessness crisis – assuming local governments deliver on their HHAP 3 and 4 commitments and HHAP 5 regional planning requirements. In the Governor's press conference, the Governor again reiterated an interest in additional local accountability measures with these funds and an interest in focusing resources on encampments.

The 2024-25 Governor's budget proposal also includes several reversions, delays, or shifts related to other homelessness programs:

- HHAP Funding – delays from 2023-24 to 2025-26 \$260 million to more properly align budgeting with when the funds will be accessed/expended.
- Veteran Housing and Homelessness Prevention Program – reverts \$50 million General Fund for the Veteran Housing and Homelessness Prevention Program.
- Housing Navigators – reduces \$13.7 million General Fund ongoing for Housing Navigators.

Housing

The Governor's budget makes \$1.2 billion in General Fund reductions for housing programs over a multi-year period. In addition, the Governor included housing programs, including planning and infrastructure grants, in a list of program areas where the state would promote "belt tightening" through additional audits and evaluations of state spending. Specific General Fund reductions include the following:

- *Regional Early Action Planning Grants (REAP 2.0)* – \$300 million reversion from \$600 million allocated to regional agencies for this purpose in 2021–22.
- *Multifamily Housing Program (MHP)* – \$250 million reversion from MHP, which received \$250 million in 2022–23 and \$100 million in 2023–24, leaving \$75 million in 2023–24.
- *Foreclosure Intervention Program* – \$247.5 million reversion (\$85 million in 2024–25, \$100 million in 2025–26, \$62.5 million in 2026–27).
- *Infill Infrastructure Grant Program (IIG)* – \$200 million reversion from the IIG from \$225 million dedicated to the program in 2023–24.
- *CalHome Program* – \$152.5 million reversion, which received \$250 million in 2022–23 and \$100 million in 2023–24.

Natural Resources and Environmental Protection

In addition to budget proposals under the Climate Change section, the Governor's budget includes \$489.9 million of General Fund solutions in non-climate Natural Resources and Environmental Protection related programs to achieve a balanced budget.

Department of Forestry and Fire Protection (CAL FIRE)

In recognition of the continued impact of climate change on wildlands in the state and longer, more severe fire seasons, the Governor's budget makes further investments to enhance CAL FIRE's fire protection capacity, including air attack base infrastructure improvements that will facilitate the operation of the new federal C-130 aircraft and night-flying helicopter operations. Other significant adjustments include:

- *66-Hour Workweek* – An increase of \$198.9 million (\$197.1 million General Fund) and 338 positions in fiscal year 2024-25, and \$770.4 million (\$756.3 million General Fund) and 2,457 positions ongoing, phased in over five years to reflect the 2022 Memorandum of Understanding (MOU) between CAL FIRE Local 2881 (Bargaining Unit 8) and the State of California.

- *Training Center* – An increase of \$18.7 million one-time General Fund for acquisition of property for an additional CAL FIRE training center, which is necessary for the implementation of the 66-hour work week and to improve CAL FIRE's efficiency and ability to meet peak demands on the training program.
- *Ramona Air Attack Base Reconfiguration* – An increase of \$12 million one-time General Fund to reconfigure the fire-retardant loading pits at Ramona Air Attack Base.
- *Helitack/Air Attack Bases* – An increase of \$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 the Rohnerville Air Attack Base.
- *Unit Headquarters and Fire Stations* – An increase of \$87.8 million one-time Public Buildings Construction Fund and \$640,000 one-time General Fund to relocate various unit headquarters and fire stations including Humboldt Del Norte Unit, Sonoma Lake Napa Unit, Glen Ellen Fire Station, Butte Fire Station, Parkfield Fire Station, and Hayfork Fire Station.

Safe and Sustainable Pest Management

The Department of Pesticide Regulation (DPR) plays a vital role in developing and supporting pest management innovations necessary to meet the state's climate reality.

The DPR Fund, which is primarily comprised of the mill assessment, is currently at a structural imbalance. The Governor's budget includes legislation to increase the mill assessment to support programs and address the DPR Fund structural imbalance. In addition, the legislation includes changes relative to collection of the mill assessment, data review, registration, and enforcement.

The Governor's budget includes \$33.3 million ongoing DPR Fund and GGRF, phased in over three years, to support DPR's essential work including efforts that will increase the availability of sustainable pest management tools and practices. More specifically, Governor's budget includes:

- *Streamline Processes and Support Alternatives* – An increase of \$17.9 million ongoing DPR Fund to accelerate pesticide evaluation and registration timelines to bring safer, effective pesticides to market faster; support innovative alternatives research and adoption; develop and implement a public, stakeholder-engaged, and scientifically-based priority pesticide process; and provide general administrative support.
- *Strengthen Statewide Services* – An increase of \$8.6 million ongoing DPR Fund and \$592,000 ongoing GGRF to support statewide and cross-jurisdictional enforcement and compliance, pesticide monitoring and data evaluation, and risk mitigation and regulation development.
- *Provide Critical Support for Local Partners and Communities* – An increase of \$6.1 million ongoing DPR Fund and \$125,000 ongoing GGRF to provide training and compliance support for County Agricultural Commissioners, and local engagement and transparency.

Protecting Water Quality and Habitat

The Governor's budget includes \$6.1 million Waste Discharge Permit Fund in 2023-24, and \$7 million ongoing for the State and Regional Water Boards to conduct essential activities to protect wetlands. To

address the projected budget shortfall, the Governor's budget also proposes the following General Fund solutions:

- *Cleanup in Vulnerable Communities Initiative* – A delay of \$175 million General Fund for the Department of Toxic Substances Control's Cleanup in Vulnerable Communities Initiative Program. The Governor's budget includes \$85 million in funding for the program in 2025-26 and \$90 million in 2026-27.
- *Underground Storage Tank Cleanup Fund Loan* – A budgetary loan of \$150 million, 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 is proposed from resources not currently projected to be used for operational or programmatic purposes.
- *California Beverage Container Recycling Fund Loan* – A budgetary loan of \$125 million, along with a one-year repayment deferral of an existing \$25 million budgetary loan, from the California Beverage Container Recycling Fund to the General Fund is proposed from resources not currently projected to be used for operational or programmatic purposes.
- *Outdoor Equity Grants Program* – A reduction of \$25 million General Fund for outdoor environmental education and access programs through the Outdoor Equity Grants Program under Chapter 675, Statutes of 2019 (AB 209). The Governor's budget maintains \$90 million General Fund previously allocated for this program.
- *Urban Waterfront Funding* – A reversion of \$12.3 million General Fund for various projects in urban areas adjacent to rivers and waterways throughout the state. The Governor's budget maintains \$142 million General Fund previously allocated for this program.
- *Pesticide Notification* – A reversion of \$2.6 million General Fund related to the Pesticide Notification Network previously appropriated in the 2021 Budget Act. The Governor's budget maintains \$7.3 million previously allocated for this purpose.

Climate Change

Of the \$54 billion the 2021 and 2022 Budget Acts allocated over a five-year period for a multitude of climate related investments, the Governor's budget maintains approximately \$48.3 billion of these investments, including stretching the funding over a seven-year period.

To address the projected budget shortfall, the Governor's budget proposes \$6.7 billion of General Fund solutions in climate-related programs including: \$2.9 billion in reductions; \$1.9 billion in delays of expenditures to future years; \$1.8 billion in shifts to other funds, primarily the Greenhouse Gas Reduction Fund (GGRF). The Governor's budget also includes an additional \$159.1 million in new climate investments.

Transportation

The Governor's budget maintains \$13.6 billion of the \$13.8 billion that the 2022-23 budget included for transportation programs and projects. To aid in closing the \$37.8 billion overall budget deficit, the Governor proposes \$200 million in General Fund reductions, \$791 million in fund shifts, and \$3.1 billion in delays across various programs. Fiscal solutions to address the budget problem include:

- *Active Transportation* – A reduction of \$200 million from the General Fund to the Active Transportation Program (ATP). To ensure that previously awarded ATP projects are not impacted by this proposal, the reduction would be backfilled by future ATP funding. In total, this would leave \$850 million in one-time General Fund for the ATP Program.
- *Transit and Intercity Rail Capital Program (TIRCP) Competitive Grants* – A shift of \$529.7 million of General Fund expenditures to the GGRF.
- *TIRCP Formula Grants* – A delay of \$1 billion of formula funds from 2024-25 to 2025-26, leaving \$1 billion in 2024-25. Additionally, the Governor's budget proposes to shift \$261.4 million of the remaining \$1 billion in 2024-25 from the General Fund to the GGRF.

In addition to the fiscal solutions noted above, the budget proposes to modify the program schedule to accommodate the new seven-year funding horizon for the TIRCP competitive grants, ATP, and the Highways to Boulevards Program.

Zero-Emission Vehicles

The Governor's budget maintains nearly all the \$10 billion that was committed in the 2021-22 and 2022-23 budgets for investments in the state's Zero-Emission Vehicles (ZEV) agenda but extends the funding horizon from five to seven years and includes the following reductions (\$38.1 million), fund shifts (\$475.3 million), and funding delays (\$600 million):

- *Expenditure Reductions* – A reduction of \$38.1 million General Fund for various programs including Drayage Trucks and Infrastructure Pilot Project (\$23.5 million), ZEV Manufacturing Grants (\$7.3 million), and Emerging Opportunities (\$7.3 million). The Governor's budget maintains \$477 million previously allocated for these programs.
- *Fund Shifts* – A shift of \$475.3 million General Fund to the GGRF in the current year for various programs including ZEV Fueling Infrastructure Grants (\$218.5 million); Drayage Trucks and Infrastructure (\$157 million); Transit Buses and Infrastructure (\$28.5 million); and Clean Trucks, Buses and Off-Road Equipment (\$71.3 million).
- *Funding Delays* – A delay of \$600 million GGRF from 2024-25 to 2027-28 across various programs including Clean Cars 4 All and Other Equity Projects (\$45 million), ZEV Fueling Infrastructure Grants (\$120 million), Equitable At-home Charging (\$80 million), Drayage Trucks and Infrastructure (\$98 million), Clean Trucks, Buses and Off-Road Equipment (\$137 million), Community-Based Plans, Projects and Support/Sustainable Community Strategies (\$100 million), and Charter Boats Compliance (\$20 million). This delay enables a shift of \$600 million General Fund expenditures to the GGRF for other programs.

Wildfire and Forest Resilience

The Governor's budget retains \$2.7 billion of the \$2.8 billion in the 2021-22 and 2022-23 budgets for investments into programs that continue to strengthen forest and wildfire resilience across the state. The funding will be provided over a five-year period rather than a four-year period as previously budgeted.

The Governor's budget includes \$100.7 million in General Fund reductions and \$162.5 million in fund shifts across various programs and continues \$200 million from the GGRF consistent with Chapter 626, Statutes of 2018 (SB 901) and Chapter 258, Statutes of 2021 (SB 155). Specific proposals to help achieve a balanced budget include:

- *Expenditure Reductions* – A reversion of \$43.5 million from the Biomass to Hydrogen/Biofuels pilot, \$27.7 million from the Conservancy Project Implementation in High-Risk Regions, \$12 million from the Home Hardening Pilot, \$5.7 million from Monitoring and Research, \$5.3 million from Prescribed Fire and Hand Crews, \$3.6 million from Forest Legacy, and \$2.9 million from the Interagency Forest Data Hub.
- *Fund Shifts* – A shift of \$162.5 million General Fund to the GGRF across 2023-24 and 2024-25, including Fire Prevention Grants (\$82 million shift within 2023-24), Stewardship of State-Owned Land (\$34.5 million shift to 2024-25), Department of Forestry and Fire Protection Unit Fire Prevention Projects (\$26 million shift to 2024-25), and Regional Forest and Fire Capacity (\$20 million shift to 2024-25).

Water

The Governor's budget maintains \$7.3 billion of the \$8.7 billion committed over multiple years to drought resilience and response programs in the 2021 and 2022 Budget Acts. To help address the budget deficit, the Governor proposes \$796.8 million in General Fund reductions and \$100 million in delays across various programs. The Governor's budget also includes \$159.1 million in new investments to support flood protection, levee repair, and restoration of the Salton Sea.

To address the projected budget shortfall, the Governor's budget proposes the following General Fund solutions:

- *Watershed Climate Resilience Programs* – A reversion of \$88.4 million General Fund and a reduction of \$350 million over the next two years for various watershed climate resilience programs within the Department of Water Resources and the Wildlife Conservation Board. The Governor's budget maintains \$56 million previously allocated to these programs.
- *Water Recycling* – A reversion of \$174.4 million General Fund and a delay of \$100 million until 2025-26 for water recycling and groundwater cleanup. The Governor's budget maintains \$348 million previously allocated to this program.
- *Per- and Polyfluoroalkyl Substances* – A reversion of \$71.6 million General Fund and reduction of \$30 million in 2024-25 for Per-and Polyfluoroalkyl support. The Governor's budget maintains \$53 million previously allocated to this program.
- *Dam Safety* – A reversion of \$50 million General Fund for dam safety investments. The Governor's budget maintains \$50 million previously allocated to this program.
- *State Water Efficiency and Enhancement Program* – A shift of \$20.6 million General Fund to the GGRF for the State Water Efficiency and Enhancement Program. Funding being shifted for the Program is delayed to 2024-25.

- *Relief for Small Farmers* – A reversion of \$12.9 million California Emergency Relief Fund for drought relief to small farms. The Governor's budget maintains \$17 million previously allocated to this program.
- *Forecasted Informed Reservoir Operations/Snow Surveys* – A reduction of \$6.75 million General Fund ongoing for Forecast Informed Reservoir Operations for runoff forecasting. The Governor's budget maintains \$10 million ongoing in baseline support for the program.
- *On-Farm Water Use and Agriculture Technical Assistance* – A reversion of \$6 million California Emergency Relief for on-farm water use and agriculture technical assistance. The Governor's budget maintains \$9 million previously allocated to this program.

Flood Protection

The Governor's January Budget includes \$93.9 million in new, one-time General Fund to support the following flood safety efforts:

- \$33 million General Fund to support the state cost share of continuing U.S. Army Corps of Engineers projects and Urban Flood Risk Reduction projects that address flood risk reduction, as well as the associated state operations costs to implement the projects.
- \$31.3 million General Fund to support the continuation of existing multi-benefit flood risk reduction projects in the Central Valley.
- \$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 storms.

Salton Sea Management Program

The Governor's budget includes \$65.2 million General Fund for the Salton Sea Management Program (SSMP) to continue progress towards meeting the requirements of the State Water Resources Control Board Order which requires the state to construct 29,800 acres of habitat and dust suppression projects at the exposed lakebed at the Salton Sea by 2028. Specifically, the funding included in the Governor's budget will support technical assistance and project management operations and maintenance, monitoring environmental compliance, conducting restoration project planning, and improving public outreach and communication.

Nature-Based Solutions

The Governor's budget proposes to maintain \$1.4 billion of the \$1.6 billion committed in the 2021-22 and 2022-23 budgets for nature-based solutions. The General Fund solutions to help close the budget deficit include:

- *Redondo Beach Wetlands Restoration* – A reversion of \$10 million General Fund for Redondo Beach Wetlands Restoration.
- *Resource Conservation Investments Strategies* – A reversion of \$5 million General Fund for Resource Conservation Investments Strategies.

Extreme Heat

The Governor's budget reduces by \$285 million the funding committed to programs to address extreme heat included in the 2021-22 and 2022-23 budgets. The Governor's budget maintains \$364 million of the \$649 million over multiple years. To address the projected budget shortfall, the following General Fund solutions are proposed:

- *Extreme Heat and Community Resilience Program* – A net reduction of \$40.1 million for the Extreme Heat and Community Resilience Program which includes a reversion of \$40.1 million and a shift of \$70 million General Fund to the GGRF. Funding being shifted for the Program is delayed to 2024-25. The Governor's budget maintains \$95 million previously allocated to this program.
- *Urban Greening* – A shift of \$23.8 million General Fund to the GGRF, which maintains \$75 million over four years for the Urban Greening Program. Funding for the program is delayed to 2024-25.
- *Enhanced Protections for Vulnerable Populations* – A shift of \$15.6 million General Fund for Enhanced Protections for Vulnerable Populations to the Labor and Workforce Development Fund, which maintains \$16 million over three years for this program.

Community Resilience

The Governor's budget proposes to retain \$1.2 billion of the \$1.9 billion for community resilience investments provided for in the 2021-22 and 2022-23 budgets. Additionally, the Governor's budget reflects \$89.8 million of General Fund reductions across various programs, including:

- *Regional Climate Resilience* – A reversion of \$25 million General Fund and a reduction of \$50 million for the Regional Climate Resilience Program at the Office of Planning and Research. The Governor's budget maintains \$25 million previously allocated to this program.
- *Regional Climate Collaboratives* – A reversion of \$9.8 million General Fund for Regional Climate Collaboratives Program at the Strategic Growth Council within the Office of Planning and Research. The Governor's budget maintains \$10 million previously allocated to this program.
- *Climate Adaptation and Resilience Planning Grants* – A reversion of \$5 million General Fund for the Climate Adaptation and Resilience Planning Grants at the Office of Planning and Research. The Governor's budget maintains \$20 million previously allocated to this program.

Coastal Resilience

The Governor's budget maintains \$660 million of the \$1.3 billion from the 2021 and 2022 Budget Acts for coastal resilience investments over multiple years. The Governor's budget reflects \$452 million in General Fund reductions and \$36.8 million in fund shifts across several coastal protection and adaptation programs, including:

- *Sea Level Rise* – A reversion of \$220.9 million General Fund for Sea Level Rise activities. The Governor's budget maintains \$333.6 million previously allocated for this program.
- *Coastal Protection and Adaptation* – A reversion of \$171.1 million General Fund for Coastal Protection and Adaptation activities. The Governor's budget maintains \$154.9 million previously allocated for this program.

- *SB 1 Implementation* – A reversion of \$25 million General Fund and shift of \$36.8 million to the GGRF in 2024-25 for implementation of Chapter 236, Statutes of 2021 (SB 1). The Governor's budget maintains \$77 million previously allocated for this program.
- *Ocean Protection* – A reversion of \$35 million General Fund for Ocean Protection funding at the Ocean Protection Council. The Governor's budget maintains \$65 million previously allocated for this program.

Sustainable Agriculture

The Governor's budget proposes to maintain \$1 billion of the \$1.1 billion provided for in the 2021 and 2022 Budget Acts over multiple years for climate smart agriculture investments. The Governor's budget includes \$79.1 million in General Fund reductions and \$24 million in fund shifts across various programs, including:

- *California Nutrition Incentive Program* – A reversion of \$33.2 million General Fund for the California Nutrition Incentive Program. The Governor's budget maintains \$1.8 million previously allocated to this program.
- *Livestock Methane Reduction* – A shift of \$24 million General Fund to the GGRF for the Livestock Methane Reduction Program. Funding being shifted for the program is delayed to 2024-25.
- *Enteric Methane Incentives* – A reversion of \$23 million General Fund for the Enteric Methane Incentives Program. The Governor's budget maintains \$2 million previously allocated to this program.
- *Farm to Community Food Hubs Program* – A reversion of \$14.4 million General Fund for the Farm to Community Food Hubs Program. The Governor's budget maintains \$600,000 previously allocated to this program.
- *Healthy Refrigeration Grant Program* – A reversion of \$8.5 million General Fund for the Healthy Refrigeration Grant Program. The Governor's budget maintains \$12 million previously allocated to this program.

Energy

The Governor's budget proposes to maintain \$6.6 billion of the \$7.9 billion included in the 2022 Budget Act for energy investments to expedite the state's transition to clean energy, fund critical grid reliability programs, and address energy affordability challenges. In addition to the \$944 million reduced in the 2023-24 budget, the Governor's budget includes \$419 million in General Fund reductions, \$144 million in fund shifts, and \$505 million in delays across various energy-related programs.

The Governor's budget would also retain \$1 billion for the Clean Energy Reliability Investment Plan over three years but would delay the start of that funding until 2025-26 rather than 2023-24 as required by SB 846 (Chapter 239, Statutes of 2022).

To address the projected budget shortfall, Governor's budget proposes the following General Fund solutions:

- *Capacity Building Grants* – A reversion of \$20 million General Fund for the Capacity Building Grants Program at the California Public Utilities Commission (CPUC). The Governor's budget maintains \$10 million for this program.
- *Investments in Strategic Reliability Assets* – A delay of \$55 million General Fund for the Electricity Supply Reliability Reserve Fund Program from 2024-25 to 2025-26. The Governor's budget maintains the full \$2.37 billion General Fund to the DWR.
- *Distributed Electricity Backup Assets Program* – A delay of \$50 million General Fund for the Distributed Electricity Backup Assets Program at the California Energy Commission (CEC), with \$25 million delayed until 2025-26 and \$25 million delayed to 2026-27. The Governor's budget maintains \$595 million, with \$495 million in 2023-24, \$25 million in 2024-25, \$50 million in 2025-26, and \$25 million in 2026-27 for the program and \$100 million for DWR for this program through 2027-28.
- *Carbon Removal Innovation* – A reversion of \$40 million General Fund for the Carbon Removal Innovation Program at the CEC. The Governor's budget maintains \$35 million to the CEC for this program.
- *Residential Solar and Storage* – A delay of \$200 million General Fund (\$75 million in 2024-25 and \$125 million in 2025-26) for the Residential Solar and Storage Program. Instead, \$100 million in 2026-27 and \$100 million in 2027-28 would be available. The Governor's budget maintains the \$630 million to the CPUC for this program.
- *Incentives for Long Duration Storage* – A shift of \$56.9 million General Fund to the GGRF in 2024-25 for the Long Duration Storage Program at the CEC. The Governor's budget maintains \$330 million for the program with this shift.
- *Oroville Pump Storage* – A delay of \$200 million General Fund (\$90 million in 2024-25 and \$110 million in 2025-26) for the Oroville Pump Storage Project. The delay results in \$100 million General Fund in 2026-27 and \$100 million in 2027-28. The Governor's budget maintains the full \$240 million to the DWR for this project.
- *Food Production Investment* – A reversion of \$18.8 million General Fund for the Food Production Investment Program at the CEC. The Governor's budget maintains \$46.2 million to the CEC for this program.

Other Climate Related Issues

The Governor's budget proposes additional General Fund solutions in other climate related programs, including:

- *Climate Innovation* – A reduction of the planned investment of \$475 million General Fund in the Climate Innovation Program beginning in 2024-25.
- *Infill Infrastructure Grant Program* – A reversion of \$200 million General Fund for the Infill Infrastructure Grant Program at the Department of Housing and Community Development. The Governor's budget maintains \$225 million General Fund over two years for this program.
- *Oil and Gas Well Capping* – A shift of \$50 million General Fund to the GGRF for the Oil and Gas Well Capping program at the Department of Conservation. Funding being shifted for the program is delayed to 2024-25.

- *Goods Movement Workforce Training Facility* – A delay of \$40 million General Fund for a Goods Movement Workforce Training Facility in Southern California. The Governor's budget includes \$20 million General Fund for this purpose in both 2025-26 and 2026-27.
- *Low Carbon Economy Program* – A reduction of \$15 million General Fund for the Low Carbon Economy Grant Program at the California Workforce Development Board. The Governor's budget maintains \$30 million (\$15 million General Fund and \$15 million GGRF) over two years for this program.
- *Displaced Oil and Gas Worker Pilot Fund* – A reversion of \$10 million General Fund for the Displaced Oil and Gas Worker Pilot Fund at the Employment Development Department. The Governor's budget maintains \$30 million General Fund for this program.
- *Compost Permitting Pilot Program* – A reversion of \$6.7 million General Fund for the Compost Permitting Pilot Program at the Department of Resources Recycling and Recovery. The Governor's budget maintains \$800,000 previously allocated to this program.
- *Electric Homes* – A reduction of \$6.4 million General Fund in the California Electric Homes Program by the CEC.

K-12 Education

While the economic downturn naturally results in a lower Proposition 98 guarantee, the Governor's budget holds per pupil funding relatively flat for the budget year. The delayed tax receipts necessitated a revised amount from the 2023-24 budget; however, the Administration has proposed statutory changes to address about \$8 billion of this decrease to avoid impacting existing school budgets. The Guarantee continues to be in a Test 1 for all years 2022-23 through 2024-25, meaning that the funding level of the Guarantee is equal to about 39 percent of General Fund revenues, plus local property tax revenues.

In addition, the Governor has proposed a withdrawal from the Public School System Stabilization Account (PSSSA) – the special Rainy Day Fund for Proposition 98 – of \$5.7 billion to maintain support for Local Educational Agencies and Community College Districts over 2023-24 and 2024-25. The balance continues to trigger school district reserve caps in 2024-25.

Proposition 51, approved by voters in 2016, authorized \$9 billion in state General Obligation bonds to support K-12 and community college school facilities construction. With these funds nearly exhausted, the Administration indicates that it expects to enter into negotiations with the Legislature on their education facilities bond proposals to reach agreement on a bond proposal to be considered in the November 2024 election.

Higher Education

The Governor's budget reflects the third year of the state's multi-year compacts with the University of California (UC) and California State University (CSU); for both systems, the Governor's budget proposes to defer the planned 2024-25 Compact investments in both systems in 2024-25. These deferrals are intended to maintain funding at 2023-24 levels, while enabling both systems to utilize interim financing structures or other internal borrowing to support spending at the planned 2024-25 Compact levels.

What's Next?

The full budget committees in each house will meet on January 23 to hear an overview of the Governor's proposed spending plan. Trailer bill language (TBL) to implement various budget proposals is due to the Legislature on February 1. We will continue to keep you apprised on budget developments going forward and welcome your questions about both the budget substance and process. Should you have questions on any aspect of the January budget proposal or the budget process in general, please do not hesitate to reach out to the UCC Advocacy Team.