



COMMITTEE ON BUDGET AND FISCAL REVIEW
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Summary of the Governor's Proposed 2024-25 Budget

January 10, 2024

The purpose of this Summary is to provide members and staff of the Legislature with an overview of the Governor's proposed budget for 2024-25. More detailed reviews of the proposals will be developed as the Committee reviews the proposals in public hearings. If you have questions, please contact the committee at (916) 651-4103.

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Overall Budget Proposal

The Governor has proposed a budget for the 2024-25 fiscal year that includes General Fund resources—carry-forward balance, revenues and transfers—of \$222.7 billion and expenditures of \$208.7 billion (total expenditures from all funds are proposed to be \$291.5 billion). Based on the budget proposal which includes the use of reserves, the General Fund would end the 2024-25 fiscal year with a Special Fund for Economic Uncertainties (SFEU) balance of \$3.4 billion and include a withdrawal of approximately \$12.2 million from the Budget Stabilization Account (BSA), resulting in an expected balance in this account of \$11.1 billion at the end of the budget year.

The proposed budget includes a General Fund revenue estimate that is \$44 billion lower than assumed at the 2023-24 Budget Act over a three year budget window, and the Governor's budget projects a budget gap of \$37.9 billion in the 2024-25 fiscal year. Similar to the 2023-24 Budget Act, the proposed budget uses a variety of tools to balance the budget. Among these tools is the use of a portion of the state's reserves, which reached record highs in 2023. The Governor notes that the use of reserves is prudent at this time to maintain the state's fiscal stability while at the same time, allowing the state to address priorities, such as addressing homelessness, combatting climate change, and maintaining programs that support the well-being of Californians. In addition, the use of a portion of the public school raining day fund allows for the stability of funding for K-14 education.

The proposed 2024-25 budget's adjusted base after withdrawals, incorporates a general reserve (SFEU), Safety Net Reserve, Public School System Stabilization Account (PSSSA) and BSA of approximately a combined \$18.4 billion (with another \$10.6 billion reserved for encumbrances). The revised General Fund expenditure level for the current year (2023-24) is approximately \$230.9 billion. Overall, General Fund spending in 2024-25 is expected to decrease by approximately \$22.1 billion from the revised 2023-24 level.

The Governor's proposal of a budget for the 2024-25 fiscal year begins the annual budget process, during which the Legislature will review and analyze the Governor's proposals, engage with the Administration and the public regarding the state's resources and priorities, and then negotiate a final budget with the Governor that reflects our shared values across the branches of state government.

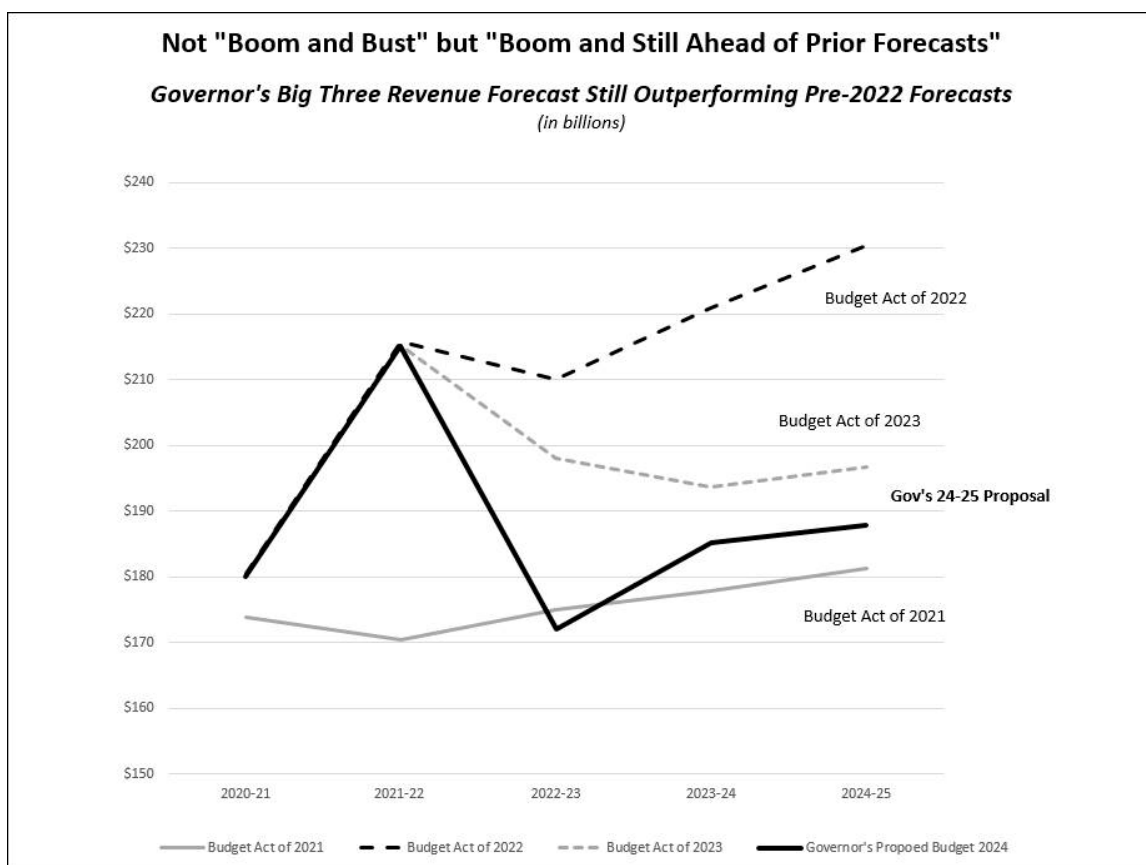
Overall Structure. The Governor's budget includes \$222.7 billion in General Fund revenues and other resources and \$208.7 billion in total General Fund expenditures (\$131.8 billion in non-Proposition 98 and \$76.9 billion in Proposition 98 funds), providing for a \$3.4 billion unencumbered reserve balance in the SFEU, leaves no remaining funds in the Safety Net Reserve, includes a \$3.9 billion PSSSA balance, and leaves \$11.1 billion in the BSA.

The Governor's proposed 2024-25 budget maintains the majority of investments made in past years, in areas of health and human services, education, climate, and infrastructure, among others. As detailed later, the proposed budget closes the budget gap with solutions that include reserve withdrawals, delayed funding, targeted reductions, fund source shifts, deferral of payments, and a combination of borrowing and revenue generation.

The Governor's budget General Fund details are summarized below.

2023-24 and 2024-25 General Fund Summary (Dollars in Millions)		
	<u>Revised 2023-24</u>	<u>Proposed 2024-25</u>
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		
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	\$0
Budget Stabilization Account	\$23,132	\$11,106

Budget Shortfall. The Administration estimates the proposed budget shortfall at \$37.9 billion, after proposed adjustments to the Proposition 98 Guarantee. The Administration notes that the shortfall is due to two main factors; 1) a significant decline in the stock market in 2022 that impacted revenues, and 2) the substantial delay in receiving critical income tax collections, when many high earners were impacted by stock market trends. Both of these factors contributed to the state not having necessary information to correct for changes in revenue estimates in a timely manner. Despite both of these factors, when taken into historical context, 2022-23 revenues are still estimated to be 23 percent higher than pre-pandemic levels in 2018-19 and revenue sources continue to reflect growth, albeit on a trajectory that more closely reflects pre-pandemic trends.



Closing the Budget Gap. Overall, the proposed budget closes the \$37.9 billion budget gap as follows (detailed further later in the report):

- **Reserves** - \$13.1 billion. The budget draws down reserves (\$12.2 billion from the budget stabilization fund and \$900 million from the safety net reserve).
 - In addition, \$5.7 billion is withdrawn from the PSSSA to maintain expenditures for K-12 schools and community colleges.

- **Reductions/Pullbacks** - \$8.5 billion. The budget reduces spending for various items across the three year period, including:
 - 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)
- **Limited Revenue Generation and Borrowing** - \$5.7 billion. The budget increases revenue from various sources and borrows internally, including:
 - Increasing the Managed Care Organization Tax Support for Medi-Cal (\$3.8 billion)
 - Conforming to Tax Cuts and Jobs Act Net Operating Loss Limitation (\$300 million)
- **Funding Delays** - \$5.1 billion. The budget delays funding for multiple items and spreads it across a three-year budget period beginning in 2025-26, including:
 - Transit and Intercity Rail Capital Program (\$1 billion)
 - Full Implementation of Department of Developmental Services 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)
 - Vulnerable Community Toxic Clean Up (\$175 million)
- **Fund Shifts** - \$3.4. The budget shifts certain expenditures in the 2022-23 and 2023-24 fiscal years from the General Fund to other funds, including:
 - Various shifts to the Greenhouse Gas Reduction Fund (\$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 budget defers 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)

Economic Outlook. According to the Department of Finance, California's economy reflects national trends showing signs of slowing, but steady growth.

Year-over-year inflation rates have slowed from a June 2022 peak of 9.1 percent nationwide, and 8.3 percent for California, to 3.1 percent nationwide and 3.2 percent in California in November and October 2023, respectively. The Federal Reserve raised the target federal funds rate just one percentage point in 2023 and has held it steady since July 2023, compared to 4.25 percentage point increases in 2022. This easing of adjustments reflects the increased potential that the economy is experiencing a soft landing and not entering a recession. If trends continue, the Federal Reserve may reduce the federal funds rate in the coming year to potentially stimulate economic activity.

Data analyzed by the Department of Finance shows that non-farm jobs recovered from the COVID-10 Pandemic by October 2022. However, the overall labor force continues to struggle to fully recover, with only 77 percent of the estimated one million people who had left the labor force during the initial months of the pandemic having returned by November of 2023. Although the state's unemployment rate fell to a record low of 3.8 percent in September 2022, as of November of 2023 unemployment rose by 1.1 percent to reach 4.9 percent, rising faster than the national increase of 0.3 percent in the same period.

Department of Finance notes that wage growth is 4.2 percent year-over-year as of the third quarter of 2023, reflecting a moderation after a decrease of one percent in 2022, that followed record highs in 2020 and 2021. The Department notes that decreases in 2022 were related to significant declines in the state's highest paying sectors, and are anticipated to continue to recover as asset markets show growth. These labor market trends are anticipated to be reflected in personal income growth and resulting state revenues.

According to the Department of Finance, the economic outlook has improved considerably, recovering in 2023, and showing signs of continued growth. Despite these positive signs, there continue to be risks to the forecast including rebounding of inflation levels, sustained high interest rates, and global economic uncertainty, any of which could have impact of the economic outlook.

2023-24 Budget Recap

The 2023-24 budget incorporated priorities of the Legislature and the Administration and included funding for various initiatives and programs. However, in building the 2023 Budget the state faced a budget shortfall of over \$30 billion due to deteriorating revenue estimates, in comparison to what was estimated in June 2022. The final budget package closed the estimated budget gap at that point in time through a combination of solutions that largely avoided making significant cuts to ongoing programs and legislative priorities. Highlights are as follows:

K-12 EDUCATION

- **Equity Multiplier.** The budget included \$300 million ongoing Proposition 98 General Fund, distributed through the equity multiplier formula, to local educational agencies with school sites that have a prior year non-stability rate of 25 percent and also have 70 percent of students who are socio-economically disadvantaged.
- **County Court School Funding and Accountability.** The budget provided \$80 million ongoing Proposition 98 General Fund to support county court and community school operations, including protections for declining enrollment and the establishment of the Student Support and Enrichment Block Grant. The budget also included additional accountability measures for court and community schools that improve access for juveniles with a high school diploma or a California high school equivalency to public postsecondary academic and career technical education courses, and improve transparency of operations and funds allocated to county offices of education for court and community schools.
- **2023-24 Budget Solutions.** The budget enacted funding shifts or reductions from previous budgets related to K-12 education, including:
 - o A delay of \$550 million General Fund for the Preschool, Transitional Kindergarten, and Full Day Kindergarten Facility Grant program to 2024-25.
 - o A total delay of \$1.1 billion Proposition 98 General Fund to the Learning Recovery Emergency Block Grant.

- o Shifts \$1 billion Proposition 98 General Fund from the Hybrid and Zero-Emission Truck and Voucher Incentive Project and related infrastructure to 2024-25 and 2025-26.
- o Reduces the appropriation for the School Facility Program from \$4.2 billion to \$4.1 billion General Fund.
- o Reduces the appropriation for the Arts, Music, and Instructional Materials Discretionary Block Grant from \$3.48 billion to \$3.28 billion Proposition 98 General Fund.

HIGHER EDUCATION

- **Student Housing at University of California (UC), California Community Colleges (CCC), and California State University (CSU).** The budget avoided delays and cuts to previous, current, and future student housing projects in the following ways:
 - o Included solutions that preserve Higher Education Student Housing Grant Program funding for affordable student housing projects across UC, CCC, and CSU campuses by shifting support from General Fund to bonds.
 - o Avoided funding delays to the California Student Housing Revolving Loan Fund (Fund) and instead provides \$200 million General Fund in 2023-24 and \$300 million annually from the 2024-25 to 2028-29 fiscal years to provide zero-interest loans to qualifying campuses at UC, CSU, and CCC for the purposes of constructing affordable student, faculty, and staff housing.
- **Financial Aid Reform.** The budget included significant financial aid reforms such as:
 - o Provided \$289 million for the Middle Class Scholarship program in 2024-25 to maintain the current level of the program and maintain efforts to reach the goal of Debt Free College.
 - o Made foster youth the first population to achieve Debt Free College by expanding the Student Success Completion Grant for CCC foster youth students and, separately, added \$5.2 million General Fund ongoing to the Middle Class Scholarship for CSU and UC foster youth students. Changes to both programs were intended to cover their total cost of attendance.

- **Student Support Programs.** The budget provided ongoing increases to bolster basic needs, including rapid rehousing, mental health services, and food insecurity, and support current and former foster youth, students with disabilities and students of color across all UC, CSU, and CCC campuses.
- **Associate Degree in nursing programs at CCC.** The budget provided \$60 million Proposition 98 General Fund per year for five years, starting in 2024-25, to grow, educate, and maintain the next generation of registered nurses through the community college system.

NATURAL RESOURCES

- **Flood Contingencies.** The budget included \$135 million General Fund, appropriated as follows: \$20 million for the community of Pajaro, \$20 million for the community of Planada, and \$95 million for other response and recovery activities. The Department of Finance has submitted the notification for spending the \$95 million to the Joint Legislative Budget Committee, as follows:
 - o \$67 million to DWR for critical levee repairs;
 - o \$14 million to State Water Resources Control Board (SWRCB) to address needs resulting from flood impacts to domestic wells;
 - o \$11.7 million to the Department of Social Services to provide direct assistance to individuals affected by floods who are ineligible for support through other programs; and,
 - o \$2.3 million to CDFA and the University of California to restore services at a flood-damaged animal and food safety laboratory.
- **California Small Agriculture Business Drought and Flood Relief Grant Program.** The budget included \$20 million to the Governor's Office of Business and Economic Development for the Small Agriculture Business Drought and Flood Relief Grant Program; and \$5 million to CDFA for the California Underserved and Small Producers Program Drought and Flood Relief Grant Program.
- **Flood Control Subventions Program (FCSP).** The budget appropriated \$75 million General Fund to continue implementing FCSP, which provides financial assistance for the state cost-share of federally authorized and federally led flood management projects undertaken by local partners.

- **Disaster Response Emergency Operations Account (DREOA).** The budget appropriated \$25 million in 2022-23 for additional potential flood emergency costs that may have materialized in the current year. (These funds will be provided through the California Office of Emergency Services).

FOOD AND AGRICULTURE

- **Sustainable Agriculture Package.** The budget maintained \$53 million General Fund and Greenhouse Gas Reduction Fund in 2023-24 for the sustainable agriculture package.
- **California Nutrition Incentive Program.** The budget included \$35 million General Fund for the California Nutrition Incentive Program at California Department of Food and Agriculture (CDFA).
- **Enteric Fermentation Incentive Program.** The budget included \$25 million General Fund for the Enteric Fermentation Incentive Program at CDFA.

ENERGY, AIR QUALITY, AND UTILITIES

- **Zero-Emission Vehicle Package.** The budget maintained \$847 million General Fund and Greenhouse Gas Reduction Fund (GGRF) in 2023-24 for the zero-emission vehicle package.
- **Energy Package.** The budget maintained \$1.3 billion General Fund and GGRF in 2023-24 for the energy package.
- **Clean Energy Reliability Investment Plan.** The budget included \$100 million in 2023-24 for various energy programs.

HEALTH

- **Distressed Hospital Loan Program.** The budget included General Fund expenditure authority of \$150 million in 2022-23 and \$150 million in 2023-24 for the Department of Health Care Access and Information, in collaboration with the California Health Facilities Financing Authority, to administer the Distressed Hospital Loan Program to provide interest free cashflow loans to not-for-profit and public hospitals in significant financial distress, or to governmental entities representing a closed hospital, to prevent the closure or facilitate reopening of those hospitals.

- **Managed Care Organization (MCO) Tax and Provider Rate Increases.** The Legislature approved trailer bill language to assess a tax on managed care organizations operating in California to provide a stable funding source for the delivery of health care services in the Medi-Cal program and support critical investments to ensure access, quality, and equity. The tiered, enrollment-based Managed Care Organization (MCO) tax is assessed from April 1, 2023, through December 31, 2026, and will support: 1) the nonfederal share of increased capitation payments to Medi-Cal managed care plans to account for their projected tax obligation, 2) the nonfederal share of Medi-Cal managed care rates for the delivery of health care services to beneficiaries of the Medi-Cal program, and 3) transfers to the Medi-Cal Provider Payment Reserve Fund to support investments in the Medi-Cal program.
- **Cost-Sharing Reduction Subsidies Beginning in 2024 Coverage Year.** The budget included expenditure authority from the Health Care Affordability Reserve Fund of \$82.5 million in 2023-24 and \$165 million annually thereafter to support a program of financial assistance for individuals purchasing coverage in the Covered California health benefit exchange. For the 2024 coverage year, these subsidies would result in elimination of deductibles and reduction in copayments and other health care cost sharing for more than 600,000 Californians. The Legislature also approved trailer bill language to require all revenues collected from the individual mandate penalty to be annually deposited in the Health Care Affordability Reserve Fund to be used by Covered California to improve affordability in the health benefit exchange.

HUMAN SERVICES

- **Child Care Rates.** The budget included \$1.65 million one-time General Fund available over two years to provide rate increases and other adjustments to California's subsidized child care providers, pursuant to the ratified collective bargaining agreement between the state and Child Care Providers United (CCPU). This funding increased monthly child care reimbursement rates by 20 percent and includes an additional \$390 million for health, training, and a first-in-the-nation retirement program for family child care providers.
- **Child Care Family Fee Reform.** The budget included \$29.4 million in federal funds and \$56 million General Fund to enact permanent family fee reform to reduce the costs of child care for low-income families.
- **CalWORKs Permanent 10 Percent Grant Increase.** The budget permanently extended the 10 percent increase to CalWORKs grants which was funded in the Budget Act of 2022 and was set to expire in 2024.

- **Summer Electronic Benefits Transfer (EBT).** The budget included \$47 million (\$23.5 million General Fund) to implement a new federal summer food assistance program for children who qualify for free- or reduced-price school meals beginning summer 2024.
- **CalFresh \$50 Minimum Nutrition Benefit Pilot Program and other Food Assistance Investments.** The budget included \$915,000 in 2023-24 and \$15 million in 2024-25 to implement the CalFresh Minimum Nutrition Benefit Pilot Program, to provide eligible pilot households with a minimum monthly CalFresh benefit of \$50. The budget also includes \$9.9 million General Fund to extend the California Fruit and Vegetable EBT Pilot Project, \$3 million to continue the CalFresh Safe Drinking Water Pilot Program, and \$40 million to implement the California Food Assistance Program (CFAP) expansion by 2025.

GENERAL GOVERNMENT

- **California Film and Television Tax Credit Program 4.0.** The budget extended the authority for the California Film Commission (CFC) to allocate, and for qualified taxpayers to claim, the California Motion Picture and Television Production Credit for an additional five years, starting in 2025-26 (Film and Television Tax Credit 4.0) maintaining the current authorization amount of \$330 million per year. The credit structure is amended to make it refundable, allowing taxpayers with insufficient tax liability to make use of the credit.

HOUSING & HOMELESSNESS

- **Homeless Housing, Assistance, and Prevention (HHAP) Round 5 and Related Accountability Measures.** HHAP provides local assistance grants to counties, big cities, continuums of care, and tribal governments to aid them in addressing homelessness. The budget included \$1 billion from the General Fund for a fifth round of HHAP funding tied to increased accountability measures, including requiring formation and adherence to a regional coordination plan. Additional adjustments include moving up deployment of “bonus” awards previously withheld and the provision of incentives for meeting certain housing production prerequisites, including submission of a compliant housing element.
- **Multifamily Housing Program Augmentation.** The budget included the provision of an additional \$100 million to the Department of Housing and Community Development’s flagship affordable housing development grant program, bringing the total 2023-24 allocation to \$325 million.

ECONOMIC DEVELOPMENT

- **Additional Year of CalCompetes Grants.** The budget included \$120 million to support a third year of CalCompetes grants, which are designed to incentivize businesses to stay in or move to California. Under the grant-based programs, CalCompetes provides up-front funding to businesses in exchange for their promise to make investments and to hire in California. The budget directs CalCompetes to place particular emphasis on domestic microchip production.
- **Continuation and Expansion of Youth Job Training Programs.** The budget provided for continuation of the Youth Job Corps program through allocation of \$78.1 million annually from the General Fund. The budget also continued and eventually doubles the size of the Climate Action Corps program through the allocation of \$4.7 million annually from the General Fund in 2023-24 through 2025-26, and \$9.3 million in 2026-27.
- **Investment in City of Fresno Public Infrastructure Plan.** The budget redirected \$250 million in General Fund to the City of Fresno's Public Infrastructure Plan for investment in a high speed rail station, parking, green space, walkability, and water projects in the downtown area.

PUBLIC SAFETY, CORRECTIONS, AND JUDICIAL

- **Prison Closures.** The budget included a net reduction of \$403.1 million General Fund and \$2.8 million special funds to reflect the closures of California City Correctional Facility, the California Correctional Center, and the Division of Juvenile Justice, and the deactivations of facilities at six institutions. The budget also included statutory intent to close additional state prisons and language requiring the Department of Corrections and Rehabilitation to report on operational capacity.
- **San Quentin Rehabilitation Center.** The budget included \$360.6 million one-time Public Buildings Construction Fund and \$20 million one-time General Fund to build a new center focused on rehabilitation, education, and workforce development and make various other facility improvements at San Quentin Rehabilitative Center (formerly San Quentin State Prison). The budget also included statutory exemptions to enable project completion by 2025, as outlined in Senate Bill 135 (Committee on Budget and Fiscal Review), Chapter 190, Statutes of 2023.

- **Rehabilitation and Reentry Programs.** The budget included funding to improve rehabilitative programming and family connection, including \$28.5 million ongoing to implement free phone calling at state prisons as required by SB 1008 (Becker), Chapter 827, Statutes of 2022, \$21 million to support the delivery of rehabilitative programming in prisons statewide, and statutory changes to support community reentry centers and family visitation.
- **Firearm Safety.** The budget included funding to support firearm safety and to combat illegal possession of firearms, including \$21 million for a local gun buyback program, \$4 million for education and outreach in multiple languages around Gun Violence Restraining Orders and Domestic Violence Restraining Orders, \$19.4 million for the Department of Justice workload related to tracking and licensing firearms, and \$17.3 million over three years to expand collaborative courts and improve firearm relinquishment efforts in the courts.
- **Community Assistance, Recovery, and Empowerment (CARE) Act.** The budget included \$55.5 million General Fund in 2023-24, \$106.9 million General Fund in 2024-25, and \$133.0 million General Fund in 2025-26 and ongoing for the Judicial Branch to implement the CARE Act pursuant to SB 1338 (Umberg), Chapter 319, Statutes of 2022. Of this amount, \$32.7 million in 2023-24, \$55.3 million in 2024-25, and \$68.5 million ongoing is for the judicial branch to administer the program. The remaining \$22.8 million in 2023-24, \$51.7 million in 2024-25, and \$64.5 million ongoing is intended to support public defender and legal service organizations that will provide legal counsel to CARE participants.

LABOR

- **Avoids Cuts for Various Programs.** The budget supported a \$25 million Labor and Workforce Development Fund appropriation in 2023-24 for the California Worker Outreach Project, maintains ongoing funding for the Women in Construction priority unit at the Department of Industrial Relations, and maintained a commitment to fund community change learn-and-earn career pathways for community college students from historically underrepresented backgrounds.
- **Domestic Worker and Employer Education and Outreach Program (DWEOP).** The budget included \$35 million Labor and Workforce Development Fund to fund health and safety outreach and education for domestic work employees and employers through an expansion of DWEOP, and makes the program permanent.

- **UI Interest Payment and Unemployment Compensation Disability Fund Loan.** The budget included a one-time loan of \$306 million from the Unemployment Compensation Disability Fund to the General Fund to support the state's payment of the UI loan interest payment.
- **EDDNext.** The budget included \$198 million (\$99 million General Fund) one-time in 2023-24 to continue the planning and development of EDDNext, for the second year of a five-year plan to modernize EDD.

TRANSPORTATION

- **Transit.** The budget included \$5.1 billion for transit across four years through the Transit and Intercity Rail Capital Program and the Zero Emission Transit Capital Program. SB 125 (Committee on Budget and Fiscal Review), Chapter 54, Statutes of 2023, provides statutory relief to transit operators as well as includes measures for accountability for transit operators to improve ridership and long-term sustainability.
- **Grade Separations.** The budget delayed \$350 million General Fund for the Grade Separations program to 2025-26.
- **Ports and Freight Infrastructure.** The budget included a delay of the \$600 million General Fund for the Port and Freight Infrastructure Program scheduled for 2023-24. This reduction will be implemented by maintaining \$200 million in 2023-24 and providing additional allotments of \$200 million in both 2024-25 and 2025-26. In addition, the budget includes a reduction of a portion of the General Fund scheduled to be provided to the Port and Freight Infrastructure Program in 2023-24 by \$150 million and backfills the decrease with an equal amount from the State Highway Account.
- **Climate Adaptation.** The budget shifted \$200 million for the Climate Adaptation program from the General Fund to the State Highway Account.

2024-25 Proposed Budget Expenditures and Revenues

The proposed budget includes additional required programmatic increases and new spending. The table below summarizes the Governor's proposed expenditures by program area.

General Fund Expenditures Current and Budget Year (Dollars in Millions)

Program Area	Revised 2023-24	Proposed 2024-25	Change
K-12 Education	\$ 76,134	\$76,177	\$51
Higher Education	22,075	22,126	43
Health and Human Services	74,136	73,588	-548
Corrections and Rehabilitation	15,525	14,314	-1,211
Business, Consumer Services, Housing	3,391	654	-2,737
Transportation	1,121	726	-395
Natural Resources	12,263	5,468	-6,795
Environmental Protection	1,466	715	-751
Labor and Workforce Development	1,077	771	-306
Government Operations	4,791	3,239	-1,552
General Government:			
Non-Agency Departments	2,501	1,553	-948
Tax Relief / Local Government	595	579	-16
Statewide Expenditures	2,487	1,295	-1,192
Legislative, Judicial and Executive	13,346	7,514	-5,832
Total	\$230,908	\$208,718	-\$22,190

The Governor's 2024-25 budget proposes major policy and budgetary changes related to solving for the budget solutions.

The Administration also notes that new spending decisions, and in particular resources requested to implement recently chaptered legislation, have been deferred to the May Revision and commits to working with the Legislature during the spring to prioritize resources in relation to the budget picture.

Some of the more significant aspects of the budget proposal are outlined below:

Education and Higher Education

K-12 Education. In addition to Proposition 98 (General Fund and property taxes), K-12 education is funded through a variety of other fund sources, including federal funds, state lottery funds, local fund sources, and other funds. Total funding for K-12 education from all sources is approximately \$126.8 billion in 2024-25. The proposed budget estimates a total Proposition 98 funding level of \$109.1 billion (K-14) for 2024-25. Due to the rebenching of the Proposition 98 Guarantee to reflect the implementation of universal transitional kindergarten and Proposition 28, the resulting Test 1 percentage increases from 38.6 percent to 39.5 percent.

K-12 Local Control Funding Formula. The budget proposes an LCFF COLA of 0.76 percent, and when combined with growth adjustments, results in \$1.4 billion in decreased discretionary funds for local educational agencies. The budget proposes withdrawing \$2.8 billion from the PSSSA to support ongoing LCFF costs in 2023-24, withdrawing approximately \$2.2 billion from the PSSSA to support ongoing LCFF costs in 2024-25, and using available re-appropriation and reversion funding totaling \$38.6 million to support ongoing LCFF costs in 2024-25. The budget also proposes statutory changes that would allow local educational agencies to add attendance recovery time to the attendance data submitted to the Department of Education for funding purposes and chronic absenteeism data.

Budget Solutions. The budget proposes to reduce the planned allocation for the School Facility Program by \$500 million General Fund in 2024-25, and delay \$550 million General Fund for the Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program to 2025-26

Higher Education

University of California (UC) and California State University (CSU) Compact Deferrals. The Governor's budget proposes one-time deferrals of \$227.8 million of \$240.2 million for UC and CSU respectively, representing a five-percent resource adjustment that is consistent with the Governor's multi-year compact with both segments. According to the Administration, the deferrals would maintain ongoing UC and CSU General Fund at 2023-24 levels and enable both segments to pursue various interim financing to support the planned 2024-25 Compact support. The Administration also expects both segments to plan for a repayment of the one-time deferrals and ongoing General Fund to be included in its base budget in 2025-26. The budget also proposes a one-time deferral for a revenue reduction offset associated with the replacement of 902 nonresident undergraduate students enrolled at three UC campuses.

Higher Education Student Housing Grant Program (Program). The Administration stated that it is developing a proposal for consideration at the May Revision for a statewide lease revenue bond, or other statewide financing or fiscal approach to support California Community College affordable student housing projects approved the Program. The Administration also proposes using resources provided in the Budget Act of 2023 to cover projects that do not currently fit within a statewide lease revenue bond approach.

California Student Housing Revolving Loan Fund. The budget proposes suspending funding for the program. This action would pull \$300 million General Fund in annual support between 2024-25 and 2028-29 fiscal years and a reversion of \$194 million General Fund in 2023-24.

Middle Class Scholarship (MCS) Reduction. The Governor's budget proposes to forego the MCS planned appropriation of \$289 million in 2024-25.

Reducing Support for Local Library Infrastructure and Broadband Access. The Governor's budget proposes to pull back funding that would have supported local library infrastructure projects and expanded broadband access to isolated and under-served communities.

Institute for Immunology and Immunotherapy at UC Los Angeles (UCLA) Reduction. The budget proposes to forego a \$300 million General Fund investment for a new construction project at UCLA because the project scope shifted to the acquisition and maintenance of an existing facility.

California Community College (CCC) Apportionments and Student Centered Funding Formula (SCFF) Support. The Governor's budget proposes an increase of \$69.1 million Proposition 98 General Fund ongoing to provide a 0.76-percent cost-of-living adjustment for SCFF apportionments and withdrawals of \$235.9 million in 2023-24 and \$486.2 million in 2024-25 to support SCFF resource needs.

Nursing Program Support at CCC. Subject to future legislation, the budget includes \$60 million one-time, to expand nursing programs and Bachelor of Science in Nursing to grow, educate, and maintain the next generation of registered nurses through the community college system.

Health and Human Services

Managed Care Organization (MCO) Tax and Provider Rate Increases. The budget includes a total of \$20.9 billion of support through December 31, 2026, for the General Fund and Medi-Cal provider rate increases from a revision to the Managed Care Organization (MCO) tax proposal adopted in the 2023 Budget Act and approved by the federal Centers for Medicare and Medicaid Services (CMS) in December 2023. The Administration's revised proposal would require early action to authorize Department of Health Care Services (DHCS) to request an increase in the total tax of \$1.5 billion from CMS. The budget proposes to use \$12.9 billion to support the Medi-Cal program and maintain a balanced budget, and \$8 billion for targeted reimbursement rate increases and other investments. The budget includes \$2.8 billion (\$1.2 billion from the MCO tax) in 2024-25 and \$6.5 billion (\$2.7 billion from the MCO tax) in 2025-26 support these reimbursement rate increases.

Delay of Behavioral Health Infrastructure. The budget includes \$140.4 million General Fund savings from delay of grant funding in the final round of the Behavioral Health Continuum Infrastructure Program (BHCIP) from 2024-25 until 2025-26. The budget also includes \$265 million General Fund savings from delay of funding for the Behavioral Health Bridge Housing program from 2024-25 to 2025-26.

Medi-Cal Coverage for All, Regardless of Immigration Status. The budget maintains the state's historic investment in expanding full-scope Medi-Cal coverage to all Californians, regardless of immigration status. The budget includes expenditure authority of \$1.4 billion (\$1.2 billion General Fund) in 2023-24 and \$3.4 billion (\$2.9 billion General Fund) in 2024-25 to support the expansion. The expansion was implemented beginning January 1, 2024.

State-Only Cost-Sharing Reduction Subsidies. The budget includes expenditure authority of \$167 million from the Health Care Affordability Reserve Fund to support increased subsidies to reduce costs for individuals purchasing coverage in the Covered California health benefits exchange in the 2025 coverage year. The 2023 Budget Act included expenditure authority of \$84.5 million from the fund to reduce or eliminate deductibles and reduce copayments and other cost-sharing for more than 600,000 Californians purchasing coverage in the exchange in 2024.

Safety Net Reserve Withdrawal. The budget proposes to withdraw \$900 million from the Safety Net Reserve Fund, which is established to maintain CalWORKs and Medi-Cal benefits during economic downturns.

Various Cuts to CalWORKs Services. The budget proposes ongoing reductions to various CalWORKs services, including CalWORKs Family Stabilization (\$71 million General Fund ongoing), Employment Services Intensive Case Management (\$47 million General Fund ongoing), and Expanded Subsidized Employment (\$134.1 million General Fund ongoing).

Child Welfare Reductions and Rate Reform. The budget proposes cuts to the Family Urgent Response System by \$30 million General Fund ongoing and reduces the Housing Supplement for Foster Youth in Supervised Independent Living Placements by \$25.5 million (\$18.8 million General Fund) ongoing. The budget includes funding to automate foster care rate reform, with details of the rate reform proposal anticipated from the Administration.

Department of Social Services (DSS) Housing Programs. The budget proposes spending delays to various DSS Housing and Homelessness Programs, including Bringing Families Home (\$80 million General Fund), Home Safe (\$65 million General Fund), and Housing and Disability Advocacy Program (\$50 million General Fund).

Developmental Services Rate Reform. The budget proposes to delay the final phase of developmental services rate reform by one year to July 1, 2025. The budget also initiates a Master Plan for Developmental Services to establish a more quality-driven and person-centered system.

Resources and the Environment

Climate Investment Reductions. The 2021 and 2022 Budget Acts allocated approximately \$54 billion over five years to address climate change in the Climate-Energy Package. The Governor's budget proposes to maintain 89 percent (overall) of these investments (approximately \$48.3 billion) spread over seven years; and includes an additional \$159.1 million in new climate investments.

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; and \$1.8 billion in shifts to other funds, primarily the Greenhouse Gas Reduction Fund (GGRF). These proposals span across various sectors, such as wildfire and forest resilience, water, coastal resilience, extreme heat, community resilience, sustainable agriculture, energy, and transportation.

Coastal Resilience. The 2021 and 2022 Budget Acts committed \$1.3 billion for coastal resilience over multiple years. The Governor's budget proposes to reduce this funding by approximately half, maintaining \$660 million of these investments spread over multiple years.

- **Sea Level Rise.** The Governor's budget proposes to revert \$220.9 million General Fund, maintaining \$333.6 previously allocated for this program.
- **Coastal Protection and Adaptation.** The Governor's budget proposes to revert \$171.1 million General Fund, maintaining \$154.9 million previously allocated.
- **SB 1 Implementation.** The Governor's budget proposes to revert \$25 million General Fund and shifts \$36.8 million to GGRF in 2024-25 for implementation of SB 1 (Atkins), Chapter 236, Statutes of 2021, maintaining \$77 million previously allocated.
- **Ocean Protection.** The Governor's budget proposes to revert \$35 million General Fund, maintaining \$65 million previously allocated.

Department of Forestry and Fire Protection (CalFire). 66-Hour Workweek. The Governor's budget proposes an increase of \$198.9 million (\$197.1 million General Fund) and 338 positions in 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 between CalFire Local 2881 (Bargaining Unit 8) and the state that committed to the reduction of the 72-hour workweek to a 66-hour workweek beginning

on November 1, 2024. The Administration will also engage in collective bargaining with Bargaining Unit 8 in 2024.

Department of Pesticide Regulation (DPR). Safe and Sustainable Pest Management.

DPR helps develop and support pest management. The DPR Fund, which is primarily comprised of the mill assessment, is currently in a structural balance. The Governor's budget proposes legislation to increase the mill assessment to support programs and address the DPR Fund structural balance. In addition, the legislation includes changes to collection of the mill assessment, data review, registration, and enforcement. The Governor's budget proposes to include \$33.3 million ongoing DPR Fund and GGRF, phased in over three years, to support DPR's work.

Department of Resources Recycling and Recovery (CalRecycle). California Beverage Container Recycling Fund (BCRF) Loan.

To address the projected budget shortfall, the Governor's budget proposes a budgetary loan of \$125 million, along with a one-year repayment deferral of an existing \$25 million budgetary loan, from BCRF to the General Fund.

Department of Toxic Substances Control (DTSC). Underground Storage Tank (UST) Cleanup Fund Loan.

To address the projected budget shortfall, the Governor's budget proposes a budgetary loan of \$150 million, along with a one-year repayment deferral of an existing \$50.7 million budgetary loan, from the UST Cleanup Fund to the General Fund.

Energy and Transportation

Zero Emission Vehicles (ZEV) Package. In total, the Governor's budget includes the following reductions, shifts, and delays for the ZEV package: \$38.1 million General Fund reductions, \$475.3 million General Fund shifts to the Greenhouse Gas Reduction Fund (GGRF), and \$600 million GGRF delays from 2024-25 to 2027-28.

Energy Package. In total, 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.

Clean Energy Reliability Investment Plan (CERIP). The budget includes a delay of \$400 million General Fund from 2024-25 and \$400 million General Fund from 2025-26. This amends the original CERIP to the following: \$100 million in 2023-24, \$100 million in 2025-26, \$300 million in 2026-27, and \$500 million in 2027-28.

Transportation Package. In total, the Governor's budget includes the following amendments to the prior years' transportation package: \$296 million General Fund reductions, \$791 million in fund shifts, and \$3.2 billion in delays.

Housing, and Homelessness.

Various Housing Program Reversions. The Governor's budget proposes to revert \$952.5 million in General Fund dollars previously allocated to several of the state's housing programs including the Multifamily Housing Program, the Infill Infrastructure Grant Program, CalHome, the Regional Early Action Planning Grants 2.0, and the Veterans Housing and Homelessness Prevention Program.

Housing Program Reductions. The Governor's Budget proposes to reduce planned future General Fund allocations totaling \$261.2 million to other state housing programs including the Foreclosure Intervention Housing Preservation Program and the Housing Navigators program.

Homeless Housing, Assistance and Prevention Program (HHAPP). The Governor's Budget proposes to maintain existing commitments at \$3.4 billion in General Fund for addressing the state's ongoing homelessness crisis, though it (a) delays allocation of \$260 million in Homeless Housing, Assistance and Prevention Program (HHAPP) funding; (b) reverts \$100.6 million in savings from HHAPP administration; and (c) includes some shifts and delays in related health and human services programs.

The Governor's Budget does not include funding for a HHAPP Round 6, but commits to working with the Legislature on additional funding "assuming that local governments deliver" on commitments under HHAPP Rounds Three and four, as well as regional planning and coordination requirements pursuant to HHAPP Round Five.

Labor, and Employment

Unemployment Insurance (UI) Interest Payment. The budget proposes a one-time payment of \$331 million (\$231 million General Fund and \$100 million Employment Training Fund) to the state's UI loan interest payment.

EDDNext. The Governor's budget includes \$326.8 million one-time in 2024-25 (\$163.4 million General Fund) to continue the planning and development of EDDNext, for the third year of a five-year plan to modernize Employment Development Department (EDD).

Delays and Reductions to Labor and Workforce Investments. The Governor's budget proposes to reduce approximately \$100 million General Fund from prior investments and delay \$734.5 million from 2023-24 and prior years to 2024-25 and future years. Notable proposed adjustments include:

- A reduction in Women in Construction Priority Unit by \$5 million General Fund in 2024-25 and ongoing to maintain the program at \$10 million General Fund ongoing.
- Delaying \$25 million General Fund for the California Youth Apprenticeship Program to 2025-26.
- Reducing funding the High Road Training Partnerships in Health and Human Services program by \$45 million in 2023-24 and maintaining \$90 million over two years for the program.
- Delaying \$300 million General Fund for the California Jobs First (formerly Community Economic Resilience Fund) and, instead, including \$100 million for each year between 2024-25 and 2026-27.
- Delaying \$140.1 million General Fund for Nursing and Social Work Initiatives to 2025-26 (Additional information is contained in the Health section of this summary).

General Government

California Competes Grant Program. The Governor's budget includes \$60 million in one-time General Fund (comprised of \$10 million in savings from 2023-24 and a newly allocated \$50 million for 2024-25) to continue the Cal Competes Grant Program for an additional year. This constitutes half the funding level of the prior two years.

Infrastructure State Revolving Fund. The Governor's budget includes \$50 million in one-time General Fund to recapitalize the Infrastructure State Revolving Fund with the California Infrastructure and Economic Development Bank (IBank). The fund provides financing to local governments for clean energy, water, and other environmental projects.

Diablo Canyon Power Plant Related-Projects. The Governor's budget delays General Fund allocations of \$150 million for land conservation and economic development projects associated with the closure of the Diablo Canyon Power Plant.

Local Funding Requests. The Governor's budget proposes to reduce funds set-aside for Legislative priority local funding requests by \$350 million in General Fund in the 2023-24 fiscal year. The majority of requests have been funded and the Administration has not yet been able to provide detail on what specific projects would be impacted.

Net Operating Loss Conformity. A net operating loss (NOL) occurs when a business has deductions exceed taxable income in a given year. Under both state and federal law, these NOLs can be carried forward and applied to offset tax payments in future years. The proposed budget conforms state law on NOLs to a provision in federal law that limits the prior year carry forward allowance for NOLs to 80 percent of the of an subsequent year's net income. The Administration anticipates this will result in revenue gains of \$300 million in 2024-25 and ongoing gains of \$200 million in subsequent years.

Broadband Middle Mile. The Governor's budget includes \$1.5 billion General Fund over two years (\$250 million in 2024-25 and \$1.25 billion in 2025-26) for the Department of Technology to complete the development of the statewide middle-mile network.

Education

K-14 Education

Overall Proposition 98 – K-14 Education

Budget Year – Overall Funding Levels. The proposed budget estimates a total Proposition 98 funding level of \$109.1 billion (K-14) for 2024-25. This is a \$2.5 billion decrease over the 2024-25 Proposition 98 level provided in the 2023 Budget Act. The Administration estimates that the Proposition 98 calculation for 2024-25 will be a Test 1 calculation. Due to the rebenching of the Proposition 98 Guarantee to reflect the implementation of universal transitional kindergarten and Proposition 28, the resulting Test 1 percentage increases from 38.6 percent to 39.5 percent.

Prior and Current Year Adjustments. The budget proposes to provide total Proposition 98 funding (K-14) for 2022-23 of \$98.3 billion (a decrease from \$107.4 billion), and for 2023-24, the Governor estimates a decrease in the total Guarantee to \$105.6 billion (a decrease from \$108.3 billion). This represents an overall three-year decrease in the minimum Guarantee of \$11 billion over the level funded in the 2023 Budget Act. The Administration estimates that the Proposition 98 calculations for 2022-23 and 2023-24 will continue to remain Test 1.

Proposition 98 Changes. The proposed budget includes a Proposition 98 funding level of \$94.4 billion General Fund for K-12 programs. This includes a year-to-year increase of \$1.4 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2023-24. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures total \$17,653 Proposition 98 General Fund, and \$23,519 per pupil when accounting for all funding sources.

Public School System Stabilization Account (PSSSA). The state's Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. The 2024-25 proposed budget includes revised 2022-23 and 2023-24 payments, and a 2024-25 payment of \$339 million, \$288 million, and \$752 million, respectively, into the PSSSA, and withdrawals of approximately \$3 billion in 2023-24 and \$2.7 billion in 2024-25. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Account is equal to or greater than three percent of the total K-12 share of the Guarantee. The balance of \$5.7 billion in 2023-24 continues to trigger school district reserve caps in 2024-25.

K-12 Education – Major Spending Proposals

Proposition 98 Solution. The budget proposes to shift \$8 billion that is over-appropriated above the Proposition 98 Minimum Guarantee in 2022-23 to supplemental payments outside of Proposition 98 beginning in 2025-26. Local educational agencies would be able to keep and spend funds. More details will be provided in trailer bill language.

K-12 Local Control Funding Formula. The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the number of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and has annually adjusted the grant amounts by a cost-of-living adjustment (COLA). The budget proposes an LCFF COLA of 0.76 percent, and when combined with growth adjustments, results in \$1.4 billion in decreased discretionary funds for local educational agencies. The budget proposes withdrawing \$2.8 billion from the PSSSA to support ongoing LCFF costs in 2023-24, withdrawing approximately \$2.2 billion from the PSSSA to support ongoing LCFF costs in 2024-25, and using available re-appropriation and reversion funding totaling \$38.6 million to support ongoing LCFF costs in 2024-25.

Educational Revenue Augmentation Fund. The budget proposes statutory changes to clarify that charter schools are eligible to receive local educational revenue augmentation funds.

Attendance Recovery. The budget proposes statutory changes that would allow local educational agencies to add attendance recovery time to the attendance data submitted to the Department of Education for funding purposes and chronic absenteeism data. These statutory changes would also include requiring local educational agencies to provide students with access to remote instruction or support to enroll at a neighboring local educational agency for emergencies lasting five or more days. The budget also includes \$6 million one-time Proposition 98 General Fund to support models of hybrid and remote learning, and research and make recommendations to allow local educational agencies to discern local and statewide data related to student absences.

Teacher Preparation. The budget includes several proposals, including (1) recognizing completion of a bachelor's degree as satisfying the basic skills requirement for a credential, (2) improving transcript review to certify subject matter competency, and (3) statutory changes for school staff to recognize and offer appropriate mental health supports to students.

School Facility Program. The budget proposes a reduction of \$500 million General Fund in planned support for the School Facility Program, taking the planned allocation in 2024-25 from approximately \$875 billion to \$375 billion.

Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program (FDK Program). The 2023 Budget Act reflected \$550 million General Fund in planned support for the FDK program in 2024-25, a one-year delay from the original allocation. The proposed budget further delays this investment to the 2025-26 fiscal year.

Child Nutrition. The budget continues to fund universal access to school meals with an increase of \$122.2 million ongoing Proposition 98 General Fund, so that students who want a meal will have access to two free meals each day.

Arts and Music in Schools-Funding Guarantee and Accountability Act (Proposition 28). The budget includes \$931 million to fund Proposition 28 outside of Proposition 98 funding levels. The budget also proposes that the Commission on Teacher Credentialing create a new Elementary Arts and Music Education authorization for career technical educational teachers for experienced artists to provide arts instruction in elementary school classrooms.

Literacy Screener Professional Development. The budget proposes \$25 million ongoing Proposition 98 General Fund through the K-12 Mandate Block Grant to support training for educators to administer literacy screenings.

Math Curriculum Professional Development. The budget proposes \$20 million one-time Proposition 98 General Fund for a county office of education to work with the

University of California Subject Matter Projects to develop training for mathematics coaches and leaders who can in turn provide training to support math teachers. The budget also proposes statutory changes to allow the use of the Learning Recovery Emergency Block Grant funds for professional development related to the new mathematics framework.

Cost-of-Living Adjustments. The proposed budget provides \$65 million ongoing Proposition 98 General Fund to support a 0.76 percent COLA for categorical programs that are not included in LCFF and the LCFF equity multiplier. These programs include special education and child nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

County Offices of Education. The proposed budget includes a decrease of \$5 million ongoing Proposition 98 General Fund to reflect the average daily attendance (ADA) changes applicable to the county office of education LCFF and a 0.76 percent COLA.

Local Property Tax Adjustments. The proposed budget includes a decrease of \$113 million in ongoing Proposition 98 General Fund in 2023-24, and a decrease of \$996 billion in Proposition 98 General Fund in 2024-25 for school districts and county offices of education related to changes to the offsetting local property taxes.

Curriculum-Embedded Performance Tasks for Science. The budget proposes \$7 million one-time Proposition 98 General Fund to develop a bank of performance tasks to measure a student's science subject matter knowledge.

California College Guidance Initiative. The budget proposes an increase of \$5 million ongoing Proposition 98 General Fund to support the California College Guidance Initiative.

K-12 High Speed Network. The budget proposes an increase of \$3.2 million ongoing Proposition 98 General Fund to support the K-12 High Speed Network program.

Broadband Infrastructure Grant. The budget proposes a one-time increase of \$5 million Proposition 98 General Fund to extend the program through 2029. In addition to providing fiber broadband connectivity, this funding would also be available for joint projects connecting schools, local libraries, and telehealth providers to high-speed fiber broadband.

Parks Access. The budget proposes an increase of \$2.1 million ongoing Proposition 98 General Fund for county offices of education to enable fourth graders attending public schools to access California state parks.

Inclusive College Technical Assistance Center. The budget proposes an increase of \$2 million ongoing Proposition 98 General Fund to establish a technical assistance center to: (1) assist local educational agencies with students applying for the Free Application for Federal Student Aid; (2) assist local educational agencies in identifying potential funding sources and student financial assistance opportunities; and, (3) assisting students, including those with intellectual disabilities, and their families to plan for postsecondary transition through facilitation between local educational agencies and institutions of higher education.

Homeless Education Technical Assistance Centers. The budget proposes an increase of \$1.5 million ongoing Proposition 98 General Fund to maintain support for Homeless Education Technical Assistance Centers that were first established through federal funding. This funding would continue to support the identification of homeless youth.

State Special Schools Infrastructure Support. The budget proposes \$3.4 million General Fund, of which \$380,000 is ongoing, to replace servers, maintain warranty coverage for network infrastructure, and refresh laptops, tablets, and workstations for students and staff at the State Special Schools and Diagnostic Centers.

Early Education

Transitional Kindergarten. The 2023 Budget Act provided \$357 million to support the first year of expanded eligibility for transitional kindergarten in 2022-23, in addition to \$283 million to add one additional certificated or classified staff person to transitional kindergarten classrooms to meet ratio requirements. The 2023 Budget also provided \$597 million ongoing Proposition 98 General Fund to support the second year (2023-24) of expanded eligibility, and \$165 million to support the addition of certificated or classified staff. The budget proposes to include \$635 million to implement the third year of transitional kindergarten, and \$161 million to support the addition of certificated or classified staff in transitional kindergarten classrooms. These funds will increase the Proposition 98 Guarantee through the process of rebenching.

Higher Education

The Governor's budget proposes total funding of \$44.8 billion (\$26.9 billion General Fund and local property tax and \$17.9 billion other funds) for the higher education segments and the California Student Aid Commission.

University of California (UC)

Compact Deferral. The Governor's budget proposes a one-time deferral of \$227.8 million, representing a five-percent resource adjustment that is consistent with the Governor's multi-year compact with UC. According to the Administration, the deferrals would maintain ongoing UC General Fund at 2023-24 levels and enable UC to pursue various interim financing to support the planned 2024-25 Compact support. The Administration also expects UC to plan for a repayment of the one-time deferral and \$227.8 million General Fund ongoing to be included in its base budget in 2025-26.

Resident Undergraduate Enrollment Growth Deferral. The Governor's budget proposes a one-time deferral of \$31 million General Fund to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three campuses with an equivalent number of California resident undergraduate students at these campuses in 2024-25. Similar to the compact deferrals fiscal approach, the Administration expects UC to pursue various interim financing to support the planned 2024-25 support and to plan for a repayment of the one-time deferral and \$31 million General Fund ongoing to be included in its base budget in 2025-26.

Graduate Medical Education. The Governor's budget includes an increase of \$2.6 million General Fund ongoing and \$240,000 General Fund one-time to offset the Proposition 56 revenue offset amount for a statewide grant program and maintain \$40 million ongoing for graduate medical residency slots.

Medical School Project at UC Merced. Consistent with a Budget Act of 2019 agreement, the budget includes an increase of \$14.5 million General Fund in 2024-25 and ongoing to support a Medical School Project at UC Merced.

Institute for Immunology and Immunotherapy at UC Los Angeles (UCLA) Reduction. The budget proposes to forego a \$300 million General Fund investment for a new construction project at UCLA because the project scope shifted to the acquisition and maintenance of an existing facility.

California State University (CSU)

Compact Deferral. The Governor's budget proposes a one-time deferral of \$240.2 million, representing a five-percent resource adjustment that is consistent with the Governor's multi-year compact with CSU. According to the Administration, the deferrals would maintain ongoing CSU General Fund at 2023-24 levels and enable CSU to pursue various interim financing to support the planned 2024-25 Compact support. The Administration also expects CSU to plan for a repayment of the one-time deferral and \$240.2 million General Fund ongoing to be included in its base budget in 2025-26.

California Community Colleges (CCC)

Please see the K-12 Education section of this report for additional information on the overall K-14 Proposition 98 budget.

CCC Apportionments. The Governor's budget includes an increase of \$69.1 million Proposition 98 General Fund ongoing to provide a 0.76-percent cost-of-living adjustment (COLA) for Student Centered Funding Formula apportionments.

Enrollment Growth. The Governor's budget includes \$9.3 million Proposition 98 General Fund ongoing to support 0.76-percent enrollment.

K-14 Rainy Day Fund Support for Student Centered Funding Formula Needs (SCFF). The Governor's budget proposes a withdrawal of \$235.9 million, scored to 2023-24 and \$486.2 million scored to 2024-25 to support SCFF resource needs.

Nursing Program Support at CCC. Subject to future legislation, the budget proposes \$60 million Proposition 98 General Fund one-time, to expand nursing programs and Bachelor of Science in Nursing to grow, educate, and maintain the next generation of registered nurses through the community college system.

UC College of the Law, San Francisco

Base Adjustment. The Governor's budget proposes an increase of \$2.2 million General Fund ongoing to support operating costs. This represents a three percent increase base augmentation.

Student Housing at UC, CSU, and CCC

Higher Education Student Housing Grant Program (Program). The Budget Act of 2023 included trailer bill legislation stating that, no later than the adoption of the Budget Act of 2024, a statewide lease revenue bond, or other statewide financing or fiscal approach will support California community college affordable student housing projects approved in the Higher Education Student Housing Grant Program. The Administration stated that it is developing a proposal for consideration at the May Revision and proposes using resources provided in the Budget Act of 2023 to cover projects that do not currently fit within a statewide lease revenue bond approach.

California Student Housing Revolving Loan Fund. The budget proposes suspending funding for the program. This action would pull \$300 million General Fund in annual support between 2024-25 and 2028-29 fiscal years and a reversion of \$194 million General Fund in 2023-24.

California Student Aid Commission

Overview. The Governor's budget assumes total financial aid expenditures of \$3.3 billion, of which \$2.5 billion supports the Cal Grant Program, and \$636.2 million supports the Middle Class Scholarship Program. In 2022-23, approximately 384,000 students received new or renewal awards. Funding provided to students through the Middle Class Scholarship Program and through programs that support the construction of affordable student housing to help facilitate students' access toward a debt free college pathway.

Middle Class Scholarship (MCS) Reduction. The Governor's budget proposes to forego the MCS planned appropriation of \$289 million in 2024-25.

California State Library

Reducing Support for Local Library Infrastructure. The Governor's budget proposes to pull back \$131 million one-time General Fund of the \$439 million General Fund provided in the Budget Act of 2021 and forego \$100 million spread across the 2024-25 to 2026-27 fiscal years that would have supported local library infrastructure projects.

Reducing Support for Statewide Library Broadband Services. The Governor's budget proposes to pull back \$34 million General Fund of the \$35 million General Fund to expand broadband access to isolated and under-served communities.

Natural Resources, Environmental Protection and Energy

Natural Resources and Environmental Protection

Climate Investment Reductions. The 2021 and 2022 Budget Acts allocated approximately \$54 billion over five years to address climate change in the Climate-Energy Package. The Governor's budget proposes to spread approximately \$48.3 billion over seven years and includes an additional \$159.1 million in new climate investments.

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; and \$1.8 billion in shifts to other funds, primarily the Greenhouse Gas Reduction Fund (GGRF). These proposals span across various sectors, such as wildfire and forest resilience, water, coastal resilience, sustainable agriculture, energy, and transportation. The proposed changes, include:

Wildfire and Forest Resilience. The Governor's budget proposes the following:

- *Expenditure Reductions.* Reversion of \$100.7 million General Fund for various wildfire and forest resilience programs, including: Biomass to Hydrogen/Biofuels pilot (\$43.5 million), Conservancy Project Implementation in High-Risk Regions (\$27.7 million), Home Hardening Pilot (\$12 million), Monitoring and Research (\$5.7 million), Prescribed Fire and Hand Crews (\$5.3 million), Forest Legacy (\$3.6 million), and Interagency Forest Data Hub (\$2.9 million).
- *Fund Shifts.* A shift of \$162.5 million General Fund to GGRF across 2023-24 and 2024-25 for various wildfire and forest resilience programs, including Fire Prevention Grants (\$82 million shift in 2023-24), Stewardship of State-Owned Land (\$34.5 million shift to 2024-25), CalFire Unit Fire Prevention Projects (\$26 million shift to 2024-25), and Regional Forest and Fire Capacity (\$20 million shift to 2024-25).

Water. The 2021 and 2022 Budget Acts committed \$8.7 billion over multiple years to support drought and flood resilience. The Governor's budget proposes maintaining \$7.3 billion over multiple years; and includes \$796.8 million in General Fund reductions and \$100 million in delays across various programs, such as:

- *Watershed Climate Resilience Programs.* The Governor's budget proposes a reversion of \$88.4 million General Fund and reduction of \$350 million over the next two years, maintaining \$56 million previously allocated to these programs.
- *Water Recycling.* The Governor's budget proposes to revert \$174.4 million General Fund and delay \$100 million until 2025-26 for water recycling and groundwater cleanup, maintaining \$348 million previously allocated.
- *State Water Efficiency and Enhancement Program.* The Governor's budget proposes to shift \$20.6 million from the General Fund to GGRF and delay this funding to 2024-25.
- *Per- and Polyfluoroalkyl Substances.* The Governor's budget proposes a reversion of \$71.6 million General Fund and a reduction of \$30 million in 2024-25, maintaining \$53 million previously allocated.
- *Relief for Small Farmers.* The Governor's budget proposes to revert \$12.9 million California Emergency Relief Fund for drought relief to small farms, maintaining \$17 million previously allocated.
- *Dam Safety.* The Governor's budget proposes to revert \$50 million General Fund for dam safety investments, maintaining \$50 million previously allocated.

Flood Protection. The Governor's budget proposal includes \$93.9 million one-time General Fund as follows:

- \$33 million to support the state cost share of continuing US Army Corps of Engineers projects and Urban Flood Reduction projects;
- \$31.3 million for existing multi-benefit flood risk reduction projects in the Central Valley; and,
- \$29.6 million to address storm damage at State Plan of Flood Control facilities and state-owned Delta lands for critical repairs associated with the 2023 storms.

Coastal Resilience. The 2021 and 2022 Budget Acts committed \$1.3 billion for coastal resilience over multiple years. The Governor's budget proposes to maintain \$660 million of these investments spread over multiple years. The Governor's budget proposes \$452 million in General Fund reductions and \$36.8 million in fund shifts across several coastal protection and adaptation programs. The Governor's budget proposes the following reductions:

- *Sea Level Rise.* A reversion of \$220.9 million General Fund, maintaining \$333.6 million previously allocated for this program.
- *Coastal Protection and Adaptation.* A reversion of \$171.1 million General Fund, maintaining \$154.9 million previously allocated.
- *SB 1 Implementation.* A reversion of \$25 million General Fund and shifts \$36.8 million to GGRF in 2024-25 for implementation of SB 1 (Atkins), Chapter 236, Statutes of 2021, maintaining \$77 million previously allocated.
- *Ocean Protection.* A reduction of \$35 million General Fund, maintaining \$65 million previously allocated.

Nature-Based Solutions. The 2021 and 2022 Budget Acts committed \$1.6 billion for nature-based solutions. The Governor's budget proposes to maintain \$1.4 billion of these investments spread over multiple years in various programs and reduce \$15 million General Fund. The Governor's budget proposes two reversions:

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

Extreme Heat. The 2021 and 2022 Budget Acts committed \$649 million to address extreme heat. The Governor's budget proposes to maintain \$364 million over multiple years. The Governor's budget includes \$40.1 million in General Fund reductions and \$109.4 million in fund shifts across various programs.

Community Resilience. The 2021 and 2022 Budget Acts committed \$1.9 billion over multiple years to improve climate resilience in low-income and underrepresented communities. The Governor's budget proposes to maintain \$1.2 billion over multiple years and reduce \$89.8 million General Fund across multiple programs. The Governor's budget proposes the following:

- *Regional Climate Resilience.* A reversion of \$25 million General Fund and a reduction of \$50 million, maintaining \$25 million previously allocated for this program.
- *Regional Climate Collaboratives Program.* A reversion of \$9.8 million General Fund, maintaining \$10 million previously allocated.

- *Climate Adaptation and Resilience Planning Grants.* A reversion of \$5 million General Fund, maintaining \$20 million previously allocated.

Natural Resources

The California Natural Resources Agency (CNRA) includes 29 departments, boards, commissions, and conservancies. The Governor's budget proposes total funding of \$9 billion (\$5.5 billion General Fund, \$2.7 billion special funds, \$337.1 million federal funds, and \$477.1 million bond funds) for programs in CNRA.

Department of Forestry and Fire Protection (CalFire)

The Governor's budget proposes to include \$4.2 billion (\$2.7 billion General Fund) and 12,295 positions for CalFire. Among the proposed adjustments include:

- *66-Hour Workweek.* An increase of \$198.9 million (\$197.1 million General Fund) and 338 positions in 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 between CalFire Local 2881 (Bargaining Unit 8) and the state that committed to the reduction of the 72-hour workweek to a 66-hour workweek beginning on November 1, 2024. The Administration will also engage in collective bargaining with Bargaining Unit 8 in 2024.
- *Training Center.* An increase of \$18.7 million General Fund one-time for acquisition of property for an additional CalFire training center.
- *Unit Headquarters and Fire Stations.* A one-time increase of \$87.8 million Public Buildings Construction Fund and \$640,000 General Fund to relocate various unit headquarters and fire stations.

Department of Parks and Recreation (Parks)

Outdoor Equity Grants Program. To help address the projected budget shortfall, the Governor's budget proposes a reduction of \$25 million General Fund for outdoor environmental education and access programs through the Outdoor Equity Grants Program, maintaining \$90 million General Fund previously allocated for this program.

Environmental Protection

The California Environmental Protection Agency (CalEPA) includes six departments, boards, and office. The Governor's budget proposes a total funding of \$5.4 billion (\$719.7 million General Fund, \$4.1 billion special funds, \$564.7 million federal funds, and \$11.3 million bond funds) for programs in CalEPA.

Department of Pesticide Regulation (DPR)

Safe and Sustainable Pest Management. DPR helps develop and support pest management. The DPR Fund, which is primarily comprised of the mill assessment, is currently in a structural balance. The Governor's budget proposes legislation to increase the mill assessment to support programs and address the DPR Fund structural balance. In addition, the legislation includes changes to collection of the mill assessment, data review, registration, and enforcement. The Governor's budget proposes to include \$33.3 million ongoing DPR Fund and GGRF, phased in over three years, to support DPR's work, as follows:

- *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 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.

State Water Resource Control Board (SWRCB)

Protecting Water Quality and Habitat. Last year, in *Sackett v EPA*, the US Supreme Court narrowed the reach of the federal Clean Water Act, ruling that the Act no longer covered many wetlands. However, the state is positioned to maintain protection of these

wetlands under state law. The Governor's budget proposes to include \$6.1 million Waste Discharge Permit Fund in 2023-24, and \$7 million ongoing for SWRCB and regional water quality control boards to conduct activities to protect these water, including water quality permitting and enhancement work that has historically been conducted by the US Army Corps of Engineers and the US Environmental Protection Agency.

Department of Toxic Substances Control (DTSC)

Cleanup in Vulnerable Communities Initiative. To address the projected budget shortfall, the Governor's budget proposes to delay \$175 million General Fund for DTSC's Cleanup in Vulnerable Communities Initiative Program. The Governor's budget includes \$85 million for the program in 2025-26 and \$90 million in 2026-27.

Underground Storage Tank (UST) Cleanup Fund Loan. To address the projected budget shortfall, the Governor's budget proposes a budgetary loan of \$150 million, along with a one-year repayment deferral of an existing \$50.7 million budgetary loan, from the UST Cleanup Fund to the General Fund.

Department of Resources Recycling and Recovery (CalRecycle)

California Beverage Container Recycling Fund (BCRF) Loan. To address the projected budget shortfall, the Governor's budget proposes a budgetary loan of \$125 million, along with a one-year repayment deferral of an existing \$25 million budgetary loan, from BCRF to the General Fund.

Compost Permitting Pilot Program. The Governor's budget proposes to revert \$6.7 million General Fund at CalRecycle for the Compost Permitting Pilot Program, maintaining \$800,000 previously allocated to this program.

California Department of Food and Agriculture

Emergency Exotic Pest Response. The Governor's budget includes \$22.1 million General Fund in 2023-24 to respond to multiple harmful exotic fruit fly infestations throughout the state.

Sustainable Agriculture. The 2021 and 2022 Budget Acts committed \$1.1 billion over multiple years for climate smart agriculture investment. The Governor's budget maintains \$1 billion of these investments. The Governor's budget also includes \$79.1 million in General Fund reductions and \$24 million in fund shifts across various programs.

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

California Nutrition Incentive Program. The Governor's budget includes a reversion of \$33.2 million General Fund for the California Nutrition incentive Program. The Governor's budget proposes to maintain a \$1.8 million previously allocated to this program.

Livestock Methane Reduction. The Governor's budget includes 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. The Governor's budget includes a reversion of \$23 million General Fund for the Enteric Methane Incentives Program. The Governor's Budget proposes to maintain \$2 million previously allocated to this program.

Farm to Community Food Hubs Program. The Governor's budget includes a reversion of \$14.4 million General Fund for the Farm to Community Food Hubs Program. The Governor's budget proposes to maintain \$600,000 previously allocated to this program.

Healthy Refrigeration Grant Program. The Governor's budget includes a reversion of \$8.5 million General Fund for the Healthy Refrigeration Grant Program. The Governor's budget proposes to maintain \$12 million previously allocated to this program.

Energy

Zero Emission Vehicles (ZEV) Package. In total, the Governor's budget includes the following reductions, shifts, and delays for the ZEV package: \$38.1 million General Fund reductions, \$475.3 million General Fund shifts to the Greenhouse Gas Reduction Fund (GGRF), and \$600 million GGRF delays from 2024-25 to 2027-28. More specifically, the budget solutions include the following:

- *Charter Boats Compliance.* A delay of \$20 million GGRF from 2024-25 to 2027-28 to the Charter Boats Compliance program at the California Air Resources Board (CARB).
- *Clean Cars 4 All and Other Equity Projects.* A delay of \$45 million GGRF from 2024-25 to 2027-28 to Clean Cars 4 All and Other Equity Projects at CARB.

- *Clean Trucks, Buses, and Off-Road Equipment.* A shift of \$71.3 million from General Fund to GGRF as well as a delay of \$137 million GGRF from 2024-25 to 2027-28 to the Clean Trucks, Buses, and Off-Road Equipment program at the California Energy Commission (CEC).
- *Community-Based Plans, Projects and Support/Sustainable Community Strategies.* A delay of \$100 million GGRF from 2024-25 to 2027-28 to the Community-Based Plans, Projects and Support/Sustainable Community Strategies program at CARB.
- *Drayage Trucks and Infrastructure.* A shift of \$157 million from General Fund to GGRF as well as a delay of \$98 million GGRF from 2024-25 to 2027-28 at the Drayage Trucks and Infrastructure programs at CARB and CEC.
- *Drayage Trucks and Infrastructure Pilot Project.* A reduction of \$23.5 million General Fund to the Drayage Trucks and Infrastructure Pilot Project programs at CARB and CEC.
- *Emerging Opportunities.* A reduction of \$7.3 million General Fund to the Emerging Opportunities programs at CEC.
- *Equitable At-Home Charging.* A delay of \$80 million GGRF from 2024-25 to 2027-28 to the Equitable At-Home Charging program at CEC.
- *Transit Buses and Infrastructure.* A shift of \$28.5 million from General Fund to GGRF to the Transit Buses and Infrastructure program at CEC.
- *ZEV Fueling Infrastructure Grants.* A shift of \$218.5 million from General Fund to GGRF as well as a delay of \$120 million GGRF from 2024-25 to 2027-28 to the ZEV Fueling Infrastructure Grants program at CEC.
- *ZEV Manufacturing Grants.* A reduction of \$7.3 million General Fund to the ZEV Manufacturing Grants program at CEC.

Energy Package. In total, 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. More specifically, the budget solutions include the following:

- *Capacity Building Grants.* A reduction of \$20 million General Fund in 2021-22 to the Capacity Building Grants program at the California Public Utilities Commission (CPUC).

- *Carbon Removal Innovation.* A reduction of \$40 million General Fund in 2021-22 to the Carbon Removal Innovation program at CARB.
- *Distributed Electricity Backup Assets Program (DEBA).* A delay of \$50 million General Fund—more specifically, delay \$25 million to 2025-26 and \$25 million to 2026-27—to the DEBA program at CEC.
- *Electricity Supply Reliability Reserve Fund Program.* A delay of \$55 million General Fund from 2024-25 to 2025-26 to the Electricity Supply Reliability Reserve Fund program at the Department of Water Resources (DWR).
- *Equitable Building Decarbonization.* A reduction of \$283 million General Fund in 2021-22 as well as a shift of \$87 million from General Fund to GGRF in 2024-25 to the Equitable Building Decarbonization program at CEC.
- *Food Production Investment.* A reduction of \$18.8 million General Fund in 2021-22 to the Food Production Investment program at CEC.
- *Hydrogen Grants.* A reduction of \$35 million General Fund in 2021-22 to the Hydrogen Grants program at CEC.
- *Incentives for Long Duration Storage.* A shift of \$56.9 million from General Fund to GGRF from 2023-24 to 2024-25 to the Incentives for Long Duration Program at CEC.
- *Industrial Decarbonization.* A reduction of \$22 million General Fund in 2021-22 to the Industrial Decarbonization program at CEC.
- *Residential Solar and Storage.* A delay of \$200 million General Fund—more specifically, delay \$75 million from 2024-25 and \$125 million from 2025-26 to \$100 million in 2026-27 and \$100 million in 2027-28—to the Residential Solar and Storage program at CPUC.
- *Oroville Pump Storage.* A delay of \$200 million General Fund—more specifically, delay \$90 million from 2024-25 and \$110 million from 2025-26 to \$100 million in 2026-27 and \$100 million in 2027-28—to the Oroville Pump Storage project at DWR.

Climate Innovation Program. The budget includes a reduction of \$475 million General Fund to the Climate Innovation Program at CEC beginning in 2024-25.

Clean Energy Reliability Investment Plan (CERIP). The budget includes a delay of \$400 million General Fund from 2024-25 and \$400 million General Fund from 2025-26. This amends the original CERIP to the following: \$100 million in 2023-24, \$100 million in 2025-26, \$300 million in 2026-27, and \$500 million in 2027-28.

Health and Human Services

The Governor's January budget includes a total of \$253.4 billion (\$73.9 billion General Fund and \$179.5 billion other funds) in 2024-25 for health and human services programs that serve low-income, vulnerable individuals and families.

Health

Department of Health Care Services (DHCS)

The budget includes \$162.7 billion (\$38.3 billion General Fund, \$97.2 billion federal funds, and \$27.2 billion special funds and reimbursements) in 2023-24 and \$161.1 billion (\$36.6 billion General Fund, \$98.5 billion federal funds, and \$26 billion special funds and reimbursements) in 2024-25 for the Department of Health Care Services (DHCS), which provides Californians with access to affordable, integrated, high-quality health care including medical, dental, behavioral health, and long-term care services. Of this amount, the budget includes \$1.6 billion (\$553.3 million General Fund, \$680 million federal funds, and \$419.2 million special funds and reimbursements) in 2023-24 and \$1.3 billion (\$372.4 million General Fund, \$579.6 million federal funds, and \$343.9 million special funds and reimbursements) in 2024-25 for state operations, and \$161.1 billion (\$37.8 billion General Fund, \$96.5 billion federal funds, and \$26.8 billion special funds and reimbursements) in 2023-24 and \$159.8 billion (\$36.3 billion General Fund, \$97.9 billion federal funds, and \$25.7 billion special funds and reimbursements) in 2024-25 for local assistance, primarily in the Medi-Cal program.

Medi-Cal Program: Current Year (2023-24) – The budget includes total expenditures of \$157.5 billion (\$37.3 billion General Fund, \$95.8 billion federal funds, and \$24.4 billion special funds and reimbursements) for the Medi-Cal program in 2023-24, a 0.5 percent decrease in General Fund expenditures compared to the assumptions included in the 2023 Budget Act. According to DHCS, the primary drivers of these decreased General Fund expenditures are as follows:

- *Managed Care Organization (MCO) Tax.* \$738.3 million General Fund savings from changes to assumptions for impacts from the MCO tax including accounting

for the impact of changes to COVID-19 federal matching funds and updating the timing of revenue collections relative to costs to managed care plans.

- *Proposition 56 Provider Payments.* \$184.7 million General Fund savings from updated estimates of the need to replace declining Proposition 56 tobacco tax revenue with General Fund to continue supplemental Medi-Cal provider payments.
- *Prescription Drug Rebates.* \$135.1 million General Fund savings due to transfers from the Medi-Cal Drug Rebate Fund to support the General Fund.
- *Impacts of Federal Deferrals.* \$102.2 million General Fund savings due to updated estimates of deferral repayment and resolution assumptions from the federal Centers for Medicare and Medicaid Services (CMS).
- *Shift of Timing of Payments.* \$70.8 million General Fund savings that is the net result in the following shifts of payments from 2022-23 into 2023-24: 1) \$115 million repayment to CMS related to in-home supportive services from the Coordinated Care Initiative, and 2) \$185.8 million transfer from the previous MCO tax to the General Fund.
- *Designated State Health Programs.* \$56.1 million General Fund savings due to federal assistance provided through the state's 1115 Demonstration Waiver for Designated State Health Programs shifting from 2022-23 to 2023-24, as well as claiming an additional quarter of claims for the new California Reproductive Health Access Demonstration (CalRHAD).
- *Various Other Changes.* \$37.1 million General Fund savings for various other changes to the Medi-Cal program.

These savings are partially offset by the following increases in General Fund costs:

- *Medi-Cal Redeterminations.* \$499 million General Fund costs from updated assumptions related to redeterminations of eligibility for Medi-Cal after the end of the COVID-19 public health emergency's continuous coverage requirement.
- *Federal Repayment for State-Only Populations.* \$481.5 million General Fund costs due to differences in the final repayment amounts owed to the federal Centers for Medicare and Medicaid Services for federal matching funds paid for populations in state-only programs.

- *Changes in Multi-Year Expenditures.* \$70.4 million General Fund costs due to changes in spending levels for programs implemented over multiple years, including Behavioral Health Bridge Housing, the Behavioral Health Continuum Infrastructure Program, Providing Access and Transforming Health, the Children and Youth Behavioral Health Initiative, and the California Advancing and Innovating Medi-Cal Initiative.
- *Respiratory Syncytial Virus (RSV) Vaccines.* \$61.4 million General Fund costs due to administration of the recently approved vaccine for RSV for Medi-Cal beneficiaries.
- *COVID-19 Vaccines.* \$16.4 million General Fund costs due to decreased federal support and federal matching funds for the purchase and administration of COVID-19 vaccines.

Medi-Cal Program: Budget Year (2024-25) – The budget includes total expenditures of \$156.6 billion (\$35.9 billion General Fund, \$97.6 billion federal funds, and \$23.2 billion special funds and reimbursements) for the Medi-Cal program in 2024-25, a 3.8 percent decrease compared to the revised General Fund expenditure assumptions for 2023-24. According to DHCS, the primary drivers of these increased General Fund expenditures are as follows:

- *Expiration of One-Time Expenditures.* \$4 billion General Fund savings due to one-time expenditures not continuing in 2024-25 including: state-only claiming, CalAIM Behavioral Health Payment Reform, reconciliations for the Coordinated Care Initiative, support for Los Angeles County for justice-involved populations, various legislative priorities, temporary expansion of county eligibility funding, and start-up funding for the CARE Act.
- *Medi-Cal Redeterminations.* \$2.3 billion General Fund savings from updated assumptions related to redeterminations of eligibility for Medi-Cal after the end of the COVID-19 public health emergency's continuous coverage requirement.
- *Changes in Multi-Year Expenditures.* \$692.9 million General Fund savings due to changes in spending levels for programs implemented over multiple years, including Behavioral Health Bridge Housing, the Behavioral Health Continuum Infrastructure Program, Providing Access and Transforming Health, the Children and Youth Behavioral Health Initiative, and the California Advancing and Innovating Medi-Cal Initiative.

- *Managed Care Organization (MCO) Tax.* \$502.9 million General Fund savings from changes to assumptions for impacts from the MCO tax including accounting for the impact of changes to COVID-19 federal matching funds and updating the timing of revenue collections relative to costs to managed care plans.
- *Delay of Behavioral Health Bridge Housing.* \$235 million General Fund savings from a proposed delay of the final round of Behavioral Health Bridge Housing grants from 2024-25 until 2025-26.
- *Delay of Behavioral Health Continuum Infrastructure Program.* \$140.4 million General Fund savings from a proposed delay of Behavioral Health Continuum Infrastructure Program grants from 2024-25 until 2025-26.

These savings are partially offset by the following increases in General Fund costs:

- *Expansion of Medi-Cal Regardless of Immigration Status.* \$1.6 billion General Fund costs due to the full-year impact of implementation of the Medi-Cal expansion to all income-eligible individuals age 26 to 49, regardless of immigration status.
- *Base Managed Care Costs.* \$886.3 million General Fund costs due to increases in base capitation payments to Medi-Cal managed care plans to support health care services for Medi-Cal beneficiaries.
- *Phase-out of COVID-19 Enhanced Federal Match.* \$750.1 million General Fund costs due to the phase-out of the enhanced federal match made available during the COVID-19 public health emergency.
- *Impacts of Federal Deferrals.* \$706.5 million General Fund costs due to updated estimates of deferral repayment and resolution assumptions from the federal Centers for Medicare and Medicaid Services (CMS).
- *Hospital Quality Assurance Fee Program.* \$702.9 million General Fund costs due to one-time repayment of postponed payments for children's health care coverage under the Hospital Quality Assurance Fee Program.
- *Growth in Medicare Costs.* \$461.1 million General Fund costs related to growth in costs of Medicare coverage for Medi-Cal beneficiaries enrolled in both Medicare and Medi-Cal, as well as other Medicare-related costs.

- *Prescription Drug Rebates.* \$388.8 million General Fund costs due to lower than expected savings from prescription drug rebates in the Medi-Cal program, and the depletion of the Medi-Cal Drug Rebate Fund reserves for 2023-24.
- *Behavioral Health Bridge Housing Funding Shift.* \$265 million General Fund costs due to shifting existing support for Behavioral Health Bridge Housing from the Mental Health Services Fund (MHSF) to the General Fund due to shortfalls in estimated MHSF revenue.
- *Assisted Living Waiver Expansion.* \$141.9 million General Fund costs due to ongoing support for expansion of the Assisted Living Waiver, which had previously been supported by the federal Home- and Community-Based Services Spending Plan.
- *Proposition 56 Provider Payments.* \$123.1 million General Fund costs from updated estimates of the need to replace declining Proposition 56 tobacco tax revenue with General Fund to continue supplemental Medi-Cal provider payments.
- *Base Fee-for-Service Costs.* \$121.7 million General Fund costs due growth in fee-for-service costs for health care services provided to Medi-Cal beneficiaries, particularly increases in costs for pharmacy.
- *Reproductive Health Waiver.* \$100 million General Fund costs related to the implementation of the California Reproductive Health Access Demonstration (CalRHAD).
- *COVID-19 Vaccines.* \$42.2 million General Fund costs due to decreased federal support and federal matching funds for the purchase and administration of COVID-19 vaccines.
- *Respiratory Syncytial Virus (RSV) Vaccines.* \$34.1 million General Fund costs due to administration of the recently approved vaccine for RSV for Medi-Cal beneficiaries.
- *Designated State Health Programs.* \$19.2 million General Fund costs due to claiming of one fewer quarter for the CalRHAD demonstration as a designated state health program.
- *Various Other Changes.* \$19.4 million General Fund costs for various other changes to the Medi-Cal program.

Medi-Cal Caseload. Medi-Cal is projected to provide health care services to approximately 14.8 million Californians in 2023-24, which represents a decrease of 3.3 percent since 2022-23, and 13.8 million Californians in 2024-25, which represents a decrease of 6.8 percent compared to the revised 2023-24 estimate. The budget assumes the optional expansion of Medi-Cal will provide coverage to 4.9 million Californians in 2023-24 and 4.5 million in 2024-25.

MCO Tax and Provider Rate Increases. The budget includes a total of \$20.9 billion of support through December 31, 2026, for the General Fund and Medi-Cal provider rate increases from a revision to the Managed Care Organization (MCO) tax proposal adopted in the 2023 Budget Act and approved by the federal Centers for Medicare and Medicaid Services (CMS) in December 2023. The Administration's revised proposal would require early action to authorize DHCS to request an increase in the total tax of \$1.5 billion from CMS. The budget proposes to use \$12.9 billion to support the Medi-Cal program and maintain a balanced budget, and \$8 billion for targeted reimbursement rate increases and other investments. The budget includes \$2.8 billion (\$1.2 billion from the MCO tax) in 2024-25 and \$6.5 billion (\$2.7 billion from the MCO tax) in 2025-26 support these reimbursement rate increases.

Medi-Cal Coverage for All, Regardless of Immigration Status. The budget maintains the state's historic investment in expanding full-scope Medi-Cal coverage to all Californians, regardless of immigration status. The budget includes expenditure authority of \$1.4 billion (\$1.2 billion General Fund) in 2023-24 and \$3.4 billion (\$2.9 billion General Fund) in 2024-25 to support the expansion. The expansion was implemented beginning January 1, 2024.

Asset Limit Elimination. The budget includes expenditure authority of \$101.1 million (\$50.5 million General Fund and \$50.5 million federal funds) in 2023-24 and \$195.4 million (\$97.7 million General Fund and \$97.7 million federal funds) in 2024-25 to support the elimination of the asset limit for determination of Medi-Cal eligibility, adopted pursuant to AB 133 (Committee on Budget), Chapter 143, Statutes of 2021.

Delay of Behavioral Health Infrastructure. The budget includes \$140.4 million General Fund savings from delay of grant funding in the final round of the Behavioral Health Continuum Infrastructure Program (BHCIP) from 2024-25 until 2025-26. The budget also includes \$265 million General Fund savings from delay of funding for the Behavioral Health Bridge Housing program from 2024-25 to 2025-26.

Wellness Coach Benefit. The budget includes expenditure authority of \$9.5 million (\$4.1 million General Fund and \$5.4 million federal funds) in 2024-25 to support implementation of a wellness coach benefit in the Medi-Cal program to provide wellness

promotion and education, screening, care coordination, individual support, group support, and crisis referral.

Expansion of Waiver Slots. The budget proposes to expand the number of slots for the Assisted Living Waiver (ALW) and the Home- and Community-Based Alternatives (HCBA) Waiver. The ALW expansion is expected to result in General Fund savings of \$500,000 in 2023-24 and \$7 million in 2024-25, while the HCBA expansion is expected to result in General Fund savings of \$866,000 in 2023-24 and \$6.4 million in 2024-25.

California Reproductive Health Access Demonstration (CalRHAD). The budget includes expenditure authority of \$200 million (\$100 million General Fund and \$100 million federal funds) in 2024-25 to support implementation of a new California Reproductive Health Access Demonstration (CalRHAD) to: support access to family planning and related services for Medi-Cal beneficiaries and others facing barriers to access; support the capacity and sustainability of California's reproductive health safety net; and promote system transformation for the reproductive health safety net.

Deferral of Chaptered Legislation Funding. The budget defers consideration of resource requests related to the following recently chaptered legislation: AB 425 (Alvarez), Chapter 329, Statutes of 2023, related to pharmacogenomic testing; AB 1163 (Luz Rivas), Chapter 832, Statutes of 2023, related to LGBTQ disparities reduction; SB 311 (Eggman), Chapter 707, Statutes of 2023, related to Medicare Part A buy-in; and SB 496 (Limon), Chapter 496, Statutes of 2023, related to biomarker testing.

Department of Public Health (DPH)

The budget includes \$6.2 billion (\$1.5 billion General Fund, \$2.3 billion federal funds, and \$2.4 billion special funds and reimbursements) in 2023-24 and \$5 billion (\$815.3 million General Fund, \$2.2 billion federal funds, and \$2 billion special funds and reimbursements) in 2024-25 for the Department of Public Health (DPH), which is dedicated to optimizing the health and well-being of all Californians through a variety of public health monitoring, protection, education, direct services and emergency preparedness activities.

AIDS Drug Assistance Program (ADAP) Rebate Fund Loan. The budget reflects a loan from the ADAP Rebate Fund to the General Fund of \$500 million.

Clinical Dental Rotations Fund Shift. The budget reflects a shift of expenditure authority of \$9.7 million from the General Fund to the Proposition 56 State Dental Program Account to support clinical dental rotations authorized by the 2022 Budget Act.

Department of State Hospitals (DSH)

The budget includes \$3.4 billion (\$3.2 billion General Fund and \$165.4 million other funds) in 2024-25 for the Department of State Hospitals (DSH), which administers five state mental health hospitals, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The Administration estimates that the population served by the five state hospitals and other programs will reach a total of 9,314 by the end of 2024-25, with 5,839 committed to one of the five state hospitals, 2,496 participating in one DSH's contracted non-hospital competency restoration or community-based treatment programs, and 979 participating in DSH's Conditional Release Programs (CONREP).

Department of Health Care Access and Information (HCAI)

Delay of Health Care Workforce Development Programs. The budget includes delays from 2024-25 until 2025-26 for several health care workforce development programs previously approved in the 2022 Budget Act, including \$140.5 million of General Fund support for the nursing and social work initiatives and \$189.4 million of support from the Mental Health Services Fund for behavioral health workforce programs including social work, addiction psychiatry, university and college grants for behavioral health professionals, expanding Masters of Social Work slots, and local psychiatry behavioral health.

Special Fund Loans to the General Fund. The budget includes the following loans from special funds to the General Fund: 1) \$50 million from the Hospital Building Fund, 2) \$11 million from the California Health Data and Planning Fund, 3) \$3 million from the Registered Nurse Education Fund, 4) \$1 million from the Vocational Nurse Education Fund, and 5) \$1 million from the Mental Health Practitioner Fund.

California Health Benefit Exchange (Covered California)

State-Only Cost-Sharing Reduction Subsidies. The budget includes expenditure authority of \$167 million from the Health Care Affordability Reserve Fund to support increased subsidies to reduce costs for individuals purchasing coverage in the Covered California health benefits exchange in the 2025 coverage year. The 2023 Budget Act included expenditure authority of \$84.5 million from the fund to reduce or eliminate deductibles and reduce copayments and other cost-sharing for more than 600,000 Californians purchasing coverage in the exchange in 2024.

Human Services

California Department of Aging (CDA). The budget proposes the following significant adjustment to CDA's budget.

- *Healthier at Homes Pilot.* The budget proposes to revert \$11.9 million General Fund for the Healthier at Home pilot program.

Department of Social Services (DSS). The budget proposes an overall 2024-25 budget of \$48.6 billion (\$21.8 billion General Fund) for DSS.

California Work Opportunity and Responsibility to Kids (CalWORKs). The budget proposes an overall 2024-25 budget of \$7 billion total funds for CalWORKs program expenditures and estimates a caseload of 354,117 families in 2024-25. The budget proposes the following significant adjustments to the CalWORKs budget.

- *CalWORKs Single Allocation.* The budget proposes to revert \$336 million General Fund from the CalWORKs Single Allocation that is projected to go unspent in 2022-23. The budget also reverts the \$40.8 million Eligibility Administration base augmentation from the Single Allocation in 2023-24 and permanently eliminates the \$40.8 million Eligibility Administration base augmentation ongoing.
- *CalWORKs Family Stabilization.* The budget proposes to revert \$55 million General Fund from the CalWORKs Family Stabilization program in 2023-24 and entirely eliminates program funding (\$71 million) in 2024-25 and ongoing, effectively eliminating this program.
- *CalWORKs Employment Services Intensive Case Management.* The budget proposes to reduce funding for Employment Services Intensive Case Management by \$47 million General Fund in 2024-25 and ongoing, effectively eliminating the previously approved increase in hours by holding Intensive Case Management to 8.75 hours.
- *CalWORKs Expanded Subsidized Employment.* The budget proposes to revert \$134.1 million General Fund in 2023-24 from Expanded Subsidized Employment and reduces funding by the same amount in 2024-25 and ongoing, effectively eliminating the entire CalWORKs Subsidized Employment program.
- *CalWORKs Grants.* The budget includes an approximately 0.8 percent increase to CalWORKs maximum aid payment levels, with an estimated cost of \$26.7 million.

This increase will be funded by the Child Poverty and Family Supplemental Support Subaccount and is in addition to the 3.6 percent statutory increase for 2023-24.

- *CalWORKs Work Participation Rate Pilot.* The budget includes plans for DSS to apply for a federal pilot program to test alternative benchmarks for work and family outcomes in lieu of the Work Participation Rate.

In-Home Supportive Services (IHSS). The budget includes \$24.3 billion (\$9 billion General Fund) in 2024-25 for the IHSS program. It estimates a 691,075 person caseload in 2024-25.

Supplemental Security Income/State Supplementary Payment (SSI/SSP). The budget includes \$3.7 billion General Fund in 2024-25 for the SSI/SSP program. The estimated caseload for the SSI/SSP program is 1.1 million recipients. The budget 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. With these adjustments, maximum SSI/SSP monthly grant levels are \$1,183 for individuals and \$2,023 for couples.

Child Welfare Services (CWS). The budget includes \$690.3 million General Fund in 2024-25 for CWS programs to provide services to children and families. Including federal and realignment funds, total funding for CWS programs totals more than \$9.4 billion. The budget proposes the following significant adjustments to the child welfare budget.

- *Housing Supplement for Foster Youth in Supervised Independent Living Placements (SILPs).* The budget proposes to eliminate the SILP Housing Supplement funded in the 2023 Budget Act, which includes a reduction of \$195,000 in 2024-25 and \$25.5 million (\$18.8 million General Fund) in 2025-26 and ongoing.
- *Family Urgent Response System.* The budget proposes to eliminate the Family Urgent Response System, generating \$30 million in General Fund savings in 2024-25 and ongoing.
- *Los Angeles County Child Welfare Services Public Health Nursing Program.* The budget proposes to reduce funding for this program by \$8.3 million in 2024-25 and ongoing.
- *Child Welfare Services – California Automated Response and Engagement System (CWS-CARES) Project.* The budget proposes \$173.4 million (\$88.1 million General Fund) in 2024-25, and an additional \$52 million (\$26 million General

Fund) in one-time provisional authority, to continue project development for the CWS-CARES project to replace the existing child welfare case management system.

- *Foster Care Rate Reform.* The budget proposes \$12 million General Fund in 2024-25 to make automation changes to implement foster care rate reform. The rate reform proposal is anticipated from the Administration.

DSS Housing and Homelessness Programs. The budget includes the following significant adjustments to DSS Housing and Homelessness Programs.

- *Bringing Families Home Program.* The budget proposes to delay \$80 million General Fund for the Bringing Families Home program to 2025-26.
- *Home Safe Program.* The budget proposes to delay \$65 million General Fund for the Home Safe Program to 2025-26.
- *Housing and Disability Advocacy Program.* The budget proposes to delay \$50 million General Fund for the Housing and Disability Advocacy Program to 2025-26.

Child Care and Preschool. The budget includes \$6.6 billion (\$4.6 billion General Fund) for Department of Social Services (DSS) child care and development programs.

- *Child Care Rates.* The budget maintains funding to implement the approximately \$2 billion, two-year child care rates package included in the 2023 Budget Act, based on the current memorandum of understanding between the state and Child Care Providers United, including parity provisions for non-represented providers and the California State Preschool Program. The state will submit a state plan to the federal Administration for Children and Families for approval of new child care rate structure by July 2024, in accordance with the 2023 Budget Act.
- *Child Care Slots.* The budget revises the methodology for budgeting subsidized child care slots, accounting for slower uptake of slots added in prior years. The budget funds 146,000 of the 200,000 new slots the state will add by 2026-27, instead of funding 166,500 of those slots as originally designed, but maintains the goal of adding 200,000 new slots by 2026-27.
- *California State Preschool Program.* Consistent with the 2023 Budget Act, the budget realizes savings in the State Preschool Program of \$172.1 million General Fund and \$446 million Proposition 98 General Fund and includes a one-time

increase of \$53.7 million General Fund to support reimbursement rate increases previously supported by federal funds, while maintaining the funding necessary for the Department of Education to meet collective bargaining agreement requirements and administer the State Preschool Program.

Department of Developmental Services (DDS). The budget proposes an overall 2024-25 budget of \$15.3 billion (\$10 billion General Fund) for DDS and estimates that approximately 458,000 individuals will receive developmental services in 2024-25. The budget proposes the following significant adjustments to the DDS budget.

- *DDS Rate Reform.* The budget proposes to delay the final phase of DDS Rate Reform to July 1, 2025, consistent with the original timeline to implement rate reform. The budget maintains approximately \$1.7 billion (\$1 billion General Fund) in 2024-25 to preserve recent rate adjustments and continue the development of a quality incentives program.
- *Delay of Preschool Inclusion Grants.* The budget proposes to delay the Preschool Inclusion Grant Program to 2026-27, generating \$10 million in ongoing General Fund savings.
- *Developmental Services Master Plan.* The budget establishes a commitment to establish a Master Plan for Developmental Services, to advance a more quality-driven and person-centered system and improve regional center accountability.

Other Health and Human Services programs. The budget proposes the following adjustments related to health and human services.

Safety Net Reserve Withdrawal. The budget proposes a full withdrawal of \$900 million from the Safety Net Reserve Fund, which is established to maintain CalWORKs and Medi-Cal benefits during economic downturns.

Temporary Protected Status. The budget proposes to revert the \$10 million in 2024-25 and eliminate the \$10 million in ongoing funding for DSS to administer Temporary Protected Status services.

CSU Immigration Legal Services. The budget proposes to revert \$5.2 million General Fund for the CSU Immigration Legal Services in 2023-24, and reduce program funding by the same amount in 2024-25 and ongoing, leaving \$1.8 million in ongoing funding for this program.

Health and Human Services Innovation Accelerator Initiative Delay. The budget includes delay of \$74 million General Fund until 2025-26 and 2026-27 for the Health and Human Services Innovation Accelerator Initiative authorized in the 2023 Budget Act.

Specialty Dental Clinic Grant Program. The budget includes delay of \$48.8 million General Fund until 2025-26 for the Specialty Dental Clinic Grant program administered by the California Health Facilities Financing Authority.

Managed Care Fund Loan. The budget includes a loan of \$22.9 million from the Managed Care Fund to the General Fund.

State Administration and General Government

Housing and Homelessness

Homelessness. The Governor's budget proposal largely maintains existing commitments to \$3.4 billion in General Fund for addressing the state's ongoing homelessness crisis. It does not include funding for a Homeless Housing, Assistance and Prevention Program (HHAPP) Round 6, but commits to working with the Legislature on additional funding "assuming that local governments deliver" on commitments under HHAPP Rounds Three and Four, as well as regional planning and coordination requirements pursuant to HHAPP Round Five.

Specific proposed adjustments to homelessness-related programs are as follows:

HHAPP. The Governor's budget delays allocation until 2025-26 of the \$260 million in supplemental HHAPP funding. The delay likely coincides with when the funding would have been distributed regardless. The Governor's budget also reverts \$100.6 million obtained from HHAPP administration savings.

Transition of Grants Administration. The Governor's budget provides for the transition of the specified homelessness grant programs, including HHAPP, from the California Interagency Council on Homelessness to the Department of Housing and Community Development, in accordance with statute.

Additional Shifts and Delays. The Governor's budget also includes some shifts and delays in health and human services programs related to homelessness, including the Behavioral Health Bridge Housing Program, Behavioral Health Continuum Infrastructure Program, Bringing Families Home Program, the Home Safe Program, and the Housing

and Disability Advocacy Program. Please see the respective Health and Human Services sections of this document for additional detail.

Housing. Since 2019, California has committed investments of around \$5.2 billion in General Fund to affordable housing and increasing access to homeownership. The Governor's budget proposal lowers this overall commitment by \$1.2 billion in order to help address the budget shortfall. The decrease is composed of \$952.5 million in General Fund dollars previously allocated to several of the state's housing programs, as well as reductions in planned future General Fund allocations totaling \$261.2 million to other state housing programs. Additionally, the proposed budget does not provide any supplemental General Fund allocation to the Low Income Housing Tax Credit (LIHTC) program beyond the current statutory requirement (roughly \$120 million). Recent budgets have provided \$500 million in additional funding to LIHTC, though on a one-time basis in each instance.

The specific proposed General Fund reversions are as follows:

Regional Early Action Planning Grants 2.0. \$300 million, leaving a balance of \$300 million still available for program expenditures.

Multifamily Housing Program. \$250 million, leaving \$75 million in 2023-24 for the program.

Infill Infrastructure Grant Program. \$250 million, leaving \$25 million in 2023-24 for the program.

CalHome. \$152.5 million, leaving no further 2023-24 funding for the program.

Veterans Housing and Homelessness Prevention Program. \$50 million, leaving no further 2023-24 funding for the program.

Foreclosure Intervention Housing Preservation Program. \$247.5 million total, encompassing reductions of \$85 million in 2024-25; \$100 million in 2025-26; and \$62.5 million in 2026-27. These amounts mean that no allocations are proposed for the program in those years.

Housing Navigators Program. \$13.7 million ongoing.

Office of Planning and Research (OPR)

Department Reorganization. The Governor's budget proposal indicates that the Administration intends to review OPR programs for possible reassignment to other departments. It also proposes to establish California Volunteers as a separate entity outside of OPR.

California Environmental Quality Act (CEQA) Judicial Streamlining. Recently adopted and/or renewed judicial streamlining provisions for specified infrastructure and environmental leadership development projects will require implementation by OPR, which plays a key role in CEQA administration. The Governor's budget allocates \$2.3 million in ongoing General Fund for this purpose.

Office of Community Partnerships and Strategic Communications (OCPSC). OCPSC conducts community engagement and awareness campaigns associated with important public education efforts such as COVID-19 vaccination, water conservation, and extreme heat. The Governor's budget reverts \$5 million from OCPSC's 2023-24 allocations and reduces those allocations by \$8 million in 2024-25 and 2025-26. OCPSC retains \$60 million for use in 2023-24 and \$57 million in 2024-25 and 2025-26, respectively.

California Experience Corps. The California Experience Corps provides grant funding to volunteer programs that engage older adults in volunteer service. The Governor's proposed budget reverts \$8.8 million from the program.

Governor's Office of Business and Economic Development (GO-Biz)

CalCompetes Grant Program. The CalCompetes program provides financial subsidies to business that agree to stay in, or relocate to, California in exchange for investment and job creation commitments. In addition to \$180 million in annual tax credit allocations to CalCompetes through 2027-28, the 2022 and 2023 Budget Acts each allocated an additional \$120 million in one-time General Fund for CalCompetes grants, with recent priority given to the semiconductor industry. The Governor's budget maintains the CalCompetes grant program for another year, but at a reduced funding level of \$60 million from the following sources: \$10 million in savings from the 2023-24 allocation and \$50 million in one-time General Fund for 2024-25.

Infrastructure State Revolving Fund. The Infrastructure State Revolving Fund at the California Infrastructure and Economic Development Bank (IBank) helps local governments to finance clean energy, water, and other environmental infrastructure

projects. The Governor's budget provides \$50 million in one-time General Fund to recapitalize the Fund.

City of Fresno Infrastructure Plan. The 2023 Budget Act allocated \$250 million in General Fund to support infrastructure development projects in downtown Fresno. Governor's budget maintains this overall amount, but delays \$200 million of the funding as follows: \$100 million in 2025-26 and \$100 million in 2026-27.

Diablo Canyon Land Conservation and Economic Development Plan. The 2023 Budget Act included a \$150 million General Fund allocation for land conservation and economic development planning and projects associated with the eventual closure of the Diablo Canyon Power Plant. The Governor's January 2024 Budget Proposal maintains the overall allocation, but delays it as follows: \$50 million in 2025-26; \$50 million in 2026-27; and \$50 million in 2027-28.

Franchise Tax Board

Net Operating Loss Conformity. A net operating loss (NOL) occurs when a business has deductions that exceed taxable income in a given year. Under both state and federal law, these NOLs can be carried forward and applied to offset tax payments in future years. The proposed budget conforms state law on NOLs to a provision in federal law that limits the prior year carry forward allowance for NOLs to 80 percent of the subsequent year's net income. The Administration anticipates this will result in revenue gains of \$300 million in 2024-25 and ongoing gains of \$200 million in subsequent years.

Charitable Conservation Easements Conformity. The proposed budget conforms state law to federal law for treatment of the charitable conservation easement deduction. Currently, property owners who give up development rights on lands are allowed a deduction equal to the value of the property. In 2023, federal tax law was amended to curb abuse of the deduction and capped the deduction to two and a half times the value of the taxpayer's investment and eliminates the deduction for those taxpayers who have previously engaged in fraud. The Administration anticipates this will result in revenue gains of \$55 million in 2024-25 and 2025-26, and ongoing gains of \$25 million in subsequent years.

Bad Debt Deduction Elimination. The proposed budget eliminates the bad debt deduction and refund, effective January 1, 2025. Currently, state law allows retailers, lenders and their affiliates to deduct or claim a refund for sales and use tax paid for taxable goods that turn out to be worthless. However, lenders generally already price in these types of risks through interest rates or fees, and can currently claim the deduction or refund even if a profit was realized. The proposed budget eliminates this refund or deduction for non-retailer lenders. The Administration anticipates this will result in

revenue gains of \$23.5 million in 2024-25 and ongoing gains of \$50.6 million in subsequent years.

Oil and Gas Subsidy Elimination. The proposed budget eliminates the following subsidies, commencing with the 2024 tax year. The Administration anticipates this will result in revenue gains of \$22 million in 2024-25 and ongoing gains of \$17 million in subsequent years.

Immediate Deduction for Intangible Drilling Costs. Currently, state law allows 70 percent of intangible oil and gas drilling costs (e.g. survey work, ground preparation, etc.) to be deducted in the first year, with the remainder spread over five years. For independent oil producers, 100 percent can be claimed up front. Eliminating this allowance would instead apply standard tax law that allows expenses to be deducted when their benefit is realized.

Percentage Depletion Rules for Fossil Fuels. Businesses may currently deduct a fixed percentage of gross income that is higher than normal cost-depletion when calculating the deduction of resource depletion for mineral and other natural resources. Eliminating this allowance would instead apply standard cost depletion tax law.

Enhanced Oil Recovery Costs Credit. Current law allows specified independent oil producers a nonrefundable credit up to five percent of the qualified enhanced oil recovery costs for projects located in the state if oil prices fall above a specified amount for the preceding year. This proposal would eliminate the credit.

Cannabis

Allocation of the Cannabis Tax Fund. In 2016, voters approved Proposition 64. Under Proposition 64, expenditures are prioritized for regulatory and administrative workload necessary to implement, administer, and enforce the Cannabis Act, followed by research and activities as defined. The remaining funds are allocated under what is known as "Allocation 3," and go towards youth education, prevention, early intervention, and treatment; environmental protection; and public safety-related activities.

AB 195 (Committee on Budget), Chapter 56, Statutes of 2022, requires that these Allocation 3 programs are funded at a baseline of approximately \$670 million, and included a \$150 million General Fund appropriation to backfill revenues, which has been fully allocated in 2023-24.

The Governor's budget estimates \$568.9 million will be available for Allocation 3 programs in 2024-25 as follows:

- Education, prevention, and treatment of youth substance use disorders and school retention – 60 percent (\$341.3 million)
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation – 20 percent (\$113.8 million)
- Public safety-related activities – 20 percent (\$113.8 million)

Cannabis Tax Fund – Board of State and Community Corrections. The Governor's budget includes 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.

Broadband

Middle Mile. The Governor's budget includes \$1.5 billion General Fund over two years (\$250 million in 2024-25 and \$1.25 billion in 2025-26) for the Department of Technology to complete the development of the statewide middle-mile network.

Last-Mile. The Governor's budget includes the following delay and reduction to broadband programs at the California Public Utilities Commission:

Last Mile Infrastructure Grants. \$100 million General Fund delay, from 2024-25 to 2026-27. In total, the budget maintains \$2 billion for the program (previous appropriation of \$1.45 billion, \$100 million in 2024-25, \$200 million in 2025-26, and \$250 million in 2026-27).

Broadband Loan Loss Reserve Fund. \$250 million General Fund reduction (\$150 million in 2024-25 and \$100 million in 2025-26). In total, the budget maintains \$500 million for the program (\$175 million in 2023-24, \$150 million in 2024-25, and \$100 million in 2025-26).

Exposition Park

Southeast Underground Parking Structure Project. The Governor's budget includes \$351.5 million Public Buildings Construction Fund for the Southeast Parking Structure project. This project includes three stories of underground parking, surface level green space, and event space.

Department of General Services

Capitol Annex Project. The 2022 Budget Act provided a one-time \$917 million transfer from the General Fund to the State Project Infrastructure Fund (SPIF) to fully fund the remaining design, pre-construction, and construction activities for the State Capitol Annex project.

As part of the 2023 Budget Act, a budgetary loan of \$500 million from the SPIF to the General Fund was implemented. The Governor's budget includes an additional budgetary loan of \$50 million, to be returned to the fund as needed in 2025-26 and 2026-27.

Corrections, Public Safety, Judiciary, Labor and Transportation

Corrections

The Governor's budget proposes total funding of \$14.5 billion (\$14.1 billion General Fund and \$364.3 million other funds) for the CDCR in 2024-25.

Adult Institution Population. The average daily adult incarcerated population for 2023-24 is projected to be 94,222, a slight increase as compared to spring projections. The population is expected to decline to 91,685 in 2024-25 and 88,183 in 2026-27.

Parolee Population. The parolee average daily population is projected to be 36,495 in 2023-24 and 35,454 in 2024-25.

Prison Closures. The proposed budget reflects savings of \$465 million General Fund from previous facility closures and deactivations. In addition, the proposed budget includes savings of \$156 million annually beginning in 2024-25 to reflect the planned closure of California City Correctional Facility, and \$148 million annually beginning in 2025-26 to reflect the planned closure of Chuckawalla Valley State Prison. The proposed budget also includes \$9.6 million savings in 2024-25 and \$11.1 million ongoing to reflect a reduction in administrative workload and positions associated with the closures. No additional closures or deactivations are proposed.

Community Correctional Reentry Centers and Post-Release Reentry Programs. The Governor's budget includes funding to increase contract rates and add annual adjustments for in-custody community correctional reentry centers and post-release reentry programs to reflect increased costs and inflation, including:

- \$11.4 million General Fund in 2024-25 growing to \$15.9 million in 2028-29 to increase the contract rates for community correctional reentry centers with contracts expiring in 2024-25.
- \$2.3 million General Fund in 2024-25 growing to \$3.4 million in 2028-29 for parole reentry contracts that recently expired or will expire in 2024-25.

Increased Attorney Fees for Board of Parole Hearings. The proposed budget includes \$2.1 million ongoing General Fund to continue increased state-appointed attorney rates. The increase was originally funded in 2021-22 in order to compete with market rates.

Utilities Costs. The proposed budget includes \$21.9 million General Fund ongoing for increased utility rates, with biannual adjustments.

Free Voice Calling. The proposed budget includes an additional \$7.4 million one-time in 2023-24 and \$8.2 million ongoing, resulting in a total of \$32.6 million in 2023-24 and \$36.7 million ongoing General Fund to implement SB 1008 (Becker), Chapter 827, Statutes of 2022 and provide free voice calling to incarcerated individuals. The increase reflects increased phone usage by the incarcerated population.

Infrastructure. The proposed budget includes \$20.1 million General Fund over five years for two projects that address critical fire and life safety upgrades, and \$959,000 General Fund for a potable water treatment system project at the California Health Care Facility in Stockton.

Video Surveillance Implementation Delay. The Administration proposes to delay the installation of five fixed camera projects costing \$27.2 million General Fund from 2023-24 to 2025-26 and 2026-27. The proposed budget maintains \$50.4 million General Fund in 2023-24 and associated ongoing resources to implement five other projects.

COVID-19 Related Savings. The proposed budget reflects reduced expenditures related to COVID-19, including a reversion of \$38.8 million General Fund in 2023-24 for prevention, mitigation, and response activities, and a reversion of \$5 million General Fund in 2023-24 and \$9 million General Fund in 2024-25 for workers compensation.

Baseline Administrative Reduction. The budget proposes a \$15 million ongoing General Fund reduction in CDCR's administrative funding.

Fund Transfer. The Governor's budget proposes to transfer \$7.3 million of unobligated funds from the Recidivism Reduction Fund to the General Fund.

San Quentin Rehabilitation Center. The Governor's budget does not include any proposed changes to the San Quentin Rehabilitation Center project.

Reductions. The proposed budget includes additional reductions to CDCR's budget, including:

- Reduction of funding for bus transportation to prisons by \$2 million.
- Reversion of \$1.9 million General Fund in 2023-24 and ongoing due to reduced workload related to the implementation of SB 990 (Hueso), Chapter 826, Statutes of 2022.
- Reduction of \$909,000 General Fund to maintain the closed Division of Juvenile Justice facilities.
- Reduction of \$100,000 ongoing General Fund to adjust a contract for parolee urinalysis testing.

Health Care. The proposed budget includes a total of \$4.1 billion to deliver health care within the prison system. Significant adjustments include:

- \$40 million one-time General Fund in 2024-25 to address increased personnel and operational costs within the medical budget.
- \$36.5 million ongoing General Fund to address a structural deficit in funding for contract medical services.
- \$38.3 million ongoing to support COVID-19 prevention and mitigation activities.
- Reduction of \$7.1 million ongoing General Fund for the Employee Health Program.

Public Safety

Proposition 47 State Savings. The Administration estimates net savings of \$87.8 million General Fund in 2024-25 associated with Proposition 47, the Reduced Penalties for Some Crimes Initiative (2014).

Post Release Community Supervision. The proposed budget includes \$4.4 million one-time General Fund in 2024-25 for county probation departments to supervise individuals on Post Release Community Supervision.

Community Corrections Performance Incentive Grant. The proposed budget contains \$113.6 million General Fund in 2024-25 to support the Community Corrections Performance Incentive Grant (SB 678 (Leno), Chapter 608, Statutes of 2009), which provides incentives for counties to reduce the number of felony probationers sent to state prison. The Governor's budget reflects the resumption of the previous methodology for calculating incentive payments after this funding had been stabilized in response to the COVID-19 pandemic.

Juvenile Justice Realignment. The Governor's budget includes \$225 million General Fund in 2024-25 and statutory changes to maintain the current distribution formula for the Juvenile Justice Realignment Block Grant. This funding supports counties in serving the population realigned after the closure of the Division of Juvenile Justice at CDCR.

Board of State and Community Corrections (BSCC)

Reduction of the Public Defender Pilot Program. The proposed budget eliminates the third year of funding for the Public Defender Pilot Program, a reduction of \$40 million General Fund in 2023-24.

Adult Reentry Grant Delay. The Governor's budget proposes to delay \$57 million General Fund for the Adult Reentry Grant from 2024-25 to \$19 million per year for three years beginning in 2025-26.

Community Corrections Partnership Plan Reduction. The proposed budget reduces the funding for counties that provide Community Corrections Partnership Plans and reports by \$8 million ongoing.

Proud Parenting Grant Program. The proposed budget reduces the amount available for the Proud Parenting Grant Program by \$835,000 ongoing. The program has been administered by BSCC since 2005 and provides funding to community-based organizations, county offices of education, county probation departments, and tribes to provide services to young parents who are or were involved in the juvenile justice system or are considered crossover youth with the child welfare system.

Department of Justice (DOJ)

The proposed budget includes total funding of approximately \$1.3 billion (\$487 million General Fund) to support the DOJ in 2024-25.

Small Client Legal Workload. The proposed budget includes \$4 million General Fund in 2024-25 through 2026-27 to support workload on behalf of small client departments. This retains baseline funding that was authorized for three years in the 2021 Budget Act.

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 CURES program.

Litigation Deposit Fund Loan. The Governor's budget proposes loaning an additional \$100 million from the Litigation Deposit Fund to the General Fund in 2024-25 to address the projected budget shortfall, bringing the total loan to \$500 million.

Office of Emergency Services (Cal OES)

The proposed budget includes \$3 billion (\$530.3 million General Fund) and 1,909 positions for Cal OES in 2024-25.

California Radio Interoperable System (CRIS). The proposed budget includes an additional \$6.4 million State Emergency Telephone Number Account funds and 12 positions to continue the implementation of CRIS, a statewide public safety radio system that provides interoperability for state, local, and federal public safety responders.

Flexible Cash Assistance for Survivors of Crime Delay. The budget proposes to delay \$47.5 million General Fund provided in the 2022 Budget Act for assistance to survivors of violent crimes to 2025-26.

Community Hardening Grants. The proposed budget reverts \$45 million and maintains \$55 million General Fund for grants for community hardening efforts.

Multifamily Seismic Retrofitting Reversion. The proposed budget removes \$15 million one-time General Fund provided in 2023-24 to establish the Seismic Retrofitting Program for Soft Story Multifamily Housing.

Firearm Relinquishment Reduction. The proposed budget eliminates \$21 million General Fund intended for a gun buyback program at the Office of Emergency Services.

The Judicial Branch

The proposed budget includes total funding of \$5.2 billion (\$3.2 billion General Fund and \$2 billion other funds) in 2024-25 for the Judicial Branch, of which \$3 billion is provided to support trial court operations.

Revenue Backfills. The proposed budget includes \$83.1 million ongoing to continue backfilling the Trial Court Trust Fund and \$80 million in 2024-25 and \$119 million ongoing to backfill the State Court Facilities and Construction Fund.

Reserves. The proposed budget includes statutory changes to allow trial courts to maintain a reserve of up to five percent of the previous year's operating budget or \$100,000 for small courts. The current statutory limit is three percent.

Self-Help Centers. The proposed budget includes \$19.1 million ongoing General Fund to maintain funding for self-help centers in trial courts statewide.

Trial Court Employee Benefits. The proposed budget includes an increase of \$15.8 million ongoing General Fund for trial court employee health benefits and retirement costs.

Trial Court Facilities. The proposed budget maintains \$1.4 billion Public Buildings Construction Fund over the next five years for five high-priority judicial branch projects and includes \$89.5 million Public Building Construction Fund for a new Sixth Appellate District Courthouse in Sunnyvale. The budget also includes \$3.6 million ongoing General Fund for trial court facility operations and maintenance for a new Stanislaus County courthouse opening in 2024-25.

Firearms Relinquishment Reduction. The proposed budget reduces the funding available for court-based firearm relinquishment from \$40 million to \$20 million.

One-Time Reversions. The budget proposes to revert \$75 million one-time from the Trial Court Trust Fund and \$5 million from the Trial Court Emergency Fund.

Labor, Public Employment and Retirement

Labor and Workforce Development Fund Loan to General Fund. The budget proposes a one-time loan of \$125 million from the Labor and Workforce Development Fund to the General Fund.

California Jobs First (formerly Community Economic Resilience Fund). The budget proposes to delay \$300 million General Fund for the program and instead includes \$100 million for each year between 2024-25 and 2026-27.

California Workforce Development Board (CWDB)

Goods Movement Workforce Training Campus. The budget proposes to delay \$40 million General Fund in 2024-25 and spread this funding over 2025-26 and 2026-27 fiscal years.

Low Carbon Economy Program. The budget proposes a \$15 million General Fund reduction and maintaining \$30 million (\$15 million General Fund and \$15 million Greenhouse Gas Reduction Fund) over two years for the program.

High Road Training Partnerships in Health and Human Services. The budget proposes to reduce this funding by \$45 million in 2023-24 and maintain \$90 million over two years for the program.

Employment Development Department (EDD)

Unemployment Insurance (UI) Interest Payment. The budget proposes a one-time payment of \$331 million (\$231 million General Fund and \$100 million Employment Training Fund) to support the state's UI loan interest payment.

EDDNext. The Governor's budget includes \$326.8 million one-time in 2024-25 (\$163.4 million General Fund) to continue the planning and development of EDDNext, for the third year of a five-year plan to modernize EDD. The effort includes enhancements to EDD's benefits system, improving call centers, simplifying forms and notices, including user testing and engagement, developing data analysis tools to continue curbing fraudulent benefit claims, and training.

Emergency Medical Technician Training. The budget proposes to reduce the investment for this program by \$10 million and instead maintain the program at \$30 million over two years.

Displaced Oil and Gas Worker Pilot. The budget proposes to revert \$10 million General Fund and maintain \$30 million for the program.

Department of Industrial Relations (DIR)

Apprenticeship Innovation Fund. The budget proposes to delay \$40 million General Fund in 2024-25 and spread this funding over 2025-26 and 2026-27 fiscal years.

California Youth Apprenticeship Program. The budget proposes to delay \$25 million for the program to 2025-26.

Women in Construction Unit. The Governor's budget proposes to reduce funding for the unit by \$5 million General Fund in 2024-25 and ongoing and instead maintain the program at \$10 million General Fund ongoing.

Workers' Compensation Appeals Board. The budget proposes \$2.8 million Workers' Compensation Administration Revolving Fund and 13 positions over three years to reduce the backlog at the appeals board.

Cal/OSHA Data Modernization Project. The budget proposes \$25.2 million Labor and Workforce Development Fund in 2024-25 to develop a system that will meet federal and state-mandated requirements, consolidate information into a central database/repository, interface to other DIR systems, and automate manual processes across its units.

Electronic Adjudication Management System Modernization. The budget proposes \$22.1 million Workers Compensation Administration Revolving Fund in 2024-25 for DIR to support the replacement of the Division of Workers' Compensation's electronic case management and document storage system.

Public Works Information Technology System. The budget proposes \$10.6 million Labor and Workforce Development Fund in 2024-25 for DIR to complete enhancements to the Public Works Information Technology System.

Rural Strategic Engagement Program. The budget proposes \$8.3 million Labor and Workforce Development Fund annually over three years for DIR and the Agricultural Labor Relations Board to educate rural workers on workplace rights.

Public Records Act Oversight Unit. The budget proposes 12 permanent positions and \$2 million in 2024- 25, 10 permanent positions and \$3.3 million in 2025-26, and \$3.2 million in 2026-27 and ongoing funded through various special funds to enable DIR and its divisions to timely respond to requests for public records under the California Public Records Act.

OSHA 23(g) Federal Funding Increase. The budget proposes an increase of \$1.37 million Federal Trust Fund authority in 2024-25 and ongoing associated with the Occupational Safety and Health Administration (OSHA) 23(g) State Plan Program Federal Grant base increase.

Employee Compensation and Collective Bargaining

The budget includes \$1.3 billion (\$676.3 million 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 costs are collectively bargained salary and benefit increases resulting from contract and side letter negotiations.

Telework Stipend Savings. The Governor's budget summary states the intent to negotiate with each bargaining unit for the elimination of the telework stipend first offered to state employees in 2021-22. The budget proposes estimated savings of \$51.2 million (\$25.6 million General Fund), assuming the stipend is eliminated beginning with the July 2024 pay period. The state will make every attempt to reach these savings through collective bargaining.

Vacant Position Savings. The Governor's budget summary states that the Department of Finance will work with departments and agencies to determine the appropriate reductions associated with vacant positions in 2024-25. Appropriations reduced through this process will revert to full funding levels in future budget years.

Payroll Deferral. The Governor's budget proposes to defer state employees' payroll costs from June 30, 2025, to July 1, 2025. Deferring one month of payroll, estimated at \$3.2 billion (\$1.6 billion General Fund), will shift the associated costs from 2024-25 to 2025-26.

State Employees' Retirement Contributions. The Governor's budget proposes \$6.9 billion (\$3.5 billion General Fund) as the statutorily required annual state contribution to California Public Employees' Retirement System (CalPERS) for state pension costs in 2024-25. This is \$1.6 billion (\$1.2 billion General Fund) lower than the Budget Act of 2023 due to the application of prior Proposition 2 debt repayment funding paid to CalPERS. Included in these costs are \$615.1 million General Fund for California State University retirement costs. Additionally, the budget includes \$885 million one-time Proposition 2 debt repayment funding as a supplemental payment toward the state plans' unfunded liabilities.

Teachers' Retirement Contributions. The budget proposes \$4.2 billion General Fund as the statutorily required annual state contribution to California State Teachers' Retirement System (CalSTRS) in 2024-25. The roughly \$302 million increase from the 2023 Budget Act is due to higher-than-anticipated growth in creditable compensation from 2021-22 to 2022-23.

State Retiree Health Care Benefits. The budget proposes \$375 million Proposition 2 debt repayment funding in 2024-25 for the employer's share of contributions to pay for future retiree health benefits.

Transportation

Transportation Package. In total, the Governor's budget includes the following amendments to the prior years' transportation package: \$296 million General Fund reductions, \$791 million in fund shifts, and \$3.2 billion in delays. According to the administration, the proposed delays will not have a programmatic impact, and primarily aligns the budget with expenditure schedules. More specifically, the budget solutions include the following:

- *Active Transportation Program (ATP).* A reduction of \$200 million General Fund to the ATP at the California Transportation Commission (CTC). This will be backfilled by ATP funding that was expected to be available for allocation in future cycles. In addition, the Governor's budget includes a delay of \$400 million General Fund from 2021-22.
- *Competitive Transit and Intercity Rail Capital Program.* A delay of \$2.1 billion General Fund from 2021-22 to as late as 2027-28 as well as a shift of \$530 million from General Fund to Greenhouse Gas Reduction Fund (GGRF) to the competitive Transit and Intercity Rail Capital Program (TIRCP) at the California State Transportation Agency (CalSTA).
- *Formula Transit and Intercity Rail Capital Program.* A delay of \$1 billion General Fund from 2024-25 to 2025-26 as well as a shift of \$261 million from General Fund to GGRF to the formula TIRCP at CalSTA.
- *Highways to Boulevards.* A delay of \$150 million General Fund from 2021-22 to the Highways to Boulevards program at Caltrans.
- *Port and Freight Infrastructure Program.* A delay of \$100 million General Fund from 2021-22 to the Port and Freight Infrastructure Program at CalSTA.
- *Port of Oakland.* A reduction of \$96 million General Fund from 2021-22 to the \$280 million previously appropriated for Port of Oakland improvements.

High Speed Rail. The budget includes \$6 million 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.

California Highway Patrol. The budget includes \$18 million (\$4.9 million Motor Vehicle Account (MVA)) and \$13.1 million Public Buildings Construction Fund) for the Keller Peak Tower replacement and six ongoing area office replacement projects located at Gold Run, Redding, Los Banos, Antelope Valley, Barstow, and Porterville.

Department of Motor Vehicles. The budget includes \$17.9 million Public Buildings Construction Fund for the performance criteria phase of the El Centro field office replacement project and for the construction phase of the Oxnard field office reconfiguration project.