

BUDGET REPORT

California State Budget 2024-25

BROWNSTEIN CLIENT ALERT, JAN. 12, 2024



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Introduction and Summary

The threat of a significant budget deficit in California has been looming for several budget cycles—and now it is here. Despite earlier estimations of a deficit in the \$60 billion range, the governor’s January budget estimates a \$37.9 billion shortfall, primarily rooted in the substantial decline in the stock market that drove down revenues in 2022 and the unprecedented delay in critical income tax collections.

2024-25 Governor's Budget General Fund Budget Summary (Dollars in Millions)

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

Note: Numbers may not add due to rounding.

Copy of the full budget summary [here](#).

To balance the state budget in the face of this shortfall, several significant adjustments have been proposed across departments, ranging from delays in program implementation, loans from one fund source to another and a disbursement of previously allocated funds across a longer time period. It is also worth noting that the governor is taking the unique approach in this year’s budget to defer all new discretionary spending decisions to this spring in an effort to have a better understanding of actual revenues come the 2024-25 May revision. This is to say that any proposed legislation between now and then is at a fiscal standstill until conversations between the administration and the California Legislature take place. As part of the spring budget process, the administration has committed to working closely with the legislature to prioritize the budget related to recently chaptered legislation.

K-12 Education

The budget includes total funding of \$126.8 billion (\$76.4 billion General Fund and \$50.4 billion other funds) for all K-12 education programs. K-12 per-pupil funding totals \$17,653 Proposition 98 General Fund and \$23,519 per pupil when accounting for all funding sources.

PROPOSITION 98

Proposition 98 funding for K-12 schools and community colleges is estimated to be \$98.3 billion in 2022-23, \$105.6 billion in 2023-24 and \$109.1 billion in 2024-25. These revised Proposition 98 levels represent a decrease of approximately \$11.3 billion over the three-year period relative to the 2023 budget act.

PROPOSITION 98 RAINY DAY FUND

Although the 2023 budget projected a total balance of \$10.8 billion in the PSSA, the 2024-25 budget projects a balance of approximately \$3.8 billion at the end of 2024-25.

LOCAL CONTROL FUNDING FORMULA

The Budget includes an LCFF cost-of-living adjustment of 0.76%. This combined with population growth adjustments will result in a decrease of roughly \$1.4 billion in discretionary funds. To fully fund the Local Control Funding Formula (LCFF), the Budget proposes the following:

- Withdrawal of approximately \$2.8 billion from the PSSA to support ongoing LCFF costs in 2023-24
- Withdrawal of approximately \$2.2 billion from the PSSA to support ongoing LCFF costs in 2024-25
- Use of available reappropriation and reversion funds totaling \$38.6 million to support ongoing LCFF costs in 2024-25

CAREER EDUCATION

The budget directs the Commission on Teacher Credentialing to create a new Elementary Arts and Music Education authorization for career technical education teachers in an effort to provide additional pathways for experienced artists to become teachers.

INSTRUCTIONAL CONTINUITY

The budget proposes allowing local educational agencies to add attendance recovery time to the attendance data submitted to the Department of Education for funding purposes and chronic absenteeism purposes. The attendance recovery time options include the following:

- Saturday School
- Intersessional School
- Before/After School

The budget also proposes access to remote instruction or the ability to enroll at a neighboring local educational agency for emergencies lasting more than five days.

Finally, the budget proposes a one-time allocation of \$6 million from the Proposition 98 general fund to research models of remote learning and investigating potential opportunities to mitigate the effects of emergency events that prevent students from attending school.

CALIFORNIA STATE PRESCHOOL PROGRAM

The budget includes \$53.7 million from the General Fund for purposes of funding the State Preschool Program. This allocation is in addition to the \$140.6 million (General Fund) and \$206.3 million (Proposition 98 General Fund) identified in the 2023 Budget Act.

TEACHER PREPARATION AND PROFESSIONAL DEVELOPMENT

The budget proposes \$25 million from ongoing Proposition 98 General Funds to support training for educators to administer literacy trainings. The budget additionally proposes \$20 million one-time Proposition 98 General Funds for a county office of education to work with the University of California Subject Matter Projects and others to develop additional training and coaching for math teachers.

SCHOOL FACILITY PROGRAM

Given that the \$9 billion funds authorized by Proposition 51 in 2016 are nearly exhausted, the administration expects to enter into negotiations with the legislature on education facilities bond proposals for the purpose of reaching an agreement on a proposal to be considered by voters in the November 2024 election.

Preschool, Transitional Kindergarten, Full-Day Kindergarten Facilities Grant Program

The budget delays the 2024-25 planned \$550 million Full-Day Kindergarten program investment to 2025-26.

Significant Adjustments:

- **Local Property Tax Adjustments**
A decrease of \$113 million Proposition 98 General Fund for school districts and county offices of education in 2023-24.
- **Cost-of-Living Adjustments**
An increase of \$65 million ongoing Proposition 98 General Fund to reflect a 0.76% cost-of-living adjustment for specified categorical programs and the LCFF Equity Multiplier.
- **County Offices of Education**
A decrease of \$5 million ongoing Proposition 98 General Fund to reflect ADA changes applicable to the County Office of Education, LCFF, and a 0.76% cost-of-living adjustment.
- **Zero-Emission School Buses**
Maintenance of a \$500 million one-time Proposition 98 General Fund allocation for supporting greening school bus fleets.

- **Curriculum-Embedded Performance Tasks for Science**
An increase of \$7 million one-time Proposition 98 General Fund to support inquiry-based science instruction.
- **Cradle-to-Career Data System**
An increase of \$5 million ongoing Proposition 98 General Fund to support the California College Guidance initiative.
- **Nutrition**
An increase of \$122.2 million ongoing Proposition 98 General Fund to fully fund the universal school meals program in 2024-25.
- **Broadband Infrastructure Grant**
An increase of \$5 million one-time non-Proposition 98 General Fund to extend the Broadband Infrastructure Grant through 2029.
- **K-12 High Speed Network**
An increase of \$3.2 million ongoing Proposition 98 General Fund to support the K-12 High Speed Network program.
- **Parks Access**
An increase of \$2.1 million ongoing Proposition 98 General Fund for a county office of education to fund fourth-grader field trips to California State Parks.
- **Inclusive College Technical Assistance Center**
An increase of \$2 million ongoing Proposition 98 General Fund to establish a Technical Assistance Center.
- **Homeless Education Technical Assistance Centers**
An increase of \$1.5 million ongoing Proposition 98 General Fund to maintain support for Homeless Education Technical Assistance Centers.
- **State Special Schools Infrastructure Support**
An increase of \$3.4 million General Fund, of which \$380,000 is ongoing to replace and repair critical infrastructure.

Higher Education

The 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

To address the projected budget shortfall, the budget defers the planned 2024-25 Compact investment of \$227.8 million and the planned investment of \$31 million to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students in 2024-25. These deferrals would largely maintain the ongoing UC General Fund at 2023-24 levels, while enabling the UC to use interim financing structures or other internal borrowing to support UC spending at the planned 2024-25 Compact level and at the level necessary to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled in 2024-25.

Significant Adjustments

- **Compact Deferral**
A one-time deferral of approximately \$227.8 million General Fund, which represents the 5% General Fund resource adjustment for 2024-25 pursuant to the Compact. In addition to the planned 2025-26 Compact investment, in 2025-26, UC should plan for both the repayment of this one-time deferral and the approximately \$227.8 million ongoing General Fund to be included within its base budget.
- **Resident Undergraduate Enrollment Growth Deferral**
A one-time deferral of approximately \$31 million General Fund to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students. In addition to the planned 2025-26 investment to offset revenue reductions associated with the replacement of nonresident undergraduate students, in 2025-26, UC should plan for both the repayment of this one-time deferral and the \$31 million ongoing General Fund to be included within its base budget.
- **Graduate Medical Education Backfill**
An increase of approximately \$2.6 million ongoing General Fund and \$247,000 one-time General Fund to offset declining Proposition 56 revenue for a statewide grant program and maintain \$40 million in funds for graduate medical residency slots.
- **Medical School Project at UC Merced**
Consistent with the 2019 budget, an increase of \$14.5 million ongoing General Fund to support a Medical School Project at UC Merced beginning in 2024-25.

Significant One-Time Budget Adjustment

- **Adjustment in Capital Outlay Support**
The budget proposes to forgo a planned investment of \$300 million one-time General Fund support for the construction of an Institute for Immunology and Immunotherapy at UC Los Angeles. This adjustment was made because the project shifted away from the construction of a new facility to the acquisition and updating of an existing facility.

CALIFORNIA STATE UNIVERSITY

To address the projected shortfall, the budget defers the planned 2024-25 Compact investment of \$240.2 million to 2025-26. This deferral would largely maintain the ongoing CSU General Fund at 2023-24 levels, while enabling CSU to use interim financing structures or other internal borrowing to support CSU spending at the planned 2024-25 Compact level.

Significant Adjustment

- **Compact Deferral**

A one-time deferral of approximately \$240.2 million General Fund, which represents the 2024-25 five-percent General Fund resource adjustment pursuant to the Compact. In addition to the planned 2025-26 Compact investment, in 2025-26 CSU should plan for both the repayment of this one-time deferral and the approximately \$240.2 million ongoing General Fund to be included within its base budget.

CALIFORNIA COMMUNITY COLLEGES

Significant Adjustments

- **CCC Apportionments**

An increase of \$69.1 million ongoing Proposition 98 General Fund to provide a 0.76% cost-of-living adjustment (COLA) for Student Centered Funding Formula apportionments and \$29.6 million ongoing Proposition 98 General Fund for 0.5% enrollment growth.

- **CCC Categorical Program COLA**

An increase of \$9.3 million ongoing Proposition 98 General Fund to provide a 0.76% COLA for select categorical programs and the Adult Education Program.

- **K-14 Rainy Day Fund**

A withdrawal of roughly \$235.9 million in 2023-24, and \$486.2 million in 2024-25, to support Student Centered Funding Formula resource needs.

- **Nursing Program Support**

An increase of \$60 million one-time Proposition 98 General Fund to expand nursing programs and Bachelor of Science in Nursing partnerships.

STUDENT HOUSING

The Higher Education Student Housing Grant Program was established to provide grants for the CCCs, CSU and UC to construct student housing or to acquire and renovate commercial properties into student housing for low-income students. To address the projected budget shortfall, the budget proposes suspending funding for the California Student Housing Revolving Loan Fund Program. This includes pulling back \$300 million one-time General Fund previously intended to be appropriated for the program for each year from 2024-25 to 2028-29 and reverting \$194 million of \$200 million one-time General Fund that was appropriated in 2023-24, which is the amount estimated to be net of the program's expected operational costs.

CALIFORNIA STUDENT AID COMMISSION

The 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. The budget forgoes a planned one-time Middle Class Scholarship investment of \$289 million.

CAL GRANT REFORM

The 2022 Budget Act reflected provisions regarding the fiscal conditions upon which the Cal Grant Reform Act may be implemented. The Cal Grant Reform Act would make significant changes to the state's largest financial aid program, replacing the existing Cal Grant program with a new version that provides a Cal Grant 2 for eligible CCC students with financial need and provides a Cal Grant 4 for eligible four-year university students with financial need. The administration remains attentive to the 2022 Budget Act's provisions regarding the fiscal conditions upon which the Cal Grant Reform Act may be implemented and will continue to work closely with the legislature, the commission and others.

COLLEGE OF THE LAW, SAN FRANCISCO

Significant Budget Adjustment

- **Base Growth**

An increase of \$2.2 million ongoing General Fund to support operating costs. This represents a 3% increase base augmentation.

CALIFORNIA STATE LIBRARY

Significant Adjustments

- **Support for Local Library Infrastructure**

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

- **Statewide Library Broadband Services**

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

Climate Change

The 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.

CLIMATE INVESTMENTS

Zero-Emission Vehicles

The budget includes \$38.1 million of General Fund reductions, \$475.3 million in fund shifts to the GGRF and \$600 million in delays across various programs.

Transportation

The budget maintains \$13.6 billion of these investments. The budget includes \$200 million in General Fund reductions, \$791 million in fund shifts and \$3.1 billion in delays across various programs.

Water and Forest Resilience

The budget maintains \$2.7 billion of these investments over five years to advance critical investments in restoring forest and wildland. The budget includes \$100.7 million in General Fund reductions and \$162.5 million in fund shifts across various programs and continues \$200 million from the GGRF consistent statutory requirements.

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 Nov. 1, 2024.

Water

The budget maintains \$7.3 billion of investments over multiple years in and includes \$796.8 million in General Fund reductions and \$100 million in delays across various programs. The budget also includes \$159.1 million in new investments to support flood protection, levee repair and restoration of the Salton Sea.

- **Flood Protection**

The budget includes \$33 million General Fund to support the continuing projects addressing flood risk reduction, as well as \$31.3 million General Fund to support the continuation of existing flood risk reduction projects in the Central Valley. Finally, \$29.6 million General Fund to address storm damage at state-owned flood and delta land facilities associated with the 2023 storms.

Addressing the Budget Problem

- **Watershed Climate Resilience Programs**
A reversion of \$88.4 million General Fund and a reduction of \$350 million over the next two years for various watershed climate resilience programs within the DWR and the Wildlife Conservation Board.
- **Water Recycling**
A reversion of \$174.4 million General Fund and a delay of \$100 million until 2025-26 for water recycling and groundwater cleanup.
- **Per- and Polyfluoroalkyl Substances**
A reversion of \$71.6 million General Fund and reduction of \$30 million in 2024-25 for Per- and Polyfluoroalkyl support.
- **Dam Safety**
A reversion of \$50 million General Fund for dam safety investments.
- **State Water Efficiency and Enhancement Program**
A shift of \$20.6 million General Fund to the GGRF for the State Water Efficiency and Enhancement Program.
- **Relief for Small Farmers**
A reversion of \$12.9 million California Emergency Relief Fund for drought relief to small farms.
- **Forecast Informed Reservoir Operations**
A reduction of \$6.75 million General Fund ongoing for Forecast Informed Reservoir Operations for runoff forecasting.
- **On-Farm Water Use**
A reversion of \$6 million California Emergency Relief for on-farm water use and agriculture technical assistance.

Coastal Resilience

The 2021 and 2022 Budget Acts committed \$1.3 billion for coastal resilience over multiple years. The budget maintains \$660 million of these investments over multiple years in programs and projects for coastal resilience. The budget reflects \$452 million in General Fund reductions and \$36.8 million in fund shifts across several coastal protection and adaptation programs.

Energy

The budget maintains approximately \$6.6 billion of the planned 2022 energy investments. In addition to the \$944 million reduced in the 2023 Budget Act, the budget includes \$419 million in General Fund reductions, \$144 million in fund shifts and \$505 million in delays across various energy-related programs. The budget also maintains the proposed \$1 billion for the Clean Energy Reliability Investment Plan with the remaining amount proposed over three years beginning in 2025-26.

Addressing the Budget Problem

- **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.
- **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 Greenhouse Gas Reduction Fund (GGRF) in 2024-25 to the CEC Equitable Building Decarbonization program
- **Food Production Investment**
A reduction of \$18.8 million General Fund in 2021-22 to the CEC Food Production Investment program.
- **Hydrogen Grants**
A reduction of \$35 million General Fund in 2021-22 to the CEC Hydrogen Grants program.
- **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 \$200 million General Fund delay to the CPUC's Residential Solar and Storage program at CPUC.
- **Oroville Pump Storage**
A delay of \$200 million General Fund to the Oroville Pump Storage project at DWR.

Natural Resources and Environmental Protection

The budget includes \$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 included in this agency. To address the projected shortfall, the budget proposes \$489.9 million of General Fund solutions in non-climate Natural Resources and Environmental Protection-related programs to achieve a balanced budget. Climate efforts are discussed in the previous section.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

The budget includes \$4.2 billion (\$2.7 billion General Fund) and 12,295 positions for CAL FIRE, as well as adjustments pertaining to fire station-specific repairs and expansions and the implementation of the 66-hour workweek pursuant to AB 151 (Chapter 250, Statutes of 2022).

SAFE AND SUSTAINABLE PEST MANAGEMENT

The governor's budget proposes legislation to increase the mill assessment to support programs and address the Department of Pesticide Regulation (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 Greenhouse Gas Reduction Fund (GGRF), phased in over three years, to support DPR's work.

PROTECTING WATER QUALITY AND HABITAT

In response to last year's *Sackett v EPA*, the U.S. Supreme Court ruling that narrowed the reach of the federal Clean Water Act on wetlands, the governor's budget proposes to include \$6.1 million Waste Discharge Permit Fund in 2023-24, and \$7 million ongoing for the State Water Resources Control Board and regional water quality control boards for activities to protect wetlands.

Addressing the Budget Problem

- **Beverage Container Recycling**
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 the Beverage Container Recycling Fund to the General Fund.
- **Urban Waterfront Funding**
A reversion of \$12.3 million General Fund for various projects in urban areas adjacent to rivers and waterways throughout the state. The budget maintains \$142 million General Fund previously allocated for this program.

Health and Human Services

The governor's budget includes \$253.4 billion (\$73.9 billion General Fund) for all health and human services programs in 2024-25.

RECENT SIGNIFICANT INVESTMENTS AND ACTIONS

- **Expanding Medi-Cal to All Income-Eligible Californians** – \$3.4 billion (\$2.9 billion General Fund) in 2024-25, and approximately \$3.7 billion (\$3.2 billion General Fund) ongoing, inclusive of In-Home Supportive Services (IHSS) costs, to expand full-scope Medi-Cal eligibility to income-eligible adults aged 26 to 49 regardless of immigration status as of Jan. 1, 2024.
- **Behavioral Health Continuum** – The budget maintains over \$8 billion total funds across various Health and Human Services departments to expand the continuum of behavioral health treatment and infrastructure capacity and transform the system for providing behavioral health services to children and youth.
- **Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Demonstration** – The budget maintains \$7.6 billion (\$350.4 million General Fund, \$87.5 million Mental Health Services Fund, \$2.6 billion Medi-Cal County Behavioral Health Fund, and \$4.6 billion federal funds) through the term of the waiver for the Department of Health Care Services (DHCS) and the Department of Social Services (DSS) to implement the BH-CONNECT Demonstration, effective Jan. 1, 2025.
- **California Advancing and Innovating Medi-Cal (CalAIM)** – The budget maintains approximately \$2.4 billion (\$811.1 million General Fund) in 2024-25 to continue transforming the health care delivery system through CalAIM at DHCS. The budget also maintains \$24.7 million (\$8.6 million General Fund) in 2025-26 increasing to \$197.9 million (\$69.3 million General Fund) at full implementation to allow up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness transitioning out of institutional care, a correctional facility, the child welfare system or other transitional housing settings.
- **Developmental Services Provider Rate Reform** – The budget maintains approximately \$1.7 billion (\$1 billion General Fund) in 2024-25 for the Department of Developmental Services (DDS).

DEPARTMENT OF HEALTH CARE SERVICES (DHCS)

The Medi-Cal budget includes \$157.5 billion (\$37.3 billion General Fund) in 2023-24 and \$156.6 billion (\$35.9 billion General Fund) in 2024-25.

Managed Care Organization (MCO) Tax

The budget proposes \$2.8 billion (\$1.2 billion Medi-Cal Provider Payment Reserve Fund) in 2024-25 and approximately \$6.5 billion (\$2.7 billion Medi-Cal Provider Payment Reserve Fund) in 2025-26 for targeted rate increases and investments consistent with the 2023 Budget Act, of which \$727 million (\$291 million Medi-Cal Provider Payment Reserve Fund) annually is for Medi-Cal provider rate increases effective Jan. 1, 2024.

Significant Adjustments

- **Children and Youth Behavioral Health Initiative Wellness Coaches**
\$9.5 million (\$4.1 million General Fund) in 2024-25 increasing annually to \$78 million (\$33.8 million General Fund) in 2027-28 to establish the wellness coach benefit in Medi-Cal effective Jan. 1, 2025.
- **Reproductive Health Services Waiver**
The budget maintains one-time \$200 million (\$100 million General Fund) in 2024-25 for the California Reproductive Health Access Demonstration Waiver to support access to reproductive health services beginning no sooner than July 1, 2024.
- **Medi-Cal Caseload and Eligibility Redeterminations**
The budget assumes a Medi-Cal caseload of 14.8 million in 2023-24, an increase of 583,000 individuals compared to the 2023 Budget Act. This results in increased costs of \$2.3 billion (\$499 million General Fund) in 2023-24 compared to the 2023 Budget Act.
- **Proposition 56**
The budget reduces Proposition 56 funding for physician services supplemental payments by \$193.4 million (\$77.1 million Proposition 56) in 2024-25. All other Proposition 56 supplemental payments remain fully funded. The budget includes \$907.4 million (\$192.6 million General Fund) for all Proposition 56 supplemental payments, inclusive of \$465.2 million for physician services.

Addressing the Budget Problem

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

- **Behavioral Health Continuum Infrastructure Program** – A delay of \$140.4 million General Fund from 2024-25 to 2025-26, for a total of \$380.7 million for the final round of grants in 2025-26. The budget maintains \$300 million General Fund in 2023-24 and \$239.6 million General Fund in 2024-25.
- **Behavioral Health Bridge Housing** – The budget proposes to shift \$265 million from Mental Health Services Fund appropriated in the 2023 Budget Act to General Fund in 2024-25. In addition, the budget delays \$235 million General Fund originally planned for 2024-25 to 2025-26. Despite the delays, the budget maintains \$1.5 billion for this program.
- **Clinic Workforce Stabilization Payments** – A reversion of \$14.9 million in unexpended General Fund from the one-time \$70 million General Fund included in the 2022 Budget Act for the Clinic Workforce Stabilization and Retention Payment Program that was planned to be transferred to the Department of Health Care Access and Information for workforce development programs.

DEPARTMENT OF SOCIAL SERVICES

The budget includes \$48.6 billion (\$21.8 billion General Fund) for Department of Social Services (DSS_ programs in 2024-25.

California Work Opportunity and Responsibility to Kids (CalWORKs)

The CalWORKs program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, provides temporary cash assistance to low-income families with children to meet basic needs. The budget assumes \$9.4 billion in total TANF expenditures (state, local, and federal funds) in 2024-25. This amount includes \$7 billion for CalWORKs program expenditures and \$2.4 billion for other programs such as Child Welfare Services, Foster Care, DDS programs, the Statewide Automated Welfare System, California Community Colleges Child Care and Education Services, Cal Grants and the Department of Child Support Services.

Significant Budget Updates:

- **Projected CalWORKs Grant Increase**

An approximate 0.8% increase to CalWORKs Maximum Aid Payment levels, with an estimated cost of \$26.7 million, is projected to begin Oct. 1, 2024. A determination and update of the projected grant increase will be made at the May revision.

Addressing the Budget Problem

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

- **Single Allocation**

A reversion of \$336 million General Fund from 2022-23 that is projected to be unexpended in the CalWORKs Single Allocation. The budget also reflects a reversion of \$40.8 million General Fund in 2023-24 and reduction of \$40.8 million General Fund in 2024-25 and ongoing, which was previously approved as part of an ongoing augmentation for this program.

- **Family Stabilization**

A reversion of \$55 million General Fund in 2023-24 and a reduction of \$71 million General Fund beginning in 2024-25 and ongoing.

- **Employment Services Intensive Case Management**

A reduction of \$47 million General Fund beginning in 2024-25 and ongoing.

- **Expanded Subsidized Employment**

A reversion of \$134.1 million General Fund in 2023-24 and a reduction of \$134.1 million General Fund in 2024-25 and ongoing.

In-Home Supportive Services

The budget includes \$24.3 billion (\$9 billion General Fund) for the In-Home Support Services (IHSS) program in 2024-25. The budget maintains investments in provider wage increases, a permanent provider back-up system and the full-scope Medi-Cal expansion to IHSS undocumented recipients of all ages including the recent expansion for ages 26 to 49, as of Jan. 1, 2024.

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

The budget includes \$3.7 billion General Fund in 2024-25 for the SSI/SSP program, including CAPI. The budget also includes a 3.2% federal SSI cost-of-living adjustment and maintains the 9.2% SSP increase, which took effect on Jan. 1, 2024. These adjustments raise the maximum SSI/SSP grant levels to \$1,183 per month for individuals and \$2,023 per month for couples.

Children's Programs

The budget includes \$690.3 million General Fund in 2024-25 for services to children and families in Child Welfare Services, including family support and maltreatment prevention services, child protective services, foster care services and adoptions.

Significant Adjustments

- **Child Welfare Services-California Automated Response and Engagement System (CWS-CARES) Project**
\$173.4 million (\$88.1 million General Fund) in 2024-25 to support continued project development and implementation costs, and an additional \$52 million (\$26 million General Fund) in one-time provisional authority, of the CWS-CARES project.
 - The CWS-CARES will replace the existing case management system to benefit state, local and tribal child welfare agencies and will align with state and federal requirements.
- **Foster Care Rate Reform**
\$12 million General Fund in 2024-25 to make automation changes for a reformed foster care payment structure with implementation anticipated as early as 2026-27.

Child Care and Development

The budget includes \$6.6 billion (\$4.6 billion General Fund) for child care and development programs. The budget maintains funding to implement the current memorandum of understanding between the state and Child Care Providers United—California and the parity provisions for non-represented providers pursuant to Chapter 193, Statutes of 2023 (SB 140) (\$723.8 million General Fund).

Other Department of Social Services Solutions

Addressing the Budget Problem

- **Bringing Families Home Program**
Delays \$80 million General Fund for this program to 2025-26.
- **Home Safe Program**
Delays \$50 million General Fund for this program to 2025-26.
- **Temporary Protected Status Services**
Reverts \$10 million General Fund in 2023-24 and makes a reduction of \$10 million General Fund in 2024-25 and ongoing.

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

DEPARTMENT OF DEVELOPMENTAL SERVICES (DDS)

The budget includes \$15.3 billion (\$10 billion General Fund) and estimates that approximately 458,000 individuals will receive services in 2024-25.

Over the next year, DDS will develop a Master Plan for Developmental Services to establish a more quality-driven and consumer-friendly experience for individuals and families receiving developmental services. DDS will also convene a workgroup of key stakeholders to inform the development of the plan, specifically focusing on a program management system, which will be used to collect and analyze data and make recommendations that emphasize quality, equity and outcomes while improving regional center accountability.

Addressing the Budget Problem

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

- **Service Provider Rate Reform**
Returns full implementation of service provider rate reform to the original timeline of July 1, 2025, while maintaining focus on improving outcomes and quality of services through the Quality Incentive Program.
- **Preschool Inclusion Grants**
A delay of \$10 million General Fund annually from the Preschool Inclusion Grant program until 2026-27.

Various Health and Human Services Solutions to Address the Budget Problem

- **Safety Net Reserve Withdrawal**
\$900 million in Safety Net Reserve to maintain existing program benefits and services for the Medi-Cal and CalWORKs programs.
- **Health Care Workforce**
A delay of \$140.1 million General Fund to 2025-26 for the nursing and social work initiatives administered by the Department of Health Care Access and Information. The budget also delays \$189.4 million Mental Health Services Fund to 2025-26 for the social work initiative, addiction psychiatry fellowships, university and college grants for behavioral health professionals, expanding Master of Social Work slots, and the local psychiatry behavioral health program.
- **Health and Human Services Innovation Accelerator Initiative**
A delay of \$74 million General Fund until 2025-26 and 2026-27 for the Health and Human Services Innovation Accelerator Initiative.

- **Specialty Dental Clinic Grant Program**
A delay of \$48.8 million General Fund to 2025-26 for the Specialty Dental Clinic Grant program at the California Health Facilities Financing Authority.
- **Healthier at Home Pilot**
A reversion of \$11.9 million General Fund for the Healthier at Home Pilot program at the California Department of Aging.
- **AIDS Drug Assistance Program Rebate Fund**
A budgetary loan of \$500 million from the AIDS Drug Assistance Program Rebate Fund to the General Fund for operational or programmatic purposes.
- **Department of Health Care Access and Information Special Funds**
Budgetary loans of \$50 million from the Hospital Building Fund, \$11 million from California Health Data and Planning Fund, \$3 million from the Registered Nurse Education Fund, \$1 million each from the Vocational Nurse Education Fund and the Mental Health Practitioner Fund to the General Fund for operational or programmatic purposes.
- **Managed Care Fund**
\$22.9 million budgetary loan from the Managed Care Fund to the General Fund from resources not currently projected to be used for operational or programmatic purposes.

Housing and Homelessness

HOUSING

The budget proposes over \$1.2 billion in General Fund reductions through 2025 for various housing programs that received recent investments, leaving the total General Fund investment in affordable housing and homeownership programs at approximately \$4 billion since 2019. Because most programs are funded with one-time allocations, many of the cuts take the form of reversions rather than reductions in ongoing spending.

Significant Adjustments

- **Multifamily Housing Program**
A reversion of \$250 million General Fund for the Multifamily Housing Program, which leaves \$75 million in 2023-24 for this purpose.
- **Infill Infrastructure Grant Program**
A reversion of \$200 million General Fund for the Infill Infrastructure Grant Program, which leaves \$25 million in 2023-24 for this purpose.
- **CalHome Program**
A reversion of \$152.5 million General Fund for the CalHome Program.
- **Veteran Housing and Homelessness Prevention Program**
A reversion of \$50 million General Fund for the Veteran Housing and Homelessness Prevention Program.

HOMELESSNESS

The budget maintains \$3.4 billion General Fund in 2023-24 to continue the state's efforts to address homelessness, as committed to in prior budgets. This includes previously budgeted amounts of \$400 million for a third round of encampment resolution grants and \$1 billion for a fifth round of Homeless Housing, Assistance and Prevention (HHAP) grants.

Nonetheless, the budget makes significant reductions in other areas through a combination of funding delays, deferrals and shifts, as detailed below.

Addressing the Budget Problem

- **Homeless Housing, Assistance and Prevention Program**
A delay from 2023-24 to 2025-26 of \$260 million General Fund HHAP funding to more appropriately align with when those funds will be available to eligible applicants. The budget maintains a total of \$1.1 billion General Fund for HHAP 5 across 2023-24 and 2024-25 to provide local jurisdictions, including federally recognized tribal governments, with flexible funding to continue efforts to prevent and end homelessness in their communities.

Potential for Additional HHAP Funding in the May revision

As part of the spring budget process, the administration will commit to working closely with the legislature on additional funding to support local governments' response to the homeless crisis—assuming local governments deliver on the performance commitments made under HHAP 3 and HHAP 4 and on the regional planning and coordination requirements of HHAP 5.

- **Behavioral Health Bridge Housing**

A shift of \$265 million from the Mental Health Services Fund appropriated in the 2023 Budget Act to the General Fund in 2024-25 due to lower-than-projected Mental Health Services Act revenues and a delay of \$235 million General Fund originally planned for 2024-25 to 2025-26.

- **Bringing Families Home Program**

A delay of \$80 million General Fund for the Bringing Families Home Program to 2025-26.

- **Housing and Disability Advocacy Program**

A delay of \$50 million General Fund for the Housing and Disability Advocacy Program to 2025-26.

Criminal Justice and Judicial Branch

DEPARTMENT OF CORRECTIONS AND REHABILITATION

The governor's budget includes total funding of \$14.5 billion (\$14.1 billion General Fund and \$364.3 million other funds) for the Department of Corrections and Rehabilitation (CDCR) in 2024-25. Of this amount, \$4.1 billion General Fund is for health care programs, which provide incarcerated individuals access to mental health, medical and dental care services that are consistent with the standards and scope of care appropriate within a custodial environment.

Significant Adjustments

- **Increased Attorney Fees for Board of Parole Hearings**
\$2.1 million ongoing General Fund to increase state-appointed attorney fees to maintain with market rates.
- **Utilities Costs**
\$21.9 million General Fund for increasing utility rates, to be adjusted twice annually to reflect actual costs.
- **Free Voice Calling Adjustments**
An increase by \$7.4 million one-time General Fund in 2023-24 and \$8.2 million ongoing—bringing the total funding to \$32.6 million in 2023-24 and \$36.7 million ongoing—to provide incarcerated individuals access to free voice calling per SB 1008 (Chapter 827, Statutes 2022).

Addressing the Budget Problem

- **Statewide Correctional Video Surveillance**
A delay of \$27.2 million in General Fund for installation of fixed camera technology from 2023-24 to 2025-26 and 2026-27.
- **COVID-19 Prevention and Response**
A reversion of \$38.8 million General Fund in 2023-24 to align with estimated current year savings for COVID-19 response activities.
- **COVID-19 Workers' Compensation**
A reversion of \$5 million General Fund in 2023-24, and a reduction of \$9 million in General Fund in 2024-25 for COVID-19-related workers' compensation expenditures.
- **Administrative Reduction**
A reduction of \$15 million ongoing General Fund for various areas within CDCR's administration.
- **TransMetro Bus Contract**
A reduction of \$2 million General Fund for bus transportation to the prisons due to its underutilization.

- **Parolee County of Release Workload**
A reversion of \$1.9 million General Fund in 2023-24 and an ongoing reduction of \$1.9 million beginning in 2024-25 due to SB 990 (Chapter 826, Statutes of 2022), which grants parolees greater eligibility to move to counties outside their county of commitment following their release from correctional institutions.
- **Division of Juvenile Justice Warm Shutdown**
A reduction of \$909,000 General Fund to better align contract resources for maintaining closed Division of Juvenile Justice facilities with actual needs.
- **Division of Adult Parole Operations Urinalysis Contract**
A reduction of \$100,000 General Fund in 2023-24, and an ongoing reduction of \$100,000 beginning in 2024-25, to right-size a contract for parolee urinalysis testing to align with the population.
- **Revenue transfer from the Recidivism Reduction Fund to the General Fund**
A revenue transfer of \$7.3 million of unobligated funds within the Recidivism Reduction Fund to the General Fund.

Health Care Services for Incarcerated Individuals

The budget includes \$4.1 billion General Fund in 2024-25 for health care programs, which provide incarcerated individuals access to medical, mental health and dental care services.

Significant Adjustments

- **Medical Program Shortfall**
\$40 million one-time General Fund in 2024-25 to address a deficit in the Medical Program budget.
- **Contract Medical Costs**
\$36.5 million ongoing General Fund and a reduction of \$12.1 million in reimbursement authority to address a structural deficit in the budget for Contract Medical services.
- **COVID-19 Mitigation**
\$38.3 million ongoing General Fund to support CDCR's COVID-19 prevention and mitigation activities.
- **Employee Health Program**
A reduction of \$7.1 million ongoing General Fund stemming from the success of the Employee Health Program proposed in the 2023 Budget Act.

Juvenile Justice Realignment

The Division of Juvenile Justice closed on June 30, 2023, pursuant to Chapter 18, Statutes of 2021 (SB 92). Youth previously committed to the Division of Juvenile Justice have been transferred to the county probation department within their respective county of commitment.

The budget includes \$208.8 million one-time General Fund in 2024-25 for the Juvenile Justice Realignment Block Grant (JJRBG) established by SB 823 (Chapter 337, Statutes of 2020) to support counties in providing rehabilitative housing and supervision services to the realigned youth population. The Budget also reflects an estimated increase of \$16.2 million General Fund to meet the requirement to adjust JJRBG funding annually by a rate commensurate with growth in the Juvenile Justice Growth Special Account, bringing the total amount available to an estimated \$225 million in 2024-25.

The administration is proposing statutory changes to maintain the funding formula prescribed in SB 823 in order to provide more time for the administration and legislature to coordinate on the best approach for a funding allocation methodology, as well as to help create certainty for counties regarding their allocation amounts for 2024-25.

PUBLIC SAFETY

The Budget maintains nearly \$1.1 billion in recent public safety investments in recognition of the importance of keeping Californians safe. This includes \$140 million one-time General Fund since 2021-22 to assist nonprofit organizations that have historically been targets of hate-motivated violence.

In October 2023, amid heightened fears and concerns stemming from the ongoing conflict in the Middle East, the administration—in concurrence with the legislature—invested an additional \$20 million to augment the California Nonprofit Security Grant Program, doubling the amount of funding available in 2023-24. The 2023-24 funding will continue to be administered in support of projects through 2024-25, bolstering safety and security for faith communities. The state also receives funding annually from the federal Nonprofit Security Grant Program.

Combatting Organized Retail Theft and Other Crimes

- \$373.5 million General Fund over four years to bolster local law enforcement efforts to address retail theft and other crimes.
- This includes ongoing resources to expand and make permanent California Highway Patrol's retail theft task forces as well as the Department of Justice's Special Operations Unit and other task force and prosecution teams.

Significant Adjustments

- **Drug Interdiction Continuation**
An increase of \$30 million General Fund (\$15 million in 2024-25 and \$15 million in 2025-26) to further expand the Military Department's existing drug trafficking prevention program.
- **Proposition 47**
The budget estimates net General Fund savings of \$87.8 million in 2024-25 from Proposition 47.
- **Post Release Community Supervision**
Estimated \$4.4 million General Fund will be allocated to the post release community supervision program.

- **Community Corrections Performance Incentive Grant**
\$113.6 million General Fund for county probation departments to administer the Community Corrections Performance Incentive Grant.

Addressing the Budget Problem

- **Board of State and Community Corrections Loan**
\$100 million loan from the Cannabis Tax Fund to the General Fund.
- **Adult Reentry Grant**
One-year pause of the \$57 million General Fund allocation for the Adult Reentry Grant, to be reallocated across three years beginning in 2025-26 at \$19 million.
- **Cal VIP Grant Program**
A reduction of \$9 million General Fund beginning in 2025-26, which will be replaced by funding from the newly created Gun and Ammunition Tax.
- **Firearm Relinquishment Programs**
Reductions of the \$21 million for the Office of Emergency Services Gun Buyback Program and \$20 million (of the \$40 million appropriated) for the Judicial Council Firearm Relinquishment Grant Program.
- **Public Defender Pilot Program**
A reduction of the \$40 million one-time General Fund in 2023-24 for the final year of the Public Defender Pilot program.
- **Community Partnership Plan**
A reduction of \$8 million General Fund beginning in 2024-25 and ongoing for counties that provide Community Corrections Partnership Plans and reports.
- **Proud Parenting Grant Program**
A reduction of \$835,000 General Fund beginning in 2024-25 and ongoing to the Proud Parenting Grant Program.

DEPARTMENT OF JUSTICE

The budget includes total funding of approximately \$1.3 billion, including \$487 million General Fund, to support the Department of Justice (DOJ).

Significant Adjustments

- **Small Client Legal Workload**
\$4 million General Fund in 2024-25 through 2026-27 to retain baseline level funding that was initially authorized in the 2021 Budget Act for small client departments.
- **CURES Fee**
Increase in the Controlled Substance Utilization Review and Evaluation System (CURES) Fee from \$9 to \$15.

Addressing the Budget Problem

- Loan of \$100 million from the Litigation Deposits Fund to the General Fund. This is in addition to the \$400 million budgetary loan from the Litigation Deposits Fund included in the 2023 Budget Act, for a total loan amount of \$500 million.

JUDICIAL BRANCH

The 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.

Significant Adjustments

- **Trial Court Trust Fund**
\$83.1 million ongoing General Fund to continue to backfill the Trial Court Trust Fund for expected revenue declines.
- **State Court Facilities and Construction Fund**
\$80 million in 2024-25 and \$119 million ongoing General Fund to continue to backfill a projected shortfall in the State Court Facilities and Construction Fund.
- **Self-Help Centers**
Increase of \$19.1 million ongoing General Fund to continue the current baseline funding level for self-help centers in trial courts statewide.
- **Trial Court Employee Health Benefits**
Increase of \$15.8 million ongoing General Fund for trial court employee health benefit and retirement costs.
- **Facility Operations and Maintenance**
Increase of \$3.6 million ongoing General Fund for trial court facility operations and maintenance for a new Stanislaus County courthouse opening in 2024-25.

Addressing the Budget Problem

- **Trial Court Trust Fund Unrestricted Balance**
One-time reversion of \$75 million of the unrestricted fund balance in the Trial Court Trust Fund to the General Fund.
- **Trial Court Emergency Fund**
One-time reversion of \$5 million of the \$10 million available in the Trial Court Emergency Fund.

Labor and Workforce Development

The governor's budget continues to make investments to upgrade and modernize information technology systems to improve the operation and employee experience for worker health and safety programs, unemployment and paid family leave.

Significant Adjustments

- **Unemployment Insurance Trust Fund Loan Interest**
\$331 million one-time funding (\$231 million General Fund) to pay the annual interest payment on the state's Unemployment Insurance loan balance.
- **EDDNext**
\$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 the Employment Development Department (EDD).
- **Division of Workers' Compensation**
An increase of \$12.3 million Workers' Compensation Administration Revolving Fund and 71.0 positions phased in over three years for the Department of Industrial Relations to address increasing workload and reduce hearing wait times.
- **Workers' Compensation Appeals Board**
An increase of \$2.8 million Workers' Compensation Administration Revolving Fund and 13.0 positions phased in over three years to reduce the backlog at the Workers' Compensation Appeals Board. The budget also proposes statutory changes to clarify the time period for the Board to issue a decision on an appeal.
- **Cal/OSHA Data Modernization**
An increase of \$25.2 million Labor and Workforce Development Fund one-time for the Department of Industrial Relations to continue the Cal/OSHA data modernization information technology project.
- **Electronic Adjudication Management System**
An increase of \$22.1 million Workers' Compensation Administration Revolving Fund one-time for the Department of Industrial Relations to continue the Electronic Adjudication Management System.
- **Public Works Information Technology System**
An increase of \$10.6 million Labor and Workforce Development Fund one-time for the Department of Industrial Relations to complete enhancements to the Public Works Information Technology System.
- **Rural Strategic Engagement Program**
An increase of approximately \$8.3 million Labor and Workforce Development Fund annually for three years for the Department of Industrial Relations and the Agricultural Labor Relations Board to educate rural workers on workplace rights under the direction of, and in coordination with, the Labor and Workforce Development Agency.

Addressing the Budget Problem

The budget proposes reductions of approximately \$100 million General Fund and delays of \$734.5 million total funds from 2023-24 and prior years to 2024-25 and future years (\$100 million in 2024-25, \$479.5 million in 2025-26 and \$155 million in 2026-27).

- **California Jobs First**
A delay of \$300 million General Fund for California Jobs First.
- **Health Care Workforce Investments**
A delay of \$140.1 million General Fund for the Nursing and Social Work Initiatives to 2025-26. Also, given lower-than-anticipated Mental Health Services Act revenue, the Budget also delays \$189.4 million Mental Health Services Fund to 2025-26 for various Department of Health Care Access and Information workforce investments.
- **High Road Training Partnerships**
A reduction of \$45 million General Fund in 2023-24 for the High Road Training Partnerships program at the California Workforce Development Board. The budget maintains \$90 million over two years for this program.
- **Apprenticeship Innovation Fund**
A delay of \$40 million General Fund to 2025-26 and 2026-27 (\$20 million each year) for the Apprenticeship Innovation Fund at the Department of Industrial Relations.
- **Goods Movement Workforce Training Facility**
A delay of \$40 million General Fund for a Goods Movement Workforce Training Facility in Southern California.
- **California Youth Apprenticeship Program**
A delay of \$25 million General Fund to 2025-26 for the California Youth Apprenticeship Program at the Department of Industrial Relations.
- **Low Carbon Economy Program**
A reduction of \$15 million General Fund for the Low Carbon Economy Grant Program at the California Workforce Development Board.
- **Displaced Oil and Gas Worker Pilot Fund**
A reversion of \$10 million General Fund for the Displaced Oil and Gas Worker Pilot Fund at EDD.
- **Emergency Medical Technician Training**
A reduction of \$10 million General Fund for the Emergency Medical Technician training program at EDD.
- **Women in Construction Unit**
A reduction of \$5 million General Fund ongoing for the Women in Construction Unit at the Department of Industrial Relations.
- **Labor and Workforce Development Fund Loan**
A proposed budgetary loan of \$125 million from the Labor and Workforce Development Fund to the General Fund to be used for operational or programmatic purposes.

General Government and Statewide Issues

CAL COMPETES

The budget includes a total of \$60 million General Fund, comprised of \$10 million in savings from 2023-24 and \$50 million in new funding in 2024-25, to extend the California Competes grant program for one additional year.

Significant Adjustments

- **Recapitalization of the Infrastructure State Revolving Fund**

An increase of \$50 million one-time General Fund to recapitalize the Infrastructure State Revolving Fund at the California Infrastructure and Economic Development Bank (IBank).

- This program provides financing to local governments for infrastructure related to clean energy, water and environmental projects. With the investment of \$162 million General Fund when the program was created in 1999, IBank has issued over \$1 billion in loans, supporting over 100 projects and creating over 24,000 new jobs.

OFFICE OF PLANNING AND RESEARCH (OPR)

The Office of Planning and Research (OPR) develops long-range state goals and policies to address four key areas: land use and planning, climate risk and resilience, sustainable economic development, and targeted long-range research needs. OPR consists of the State Planning and Policy Program, California Strategic Growth Council, Office of Community Partnerships and Strategic Communications, and California Volunteers

Significant Adjustments

- **California Environmental Quality Act Judicial Streamlining**

\$2.3 million ongoing General Fund to implement the newly adopted and newly renewed judicial streamlining provisions in the Public Resources Code for certain infrastructure and environmental leadership development projects.

CANNABIS

Proposition 64 specifies the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated. AB 195 requires that the programs below are funded at a baseline of approximately \$670 million, to the extent available, and included a \$150 million General Fund appropriation to backfill revenues, which has been fully allocated in 2023-24.

The budget estimates \$568.9 million will be available in 2024-25 as follows:

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

STATEWIDE BROADBAND NETWORK IMPLEMENTATION

Significant Adjustments

The budget includes the following adjustment to the broadband Middle Mile Broadband Implementation Project—an additional \$1.5 billion General Fund over two years (\$250 million in 2024-25 and \$1.25 billion in 2025-26) for CDT to complete the development of the statewide middle-mile network. Due to changes in scope and the associated costs, as well as inflation costs, additional funding will be necessary to complete the project and bring broadband connectivity to the state’s remaining unconnected and under-connected communities by Dec. 31, 2026.

STATE 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. Funding is also included for 2025 calendar year projected increases in health care and dental premiums and enrollment.

In an effort to address the projected budget shortfall, the Department of Finance issued Budget Letter 23-27 directing state entities to reduce current year spending and take necessary measures to ensure more prudent spending.

HEALTH CARE WORKER MINIMUM WAGE

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

Infrastructure

The budget proposes \$296 million of General Fund reductions, \$791 million in fund shifts and \$3.2 billion in delay across various programs. The governor has also included his five-year infrastructure plan (beginning with 2024) for consideration along with his annual budget bill. The plan reflects approximately \$53.3 billion in state infrastructure investments over the next 5 years.

FEDERAL INVESTMENTS

- **American Rescue Plan Act**
California has allocated nearly \$7.1 billion in State Fiscal Recovery Funds for constructing and preserving affordable housing.
- **Infrastructure Investment and Jobs Act**
\$45.3 billion in formula funding and \$7.9 billion in competitive funding (a total of \$53.2 billion) for transportation infrastructure, broadband and climate resilience projects.
- **Inflation Reduction Act**
\$816 million with \$369 billion more available nationwide for energy and climate change investments.

CRITICAL STATE INFRASTRUCTURE

To preserve investments in projects under the California Infrastructure Planning Act (Chapter 606, Statutes of 1999), the budget proposes to shift spending commitments from the General Fund to other fund sources and to defer several projects to future years.

The Judicial Branch

The plan includes \$1.4 billion from the Public Buildings Construction Fund over the next five years for five judicial branch projects previously identified as most critical. The plan also includes \$89.5 million from the Public Buildings Construction Fund for a new Sixth Appellate District Courthouse in Sunnyvale.

Transportation

The budget includes a reduction of \$1.1 billion from the General Fund that will be partially offset by \$791 million of Greenhouse Gas Reduction Funds, for a net reduction of \$200 million. These adjustments will maintain a total of \$15.9 billion of the \$16.1 billion in recent one-time transportation investments.

Addressing the Budget Problem

The budget proposes General Fund solutions including \$296 million of General Fund reductions, \$791 million in fund shifts and \$3.2 billion in delays.

- **Active Transportation Program**
A \$200 million reduction, leaving the Active Transportation Program (ATP) with \$850 million of the \$1 billion originally included as part of recent one-time transportation investments. To ensure no impact to previously awarded projects, \$200 million of ATP funding that was expected to be available for allocation in future cycles will instead be used to backfill the projects awarded in Cycle 6 of ATP. Additionally, there will be a \$400

million delay from 2021-22 to align the budget with expenditure schedules, which will not have a programmatic impact.

- **Competitive Transit and Intercity Rail Capital Program**
A delay of \$2.1 billion from 2021-22 to as late as 2027-28 to align the budget with expenditure schedules. This will not have a programmatic impact. A shift of \$530 million from the General Fund to the Greenhouse Gas Reduction Fund. This will not have a programmatic impact.
- **Formula Transit and Intercity Rail Capital Program**
A delay of \$1 billion from 2024-25 to 2025-26. A shift of \$261 million from the General Fund to the Greenhouse Gas Reduction Fund. This will not have a programmatic impact.
- **Highways to Boulevards**
A delay of \$150 million General Fund from 2021-22 to align the budget with expenditure schedules. This will not have a programmatic impact.
- **Port and Freight Infrastructure Program**
A delay of \$100 million General Fund from 2021-22 to align the budget with expenditure schedules. This will not have a programmatic impact.
- **Port of Oakland**
A reduction of \$96 million from 2021-22 leaves \$184 million General Fund for Port of Oakland improvements.

High Speed Rail Authority

The budget includes \$6 million from the High-Speed Rail Property Fund for the purpose of reinvesting excess property sale revenues to offset future costs.

California Highway Patrol

The infrastructure plan includes \$297.4 million (\$11.1 million from the General Fund, \$4.9 million from the Motor Vehicle Account, and \$281.4 million from the Public Buildings Construction Fund) over the next five years for various facility replacements statewide.

The budget includes \$18 million (\$4.9 million from the MVA and \$13.1 million from the Public Buildings Construction Fund) for seven critical projects.

Department of Motor Vehicles

The infrastructure plan includes \$89 million from the Public Buildings Construction Fund over the next five years for projects.

The budget includes \$17.9 million from the Public Buildings Construction Fund for the El Centro Field Office Replacement Project and the Oxnard Field Office Reconfiguration project.

Exposition Park

The budget includes \$351.5 million from the Public Buildings Construction Fund for the Southeast Underground Structure project. This project will better prepare Exposition Park for the 2028 Summer Olympics.

Department of Forestry and Fire Protection

The infrastructure plan includes \$1.4 billion (\$166.7 million from the General Fund and \$1.3 billion from the Public Buildings Construction fund) over the next five years for the continuation and addition of critical infrastructure projects statewide. The budget includes \$124 million (\$36.2 million from the General Fund and \$87.8 million from the Public Buildings Construction Fund) for the continuation and addition of critical major capital projects.

Department of Parks and Recreation

The infrastructure plan includes \$200.5 million (\$152,000 from General Obligation bond funds and \$200.3 million from other funds) over the next five years for the continuation of major capital projects.

Department of Water Resources

The budget includes \$54.3 million from the General Fund for various flood management system projects in the Central Valley including \$31.3 million for Systemwide Flood Risk Reduction projects and \$23 million for the Urban Flood Risk Reduction Program. An additional \$60 million from the General Fund is also allocated to the Salton Sea Management Plan.

Department of Developmental Services

The infrastructure plan includes \$157.3 million from the Public Buildings Construction Fund over the next five years for the design and construction of residence buildings at the Porterville Developmental Center.

Department of Corrections and Rehabilitation

The infrastructure plan includes \$20.1 million from the General Fund over the next five years for two projects that address critical fire and life safety upgrades.

The budget includes \$959,000 from the General Fund for the California Health Care Facility Stockton's portable water system treatment project.

California Department of Education – State Special Schools

The infrastructure plan includes \$81.6 million from the Public Buildings Construction Fund over the next five years for three projects to address aging infrastructure across the state.

California Community Colleges

The budget includes \$29.3 million in Proposition 51 funds for renovations and improvements for the Siskiyou Joint Community College District and College of the Siskiyous.

Department of General Services

The budget proposes a budgetary loan of \$50 million from the State Project Infrastructure Fund to the General Fund. The funds are currently idle and are expected to be returned as needed in 2025-26 and 2026-27.

THIS DOCUMENT IS INTENDED TO PROVIDE YOU WITH GENERAL INFORMATION REGARDING THE 2024-25 CALIFORNIA STATE BUDGET. THE CONTENTS OF THIS DOCUMENT ARE NOT INTENDED TO PROVIDE SPECIFIC LEGAL ADVICE. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS DOCUMENT OR IF YOU NEED LEGAL ADVICE AS TO AN ISSUE, PLEASE CONTACT THE ATTORNEYS LISTED OR YOUR REGULAR BROWNSTEIN HYATT FARBER SCHRECK, LLP ATTORNEY. THIS COMMUNICATION MAY BE CONSIDERED ADVERTISING IN SOME JURISDICTIONS.