

# CALIFORNIA STATE BUDGET

Gavin Newsom, Governor  
STATE OF CALIFORNIA



2024-25

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# TABLE OF CONTENTS

Introduction . . . . .	1
Summary Charts . . . . .	7
K-12 Education . . . . .	11
Higher Education . . . . .	19
Climate Change . . . . .	27
Natural Resources and Environmental Protection . . . . .	41
Health and Human Services . . . . .	47
Housing and Homelessness . . . . .	61
Criminal Justice and Judicial Branch . . . . .	65
Labor and Workforce Development . . . . .	85
General Government and Statewide Issues . . . . .	89
Staff Assignments . . . . .	103

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# INTRODUCTION

Emerging from the COVID-19 Pandemic, California has experienced significant revenue volatility—seeing unprecedented revenue growth that was quickly followed by a sharp and deep correction back toward historical trends. Additionally, the unprecedented Internal Revenue Service tax filing and payment postponement in 2023—affecting 99 percent of California taxpayers—significantly clouded the state's revenue forecast. With the revenue picture now clearer, the Budget takes steps to ensure California is on sound fiscal footing by setting the state on a fiscally responsible long-term path that protects vital programs assisting millions of Californians.

In addressing a \$46.8 billion deficit, the Budget maintains the multiyear fiscal structure of the May Revision, providing positive balances in the state's operating reserve, the Special Fund for Economic Uncertainties (SFEU), not only in the 2024-25 fiscal year—but also for the fiscal year that follows, 2025-26.

The Budget includes commitments to support further budget resilience. Part of the budget agreement reached proposes additional legislation requiring the state to set aside a portion of anticipated surplus funds to be allocated in a subsequent Budget Act—adding further fiscal protection so the state does not commit certain amounts of future anticipated revenues until those revenues have been realized.

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### RESERVES

Over the past decade, the state has built historic levels of reserves to better prepare for economic downturns and to mitigate against the volatility in the state's revenue structure. In particular, the Budget Stabilization Account (BSA), also known as the Rainy Day Fund, met its constitutional maximum mandatory deposit limit of 10 percent of General Fund tax proceeds at the 2023 Budget Act.

The Budget utilizes funds from the BSA, but does so over two fiscal years, assuming the use of approximately \$5.1 billion in 2024-25 and approximately \$7.1 billion in 2025-26. Spreading the use of the BSA over two years allows more of the structural budget issues to be addressed in 2024-25 and provides greater budget resiliency.

The Budget reflects total reserve balances of \$22.2 billion at the end of 2024-25. This includes \$17.6 billion in the BSA, \$3.5 billion in the SFEU, and \$1.1 billion in the Public School System Stabilization Account.

In addition to the balance of \$3.5 billion in the SFEU in the 2024-25 fiscal year, the Budget includes a positive SFEU in 2025-26 of \$1.5 billion, putting the state on more solid fiscal footing by balancing the budget through the next two fiscal years.

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### SOLUTIONS

The Budget solves a \$46.8 billion deficit for the 2024-25 through a mix of broad-based solutions.

- **Reductions—\$16.0 billion.** The Budget reduces funding for various items. Significant solutions include:
  - **Ongoing Reductions to State Operations**—A reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. The reduction involves all operational categories, including personnel, operating costs and contracting for General Fund savings of \$2.17 billion.
  - **Vacant Position Sweep**—A permanent reduction of \$1.5 billion (\$762.5 million General Fund) in 2024-25 by reducing departments' budgets for vacant positions.
  - **California Department of Corrections and Rehabilitation**—A reduction of \$358 million above the statewide reductions (state operations and vacant positions), for a total of \$750 million from 2022-23 through 2024-25.

- **California Student Housing Revolving Loan Program**—A reduction of approximately \$500 million.
- **Learning-Aligned Employment Program**—A reduction of \$485 million one-time, which reflects the balance of unspent one-time Learning-Aligned Employment Program resources.
- **Middle Class Scholarship Program**—An ongoing reduction of \$110 million beginning in 2025-26.
- **Housing**—A reduction of \$1.1 billion to various affordable housing programs.
- **Healthcare Workforce**—A reduction of \$746.1 million for various healthcare workforce programs.
- **Reductions of State and Local Public Health**—A reversion of \$41.5 million one-time in 2023-24 and an ongoing reduction of \$8 million and \$15.9 million for state and local public health efforts, respectively, which aligns with all other state 7.95-percent efficiency reductions.
- **Revenue/Internal Borrowing—\$13.6 billion.** The Budget includes additional revenue sources and borrows internally from special funds. Significant solutions in this category include:
  - **Net Operating Loss (NOL) Suspension and Credit Limitation**—Suspends NOL for companies with over \$1 million in taxable income and limits business tax credits to \$5 million in 2024, 2025, and 2026, which is projected to increase revenues by \$5.95 billion, \$5.5 billion, and \$3.4 billion in fiscal years 2024-25, 2025-26 and 2026-27, respectively. The solution includes a refundability component to ensure taxpayers subject to the temporary credit limitation can fully utilize their credits after the limitation period ends, as well as mechanisms to trigger the suspension off if certain events occur for tax years 2025 and 2026.
  - **Managed Care Organization (MCO) Tax**—The Budget reflects increased MCO Tax of \$5.1 billion in 2024-25, \$4.6 billion in 2025-26, and \$4.0 billion in 2026-27 to support the Medi-Cal program compared to the 2023 Budget Act, including the Early Action and Medicare revenue amendments to increase the MCO Tax.
- **Reserves—\$6.0 billion.** The Budget withdraws \$12.2 billion from the BSA over the next two fiscal years—\$5.1 billion in 2024-25 and \$7.1 billion in 2025-26—and \$900 million from the Safety Net Reserve in 2024-25.

- **Fund Shifts—\$6.0 billion.** The Budget shifts certain expenditures from the General Fund to other funds. Significant solutions include:
  - **Proposition 2 Supplemental Payment**—Applies a prior CalPERS Supplemental Pension Payment to the state's overall pension liability which reduces the required employer contributions in 2024-25 by \$1.7 billion (\$1.3 billion General Fund).
  - **Formula and Competitive Transit and Intercity Rail Capital Program**—Shifts \$958 million General Fund from 2023-24 and 2024-25 to the Greenhouse Gas Reduction Fund.
  - **Clean Energy and Other Climate Programs**—Shifts \$3 billion from 2023-24 and 2024-25 General Fund to the Greenhouse Gas Reduction Fund.
- **Delays and Pauses—\$3.1 billion.** The Budget minimizes the use of delays to avoid both increased future obligations and potential shortfalls. Delays include:
  - **California Food Assistance Program Expansion**—Delays for two years the California Food Assistance Program expansion automation to now begin in 2026-27 with benefits beginning in 2027-28.
  - **Department of Developmental Services Provider Pay Delay**—Delays implementation of increased provider pay by six months to January 1, 2025.
  - **Child Care Slots**—Funds approximately 11,000 new slots that received tentative awards and pauses additional expansion slots by two years (2026-27). After two years, additional slots are subject to appropriation.
  - **Broadband Last Mile**—Delays \$550 million to 2027-28.
- **Deferrals—\$2.1 billion.** The Budget defers certain payments to later years. These include:
  - **Payroll Deferral**—Defers \$3.2 billion (\$1.6 billion General Fund) for one month of state employees' payroll costs.
  - **UC/CSU Compact Deferral**—Defers \$524 million from 2025-26 to 2026-27 and from 2026-27 to 2027-28.



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## MAINTAINS CORE PROGRAMS

The Budget maintains core programs serving millions of California's most vulnerable populations.

- **Proposition 98**—Protects education now and in the future. Funds the minimum guarantee at \$115.3 billion (\$82.6 billion General Fund) for 2024-25 for Pre-K-12 schools and community colleges.
- **Medi-Cal**—Maintains funding for the expansion of health care to all income eligible Californians regardless of immigration status, including In-Home Supportive Services.
- **Behavioral Health**—Largely preserves funding across multiple programs supporting the expansion of the continuum of behavioral health treatment and infrastructure capacity for providing behavioral health services to Californians (\$7.1 billion total funds).
- **Supplemental Security Income/State Supplemental Payment (SSI/SSP) Base Grants**—Maintains the 9.2-percent SSP increase, which took effect on January 1, 2024. These adjustments raise the maximum SSI/SSP grant levels to \$1,183 per month for individuals and \$2,023 per month for couples.
- **CalWORKs Base Grants**—Maintains a cumulative 31.3-percent increase in CalWORKs Maximum Aid Payment levels since 2021.
- **In-Home Supportive Services**—Maintains benefit levels, including those provided to individuals regardless of their immigration status.
- **Broadband Middle and Last Mile**—Preserves \$250 million for the Middle Mile Broadband Initiative in 2024-25 and allows the Director of Finance to augment the budget for an additional \$250 million with concurrence from the Legislature. Additionally, preserves \$2 billion for Last Mile projects over 2024-25, 2025-26, and 2026-27 in order to connect unserved and underserved communities to broadband service.

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## CONTINUING PRIORITIES

The Budget includes continued investments in vital programs.

- **Homeless Housing Assistance and Prevention Program**—\$1 billion one time to provide local governments funding to combat the homelessness crisis—tied to increased accountability measures.
- **Encampment Grants**—\$250 million (\$150 million in 2024-25 and \$100 million in 2025-26).
- **Managed Care Tax Investments**—\$133 million in 2024-25, \$728 million in 2025-26, and \$1.2 billion in 2026-27 for increases and investments in the Medi-Cal program.
- **SUN Bucks (Formerly Summer EBT)**—\$146.8 million (\$73.4 million General Fund) for outreach, automation, and administration to allow California to provide an estimated \$1 billion in 2024-25 in federal food assistance. SUN Bucks provides \$40 per month for food in June, July and August (\$120 total).
- **Victims Assistance Grants/backfill of federal VOCA funds**—\$103 million one time.
- **Nonprofit Security Grants**—\$80 million annually for two years for physical security enhancements for certain nonprofit organizations.
- **Foster Care Rates**—\$20.5 million (\$13.3 million General Fund) to begin automation for updated foster care rates. Implementation of the new foster care rates will begin in 2027-28.

# SUMMARY CHARTS

This section provides various statewide budget charts and tables.

**2024 Budget Act**  
**General Fund Budget Summary**  
(Dollars in Millions)

	2023-24	2024-25
<b>Prior Year Balance</b>	\$47,119	\$13,443
Revenues and Transfers	\$189,399	\$212,139
<b>Total Resources Available</b>	<b>\$236,518</b>	<b>\$225,582</b>
Non-Proposition 98 Expenditures	\$155,042	\$128,892
Proposition 98 Expenditures	\$68,033	\$82,612
<b>Total Expenditures</b>	<b>\$223,075</b>	<b>\$211,504</b>
<b>Fund Balance</b>	<b>\$13,443</b>	<b>\$14,078</b>
Reserve for Liquidation of Encumbrances	\$10,569	\$10,569
Special Fund for Economic Uncertainties	\$2,874	\$3,509
<b>Public School System Stabilization Account</b>	-	<b>\$1,054</b>
<b>Safety Net Reserve</b>	<b>\$900</b>	-
<b>Budget Stabilization Account/Rainy Day Fund</b>	<b>\$22,559</b>	<b>\$17,633</b>

Note: Numbers may not add due to rounding.

### General Fund Expenditures by Agency

(Dollars in Millions)

	2023-24	2024-25	Change from 2023-24	
			Dollar Change	Percent Change
Legislative, Judicial, Executive	\$12,886	\$7,872	-\$5,014	-38.9%
Business, Consumer Services & Housing	3,703	1,541	-2,162	-58.4%
Transportation	1,043	669	-374	-35.9%
Natural Resources	12,143	5,389	-6,754	-55.6%
Environmental Protection	2,275	218	-2,057	-90.4%
Health and Human Services	73,621	71,360	-2,261	-3.1%
Corrections and Rehabilitation	15,430	14,176	-1,254	-8.1%
K-12 Education	69,800	81,319	11,519	16.5%
Higher Education	21,186	23,477	2,291	10.8%
Labor and Workforce Development	1,356	949	-407	-30.0%
Government Operations	4,592	2,767	-1,825	-39.7%
General Government:				
Non-Agency Departments	2,880	1,310	-1,570	-54.5%
Tax Relief/Local Government	595	653	58	9.7%
Statewide Expenditures	1,565	-196	-1,761	-112.5%
<b>Total</b>	<b>\$223,075</b>	<b>\$211,504</b>	<b>-\$11,571</b>	<b>-5.2%</b>

Note: Numbers may not add due to rounding.

### 2024-25 Total State Expenditures by Agency

(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$7,872	\$5,280	\$262	\$13,414
Business, Consumer Services & Housing	1,541	1,342	538	3,421
Transportation	669	16,751	86	17,505
Natural Resources	5,389	3,059	516	8,964
Environmental Protection	218	4,677	11	4,907
Health and Human Services	71,360	42,721	340	114,422
Corrections and Rehabilitation	14,176	4,001	-	18,177
K-12 Education	81,319	123	16	81,458
Higher Education	23,477	109	599	24,185
Labor and Workforce Development	949	1,194	-	2,143
Government Operations	2,767	406	-	3,173
General Government:				
Non-Agency Departments	1,310	1,990	2	3,302
Tax Relief/Local Government	653	3,626	-	4,278
Statewide Expenditures	-196	-1,293	3	-1,486
<b>Total</b>	<b>\$211,504</b>	<b>\$83,985</b>	<b>\$2,373</b>	<b>\$297,862</b>

Note: Numbers may not add due to rounding.

**General Fund Revenue Sources**  
(Dollars in Millions)

	2023-24	2024-25	Change from 2023-24	
			Dollar Change	Percent Change
Personal Income Tax	\$111,203	\$116,556	\$5,353	4.8%
Sales and Use Tax	33,320	34,045	725	2.2%
Corporation Tax	33,282	42,557	9,275	27.9%
Insurance Tax	3,905	4,016	111	2.8%
Alcoholic Beverage Taxes and Fees	417	422	5	1.2%
Cigarette Tax	43	41	-2	-4.7%
Motor Vehicle Fees	46	46	0	0.0%
Other	8,034	9,530	1,496	18.6%
<b>Subtotal</b>	<b>\$190,250</b>	<b>\$207,213</b>	<b>\$16,963</b>	<b>8.9%</b>
Transfer to the Budget Stabilization Account/Rainy Day Fund	-851	4,926	5,777	678.8%
<b>Total</b>	<b>\$189,399</b>	<b>\$212,139</b>	<b>\$22,740</b>	<b>12.0%</b>

Note: Numbers may not add due to rounding.

**2024-25 Revenue Sources**  
(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2023-24
Personal Income Tax	\$116,556	\$2,923	\$119,479	\$5,656
Sales and Use Tax	34,045	15,665	49,710	989
Corporation Tax	42,557	-	42,557	9,275
Highway Users Taxes	-	9,475	9,475	159
Insurance Tax	4,016	-	4,016	111
Alcoholic Beverage Taxes and Fees	422	-	422	5
Cigarette Tax	41	1,390	1,431	-42
Motor Vehicle Fees	46	12,432	12,478	448
Other	9,530	39,064	48,594	3,406
<b>Subtotal</b>	<b>\$207,213</b>	<b>\$80,949</b>	<b>\$288,162</b>	<b>\$20,007</b>
Transfer to the Budget Stabilization Account/Rainy Day Fund	4,926	-4,926	-	-
<b>Total</b>	<b>\$212,139</b>	<b>\$76,023</b>	<b>\$288,162</b>	<b>\$20,007</b>

Note: Numbers may not add due to rounding.

# K-12 EDUCATION

California provides instruction and support services to roughly 5.8 million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, more than 1,000 local school districts, and more than 1,200 charter schools provides instruction in English, mathematics, history, science, and other core competencies to provide students with the skills they will need upon graduation to either enter the workforce or pursue higher education.

The Budget includes total funding of \$133.8 billion (\$81.5 billion General Fund and \$52.3 billion other funds) for all K-12 education programs. The Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the Local Control Funding Formula (LCFF), special education, transitional kindergarten, nutrition, and preschool.

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## PROPOSITION 98

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges (collectively referred to as K-14 schools). The Proposition 98 Minimum Guarantee (Guarantee), which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The LCFF is the primary mechanism for distributing these funds to support students attending K-12 public schools in California.

## K-12 EDUCATION

Under certain circumstances, the Constitution allows the Legislature to suspend the Guarantee and create a maintenance factor to be paid in future fiscal years when conditions require it. The Budget suspends the Guarantee in 2023-24 and projects the Guarantee to be in Test 1 in 2024-25. In Test 1 years, the Guarantee is equal to the percentage of General Fund appropriated for K-14 schools in the 1986-87 fiscal year. Suspending the Guarantee is projected to create a maintenance factor obligation of approximately \$8.3 billion in 2023-24 and is projected to result in a \$4.1 billion maintenance factor payment in 2024-25, which will be paid in addition to the Guarantee level in 2024-25.

To accommodate enrollment increases related to the expansion of transitional kindergarten, and the implementation of Proposition 28, the Budget rebenchs the Test 1 percentage, from approximately 38.6 percent to approximately 39.2 percent, to increase the percentage of General Fund revenues obligated to the Guarantee. As 2024-25 is a Test 1 year, the value of the Guarantee is the sum of 39.2 percent of General Fund revenues, 2024-25 local property tax revenues, and the \$4.1 billion maintenance factor payment.

The Budget reflects Proposition 98 funding levels of \$103.7 billion in 2022-23, \$98.5 billion in 2023-24, and \$115.3 billion in 2023-24. Of the \$103.7 billion in 2022-23, the Budget accrues approximately \$6.2 billion of the state's General Fund costs to the 2026-27 through 2035-36 fiscal years for budgetary and financial reporting purposes.

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### **PROPOSITION 98 RAINY DAY FUND**

The Budget reflects a total balance of \$8.4 billion in the Public School System Stabilization Account (Proposition 98 Rainy Day Fund) at the end of 2022-23 and reflects the withdrawal of this balance in 2023-24. The Budget also reflects a roughly \$1.1 billion discretionary payment into the Proposition 98 Rainy Day Fund in 2024-25, leaving a balance in the account of \$1.1 billion in Proposition 98 Rainy Day Fund.

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 3 percent of the total K-12 share of the Guarantee. Because there is no ending balance in the account in 2023-24 and a balance of \$1.1 billion in 2024-25, school district reserve caps would not be triggered in 2024-25 and are not projected to be triggered in 2025-26.



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## LOCAL CONTROL FUNDING FORMULA

The 2024-25 Budget includes a Local Control Funding Formula (LCFF) cost-of-living adjustment of 1.07 percent. When combined with population growth adjustments, this will result in an increase of approximately \$983 million, as compared to the 2023 Budget Act, in discretionary funds for local educational agencies (LEAs). To fully fund the LCFF, the Budget withdraws approximately \$5.3 billion from the Proposition 98 Rainy Day Fund to support LCFF costs in 2023-24, and uses available reappropriation and reversion funding of \$253.9 million to support ongoing LCFF costs in 2024-25.

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## DEFERRALS

The Budget reflects LCFF apportionment deferrals from 2023-24 to 2024-25 of approximately \$3.6 billion and from 2024-25 to 2025-26 of approximately \$246 million. Additionally, the Budget reflects approximately \$2.3 billion in categorical program deferrals from 2022-23 to 2023-24, with the deferred categorical amount being repaid using Proposition 98 Rainy Day Fund resources.

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## LEARNING RECOVERY EMERGENCY BLOCK GRANT

The Budget focuses the use of allocated but unexpended Learning Recovery Emergency Block Grant funds on actions to address the needs of students most impacted by learning loss, based on an assessment of needs, and incorporates the use of these funds into the existing Local Control and Accountability Plan development process. The Budget also clarifies that the allowable uses of the Learning Recovery Emergency Block Grant include professional development aligned to the new Mathematics Framework and the English Language Arts/English Language Development Framework.

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## EMPLOYEE PROTECTIONS

To ensure stable employment for school staff, the Budget includes a suspension of the August 15, 2024, layoff window for certificated and classified staff.

## INSTRUCTIONAL CONTINUITY AND ATTENDANCE RECOVERY

The Budget includes statutory changes to allow LEAs to provide attendance recovery opportunities to students to make up lost instructional time, thereby offsetting student absences, and mitigating learning loss, as well as related fiscal impacts to LEAs. For example, the Budget beginning in 2025-26, allows LEAs to add up to 10 days of attendance recovery time per pupil to the attendance data submitted to the California Department of Education (CDE) for funding purposes (Average Daily Attendance reporting). Attendance recovery programs that are offered during summer school, intersessional school, on weekends, or before/after school, must be taught by certificated teachers, be exempt from minimum day requirements, and be non-compulsory.

The Budget also allows Expanded Learning Opportunities Program funds be utilized for attendance recovery programs when an LEA operates the program in conjunction with, and on the same school site as, its expanded learning opportunities program.

There is also the requirement that CDE to report an alternative chronic absenteeism rate calculation, in addition to the existing chronic absenteeism rate, that includes pupil attendance accrued through attendance recovery programs.

Beginning July 1, 2025, the Budget requires LEAs to include an instructional continuity plan in their School Safety Plan as a component of their emergency funding application (J-13A waiver). The plan must include procedures for student engagement within 5 days of an emergency and a plan to provide hybrid or remote learning opportunities to students within 10 instructional days. The plan can include supporting students and their families with temporary reassignment to another school.

When students must be absent for any reason, the Budget encourages LEAs to provide remote instruction to mitigate learning loss by streamlining independent study. Specifically, the language allows LEAs to earn funding for independent study programs regardless of duration, reduces the burden on teachers to account for remote/hybrid learning, and provides flexibility on when signed written agreements for short-term independent study must be collected.

Additionally, the Budget directs the department to explore local student information systems to identify opportunities and make recommendations to allow LEAs to report individual student absence data to the state in a manner that allows for, at a minimum, local and statewide disaggregation of absences related to emergency events that prevent students from attending school. The Budget also includes \$4 million one-time

Proposition 98 General Fund to research existing, and develop new models of hybrid and remote learning to support students' attendance, including developing and disseminating guidance and resources for LEAs to develop their own hybrid and remote learning programs to enable instructional continuity.

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## TEACHER PROFESSIONAL DEVELOPMENT AND PREPARATION

Preparing, training, and recruiting a diverse, expert workforce of administrative, credentialed, and classified staff to work in public K-12 schools continues to be critical to the success of the entire education system. To further expand the state's educator training infrastructure, the Budget:

- Provides \$25 million one-time Proposition 98 General Fund to support necessary costs, including training for educators to administer literacy screenings to meet the requirement to screen students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year.
- Provides \$20 million one-time Proposition 98 General Fund for a county office of education to work with the University of California Subject Matter Projects, as well as other well-qualified governmental or non-profit providers, to develop and provide training aligned with the new California Mathematics Framework for mathematics coaches and leaders who in turn can provide training and support to mathematics teachers to deliver high-quality instruction.

Additionally, to encourage more well-prepared individuals to enter the field of teaching, the Budget includes statutory changes to recognize the completion of a bachelor's degree as satisfying the basic skills requirement for a credential and to improve transcript review to certify subject matter competency.

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## EARLY EDUCATION

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### STATE PRESCHOOL

#### SIGNIFICANT BUDGET ADJUSTMENTS

- The Budget includes \$53.7 million General Fund to support reimbursement rate increases previously supported by available one-time federal stimulus funding.

- The Budget reflects one-time savings of \$190.7 million General Fund and \$522.3 million Proposition 98 General Fund. These adjustments align with the level of support necessary for CDE to meet preschool collective bargaining agreement requirements.
- The Budget authorizes California State Preschool Program providers to serve two-year-old children, in addition to three and four-year old children, until June 30, 2027.
- The Budget maintains that the California State Preschool Program continue to require providers to reserve 5 percent of funded enrollment for children with disabilities. However, the Budget suspends provisions to increase this requirement to 7.5 percent in 2025-26 and 10 percent in 2026-27.
- The Budget provides authority for CDE to develop and implement a streamlined request for application process to award new State Preschool slots to existing providers.

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### **TRANSITIONAL KINDERGARTEN**

The Budget provides \$988.7 million Proposition 98 General Fund to support the second year (the 2023-24 school year) of expanded eligibility for transitional kindergarten, shifting age eligibility from all children turning five-years-old between September 2 and February 2 to all children turning five-years-old between September 2 and April 2 (roughly 36,000 additional children). Additionally, the Budget provides \$390.2 million Proposition 98 General Fund to support the second year of adding one additional certificated or classified staff person to every transitional kindergarten class.

Further, the Budget provides \$1.5 billion ongoing Proposition 98 General Fund to support the third year (the 2024-25 school year) of expanded eligibility for transitional kindergarten, shifting age eligibility from all children turning five between September 2 and April 2 to all children turning five-years-old between September 2 and June 2 (roughly 38,000 additional children). The Budget also provides \$515.5 million ongoing Proposition 98 General Fund to support the third year of adding one additional certificated or classified staff person to every transitional kindergarten class.

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### **ADDRESSING THE BUDGET PROBLEM**

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

- **School Facility Program**—Forgoes a planned investment of \$875 million to support the School Facility Program.
- **California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program**—Forgoes a planned investment of \$550 million to support the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.
- **Zero-Emission School Buses**—Forgoes a planned \$500 million one-time Proposition 98 General Fund investment in 2024-25 to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission.

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## OTHER K-12 BUDGET ADJUSTMENTS

### SIGNIFICANT BUDGET ADJUSTMENTS

- **The Arts and Music in Schools: Funding Guarantee and Accountability Act (Proposition 28)**—\$907.1 million to support the Arts and Music in Schools: Funding Guarantee and Accountability Act in 2024-25.
- **Categorical Program Cost-of-Living Adjustments**—\$89.2 million ongoing Proposition 98 General Fund to reflect a 1.07-percent cost-of living adjustment for specified categorical programs.
- **Nutrition**—An additional \$179.4 million ongoing Proposition 98 General Fund and an additional \$120.8 million one-time Proposition 98 General Fund to fully fund the universal school meals program in the 2023-24 and 2024-25 fiscal years. This is on top of \$1.6 billion in base funding for the program.
- **Classified School Employee Summer Assistance Program**—\$9 million one-time Proposition 98 General Fund for the Classified School Employee Summer Assistance Program, which provides supplemental pay for classified staff during intersessional months when they are not employed.
- **Curriculum-Embedded Performance Tasks for Science**—\$7 million one-time Proposition 98 General Fund to support inquiry-based science instruction and assessment through the development of a bank of curriculum-embedded performance tasks.

- **California Teachers Collaborative for Holocaust and Genocide Education**—\$5 million one-time Proposition 98 General Fund to support the California Teachers Collaborative for Holocaust and Genocide Education.
- **After School Education and Safety Programs**—\$5 million one-time General Fund for Save the Children, which supports after school programs in rural districts.
- **State Special Schools Infrastructure Support**—\$3.4 million General Fund, of which \$380,000 is ongoing, to replace critical 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.
- **K-12 High Speed Network**—\$3.2 million ongoing Proposition 98 General Fund to support the K-12 High Speed Network program.
- **Student Friendly Services**—\$2.1 million ongoing Proposition 98 General Fund to support the California College Guidance Initiative.
- **Parks Access**—\$2.1 million ongoing Proposition 98 General Fund for the Sacramento County Office of Education to enable fourth graders attending public schools to access California state parks.
- **Inclusive College Technical Assistance Center**—\$2 million ongoing Proposition 98 General Fund to establish a Technical Assistance Center to:
  - Assist LEAs with the development and submittal of federal comprehensive transition and postsecondary program applications, so that students can apply for the Free Application for Federal Student Aid.
  - Facilitate collaboration between LEAs and institutions of Higher Education to support students, including those with intellectual disabilities, and their parents to plan for postsecondary transition.
  - Assist LEAs with the identification of potential funding sources and student financial assistance opportunities.
- The Budget includes statute to better equip school staff with the tools needed to recognize and offer appropriate mental health supports to students in a way that is aligned with other state investments in this area, including professional development opportunities.

# HIGHER EDUCATION

The Budget reflects a continued focus toward achieving the goals of the multiyear compacts with the University of California (UC) and the California State University (CSU), and the multiyear roadmap with the California Community Colleges (CCCs), which outline shared goals that include increasing access to the UC and CSU, improving student success while advancing equity, increasing the affordability of higher education, increasing intersegmental collaboration, and supporting workforce preparedness and high-demand career pipelines.

The Budget proposes total funding of \$44.6 billion (\$28.3 billion General Fund and local property tax and \$16.3 billion other funds) for the higher education segments and the California Student Aid Commission.

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## UNIVERSITY OF CALIFORNIA

UC offers formal undergraduate and graduate education. The UC is authorized to independently award doctoral degrees and is designated as the state's primary academic agency for research. Its 10 campuses enroll approximately 294,000 students and the UC extension centers register an additional 500,000 participants in continuing education programs. In 2022-23, the UC awarded more than 86,000 degrees, including more than 62,000 undergraduate degrees.

## SIGNIFICANT ADJUSTMENTS

- **Base Adjustments**

- An increase of approximately \$227.8 million ongoing General Fund for operating costs, representing a five-percent base increase in ongoing General Fund resources.
- An increase of \$31 million ongoing 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.
- A one-time reduction of \$125 million General Fund for UC's operating costs.

- **Medical School Project at UC Merced**—An increase of \$14.5 million ongoing General Fund to support a Medical School Project at UC Merced beginning in 2024-25.

- **Future Planning**

- Commencing in 2025-26, the UC should plan for an ongoing base General Fund reduction of 7.95 percent.
- For the 2025-26 fiscal year, the UC should plan for a one-time deferral of approximately \$240.8 million General Fund, which represents the 2025-26 five-percent General Fund resource adjustment pursuant to the Compact. In addition to the planned 2026-27 Compact investment, in 2026-27 the UC should plan for both the repayment of this one-time deferral and the approximately \$240.8 million ongoing General Fund to be included within its base budget.
- For the 2025-26 fiscal year, the UC should plan for 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 addition to the planned 2026-27 investment to offset revenue reductions associated with the replacement of nonresident undergraduate students at three UC campuses, in 2026-27 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.
- For the 2026-27 fiscal year, the UC should plan for a one-time deferral of approximately \$240.8 million General Fund, which represents a significant proportion of the 2026-27 five-percent General Fund resource adjustment



pursuant to the Compact. In 2027-28 the UC should plan for both the repayment of this one-time deferral and the approximately \$240.8 million ongoing General Fund to be included within its base budget.

- For the 2026-27 fiscal year, the UC should plan for 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 2027-28 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.

## ADDRESSING THE BUDGET PROBLEM

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

- **Adjustment in Capital Outlay Support**—Forgoes 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.
- **Graduate Medical Education Backfill**—A reduction of approximately \$13.5 million ongoing General Fund to suspend the state's practice of providing General Fund to backfill declining Proposition 56 revenue and maintain \$40 million in total funding for graduate medical residency slots.
- **Equal Opportunity Practices and Professional Development for UC Faculty**—A one-time reversion of \$5 million General Fund previously provided to support the Equal Opportunity Practices and Professional Development for UC Faculty in the 2021 Budget Act.

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## CALIFORNIA STATE UNIVERSITY

The CSU provides undergraduate and graduate instruction generally up to the master's degree. The CSU serves approximately 457,000 undergraduate and graduate students across 23 campuses, and also provides opportunities for students to enroll in professional and continuing education programs. In 2022-23, the CSU awarded more than 127,000 degrees.

### SIGNIFICANT ADJUSTMENTS

- **Base Adjustments**

- An increase of approximately \$240.2 million ongoing General Fund for operating costs, representing a five-percent base increase in ongoing General Fund resources.
- A one-time reduction of \$75 million General Fund for CSU's operating costs.
- An increase of \$5.5 million to support expanded university fee waiver costs per Chapter 695, Statutes of 2023.

- **Supporting Intersegmental Partnerships in Historically Underserved Areas of the State**—An increase of \$5 million one-time General Fund to support intersegmental partnerships in historically underserved areas of the state.

- **Future Planning**

- Commencing in 2025-26, the CSU should plan for an ongoing base General Fund reduction of 7.95 percent.
- For the 2025-26 fiscal year, the CSU should plan for a one-time deferral of approximately \$252.3 million General Fund, which represents the 2025-26 five-percent General Fund resource adjustment pursuant to the Compact. In addition to the planned 2026-27 Compact investment, in 2026-27 the CSU should plan for both the repayment of this one-time deferral and the approximately \$252.3 million ongoing General Fund to be included within its base budget.
- For the 2026-27 fiscal year, the CSU should plan for a one-time deferral of approximately \$252.3 million General Fund, which represents a significant proportion of the 2026-27 five-percent General Fund resource adjustment pursuant to the Compact. In 2027-28 the CSU should plan for both the repayment of this one-time deferral and the approximately \$240.8 million ongoing General Fund to be included within its base budget.

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## CALIFORNIA COMMUNITY COLLEGES

The CCCs are the largest system of higher education in the country, serving roughly one out of every four of the nation's community college students, or approximately 1.9 million students. The CCCs provide basic skills, vocational, and undergraduate transfer education with 73 districts, 116 campuses, and 78 educational centers.

In 2022-23, the CCCs awarded over 109,000 certificates and 187,000 degrees and transferred over 97,000 students to four-year institutions.

## SIGNIFICANT ADJUSTMENTS

- **Base Adjustments**
  - **Apportionments Cost-of-Living Adjustment and Growth**—An increase of approximately \$100.2 million ongoing Proposition 98 General Fund to reflect a cost-of-living adjustment for apportionments of 1.07-percent, and an increase of approximately \$28.1 million ongoing Proposition 98 General Fund to support 0.5-percent enrollment growth.
  - **Budget Year Student-Centered Funding Formula (SCFF) Apportionments Costs**—An increase of approximately \$22.1 million one-time Proposition 98 General Fund to support SCFF costs in 2024-25.
  - **Current Year SCFF Apportionments Costs**—An increase of approximately \$545.8 million one-time Public School System Stabilization Account to support SCFF costs for 2023-24.
  - **SCFF Deferrals**—The Budget reflects SCFF apportionment deferrals from 2023-24 to 2024-25 of approximately \$446.4 million and from 2024-25 to 2025-26 of approximately \$243.7 million. Additionally, the Budget reflects approximately \$241.8 million in categorical program deferrals from 2022-23 to 2023-24, with the deferred amounts being repaid using Public School System Stabilization Account resources; \$217.7 million of the repayment will support the SCFF in 2023-24.
- **CCC Categorical Program COLA**—An increase of \$13.1 million ongoing Proposition 98 General Fund to provide a 1.07-percent COLA for select categorical programs and the Adult Education Program.
- **Apprenticeships**—A one-time increase of approximately \$1.1 million Proposition 98 General Fund to support prior years' apprenticeships program costs.
- **Local Property Tax Adjustment**—A decrease of \$256.7 million ongoing Proposition 98 General Fund as a result of increased offsetting local property tax revenues.
- **Higher Education Student Housing**—Establishes a statewide lease revenue bond program to support the construction of 13 community college affordable student housing facilities.

- **One-time and Limited-Term Investments**

- **Nursing Program Support**—\$60 million one-time Proposition 98 General Fund per year for five years to support the CCC Strong Workforce Program to expand nursing programs and Bachelor of Science in Nursing partnerships to develop, educate, and maintain the next generation of registered nurses through the community college system.
- **Support for Financial Aid Offices**—\$20 million one-time Proposition 98 General Fund to support campus financial aid offices.
- **E-Transcript California**—\$12 million one-time Proposition 98 General Fund to support the continued development of e-Transcript California and to provide grants to districts to support local costs related to one-time connectivity, setup, and integration of the e-Transcript platform.
- **Mapping Articulated Pathways for Credit for Prior Learning**—\$6 million one-time Proposition 98 General Fund to support a demonstration project that will embed credit for prior learning policies into educational pathways that provide support for working adults seeking to improve their economic mobility through community college educational programs.
- **Pathways for Low-Income Workers for Demonstration Project**—\$5 million one-time Proposition 98 General Fund provided to support the CCC Strong Workforce Program shall be used for a demonstration project that would support the development of educational pathways for low-income working learners.

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## CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission administers financial aid programs, primarily the Cal Grant program. The Cal Grant program is estimated to provide nearly 406,000 financial aid awards to students who meet specified eligibility criteria in fiscal year 2024-25.

### SIGNIFICANT ADJUSTMENTS

- **Cal Grant Program Caseload Adjustments**—Estimated Cal Grant expenditures of approximately \$2.2 billion in 2022-23, \$2.3 billion in 2023-24, and \$2.4 billion in 2024-25 based on the latest estimates of enrollment of Cal Grant-eligible students.

- **Middle Class Scholarship Program**—A one-time General Fund increase of \$289 million to support the Middle Class Scholarship program.
- **Golden State Teacher Grant Program**—Support for the Golden State Teacher Grant program of \$110.2 million General Fund and \$1.5 million federal funds. Additionally, the Budget includes statutory changes that are designed to sustain the program through the 2024-25 fiscal year.
- **Learning Aligned Employment Program**—Reversion of approximately \$485 million one-time General Fund provided to support the Learning Aligned Employment Program through the 2021 and 2022 Budget Acts.

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## COLLEGE OF THE LAW, SAN FRANCISCO

College of the Law, San Francisco is affiliated with the UC system, but is governed by its own Board of Directors. Located in San Francisco, it primarily serves students seeking a Juris Doctor degree, but also offers programs leading to Master of Laws; Master of Studies in Law; and Master of Science, Health Policy and Law degrees. In 2022-23, UC College of the Law, San Francisco enrolled 1,155 full-time equivalent students. Of these, 1,103 were Juris Doctor students.

### SIGNIFICANT ADJUSTMENTS

- **Base Growth**—An increase of \$2.2 million ongoing General Fund to support operating costs. This represents a 3-percent base increase.
- **Future Planning**—Commencing in 2025-26, the College of the Law San Francisco should plan for an ongoing base General Fund reduction of 7.95 percent.

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## SCHOLARSHARE INVESTMENT BOARD

The ScholarShare Investment Board administers the Golden State ScholarShare College Savings Trust Program (ScholarShare 529) and the California Kids Investment and Development Savings Program (CalKIDS).

The CalKIDS program funds college savings accounts targeted to low-income and underrepresented public school students, in addition to establishing college savings accounts for all newborns.

## SIGNIFICANT ADJUSTMENT

- **CalKIDS Financial Literacy Outreach**—To address the projected budget shortfall, the Budget reflects a reduction of \$5 million ongoing General Fund previously provided to support financial literacy outreach efforts through the CalKIDS program. Additionally, the Budget reverts \$9.5 million one-time General Fund previously provided to support financial literacy outreach efforts through the CalKIDS program.

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## CALIFORNIA STATE LIBRARY

### SIGNIFICANT ADJUSTMENT

- **Lesbian, Gay, Bisexual, Transgender, and Queer Historical Archives Preservation**—\$750,000 one-time General Fund to support Lesbian, Gay, Bisexual, Transgender, and Queer historical archives preservation.

### ADDRESSING THE BUDGET PROBLEM

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

- **Support for Local Library Infrastructure**—A reversion of approximately \$4.4 million one-time General Fund previously provided for the Local Library Infrastructure Grant Program in the 2021 Budget Act, and forgoing 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**—A reversion of \$34 million previously provided to expand broadband access to isolated and underserved communities.
- **Lunch at the Library**—An ongoing reduction of \$2.5 million for the Lunch at the Library program, which adjusts ongoing General Fund support for the program from roughly \$5.5 million to \$3 million.
- **California Library Services Act**—An ongoing reduction of \$1.75 million for the California Library Services Act, which adjusts ongoing General Fund support for the program from roughly \$4.6 million to approximately \$2.9 million.

# CLIMATE CHANGE

California is on the frontline of the global climate crisis, experiencing record-breaking heat, historic drought, extreme flooding, and devastating wildfires that have affected communities across the state. In response, the state continues to meet the crisis with the scale and urgency it requires—advancing world-leading climate goals, accelerating the transition away from fossil fuels, cutting pollution and delivering more equitable and sustainable communities. The 2021 and 2022 Budget Acts allocated approximately \$54 billion—the California Climate Commitment—to fully integrate climate solutions with equity and economic opportunity. Along with critical investments in health, education, and jobs, the state's climate agenda is simultaneously confronting the crisis while building a more resilient, just, and equitable future for all Californians.

The Budget maintains approximately \$44.6 billion of these investments over eight years. The Budget prioritizes equity and investments in populations facing disproportionate harm from pollution and the climate crisis. The Administration also continues to pursue available federal climate funding, including from the Inflation Reduction Act and the Infrastructure Investment and Jobs Act.

To address the projected budget shortfall, the Budget includes \$12.8 billion of General Fund solutions in climate-related programs to achieve a balanced budget including: \$6.6 billion in reductions; \$1 billion in delays of General Fund expenditures to future years; and \$5.2 billion in shifts to other funds, primarily the Greenhouse Gas Reduction Fund (GGRF).

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## CLIMATE INVESTMENTS

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### ZERO EMISSION VEHICLES

The 2021 and 2022 Budget Acts committed \$10 billion over five years in investments to the state's Zero-Emission Vehicles (ZEV) agenda—from cleaning up short-haul trucks and school buses to accelerating equitable electrification of passenger vehicles—coupled with infrastructure and incentives for in-state manufacturing.

The Budget maintains \$9.2 billion, extended over seven years, in investments to the state's ZEV agenda—including targeted investments in disadvantaged and low-income communities by increasing access to the benefits of clean transportation and by continuing to decarbonize California's transportation sector and improve public health. The Budget includes \$920.6 million of General Fund reductions, \$528.3 million in fund shifts to the GGRF, and \$600 million in delays across various programs.

### ADDRESSING THE BUDGET PROBLEM

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

- **Expenditure Reductions**—A reduction of \$920.6 million General Fund for various programs including but not limited to School Buses and Infrastructure (\$500 million Proposition 98 General Fund), Fueling Infrastructure Grants (\$143.9 million) and Clean Trucks, Buses and Off-Road Equipment (\$137.8 million).
- **Fund Shifts**—A shift of \$528.3 million General Fund to the GGRF in 2023-24 for various programs including but not limited to ZEV Fueling Infrastructure Grants (\$218.5 million), Drayage Trucks and Infrastructure (\$157 million), and Clean Trucks, Buses and Off-Road Equipment (\$71.3 million).
- **Funding Delays**—A delay of \$600 million GGRF from 2024-25 to 2027-28 across various programs including but not limited to Clean Trucks, Buses and Off-Road Equipment (\$137 million), ZEV Fueling Infrastructure Grants (\$120 million), and Community-Based Plans, Projects and Support/Sustainable Community Strategies (\$100 million). This delay enables a shift of \$600 million General Fund expenditures to the GGRF for other programs.



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## TRANSPORTATION

The 2022 Budget Act included \$13.8 billion for transportation programs and projects that align with the state's climate goals. The Budget maintains \$13.1 billion of these investments. The Budget includes \$675 million in General Fund reductions, \$1.5 billion in fund shifts, and \$1.8 billion in delays across various programs.

### ADDRESSING THE BUDGET PROBLEM

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

- **Active Transportation**—The Budget maintains \$200 million of the original investment total in fiscal years 2024-25 and 2025-26, and allows for the remaining \$400 million to be added, subject to appropriation, in future fiscal years. Prior to any future additions, this will leave the Active Transportation Program with \$650 million, including \$350 million General Fund in one-time funding, in addition to the program's base annual funding of approximately \$280 million.
- **Statewide, Regional, and Local Transit and Rail Projects-Competitive Grants**—A shift of \$507 million of General Fund expenditures to the GGRF over 2023-24, 2024-25, 2025-26, and 2026-27.
- **Statewide, Regional, and Local Transit and Rail Projects-Formula Grants**—A delay of \$1 billion of formula Transit and Intercity Rail Capital Program funds from 2024-25 to 2025-26, leaving \$1 billion for this program in 2024-25. Additionally, the Budget shifts \$839 million from General Fund to the GGRF.
- **Highways to Boulevards**—A reduction of \$75 million to the Highways to Boulevards Program, as well as a shift of \$75 million from the General Fund to the GGRF. This maintains \$75 million for the program.
- **Zero Emission Transit Capital Program**—A delay of \$680 million in program funds across future fiscal years through 2027-28.
- **Grade Separations**—A reduction of \$200 million from the program, as well as a shift of \$75 million from the General Fund to the State Highway Account and a \$75 million delay from 2025-26 to 2026-27. These solutions result in a total of \$150 million for the program. Additionally, the Administration will continue to research potential alternate funding mechanisms, including existing state transportation programs.

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## WILDFIRE AND FOREST RESILIENCE

The ongoing impact of climate change on California's wildlands and decades of underinvestment in forest health continues to create the conditions for longer, more severe fire seasons. The 2021 and 2022 Budget Acts committed \$2.8 billion over three years to continue strengthening forest and wildfire resilience statewide. The Budget maintains \$2.6 billion of these investments over seven years to advance critical investments in restoring forest and wildland health to continue to reduce the risk of catastrophic wildfires in the face of extreme climate conditions.

The Budget includes \$143.9 million in General Fund reductions and \$163.7 million in fund shifts across various programs and continues \$200 million annually consistent with Chapter 626, Statutes of 2018 (SB 901) and Chapter 258, Statutes of 2021 (SB 155).

### ADDRESSING THE BUDGET PROBLEM

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

- **Expenditure Reductions**—A reversion of \$143.9 million General Fund for various programs supporting fuels treatment, limited-term projects, and data collection, including, but not limited to, Biomass to Hydrogen/Biofuels pilot program, Stewardship of State-Owned Land, conservancy project implementation in high-risk regions, and Home Hardening pilot program.
- **Fund Shifts**—A shift of \$163.7 million General Fund to the GGRF across 4 fiscal years, from 2024-25 through 2027-28, to maintain critical investments in direct fuels treatment programs that restore forest health, build wildfire resilience, and reduce greenhouse gas emissions from catastrophic wildfires, including, but not limited to, Fire Prevention Grants, Department of Forestry and Fire Protection unit fire prevention projects, Tribal Wildfire Resilience grants, and Regional Forest and Fire Capacity grants.

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## WATER

California continues to experience large swings between drought and flood; due to climate change, these swings are becoming more severe.

The 2021 and 2022 Budget Acts committed \$8.7 billion over multiple years to support drought resilience and response programs to help communities, agriculture, and fish

and wildlife avoid immediate impacts from extreme drought, while advancing projects and programs that will improve the state's resilience to future droughts and floods. The Budget maintains \$6.7 billion of these investments over multiple years in programs and projects to bolster the capacity of communities and ecosystems to endure droughts and floods.

The Budget includes \$1.4 billion in General Fund reductions and \$539.1 million in fund shifts across various programs. The Budget also includes \$189.1 million in new one-time investments to support flood protection, levee repair, and restoration of the Salton Sea.

## **FLOOD PROTECTION**

California continues to respond to historic climate change through timely implementation of flood risk reduction projects while bolstering flood readiness. Building on the Administration's continued commitment to addressing statewide flood impacts, the Budget includes \$123.9 million one-time General Fund to support critical flood safety efforts. These include, but are not limited to:

- \$33 million General Fund to support the state cost share of continuing U.S. Army Corps of Engineers projects and Urban Flood Risk Reduction projects that address flood risk reduction, as well as the associated state operations costs to implement the projects.
- \$31.3 million General Fund to support the continuation of existing multi-benefit flood risk reduction projects in the Central Valley.
- \$29.6 million General Fund to address storm damage at state Plan of Flood Control facilities and state-owned Delta lands for critical repairs associated with the 2023 storms.

## **SALTON SEA MANAGEMENT PROGRAM**

State Water Resources Control Board Order WR 2017-0134 (Order) requires the state to construct 29,800 acres of habitat and dust suppression projects on the exposed lakebed at the Salton Sea by 2028. The Salton Sea, California's largest lake, is receding due in part to existing water conservation actions in the Imperial Valley that have reduced inflows to the Sea. Areas of exposed lakebed reduce important environmental habitat and can contribute to harmful dust emissions. The Salton Sea Management Program (SSMP), coordinated by the Natural Resources Agency, Department of Water Resources, and Department of Fish and Wildlife, is implementing restoration projects at the Salton Sea to suppress dust and create wildlife habitat.

As of the beginning of 2023, the SSMP has completed over 2,000 acres of interim dust suppression and 5,800 acres are currently under construction and nearing completion. To meet the state's legal requirements, the SSMP will simultaneously continue to scale up planning, permitting, and implementation of restoration projects, while adding new capacity to maintain and monitor completed projects and the Salton Sea ecosystem.

The Budget includes \$65.2 million GGRF for the SSMP to continue progress towards meeting the requirements of the Order. This funding will support technical assistance and project management operations and maintenance, monitoring environmental compliance, conducting restoration project planning, and improving public outreach and communication.

### ADDRESSING THE BUDGET PROBLEM

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

- **Watershed Climate Resilience Programs**—A reversion of \$88.4 million and reduction of \$298 million General Fund over the next two years, and a shift of \$15 million to GGRF in 2025-26, for various watershed climate resilience programs. The Budget maintains \$108 million previously allocated to these programs.
- **Drinking Water and Wastewater Infrastructure**—A reversion of \$97.6 million General Fund and a shift of \$254.9 to GGRF in 2024-25 and 2025-26 for drinking water and wastewater infrastructure projects in disadvantaged communities. The Budget maintains \$1.6 billion previously allocated to these programs.
- **Water Recycling**—A reversion of \$185.9 million General Fund and a fund shift of \$15 million GGRF in 2025-26 for water recycling and groundwater cleanup. The Budget maintains \$336 million previously allocated to this program.
- **Water Storage**—A reduction of \$500 million General Fund in 2025-26 for water storage projects.
- **Per-and Polyfluoroalkyl Substances**—A reversion of \$100.7 million General Fund and reduction of \$30 million in 2024-25 for Per-and Polyfluoroalkyl support. The Budget maintains \$24 million previously allocated to this program.
- **Dam Safety**—A reversion of \$50 million General Fund for dam safety investments. The Budget maintains \$50 million previously allocated to this program.

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## NATURE-BASED SOLUTIONS

California's natural and working lands are essential to combating climate change and protecting the state's world-renowned biodiversity as the state works towards achieving the 30x30 goal, conserving 30 percent of California's lands and coastal waters by 2030. Trees, plants, grasses, and soils remove and store carbon dioxide from the atmosphere. Healthy landscapes can provide a powerful "sink" to absorb greenhouse gases and help achieve the state's 2045 carbon neutrality goal.

The 2021 and 2022 Budget Acts committed \$1.6 billion for nature-based solutions. The Budget maintains \$1.3 billion of these investments over five years in various programs. The Budget includes \$121 million in General Fund reductions, \$189.7 million in fund shifts across several programs, and a \$10 million delay.

### ADDRESSING THE BUDGET PROBLEM

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

- **Redondo Beach Wetlands Restoration**—A delay of \$10 million General Fund for Redondo Beach Wetlands Restoration from 2022-23 to 2025-26.
- **Habitat Restoration**—A shift of \$102.5 million for habitat restoration from the General Fund to the GGRF in 2024-25. The Budget maintains \$200 million previously allocated to this program.
- **Protect Fish and Wildlife from Changing Conditions**—A shift of \$70 million from the General Fund to the GGRF in 2024-25. The Budget maintains \$318 million previously allocated to this program.
- **Land Acquisition**—A reversion of \$48.9 million General Fund for a land acquisition.

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## EXTREME HEAT

Projections indicate all regions of California will be affected in the years and decades ahead by higher average temperatures and more frequent and life-threatening heat waves, disproportionately impacting the most vulnerable communities. The Administration continues to implement actions in the Extreme Heat Action Plan, finalized in 2022.

The 2021 and 2022 Budget Acts committed \$649 million for extreme heat. The Budget maintains \$296.5 million of these investments over four years in programs and projects to address extreme heat. The Budget includes \$107.8 million in General Fund reductions and \$55.7 million in fund shifts across various programs.

### ADDRESSING THE BUDGET PROBLEM

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

- **Extreme Heat and Community Resilience Program**—A net reduction of \$70 million for the Extreme Heat and Community Resilience Program and a delay of \$40.1 million to 2024-25, which includes \$15 million General Fund and a shift of \$25.1 million to the GGRF. The Budget maintains \$65.1 million previously allocated to this program.
- **Urban Greening**—A reversion of \$19.9 million General Fund, which maintains \$51.3 million over two years for the Urban Greening Program.
- **Enhanced Protections for Vulnerable Populations**—A shift of \$15.6 million General Fund for Enhanced Protections for Vulnerable Populations to the Labor and Workforce Development Fund, which maintains \$27.5 million over three years for this program across various departments. (See the Labor and Workforce Development Chapter.)
- **Community-Based Public Awareness Campaign**—A reversion of \$14 million General Fund for the Governor's Office of Service and Community Engagement's (formerly the Office of Planning and Research) Community-Based Public Awareness Campaign. The Budget maintains \$6 million previously allocated to this program.

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## COMMUNITY RESILIENCE

California's communities face complex challenges from climate change—both from its direct impacts and from its compounding effects on existing stressors and inequities—which is why California's Climate Adaptation Strategy prioritizes the protection of vulnerable communities.

The 2021 and 2022 Budget Acts committed \$1.9 billion for community resilience investments over three years to advance climate resilience in low-income and underrepresented communities. The Budget maintains \$1.2 billion of these investments over six years in programs and projects to promote community resilience. The Budget

reflects \$105.8 million of General Fund reductions across various programs and a fund shift of \$42.5 million.

## ADDRESSING THE BUDGET PROBLEM

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

- **Regional Climate Resilience**—A reversion of \$25 million General Fund and a reduction of \$50 million in 2024-25 for the Regional Climate Resilience Program at the Governor's Office of Land Use and Climate Innovation (formerly the Office of Planning and Research). The Budget maintains \$25 million previously allocated to this program.
- **Regional Climate Collaboratives**—A reversion of \$9.8 million General Fund for the Regional Climate Collaboratives Program at the Strategic Growth Council within the Governor's Office of Land Use and Climate Innovation. The Budget maintains \$10 million previously allocated to this program.
- **Climate Adaptation and Resilience Planning Grants**—A reversion of \$15 million General Fund for the Climate Adaptation and Resilience Planning Grants at the Governor's Office of Land Use and Climate Innovation. The Budget maintains \$10 million previously allocated to this program.
- **Environmental Justice Action Grants**—A reversion of \$6 million General Fund and shift of \$5 million to GGRF in 2026-27 for CalEPA's Environmental Justice Action Grants program. The Budget maintains \$19 million previously allocated for this program.

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## COASTAL RESILIENCE

The impacts of climate change on the coast and ocean include sea-level rise, more extreme storm events, coastal erosion, increased water temperatures, and ocean acidification. These impacts affect public and private property and infrastructure, public access to and along the coast, ecosystem health, and California's coastal economy, including tourism and fishing.

The 2021 and 2022 Budget Acts committed \$1.3 billion for coastal resilience over four years. The Budget maintains \$649.9 million of these investments over six years in programs and projects for coastal resilience. The Budget reflects \$462 million in General

Fund reductions and \$64.3 million in fund shifts across several coastal protection and adaptation programs.

### ADDRESSING THE BUDGET PROBLEM

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

- **Sea Level Rise**—A reversion of \$230.9 million General Fund for sea level rise activities, including \$10 million at State Parks. The Budget maintains \$335.6 million previously allocated for these programs.
- **Coastal Protection and Adaptation**—A reversion of \$171.1 million General Fund for coastal protection and adaptation activities. The Budget maintains \$154.9 million previously allocated for this program.
- **SB 1 Implementation**—A reversion of \$25 million General Fund and shift of \$36.8 million to the GGRF in 2026-27 for implementation of Chapter 236, Statutes of 2021 (SB 1). The Budget maintains \$77 million previously allocated for this program.
- **Ocean Protection**—A reversion of \$35 million General Fund and shift of \$27.5 million to the GGRF in 2024-25 for ocean protection funding at the Ocean Protection Council. The Budget maintains \$65 million previously allocated for this program.

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### SUSTAINABLE AGRICULTURE

In the face of mounting climate change-driven challenges like drought and extreme heat, California's farmers continue to produce food that improves nutritional outcomes in historically underserved communities and feeds households across the state, across the country, and around the world. California agriculture is also on the frontline of fighting climate change by pioneering climate smart agriculture that fosters innovation in carbon sequestration, emissions reduction, and ecosystem resilience improvements.

The 2021 and 2022 Budget Acts committed \$1.1 billion over multiple years for climate smart agriculture investments and to help foster a healthy, resilient, and equitable food system. The Budget maintains \$1 billion of these investments. The Budget includes \$31.9 million in General Fund reductions and \$24 million in fund shifts.



## ADDRESSING THE BUDGET PROBLEM

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

- **Livestock Methane Reduction**—A shift of \$24 million General Fund to the GGRF for the Livestock Methane Reduction Program. Funding being shifted for the program is delayed to 2024-25 and 2025-26.
- **Enteric Methane Incentives**—A reversion of \$23 million General Fund for the Enteric Methane Incentives Program. The Budget maintains \$2 million previously allocated to this program.
- **Healthy Refrigeration Grant Program**—A reversion of \$8.5 million General Fund for the Healthy Refrigeration Grant Program. The Budget maintains \$12 million previously allocated to this program.

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## ENERGY

California is building the clean, reliable, affordable and safe energy system of the future to provide reliable power to the public, and combat climate change and the stresses it poses to the grid.

The 2022 Budget Act provided a total of \$7.9 billion in energy investments to expedite the state's transition to clean energy, fund critical grid reliability programs, and address energy affordability challenges. In addition, Chapter 239, Statutes of 2022 (SB 846) proposed \$1 billion over three years beginning in 2023-24 to fund initiatives under the Clean Energy Reliability Investment Plan, subject to future appropriation.

The Budget maintains approximately \$5.5 billion of the planned 2022 energy investments. In addition to the \$944 million reduced in the 2023 Budget Act, the Budget includes \$1.4 billion in General Fund reductions and \$986 million in fund shifts across various energy-related programs. The Budget also maintains the \$1 billion for the Clean Energy Reliability Investment Plan with the remaining \$900 million shifted to GGRF and included over four years beginning in 2025-26.

## ADDRESSING THE BUDGET PROBLEM

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

- **Equitable Building Decarbonization**—A reversion of \$86.5 million and a reduction of \$192 million General Fund from 2024-25 through 2026-27, and a shift of \$118 million to GGRF, resulting in a program funding level of \$525.5 million.
- **Residential Solar and Storage**—A reduction of \$350 million General Fund in 2024-25 and 2025-26, resulting in a program funding level of \$280 million.
- **Transmission Financing**—A reversion of \$200 million and reduction of \$25 million General Fund, resulting in elimination of the program.
- **Demand Side Grid Support**—A reversion of \$111.5 million General Fund and a shift of \$150 million to GGRF, resulting in a program funding level of \$183.5 million.

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## OTHER CLIMATE RELATED ISSUES

### ADDRESSING THE BUDGET PROBLEM

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

- **Climate Innovation**—A reduction of the planned investment of \$476 million General Fund in the Climate Innovation Program beginning in 2023-24, resulting in elimination of the program.
- **Infill Infrastructure Grant Program**—A reversion of \$235 million General Fund for the Infill Infrastructure Grant Program at the Department of Housing and Community Development. (See the Housing and Homelessness Chapter for more information.)
- **Oil and Gas Well Capping**—A shift of \$50 million General Fund to the GGRF for the Oil and Gas Well Capping program at the Department of Conservation. Funding shifted for this program is delayed to 2026-27.
- **Goods Movement Workforce Training Facility**—A delay of \$40 million General Fund for a Goods Movement Workforce Training Facility in Southern California. The Budget includes \$20 million General Fund for this purpose in both 2025-26 and 2026-27. (See the Labor and Workforce Development Chapter for more information.)
- **Low Carbon Economy Program**—A reduction of \$15 million General Fund for the Low Carbon Economy Grant Program at the California Workforce Development Board. The Budget maintains \$30 million (\$15 million General Fund and \$15 million GGRF) over two years for this program. (See the Labor and Workforce Development Chapter for more information.)

- **Displaced Oil and Gas Worker Pilot Fund**—A reversion of \$10 million General Fund for the Displaced Oil and Gas Worker Pilot Fund at the Employment Development Department. The Budget maintains \$30 million General Fund for this program. (See the Labor and Workforce Development Chapter for more information.)
- **Compost Permitting Pilot Program**—A reversion of \$6.7 million General Fund for the Compost Permitting Pilot Program at the Department of Resources Recycling and Recovery. The Budget maintains \$800,000 previously allocated to this program.

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# NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

The Natural Resources Agency consists of 29 departments, boards, commissions, and conservancies responsible for administering programs to conserve, restore, and enhance the natural, historical, and cultural resources of California. The Budget includes total funding of \$12.9 billion (\$5.4 billion General Fund, \$6.2 billion special funds, \$783.7 million federal funds, and \$527 million bond funds) for the programs included in this Agency.

The California Environmental Protection Agency consists of six departments and boards responsible for implementing the state's climate priorities, reducing greenhouse gas emissions, enhancing air and water quality, achieving the state's waste reduction and circular economy goals, and protecting public health. The Secretary coordinates the state's regulatory programs and provides fair and consistent enforcement of environmental law. The Budget includes \$5.5 billion (\$223 million General Fund, \$4.7 billion special funds, \$564.7 million federal funds, and \$11.3 million bond funds) for programs included in this Agency.

To address the projected budget shortfall, the Budget includes \$1.1 billion of General Fund solutions in non-climate Natural Resources and Environmental Protection-related programs to achieve a balanced budget. Climate-related solutions are discussed in the Climate Change Chapter.

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## DEPARTMENT OF FORESTRY AND FIRE PROTECTION

The Department of Forestry and Fire Protection (CAL FIRE) provides resource management and wildland fire protection services covering 31 million acres. It operates 234 fire stations and staffs local fire departments as funded by those local governments. CAL FIRE also contracts with six counties within the state to provide wildland fire protection services. The Budget includes \$4.2 billion (\$2.8 billion General Fund) and 12,512 positions for CAL FIRE.

The ongoing impact of climate change on California's wildlands and decades of underinvestment in forest health continues to create the conditions for longer, more severe fire seasons. The Budget recognizes these conditions and their impact on both firefighting operations and the state's wildfire and forest resilience. The Budget makes further investments to enhance CAL FIRE's fire protection capacity and strengthen the state's wildfire and forest resilience, including air attack base infrastructure improvements that will facilitate the operation of the new federal C-130 aircraft and night-flying helicopter operations.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **66-Hour Workweek**—An increase of \$198.9 million (\$197.1 million General Fund) and 338 positions in fiscal year 2024-25, and \$770.4 million (\$756.3 million General Fund) and 2,457 positions ongoing, phased in over five years to reflect the 2022 Memorandum of Understanding (MOU) between CAL FIRE Local 2881 (Bargaining Unit 8) and the State of California that committed to the reduction of the 72-hour workweek to a 66-hour workweek beginning on November 1, 2024. The MOU was approved by the Legislature in Chapter 250, Statutes of 2022 (AB 151).
- **Five Firefighter Hand Crews**—An increase of \$46.8 million (\$46.4 million General Fund) and 226 positions in 2024-25, and \$44.5 million (\$43.8 million General Fund) and 234 positions ongoing, phased in over five years with varying amounts in each of the intermediate years, for five CAL FIRE firefighter hand crews to provide vegetation management, hazardous fuel reduction, and wildland fire suppression. This investment makes permanent five temporary CAL FIRE firefighter hand crews that were authorized and budgeted through June 30, 2024. These hand crews include a mix of year-round and seasonal staff.
- **Training Center**—An increase of \$31.6 million one-time General Fund for acquisition of property for an additional CAL FIRE training center, which is necessary for the

implementation of the 66-hour work week and to improve CAL FIRE's efficiency and ability to meet peak demands on the training program.

- **Ramona Air Attack Base Reconfiguration**—An increase of \$12 million one-time General Fund to reconfigure the fire retardant loading pits at Ramona Air Attack Base. This project is essential for effectively preventing and suppressing wildland fires in San Diego County and the surrounding State Responsibility Areas. The base is strategically positioned for rapid initial attack on fires, providing fixed-wing aerial delivery of fire retardant for use in initial attack on new fire starts, sustained suppression activities on major fires and tactical air support.
- **Helitack/Air Attack Bases**—An increase of \$5.8 million one-time General Fund for the Boggs Mountain Helitack Base, Hollister Air Attack Base/Bear Valley Helitack Base, and fuel system project at the Rohnerville Air Attack Base. These bases are strategically positioned for rapid initial attack on fires, providing fixed-wing aerial delivery of fire retardant for use in initial attack on new fire starts, sustained suppression activities on major fires, and to provide tactical air support. These projects also include critical upgrades necessary for the long-term maintenance of new aircraft.
- **Unit Headquarters and Fire Stations**—An increase of \$30.2 million one-time Public Buildings Construction Fund and \$640,000 one-time General Fund to relocate various unit headquarters and fire stations including Humboldt Del Norte Unit, Sonoma Lake Napa Unit, Glen Ellen Fire Station, Parkfield Fire Station, and Hayfork Fire Station. The unit headquarters have responsibility for more than 4.7 million acres each. As a crucial ground-based resource for fire suppression, the units respond to diverse emergencies including fires, accidents, medical incidents, rescues, and hazardous material situations.

The Budget also includes \$11 million one-time General Fund to repay the interim loan for the Ishi Conservation Camp: Replace Kitchen project. The project was ineligible for lease revenue bond financing due to the inability to secure sufficient insurance coverage.

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## SUPPORT FOR OFFSHORE WIND ENERGY

California has established ambitious goals to address and mitigate the impacts of climate change, conserve biodiversity, and advance equity to protect communities and nature. This includes aspirational planning goals for offshore wind of 2-5 gigawatts (GW) by 2030 and 25 GW by 2045. To support these goals, offshore wind

technology and infrastructure must be developed in a responsible way that protects coastal and marine ecosystems and minimizes potential impacts to tribal, underserved, and coastal communities.

The Budget includes \$16 million one-time General Fund for the Ocean Protection Council, California Coastal Commission and the State Lands Commission to plan for and implement offshore wind energy development in the five existing leases in federal waters off the coast of California. This funding will support permitting and planning activities, initial implementation of a comprehensive environmental monitoring and research program, and increased consultation with California Native American tribes and engagement with underserved and coastal communities.

The Budget also maintains \$45 million one-time General Fund for the California Energy Commission to support port infrastructure for offshore wind development approved in previous budgets. This funding will advance select priorities in the Draft AB 525 Offshore Wind Strategic Plan and support compliance with the offshore wind related aspects of Chapter 251, Statutes of 2002 (AB 209) and Chapters 367 and 386, Statutes of 2023 (AB 1373 and SB 286).

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### **PROTECTING WATER QUALITY AND HABITAT**

In 2023, in *Sackett v. EPA*, the U.S. Supreme Court significantly narrowed the reach of the federal Clean Water Act, ruling that the Act no longer covered many of the wetlands that had long been protected under federal law. California is well positioned to maintain protections for these wetlands under state law. Existing state programs, however, have operated for decades with the backdrop of federal jurisdiction over these waters, necessitating updates to reflect the new regulatory landscape.

The Budget includes \$6.1 million Waste Discharge Permit Fund in 2024-25, and \$4.8 million ongoing for the State and Regional Water Boards to conduct essential activities to protect these waters, including water quality permitting and enforcement work that has historically been conducted by the U.S. Army Corps of Engineers and the U.S. Environmental Protection Agency.

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### **ADDRESSING THE BUDGET PROBLEM**

To address the projected budget shortfall, the Budget includes General Fund solutions to achieve a balanced budget. Significant non-climate Natural Resources and Environmental Protection-related General Fund solutions include:



- **Cleanup in Vulnerable Communities Initiative**—A reversion of \$268.5 million General Fund and shift of \$107.5 million to the Greenhouse Gas Reduction Fund in 2024-25 and 2026-27 for the Department of Toxic Substances Control's Cleanup in Vulnerable Communities Initiative Program.
- **Underground Storage Tank Cleanup Fund Loan**—A budgetary loan of \$150 million, along with a one-year repayment deferral of an existing \$50.6 million budgetary loan, from the Underground Storage Tank Cleanup Fund to the General Fund, utilizing resources not currently projected to be used for operational or programmatic purposes.
- **Air Pollution Control Fund Loan**—A budgetary loan of \$300 million from the Air Pollution Control Fund to the General Fund, utilizing resources not currently projected to be used for operational or programmatic purposes.
- **Outdoor Equity Grants Program**—A reduction of \$75 million General Fund for outdoor environmental education and access programs through the Outdoor Equity Grants Program under Chapter 675, Statutes of 2019 (AB 209). The Budget maintains \$60 million one-time General Fund previously allocated for this program.
- **Deferred Maintenance**—A reversion of \$26.2 million General Fund (\$11.6 million CAL FIRE and \$14.6 million Department of Parks and Recreation (Parks)) and a shift of \$5.9 million for Parks to Proposition 40 bond funds for various deferred maintenance projects.
- **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 one-time General Fund previously allocated for this program.

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# HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities that provide health and social services to California's vulnerable and at-risk residents. The Budget includes total funding of \$260.8 billion (\$71.6 billion General Fund and \$189.1 billion other funds) for all programs overseen by this Agency.

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## DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services (DHCS). Medi-Cal is a public health care coverage program that provides comprehensive health care services at no or low cost for low-income individuals. The Department also administers programs for special populations and several other non-Medi-Cal programs as well as county-operated community mental health and substance use disorder programs. The Medi-Cal Budget includes \$161 billion (\$35 billion General Fund) in 2024-25. Medi-Cal is projected to cover approximately 14.5 million individuals in 2024-25—more than one-third of the state's population.

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## MANAGED CARE ORGANIZATION (MCO) TAX AND TARGETED RATE INCREASES

The Budget includes \$133 million in 2024-25, \$728 million in 2025-26, and \$1.2 billion in 2026-27 for new targeted Medi-Cal provider rate increases and investments from the MCO Tax. Rate increases and investments include physician services, emergency

department physician services, abortion and family planning, services and supports for clinics, ground emergency transportation, air ambulances, community-based adult services, congregate living health facilities, clinic services and supports, community health workers, pediatric day health centers, private duty nursing, non-emergency medical transportation, and continuous Medi-Cal coverage for children until the age of five. Some new rate increases will be effective January 1, 2025, and others January 1, 2026. Additionally, \$40 million one-time is allocated in 2026-27 to strengthen and support the development and retention of the Medi-Cal workforce. These increases are in addition to the approximately \$300 million that became effective January 1, 2024. If the MCO Tax initiative on the November 2024 ballot is approved by the voters, the 2024 Budget Act MCO Tax package becomes inoperable, since both cannot be fiscally sustained.

The Budget reflects increased MCO Tax of \$5.1 billion in 2024-25, \$4.6 billion in 2025-26, and \$4.0 billion in 2026-27 to support the Medi-Cal program compared to the 2023 Budget Act, including the Early Action and Medicare revenue amendments to increase the MCO Tax. In total, the MCO Tax helps maintain existing services in the Medi-Cal program with \$6.9 billion in 2024-25, \$6.6 billion in 2025-26, and \$5.0 billion in 2026-27 in MCO Tax funding provided for this purpose.

In recent years, Proposition 56 revenues have not been sufficient to fully cover the cost of Proposition 56-funded provider payments due to continued revenue decline. The Budget reduces Proposition 56 funding for physician services supplemental payments by \$193.4 million (\$77.1 million Proposition 56) in 2024-25 and includes \$145.4 million one-time from the MCO Tax to support the Medi-Cal family planning, women's health, and physician services supplemental payments in 2024-25. The Administration will work with the Legislature to develop a plan for these Proposition 56 provider payments in future years.

### **SIGNIFICANT BUDGET ADJUSTMENTS**

- **Full-Scope Medi-Cal for Adults Aged 26 through 49**—\$3.3 billion (\$2.8 billion General Fund) in 2024-25 and approximately \$3.4 billion (\$2.9 billion General Fund) ongoing, inclusive of In-Home Supportive Services (IHSS) costs, for full-scope Medi-Cal eligibility to income-eligible adults aged 26 to 49 regardless of immigration status as of January 1, 2024. With this expansion, Medi-Cal provides health care coverage to all income-eligible Californians.
- **Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Demonstration**—\$7.7 billion (\$351.5 million General Fund,

\$87.5 million Behavioral 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 and the Department of Social Services to implement the BH-CONNECT Demonstration, effective January 1, 2025.

- **Children’s Hospital Directed Payments**—\$230 million (\$115 million General Fund) to provide annual directed payments to California children’s hospitals to support medical care for critically ill children and those fighting the most serious and life-threatening diseases.
- **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 January 1, 2025. Wellness coaches will primarily serve children and youth and operate as part of a care team in school-linked settings and across the Medi-Cal behavioral health delivery system.
- **Home and Community-Based Services Waiver Slot Increases**—The Budget increases slots for the Assisted Living Waiver and the Home and Community-Based Alternatives Waiver, resulting in \$10.8 million net General Fund savings in 2024-25 related to these slot expansions.

## ADDRESSING THE BUDGET PROBLEM

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

- **Behavioral Health Continuum Infrastructure Program**—A reversion of \$450.7 million General Fund one-time from the last round of the Behavioral Health Continuum Infrastructure Program, which leaves \$1.75 billion (\$1.2 billion General Fund) to support existing projects.
- **Behavioral Health Bridge Housing**—A net reduction of \$250 million in total funding, maintaining \$1.25 billion (\$1.2 billion General Fund) for this program. The Budget includes \$132.5 million General Fund in 2024-25 and \$117.5 million (\$27.5 million General Fund, \$90 million Behavioral Health Services Fund) in 2025-26 for the last round of grants.
- **Equity and Practice Transformation Payments to Providers**—A reduction of \$280 million one-time over multiple years for grants to Medi-Cal providers for primary

care infrastructure, which leaves \$140 million (\$70 million General Fund) one-time included in the 2022 Budget Act.

- **Major Risk Medical Insurance Program**—The Budget sunsets the Major Risk Medical Insurance Program effective December 31, 2024, transitioning individuals currently enrolled to other health care coverage options and shifts \$78.9 million General Fund costs in 2024-25 to the Health Care Services Plan Fines and Penalties Fund to support health care services in the Medi-Cal program.

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## DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence.

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## CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS

The California Work Opportunity and Responsibility to Kids (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 includes \$8.8 billion in total TANF expenditures (state, local, and federal funds) in 2024-25. The average monthly CalWORKs caseload is estimated to be 354,772 families in 2024-25.

## SIGNIFICANT BUDGET ADJUSTMENTS

- **CalWORKs Grant Increase**—An increase of \$10.5 million to support a 0.3-percent increase to the CalWORKs Maximum Aid Payment level beginning October 1, 2024. This grant increase is funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the 1991 Local Revenue Fund.
- **Work Participation Rate Pilot**—The federal Fiscal Responsibility Act of 2023 allows up to five states to participate in a pilot to promote accountability and test alternative benchmarks for work and family outcomes in lieu of the Work Participation Rate. The Budget includes provisional language to increase DSS's budget for state operations and by up to \$2.4 million for automation costs if California is selected to participate in the pilot.

## ADDRESSING THE BUDGET PROBLEM

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

- **CalWORKs Employment Services Intensive Case Management**—A reduction of \$47 million General Fund in 2024-25 and ongoing for CalWORKs employment services intensive case management.
- **CalWORKs Expanded Subsidized Employment**—A reversion of \$30 million General Fund in 2023-24 and reduction of \$37 million General Fund in 2024-25 for CalWORKs Expanded Subsidized Employment. The Budget continues to provide \$97.1 million for this purpose.
- **CalWORKs Mental Health and Substance Abuse Services**—A reversion of \$30 million General Fund in 2023-24, and reduction of \$37 million General Fund in 2024-25 and \$26 million General Fund in 2025-26 for CalWORKs mental health and substance abuse services. The Budget continues to provide \$89 million for this purpose.
- **CalWORKs Home Visiting Program**—A reversion of \$30 million General Fund in 2023-24, and reduction of \$25 million General Fund in 2024-25 and 2025-26 for the CalWORKs Home Visiting program. The Budget continues to provide \$74.3 million for this purpose.

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## FOOD AND NUTRITION

The CalFresh program, California's version of the federal Supplemental Nutrition Assistance Program (SNAP), provides federally funded benefits for eligible families to purchase food needed to maintain adequate nutrition.

The California Food Assistance Program (CFAP) provides state-funded food benefits to eligible noncitizens who meet all CalFresh eligibility criteria. Eligible noncitizens include lawfully present noncitizens in the country less than five years, over the age of 18 and under the age of 59.

The Budget includes \$4.9 billion in total CalFresh and nutrition expenditures. In addition, \$12.3 billion in food benefits is provided directly to recipients by the federal government. The average monthly CalFresh caseload is estimated to be 3,089,948 households in 2024-25.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **SUN Bucks**—SUN Bucks, formerly known as Summer EBT, provides \$120 per child (\$40 per month for June, July, and August) in federally funded food benefits to children who lose access to free and reduced-price meals during the summer school closure period. The Budget includes \$146.8 million (\$73.4 million General Fund) in 2024-25 for outreach, automation, and administration to allow California to provide an estimated \$1 billion in federal food assistance to children.
- **CalFresh Fruit and Vegetable EBT Pilot**—An increase of \$10 million one-time General Fund in 2024-25 for the continuation of the CalFresh Fruit and Vegetable EBT Pilot Project.

### ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget includes General Fund solutions to achieve a balanced budget. This includes:

- **California Food Assistance Program Expansion**—The Budget delays implementation of the CFAP expansion to adults 55 and over regardless of immigration status, from October 1, 2025, to October 1, 2027.

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### CHILDREN'S PROGRAMS

Child Welfare Services include family support and maltreatment prevention services, child protective services, foster care services, and adoptions. California's child welfare system provides a continuum of services to children who are either at risk of or have suffered abuse and neglect.

The Budget includes \$9.8 billion (\$900.6 million General Fund) in 2024-25 for services to children and families in these programs.

The 2024-25 Budget also establishes a permanent foster care rate structure, called the Tiered Rate Structure, anticipated to begin implementation July 1, 2027. Once implemented, the Tiered Rate Structure will provide funding to support strength building and to address a child or youth's immediate needs.



## SIGNIFICANT BUDGET ADJUSTMENT

- **Foster Care Rate Structure Automation**—An increase of \$6.9 million (\$4.4 million General Fund) in 2024-25 and \$13.7 million (\$9 million General Fund) in 2025-26 to begin automation for the foster care Tiered Rate Structure in the California Statewide Automated Welfare System and the Child Welfare Services – California Automated Response and Engagement System.

## ADDRESSING THE BUDGET PROBLEM

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

- **Los Angeles County Child Welfare Services Public Health Nursing Program**—A reversion of \$7.3 million General Fund in 2023-24 and a reduction of \$8.3 million General Fund in 2024-25 and ongoing for the Los Angeles County Child Welfare Services Public Health Nursing Program.
- **Housing Supplement for Foster Youth in Supervised Independent Living Placements**—A reduction of \$200,000 General Fund in 2024-25 and \$18.8 million General Fund in 2025-26 and ongoing for the housing supplement for foster youth in Supervised Independent Living Placements (SILP). Once implemented, the Tiered Rate Structure will result in increases to the SILP reimbursement.
- **Bringing Families Home**—A delay of \$40 million General Fund to 2025-26 and another \$40 million General Fund to 2026-27 for the Bringing Families Home Program.

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## IN-HOME SUPPORTIVE SERVICES

The In-Home Supportive Services (IHSS) program provides domestic and related services such as housework, meal preparation, and personal care services to eligible low-income individuals with disabilities regardless of immigration status, including children and adults, as well as low-income individuals who are ages 65 and over. These services are provided to assist individuals to remain safely in their homes and prevent more costly institutionalization.

The Budget includes \$25 billion (\$9 billion General Fund) for the IHSS program in 2024-25. Average monthly caseload in this program is estimated to be 703,921 recipients in 2024-25.

### **SIGNIFICANT BUDGET ADJUSTMENT**

- **IHSS County Administration Budgeting Methodology Review**—An increase of \$394,000 (\$197,000 General Fund) in 2024-25 and \$382,000 (\$191,000 General Fund) ongoing for 2 positions to enable DSS to complete the review of the IHSS county administration budgeting methodology in 2025-26 and every third fiscal year thereafter.

### **ADDRESSING THE BUDGET PROBLEM**

To address the projected budget shortfall, the Budget includes General Fund solutions to achieve a balanced budget. This includes:

- **In-Home Supportive Services Permanent Backup Provider System**—A reduction of \$3 million one-time General Fund in 2024-25 to the In-Home Supportive Services Permanent Backup Provider System.

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## **CHILD CARE AND DEVELOPMENT**

DSS administers child care programs including CalWORKs Stages One, Two, and Three; the Emergency Child Care Bridge Program; California Alternative Payment Program; Migrant Child Care; General Child Care; Child Care for Children with Disabilities; and a variety of local supports for these programs, such as Resource and Referral Programs and Local Child Care Planning Councils, in addition to quality improvement projects and the Child and Adult Care Food Program. Families can access child care subsidies through centers that contract directly with DSS, local educational agencies, or vouchers from county welfare departments and alternative payment programs.

The Budget includes \$6.1 billion (\$3.8 billion) General Fund for child care programs.

### **SIGNIFICANT BUDGET ADJUSTMENT**

- **Child Care Slot Expansion**—An increase of \$228.6 million (\$117.4 million General Fund) in 2024-25 and \$304.8 million (\$260.8 million General Fund) in 2025-26 and ongoing for an estimated 11,000 new state-subsidized, center-based child care slots beginning October 1, 2024.

## ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget includes General Fund solutions to achieve a balanced budget. This includes:

- **Child Care Slot Expansion Delay**—The Budget delays child care slot expansion two years, expressing legislative intent to award an additional 44,000 slots in 2026-27 and 33,000 slots in 2027-28, and specifies that after two years, funding for additional expansion slots are subject to appropriation in the annual budget.

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## OTHER SIGNIFICANT BUDGET ADJUSTMENTS

- **Diaper Banks**—An increase of \$9 million one-time General Fund for diaper and wipe distribution to low-income families with infants and toddlers.
- **Guaranteed Income Pilot Program for Seniors**—An increase of \$5 million one-time General Fund for the Guaranteed Income Pilot Program to provide grant funding for eligible entities serving adults 60 years of age or older residing in California and either eligible for or receiving a means-tested benefit.
- **Rapid Response**—The Budget reappropriates the unspent balance of the \$150 million General Fund appropriated in 2023-24 to continue to support the southern border humanitarian efforts. This is in addition to the \$79.4 million General Fund reappropriated in Chapter 9, Statutes of 2024 (AB 106), available to support current border respite sheltering services for migrants through 2025-26.
- **Housing and Disability Advocacy Program**—A reversion of \$50 million General Fund for the Housing and Disability Advocacy Program in 2025-26, and a reappropriation of up to \$100 million General Fund to be available through 2025-26.

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## DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services (DDS) provides a variety of services to individuals with developmental disabilities that allow them to live and work independently or in supported environments. California is the only state that provides developmental services as an individual entitlement.

The Budget includes \$15.9 billion (\$10.3 billion General Fund) and estimates that approximately 465,000 individuals will receive services in 2024-25.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Reimbursement System Project**—An increase of \$8.3 million General Fund in 2024-25 (inclusive of \$5 million reappropriated from the 2021 Budget Act), \$2.4 million in 2025-26, and \$1.8 million in 2026-27 and ongoing to support information technology for the department's federal claims system.
- **Uniform Fiscal System Modernization and Consumer Electronic Records Management System Projects**—An increase of \$6.4 million (\$1 million General Fund) for continued project planning efforts supporting fiscal system and electronic records projects.

### ADDRESSING THE BUDGET PROBLEM

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

- **Service Provider Rate Reform**—A reduction of \$510.4 million (\$306.2 million General Fund) to delay the next step in service provider rate reform by six months from July 1, 2024, to January 1, 2025. This action includes a conforming General Fund reduction of \$777,000 General Fund for Department of Rehabilitation job coaching rates. The Budget maintains approximately \$2.2 billion (\$1.3 billion General Fund) in 2024-25 to support ongoing implementation of rate reform.
- **Direct Service Professional Internship Program**—A reversion of \$20 million General Fund from unspent direct service professional internship funding.
- **Regional Center Staff Tuition Reimbursements**—A reversion of \$18.6 million General Fund from uncommitted regional center staff tuition reimbursement funds.
- **Direct Service Professional Training Stipends**—A reversion of \$10 million General Fund in unspent direct service professional training stipends.

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## DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people of California through health quality, health emergency response, and population health programs. The Budget includes \$5.1 billion (\$787.3 million General Fund) in 2024-25.

## SIGNIFICANT ADJUSTMENT

- **AIDS Drug Assistance Program (ADAP) Program Enhancements**—\$23 million in 2024-25, \$38.8 million in 2025-26, \$50.8 million in 2026-27, and \$35.8 million in 2027-28 and ongoing from the ADAP Rebate Fund to expand program eligibility, increase premium payments, modify the formulary, and authorize funding for various enhancements to help reduce the transmission of HIV/AIDS. The California Department of Public Health will develop an expenditure plan, in consultation with stakeholders, and submit the plan with the 2025-26 Governor's Budget for consideration.

## ADDRESSING THE BUDGET PROBLEM

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

- **Public Health Funding**—A reversion of \$41.5 million General Fund in 2023-24 and a reduction of \$23.9 million General Fund in 2024-25 and ongoing, which aligns with state 7.95-percent efficiency reductions. The Budget maintains \$276.1 million General Fund in 2024-25 and ongoing for state and local public health infrastructure.
- **AIDS Drug Assistance Program Rebate Fund**—A budgetary loan of \$500 million from the AIDS Drug Assistance Program Rebate Fund to the General Fund from resources not currently projected to be used for operational or programmatic purposes.
- **Various Special Fund Loans**—A budgetary loan of \$140 million from multiple special funds to the General Fund from resources not currently projected to be used for operational or programmatic purposes.

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## OTHER HEALTH AND HUMAN SERVICES

### SIGNIFICANT ADJUSTMENTS

- **Behavioral Health Reform**—\$202.6 million (\$77.9 million General Fund, \$29.3 million Behavioral Health Services Fund, \$31.6 million Opioid Settlements Fund, and \$63.8 million federal funds) in 2024-25 for the Department of Health Care Services, the Department of Health Care Access and Information, and the Mental Health Services Oversight and Accountability Commission to begin implementation of Proposition 1, which was approved by the voters in March 2024, and accompanying

legislation in Chapter 790, Statutes of 2023 (SB 326). Of this funding, \$85 million (\$50 million General Fund) is for county behavioral health departments. Proposition 1 and accompanying legislation reform the Mental Health Services Act (renamed the Behavioral Health Services Act), specifically reallocating the state-directed and county allocations to provide services to those with the most serious illness; treating substance use disorders; and expanding workforce, innovation, housing interventions, full-service partnerships programs, and behavioral health services and supports.

- **Behavioral Health Infrastructure Bond Act**—\$6.4 billion in bonds pursuant to the Behavioral Health Infrastructure Bond Act (Proposition 1) for the Department of Health Care Services and the Department of Housing and Community Development to support new behavioral health treatment beds, outpatient capacity, and permanent supportive housing units for Californians with behavioral health needs, including veterans.
- **Health Care Coverage for Striking Workers**—The Budget allows for an augmentation of up to \$3 million to the existing \$2 million Health Care Affordability Reserve Fund to provide health care coverage for striking workers pursuant to Chapter 695, Statutes of 2022 (AB 2530).

### ADDRESSING THE BUDGET PROBLEM

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

- **Safety Net Reserve Withdrawal**—The Budget withdraws \$900 million from the Safety Net Reserve to maintain program benefits and services for the Medi-Cal and CalWORKs programs.
- **Health Care Workforce**—A reduction of \$746.1 million General Fund over five years—\$200.6 million in 2023-24, \$299.9 million in 2024-25, \$213.6 million in 2025-26, \$16 million in 2026-27 and ongoing—for various workforce initiatives at the Department of Health Care Access and Information. The Budget eliminates \$189.4 million Behavioral Health Services Fund planned for 2025-26. The Budget maintains \$98.4 million General Fund in committed funds for Song-Brown residencies and nursing in 2023-24, \$2.1 million General Fund in 2023-24 for work education training, and \$8.4 million from 2024-25 through 2026-27 for the California Medicine Scholars program. Additionally, the Budget maintains \$357.7 million General Fund from previous workforce investments including California Medicine Scholars, nursing,

the Children and Youth Behavioral Health Initiative, Song-Brown residencies, community health workers, addiction psychiatry fellowships, and psychiatry graduate medical education.

- **Children and Youth Behavioral Health Initiative**—A reduction of \$72.3 million General Fund in 2023-24 and \$313.9 million General Fund in 2024-25 for school-linked partnership and capacity grants for higher education institutions, services and supports platform, evidence-based and community-defined grants, and public education and change campaign. The Budget maintains \$4.1 billion across several departments to support Children and Youth Behavioral Health Initiative efforts.
- **Health Care Affordability Reserve Fund Loans**—A budgetary loan of \$62 million in 2024-25 and \$109 million in 2025-26 from resources not currently projected to be used for operational or programmatic purposes. The Budget includes annual repayments of \$200 million in 2026-27, 2027-28, and 2028-29 for a previously authorized \$600 million loan to the General Fund.

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## HEALTH CARE WORKER MINIMUM WAGE

The Budget includes a trigger to implement the health care worker minimum wage increases pursuant to Chapter 890, Statutes of 2023 and Chapter 12, Statutes of 2024 (SB 525 and SB 828), statutory changes to exempt state facilities and other implementation clarifications. The minimum wage increases would be effective either October 15, 2024 if agency cash receipts for the first quarter of 2024-25 are at least 3 percent higher for the same time period than projected at the 2024 Budget Act, or the sooner of January 1, 2025 or 15 days after DHCS provides legislative notification that it has initiated the data retrieval to implement an increase to the Hospital Quality Assurance Fee. The Hospital Quality Assurance Fee will provide significant new revenue to hospitals and could help mitigate the costs associated with the minimum wage increases.

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# HOUSING AND HOMELESSNESS

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## HOUSING

Given the scale of California's housing shortfall, the state has taken a variety of actions in recent years to address the issue. This includes investing billions of state and federal dollars in a variety of affordable housing programs since 2019, passing legislation to streamline the approval of much-needed housing, and taking executive action to make excess state properties available for housing development.

### SIGNIFICANT BUDGET ADJUSTMENT

- **Low Income Housing Tax Credit**—Provides \$500 million for an additional year of state low-income housing tax credits.

### ADDRESSING THE BUDGET PROBLEM

Since 2019, the state has invested approximately \$5.2 billion General Fund into affordable housing and homeownership programs. The Budget includes approximately \$1.1 billion General Fund in reductions over the multiyear period for various housing programs that received recent investments, leaving the total General Fund investment in affordable housing and homeownership programs at approximately \$4.1 billion since 2019. To address the projected budget shortfall, the Budget includes General Fund solutions to achieve a balanced budget. These include:

- **Regional Early Action Planning Grants 2.0 (REAP 2.0)**—A reversion of \$40 million General Fund for REAP 2.0.
- **Multifamily Housing Program**—A reversion of \$10 million General Fund for the Multifamily Housing Program, which leaves \$315 million in 2023-24 for this purpose.
- **Foreclosure Intervention Housing Preservation Program**—A reduction of \$484 million General Fund for the Foreclosure Intervention Housing Preservation Program.
- **Infill Infrastructure Grant Program**—A reversion of \$235 million General Fund for the Infill Infrastructure Grant Program.
- **CalHome Program**—A reversion of \$152.5 million General Fund for the CalHome Program.
- **Veteran Housing and Homelessness Prevention Program**—A reversion of \$76.3 million General Fund for the Veteran Housing and Homelessness Prevention Program.
- **Adaptive Reuse**—A reversion of \$127.5 million General Fund for the Adaptive Reuse program.

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## HOMELESSNESS

As part of the state's continued focus on homelessness, the Budget includes \$1.25 billion in new funding for homelessness programs.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Homeless Housing, Assistance, and Prevention (HHAP) Program Round Six**—\$1 billion General Fund in 2024-25 for a sixth round of HHAP grants to eligible cities, counties, and continuums of care. The Budget also includes statutory language that requires more frequent reporting by grantees on HHAP expenditures, requires corrective action plans for grantees that are not meeting their HHAP system performance measures, and requires cities and counties to have a compliant Housing Element to receive the second half of their HHAP Round Six award.
- **Encampment Resolution Fund (ERF) Grants**—\$250 million General Fund for additional rounds of ERF grants (\$150 million in 2024-25 and \$100 million in 2025-26).
- **Transfer of Homelessness Grant Programs**—The Budget provides 26 new positions to the Department of Housing and Community Development (HCD), funded from

existing administrative set-asides, for HCD to administer homelessness programs that are transferring from the California Interagency Council on Homelessness per Chapter 40, Statutes of 2023 (AB 129).

## ADDRESSING THE BUDGET PROBLEM

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

- **HHAP Program Supplemental Funds**—A reduction of \$260 million General Fund of HHAP Round Five supplemental funds.
- **Homelessness Program Administrative Funding**—A reversion of \$142 million General Fund of unneeded administrative funding for HHAP, ERF grants, and Family Homelessness Challenge Grants.
- **Behavioral Health Bridge Housing Program**—A reduction of \$250 million General Fund and a shift of \$90 million to the Mental Health Services Fund. The Budget maintains \$1.25 billion (\$1.2 billion General Fund) for this program. (See the Health and Human Services Chapter for more information.)
- **Behavioral Health Continuum Infrastructure Program**—A reversion of \$70 million General Fund in 2024-25 and \$380.7 million General Fund in 2025-26. (See the Health and Human Services Chapter for more information.)
- **Bringing Families Home Program**—A delay of \$80 million General Fund for the Bringing Families Home Program with up to \$40 million shifted to 2025-26 and \$40 million to 2026-27. (See Health and Human Services Chapter for more information.)
- **Housing and Disability Advocacy Program**—A reversion of \$50 million General Fund for the Housing and Disability Advocacy Program. (See the Health and Human Services Chapter for more information.)

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# CRIMINAL JUSTICE AND JUDICIAL BRANCH

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## DEPARTMENT OF CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation (CDCR) incarcerates people convicted of the most serious and violent felonies, supervises those released to parole, and provides rehabilitation programs to help people reintegrate into the community. The Department strives to facilitate the successful reintegration of the individuals in its care back to their communities equipped with the tools to be drug-free, healthy, and employable members of society by providing education, treatment, and rehabilitative and restorative justice programs. The Budget includes total funding of \$14.3 billion (\$13.9 billion General Fund and \$380.4 million other funds) for CDCR. Of this amount, \$4 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.

The average daily adult incarcerated population for 2023-24 is now projected to be 94,138, a decrease of 0.1 percent since fall 2023 projections. Spring projections indicate the adult incarcerated population will trend downward, decreasing by 3,278 individuals between 2023-24 and 2024-25, from 94,138 to 90,860. For comparison, on January 1, 2020, prior to the COVID-19 Pandemic, the CDCR population totaled 123,977. The population is projected to continue its long-term downward trend,

declining to 88,680 in 2026-27, but the downward trend could be impacted by ballot initiatives this fall.

The average daily population of parolees is projected to be 35,767 in 2023-24 and is expected to decline to 35,587 in 2024-25. The parolee population is projected to continue to decline over the next few years and is estimated to be 33,658 by June 30, 2028.

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### **PRISON CAPACITY**

The adult prison population has declined steadily in recent years, which has provided opportunities for CDCR to eliminate its reliance on contract prison capacity. CDCR terminated its final remaining contract to house incarcerated persons out-of-state in June 2019, and its final in-state contract community correctional facility in May 2021. In total, the termination of these contracts has saved the state hundreds of millions of dollars in annual expenditures.

CDCR closed the Deuel Vocational Institution (Tracy) in September 2021 and simultaneously deactivated a facility at the California Correctional Institution (Tehachapi) and a second facility at the California Training Facility (Soledad). In addition, CDCR closed the California Correctional Center (Susanville) in June 2023. CDCR also deactivated facilities within six prisons between January and October 2023. These facilities were located within the California Rehabilitation Center (Norco), California Institution for Men (Chino), California Correctional Institution (Tehachapi), Pelican Bay State Prison (Crescent City), California Men's Colony (San Luis Obispo), and Folsom Women's Facility within Folsom State Prison. CDCR terminated the lease of the California City Correctional Facility (California City), its last privately owned prison contract in March 2024. Combined, these closures and deactivations result in annual ongoing savings of over \$658 million General Fund.

CDCR also announced in December 2022 the planned closure of Chuckawalla Valley State Prison (Blythe) by March 2025, which is being accelerated to November 2024. The closure will result in estimated one-time General Fund savings of \$87 million in 2023-24 and \$148 million General Fund savings annually beginning in 2025-26.

The Budget also includes \$9.6 million General Fund savings in 2024-25, increasing to \$11.1 million ongoing, to reflect a reduction in administrative workload and positions associated with supporting the four prison closures.

The Department provided the Legislature an assessment of its systemwide capacity in November 2023, consistent with requirements in the 2023 Budget Act, evaluating its space needs for a variety of considerations, including the Department's ability to provide educational and rehabilitative programming, meet health care requirements, enhance normalization, and account for specialized bed needs. The factors affecting the appropriate operating capacity have changed over time and are no longer as simple as calculating the number of available beds. As the state has made improvements in health care services, the provision of rehabilitative programs, and the successful reentry of incarcerated individuals, the operational capacity must be viewed through a new lens, consistent with the California Model, focusing on the space needed to provide rehabilitative services to support the incarcerated population.

To balance the importance of providing services to the incarcerated population while also reducing excess capacity, the Administration will deactivate 42 housing units across 11 prisons, achieving estimated annual ongoing savings of \$82 million General Fund. The deactivation of these housing units will allow the Department to maintain the use of its programming space, allowing for the continuation of rehabilitative programming while simultaneously reducing the number of available beds and achieving additional savings. The prison and facility closures noted above result in a reduction of 17,400 beds, and the housing unit deactivations included in the Budget will take approximately 4,700 additional beds offline.

The Administration remains committed to meeting the needs of staff and the incarcerated population while right-sizing California's prison system as the prison population declines, and to addressing space needs as the state transforms the carceral system to one more focused on rehabilitation.

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## **SAN QUENTIN REHABILITATION CENTER AND THE CALIFORNIA MODEL**

In March 2023, the Administration announced a plan to transform San Quentin State Prison, the oldest in the state, into the San Quentin Rehabilitation Center, focused on providing every incarcerated person access to rehabilitation and education programs, as well as the opportunity to gain resources and skills to improve their outcomes upon reentering society. A multi-disciplinary Advisory Council was appointed in May 2023 that was tasked with drafting and presenting recommendations to achieve cultural and transformational change within the prison and help inform CDCR's California Model. The Advisory Council met with various and diverse stakeholders throughout the summer and fall and presented their final report and recommendations in early January 2024. Based on those recommendations, the scope and revised project cost for the New

Educational and Vocational Center were presented to, and adopted by, the State Public Works Board on March 8, 2024.

The Department has also begun transformational changes utilizing national and international best practices to provide rehabilitative services to incarcerated individuals to reduce recidivism and enhance public safety, address longstanding challenges to incarceration and prison working conditions, and promote an environment free of toxic stress and supportive of employee wellness. Through CDCR's Executive Steering Committee and Planning and Implementation Team, the Department has begun implementing California Model initiatives statewide that are focused on the principles of dynamic security, normalization, peer support specialists, and becoming a trauma-informed organization. These initiatives promote the health and well-being of those who work and live within the prison environment.

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### REHABILITATION AND REENTRY

Increasing access to rehabilitative and reentry programs is integral to improving post-release outcomes for incarcerated individuals and reducing recidivism. CDCR operates a wide range of rehabilitative programs with the goal of supporting individuals in successfully reintegrating into their communities following their release from prison.

The Budget reflects the following to support rehabilitation and reentry programming:

- **Community Correctional Reentry Centers**—Consolidation of \$102.8 million in remaining funding available to support reentry expansion with base reentry center funding in 2024-25 for the projected costs associated with expanding reentry center beds as well as to support increased contract rates for existing reentry center facilities. CDCR has executed contracts with four providers to add a total of 439 additional beds, and new facilities are slated to come online from October 2024 through January 2026. CDCR has also increased bed capacity for existing reentry centers, bringing the total number of reentry beds for existing facilities to 1,269 beds. Once full expansion is achieved, CDCR will operate a total of 1,708 reentry beds.
- **Post-Release Community Reentry Programs**—\$2.3 million General Fund in 2024-25, increasing to \$3.4 million in 2028-29, to increase contract rates for post-release reentry programs.
- **Free Voice Calling for Incarcerated Individuals**—\$32.3 million ongoing General Fund to provide access to free voice calling services for incarcerated individuals, consistent with Chapter 827, Statutes of 2022 (SB 1008).



- **Hope and Redemption Team Continuation**—A shift of \$8 million one-time General Fund from the San Quentin Improvement Project to support the continuation of the Hope and Redemption Team Program with \$4 million each year in 2024-25 and 2025-26. This program provides opportunities for formerly incarcerated individuals to serve as life coaches and mentors for the incarcerated population.

## SIGNIFICANT ADJUSTMENTS

- **Division of Adult Parole Operations Sex Offender Management Program Contract**—An increase of \$26 million General Fund annually in 2024-25 through 2027-28 to address the increased costs of renegotiated sex offender management treatment contracts in place since October 2023. Paroled sex offenders receive specialized rehabilitative programming that incorporates supervision, treatment, polygraph testing, and victim advocacy to facilitate successful reintegration into their communities.
- **CDCR Headquarters Lease Reduction**—A reduction of \$8.5 million ongoing General Fund beginning in 2025-26 to reduce CDCR's downtown Sacramento headquarters lease footprint and maximize efficiencies associated with the utilization of existing vacant space in nearby locations.
- **Staff Misconduct Investigations**—An increase of \$7.5 million General Fund in 2024-25, and \$14.4 million General Fund ongoing, to support the Department's continued implementation of the staff misconduct process.
- **Utilities Costs**—An increase of \$23.1 million General Fund in 2024-25, and \$46.2 million ongoing, to account for increased utility costs and allow for biannual adjustments to expenditures based on projections using actual costs.

## ADDRESSING THE BUDGET PROBLEM

The Budget includes General Fund solutions and other reductions totaling \$750 million in the budget window, which comprises 2022-23, 2023-24, and 2024-25, to achieve a balanced budget, improve efficiencies, and right-size operations. The below highlights some of the significant solutions and reductions:

- **State Operations Reductions**—A reduction of \$392 million ongoing General Fund for savings associated with the elimination of vacant positions and the 7.95-percent reduction to state operations that will be applied to all state departments. These savings will be achieved throughout various areas of the department.

- **Baseline Administrative Reduction**—A reduction of \$15 million General Fund beginning in 2024-25 to reduce various administrative positions and contract funding.
- **Housing Unit Deactivations**—A reduction of \$81.9 million ongoing General Fund for deactivating various housing units across 11 prisons.
- **Reduced Maintenance of Deactivated Prisons/Facilities**—A reduction of \$5 million ongoing General Fund achieved by reducing the maintenance at closed prisons and former Division of Juvenile Justice facilities, while continuing to maintain, at a minimum, services that preserve fire and life safety measures.
- **Peace Officer Training Reduction**—A reduction of \$8.5 million General Fund in 2023-24, \$13.8 million in 2024-25, and \$22.6 million in 2025-26 and ongoing to reflect a reduction in annual training for correctional officers from 48 hours to 40 hours and discontinuing the use of the California Reality Based Training Center.

The Budget also reflects various actions to eliminate specified activities and projects with the goal of achieving efficiencies in recognition of the current fiscal conditions:

- **Managed Access System Reversion**—A reversion of \$23.8 million General Fund appropriated in the 2022 and 2023 Budget Acts to support expansion of the Managed Access System, a technology that blocks unauthorized cellular device communications, in recognition of updates to cellular network technology and a decreased risk of contraband cellphones resulting from the distribution of tablets to the incarcerated population.
- **Los Angeles County Conservation Camp Contract**—A reduction of \$4.8 million General Fund beginning in 2025-26 associated with the elimination of the fire camp contract with Los Angeles County due to lower incarcerated populations and existing capacity in CDCR's fire camps.
- **Reduction of the TransMetro Bus Contract**—A reversion of \$700,000 General Fund from 2023-24, and a reduction of \$2 million General Fund in 2024-25 and ongoing, for visitor transportation to the prisons due to the underutilization of the service.

The Budget further reflects the following delays of initiatives and projects beyond the budget window to facilitate near-term savings:

- **Statewide Correctional Video Surveillance**—A shift of \$27.2 million General Fund from 2023-24 to 2025-26 and 2026-27 to reflect the delay of fixed camera technology projects at five institutions.
- **The Joint Commission Accreditation**—A reduction of \$1.5 million General Fund in 2024-25 and varying amounts thereafter, consistent with delaying the ramp up of resources to support the expansion of The Joint Commission Accreditation at all institutions statewide to 2027-28.

Finally, the Budget includes reductions associated with various other efficiency measures, reversions, and General Fund reductions as follows:

- A reduction of \$84.8 million related to various COVID-19-related activities, including mitigation efforts and workers' compensation.
- A revenue transfer of \$7.3 million in unobligated funds from the Recidivism Reduction Fund to the General Fund.
- A reversion of \$6 million from 2022-23 for a parolee data collection, analysis, and outcomes project.
- A reduction of \$2 million ongoing starting in 2023-24 related to parolee county of release workload and right-sizing parolee urinalysis testing contracts.

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## HEALTH CARE SERVICES FOR INCARCERATED INDIVIDUALS

The Budget continues the state's commitment to deliver quality health care services to incarcerated individuals. This includes \$4 billion General Fund in 2024-25 for CDCR health care programs, which provide incarcerated individuals access to medical, mental health, and dental care services that are consistent with the standards and scope of care appropriate within a custodial environment.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Contract Medical Methodology Change**—\$38.5 million ongoing General Fund and a reduction of \$12.1 million in reimbursement authority to support the use of an

acuity-based model to fund Contract Medical services, which support the provision of specialty care services for patients in prisons and community settings.

- **Medical Program Shortfall**—\$20 million one-time General Fund in 2024-25 to address a deficit in the Medical Program budget driven by increases in various personnel-related and operational costs. This one-time funding will help offset the projected shortfall in the Medical Program while providing time to evaluate an ongoing solution to address increasing program costs.
- **Pharmaceutical Rebates**—A reduction of \$30.8 million General Fund annually for three years starting in 2024-25 to reflect the impact of pharmaceutical rebates the Department is anticipated to receive through a contract with a fiscal intermediary.
- **California Advancing and Innovating Medi-Cal (CalAIM) Justice-Involved Initiative Medi-Cal Reimbursement System**—An increase of \$16.5 million in reimbursement authority on a one-time basis to enable the Department to continue its preparations for implementation of the CalAIM initiative.
- **Employee Health Program Reduction**—A reduction of \$7.1 million ongoing General Fund to recognize efficiencies identified within the Employee Health Program for which resources were added in the 2023 Budget Act. The Budget retains \$7.4 million ongoing for this program.

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## OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General (OIG) provides oversight through monitoring, reporting, and recommending improvements to CDCR. The Budget includes a total of \$51.4 million for the OIG in 2024-25.

### ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget includes a General Fund solution to achieve a balanced budget. This includes:

- **Medical Inspection Unit**—A reduction of \$1.9 million in 2024-25, and \$3.9 million in 2025-26 and ongoing, to return staffing levels to those that existed prior to the augmentation included in the 2022 Budget Act. The intent of this reduction is to decrease the frequency of medical inspections for delegated institutions while maintaining a shortened period for non-delegated institutions. As of April 2024, 22 of the 32 open institutions have been delegated back to the state by the Receiver.

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## 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 have been transferred to the county probation department within their respective county of commitment, and the responsibility for the care and supervision of justice-involved youth has been fully transitioned from the state to counties.

The Budget includes \$208.8 million one-time General Fund in 2024-25 for the Juvenile Justice Realignment Block Grant (JJRBG) established by Chapter 337, Statutes of 2020 (SB 823), which is available to support counties in providing rehabilitative housing and supervision services to the youth population realigned pursuant to SB 823. The Budget also reflects an estimated increase of \$1.2 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 within the Local Revenue Fund established by 2011 Public Safety Realignment, bringing the total amount available to an estimated \$210 million in 2024-25.

The Budget includes a shift of \$13.2 million (\$140,000 General Fund and \$13 million in federal funding) and 4 positions from the Board of State and Community Corrections (BSCC) to the Office of Youth and Community Restoration and related statutory changes to reflect the transfer of the administration and compliance monitoring activities of the Title II Grant Program under the federal Juvenile Justice and Delinquency Prevention Act. In addition, the Budget shifts the statutory reporting requirements for the Youthful Offender Block Grant, the Juvenile Justice Crime Prevention Act, and the Juvenile Reentry Grant.

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## PUBLIC SAFETY INVESTMENTS

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### CRIMINAL JUSTICE INVESTMENTS FOR SAFE AND SECURE COMMUNITIES

Public safety is a top priority in California, and funding to keep Californians safe is at an all-time high. Multifaceted criminal justice investments have been added in recent years that increase the safety of communities. The state has made substantial investments in strategies focused on positive policing, including resources to support peace officer wellness and training and to address peace officer misconduct. Since 2022-23, \$370 million has been provided to address Organized Retail Theft and other

## CRIMINAL JUSTICE AND JUDICIAL BRANCH

crimes, \$234.4 million to address gun violence, \$88 million for reducing illicit drugs, and \$258.3 million for victim services.

Additionally, more than half a billion dollars has been allocated toward community public safety, which includes officer wellness, officer use of force and de-escalation training, the reduction of roadway violence, and internet crimes against children.

Crime victims and their families bear significant physical, emotional, and financial burdens. The Budget continues the state's commitment to both assist crime victims and their families in recovering from such traumas and maintains investments that support those who face a high risk of victimization.

The details of recent public safety investments are provided in the following chart:

Public Safety Investments

Category	Department	Program	Dollars in Millions - General Fund Unless Footnoted			
			2022-23	2023-24	2024-25	2025-26
Organized Retail Theft and Other Crimes	BSCC	Local Law Enforcement Grants	\$85.0	\$85.0	\$85.0	\$0.0
	BSCC	Vertical Prosecution Grant Program	10.0	10.0	6.4	-
	CHP	Retail Theft Task Force Expansion	6.0	6.0	6.0	10.5
	DOJ	Special Operations Unit to combat violent criminals, gangs, and organized crime groups	-	7.2	7.2	7.2
	DOJ	Task Force Participation and Prosecution Teams	11.0	11.0	11.0	5.4
Gun Violence	BSCC	California Violence Intervention and Prevention Grant Program <sup>1/</sup>	67.0	66.0	-	-
	CalOES	Gun Violence and Domestic Violence Restraining Orders Public Outreach and Education	-	4.0	-	-
	DOJ	Carry Concealed Weapon Licenses <sup>2/</sup>	-	5.0	3.2	-
	DOJ	Implementation of Firearms Legislation <sup>2/</sup>	0.5	8.0	18.2	19.7
	Judicial	Firearm Relinquishment Program	30.8	-	-	-
	UC	Gun Violence Research	3.0	3.0	3.0	3.0
Illicit Drugs	DOJ	Fentanyl Enforcement Program	7.9	6.7	6.7	6.7
	Military	Drug Interdiction Program <sup>3/</sup>	15.0	15.0	15.0	15.0
Victim Services	BSCC	Missing and Murdered Indigenous Persons <sup>4/</sup>	4.0	16.0	17.2	-
	DOJ	Technical Assistance for Missing and Murdered Indigenous Persons Investigations <sup>5/</sup>	-	-	5.0	-
	CalOES	Emergency Services for Human Trafficking <sup>6/</sup>	10.0	27.0	7.0	7.0
	CalOES	Family Justice Centers <sup>2/</sup>	-	10.0	-	-
	CalOES	Medical Evidentiary Examinations for Sexual Assault Victims <sup>7/</sup>	6.7	6.7	6.7	6.7
	CalOES	Sexual and Domestic Violence Prevention Grant Extension <sup>8/</sup>	-	2.3	-	-
	CalOES	Victims of Crime Act - Federal Fund Backfill <sup>9/</sup>	-	-	103.0	-
	VCB	Innovative Pilot Program for Victim Services and Trauma Recovery Centers	23.0	-	-	-
Community Public Safety	BSCC	Officer Wellness Grants	50.0	-	-	-
	BSCC	Use of Force and Deescalation Training Pilot Program	10.0	-	-	-
	CalOES	California Internet Crimes Against Children Task Force	5.0	5.0	5.0	-
	CalOES	Law Enforcement Mutual Aid	25.0	35.0	25.0	-
	CalOES	Nonprofit Security Grant Program <sup>10/</sup>	50.0	40.0	80.0	80.0
	CalOES	Public Safety Radio Modernization to Support Equal Access to 9-1-1 Services <sup>2/</sup>	-	-	30.1	30.1
	CHP	Body Worn Camera Statewide Implementation <sup>2/</sup>	-	9.9	9.9	4.9
	CHP	Highway Violence Task Force	4.0	3.3	3.3	-
	CHP	Recruitment Campaign <sup>2/</sup>	2.0	2.0	2.0	-
	CHP	Side Show Task Force	5.5	-	-	-
POST	Officer Wellness Training and Research	5.0	-	-	-	
<b>Totals:</b>			<b>\$436.40</b>	<b>\$384.10</b>	<b>\$455.90</b>	<b>\$196.2</b>

Footnotes:

- <sup>1/</sup> \$200 million General Fund provided over three years beginning in 2021-22.
- <sup>2/</sup> Special Fund.
- <sup>3/</sup> Limited-term funding through 2025-26.
- <sup>4/</sup> An additional one-time augmentation of \$12 million appropriated in 2023-24.
- <sup>5/</sup> \$5 million one-time for the DOJ to provide technical assistance to local agencies regarding MMIP investigations.
- <sup>6/</sup> \$10 million appropriated 2021-22.
- <sup>7/</sup> \$6.7 million appropriated 2021-22.
- <sup>8/</sup> \$15 million one-time appropriated in 2021-22.
- <sup>9/</sup> \$100 million one-time appropriated in 2021-22.
- <sup>10/</sup> \$50 million one-time appropriated in 2021-22.

- **Combating Organized Retail Theft and Other Crimes**—\$369.9 million General Fund over four years to bolster local law enforcement efforts to address organized retail theft and other crimes. This includes ongoing resources to expand and make permanent the California Highway Patrol's retail theft task forces as well as the Department of Justice's (DOJ) Special Operations Unit and other task force and prosecution teams. These statewide enforcement efforts combat violent career criminals, gangs, and organized crime groups by using electronic surveillance and advanced investigative techniques.
- **California Violence Intervention and Prevention (CalVIP) Grant Program**—\$200 million General Fund was provided over three years to expand violence prevention efforts within communities that focus on those at the highest risk of violence.
- **Raising Awareness on Gun Violence Restraining Orders**—\$15 million one-time General Fund across 2021-22 (\$11 million) and 2023-24 (\$4 million) to facilitate education and training efforts related to gun violence restraining orders, including a public awareness campaign, grants to domestic violence groups to conduct outreach, and gun violence restraining order trainings to entities statewide.
- **Local Law Enforcement Mutual Aid**—\$75 million one-time General Fund (\$25 million per year for three years, beginning in 2022-23) to provide local law enforcement support during disasters and emergencies. This funding was augmented by an additional \$10 million investment in 2023-24 to reimburse local law enforcement agencies' overtime costs for providing an in-person security presence at religious institutions and places of worship.
- **California Internet Crimes Against Children Task Force**—\$15 million one-time General Fund (\$5 million per year for three years, beginning in 2022-23) to continue the existing level of funding for this program, which helps state and local law enforcement agencies develop an effective response to child sexual exploitation facilitated by technology and combating underground child pornography rings.
- **Officer Wellness and Training**—\$65 million one-time General Fund for research and grants to support peace officers' physical, mental, and emotional wellness, which is essential for creating safer communities. Additionally, a Use of Force and De-escalation Training pilot program was added to fortify positive policing strategies.
- **Highway Violence Task Force**—To address the significant increase in violent crimes occurring on state highways, the California Highway Patrol was provided \$10.6 million General Fund over three years beginning in 2022-23.



- **Sideshow Task Force**—In 2022-23, the California Highway Patrol received \$5.5 million one-time General Fund to combat illegal street racing and sideshow activities.
- **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 interdiction efforts to prevent drug trafficking by transnational criminal organizations throughout the state, with a particular focus on assisting federal, state, local, and tribal law enforcement agencies in combating fentanyl. The 2022 Budget Act included \$15 million in 2022-23 and 2023-24 to support this program. This brings the total investment to \$60 million for the continued expansion of drug interdiction efforts.
- **Domestic and Sexual Violence, Human Trafficking, and Children's Services**—\$17.3 million one-time General Fund across 2021-22 (\$15 million) and 2023-24 (\$2.3 million) to expand domestic violence and sexual violence prevention efforts; \$6.7 million ongoing General Fund beginning in 2021-22 to increase reimbursements to local law enforcement agencies to offset the cost of reimbursing qualified health care professionals, hospitals, or other emergency medical facilities for medical evidentiary examinations for all sexual assault victims; \$61 million one-time General Fund over five years, beginning in 2021-22, to expand human trafficking survivor support programs; and \$21 million one-time General Fund across 2021-22 (\$11 million) and 2023-24 (\$10 million) to support the Family Justice Center Program providing services for victims and their children.
- **Trauma Recovery Centers**—\$23 million one-time General Fund in 2022-23, to be spent over three years, to support existing trauma recovery centers and to establish an innovative pilot program to operate satellite offices in hard-to-reach and/or rural areas affiliated with a local organization and overseen by an existing trauma recovery center.

## SIGNIFICANT BUDGET ADJUSTMENTS

- **Victims of Crime Act**—An increase of \$103 million one-time General Fund in 2024-25 to supplement federal funding supporting a variety of services for domestic violence victims. This one-time augmentation will allow existing programs to continue at their current level of services.
- **Non-Profit Security Grant Program**—The Budget includes \$160 million General Fund for this program, \$80 million each year in 2024-25 and 2025-26, bolstering safety and security for faith communities. Since 2021-22, the state has invested \$140 million one-time General Fund to help with physical security enhancements to non-profit

organizations that have historically been targets of hate-motivated violence or are at high risk of violence and hate crimes based on ideology, beliefs, or mission. In October 2023, amid heightened fears and concerns among California's faith communities 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 state also receives annual funding from the federal Nonprofit Security Grant Program. Security enhancement projects include reinforced doors and gates, high-intensity lighting, alarms, and other security-related improvements. An additional \$10 million was authorized in 2023-24 to reimburse local law enforcement agencies' overtime costs for providing in-person security presence at religious institutions and places of worship in response to immediate security needs.

- **Establishing a New In-Custody Death Review Division (SB 519)**—\$3.3 million General Fund and 15 positions in 2024-25, and \$7.7 million ongoing and 35 positions beginning in 2025-26, to implement an in-custody death review program that will review investigations of deaths that occur in local correctional facilities and make recommendations to local detention facilities.
- **Missing and Murdered Indigenous Persons**—\$13.2 million one-time General Fund in 2024-25 for the Missing and Murdered Indigenous Persons Grant Program to provide grants to federally recognized Indian tribes in California to support efforts to identify, publicize, investigate, and solve cases involving missing and murdered indigenous people. In addition, the Budget includes \$5 million one-time General Fund, available for five years, for the DOJ to provide technical assistance to local and tribal law enforcement agencies in their efforts to identify and investigate missing and murdered indigenous individuals and to provide grants to local law enforcement agencies to support these investigatory activities.
- **Proposition 47 Savings**—Proposition 47, passed in 2014, requires misdemeanor rather than felony sentencing for certain property and drug crimes and permits incarcerated persons previously sentenced for these reclassified crimes to petition for resentencing. The Budget estimates net General Fund savings of \$94.8 million in 2024-25. These funds are allocated according to the formula specified in the ballot measure, which requires 65 percent be allotted for grants to public agencies to support various recidivism reduction programs (such as mental health and substance use treatment services), 25 percent for grants to support truancy and dropout prevention programs, and 10 percent for grants for victim services.

- **Community Corrections Performance Incentive Program**—The Community Corrections Performance Incentive Program, Chapter 608, Statutes of 2009 (SB 678), was created to provide incentives for counties to reduce the number of felony probationers sent to state prison. The Budget includes \$116.1 million General Fund in 2024-25 for county probation departments. In the prior three years, funding for this item was held constant due to the COVID-19 Pandemic's effect on probation populations, law enforcement practices, and court processes. The Budget maintains the rates used in the prior three years and applies a 5.5-percent reduction to county allocations, while also establishing a floor of \$200,000 for counties that fall below that level. The Budget also includes intent language to review the ongoing allocation methodology with the goal of providing sustainable funding for improved, evidence-based probation supervision practices and capacities that will improve public safety outcomes.

## ADDRESSING THE BUDGET PROBLEM

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

- **Post-Release Community Supervision**—Eliminates \$4.4 million General Fund proposed in the Governor's Budget to continue funding for counties that may be experiencing impacts from any additional incarcerated individuals released to post-release community supervision as a result of Proposition 57, which was approved by voters in 2016.
- **Vertical Prosecution Grants**—A one-time reduction of \$3.6 million General Fund in 2024-25, which represents the remainder of unallocated Organized Retail Theft-Vertical Prosecution grant funds from a total of \$30 million that was appropriated as \$10 million each year for three years beginning in 2022-23.
- **CalVIP Grant Program**—A reduction of \$9 million General Fund in 2024-25 and ongoing, which will be replaced by funding from the newly created Gun Violence Prevention and School Safety fund starting in 2024-25, pursuant to Chapter 231, Statutes of 2023 (AB 28). This new fund will continuously appropriate up to \$75 million annually to the BSCC to administer and award CalVIP grants.
- **BSCC Cannabis Tax Fund Loan**—A budgetary loan of \$175 million in 2024-25 from the Cannabis Tax Fund to the General Fund from resources not currently projected to be utilized for operational or programmatic purposes. This loan will be repaid from

the General Fund to BSCC in 2025-26, 2026-27, and 2027-28. See the General Government and Statewide Issues Chapter for additional information.

- **Reversion of Medication Assisted Treatment and Administrative Funding**—A reversion of \$10.5 million General Fund from 2022-23 for the Medication Assisted Treatment Grant Program.

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## DEPARTMENT OF JUSTICE

As the chief law officer of the state, the Attorney General has the responsibility to see that the laws of California are uniformly and adequately enforced. This responsibility is fulfilled through the diverse programs of the DOJ. The Department provides litigation services on behalf of the people of California; serves as legal counsel to state agencies; provides oversight, enforcement, education, and regulation of California's firearms laws; provides evaluation and analysis of physical evidence; and supports the needs of California's criminal justice community. The Budget includes total funding of approximately \$1.3 billion, including \$504 million General Fund, to support the Department.

### SIGNIFICANT ADJUSTMENTS

- **Controlled Substance Utilization Review and Evaluation System (CURES) Fee**—To cover a shortfall in the CURES Fund, the Budget increases the CURES fee from \$9 to \$15 beginning April 1, 2025, to cover DOJ's actual costs to administer the CURES program.
- **Firearm Chaptered Legislation**—\$11.6 million General Fund in 2024-25, \$14.7 million General Fund in 2025-26, \$11.4 million (\$8.7 million General Fund and \$2.7 million Fingerprint Fees Account) in 2026-27, and \$10 million (\$6.9 million General Fund and \$3.1 million Fingerprint Fees Account) in 2027-28 and ongoing to address workload from recently chaptered legislation related to regulating the sale, transfer, and purchase of firearms in California.
- **Medi-Cal Fraud and Elder Abuse Investigation, Enforcement, and Prosecution Enhancement**—\$5.9 million ongoing Federal Trust Fund and \$1.9 million ongoing False Claims Act Fund for DOJ to receive additional federal grant funding from the federal Office of Inspector General to expand investigations, enforcement activities, and prosecutions related to Medi-Cal fraud and elder abuse.

- **Climate Nuisance Litigation**—\$4.7 million Unfair Competition Law Fund in 2024-25 through 2026-27 for DOJ to continue existing litigation efforts against several major oil companies.
- **Firearms IT Systems Modernization Project**—\$4.6 million General Fund in 2024-25 and \$1.8 million in 2025-26 and ongoing for DOJ to continue working towards completing Stages 3 and 4 of the Project Approval Lifecycle Process for this project.
- **Small Client Legal Workload**—\$4 million General Fund in 2024-25 through 2026-27 to maintain baseline level funding that was initially authorized in the 2021 Budget Act for three years to support workload on behalf of small client departments.
- **License 2000 System Replacement Project**—\$3.1 million Special Fund (\$1.57 million Indian Gaming Special Distribution Fund and \$1.57 million Gambling Control Fund) in 2024-25 for DOJ to complete Stages 3 and 4 of the Project Approval Lifecycle Process for this project.

## ADDRESSING THE BUDGET PROBLEM

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

- **Unfair Competition Law Fund Loan**—A budgetary loan of \$130 million from the Unfair Competition Law Fund to the General Fund in 2024-25 from idle resources not required for currently projected operational or programmatic purposes.
- **Division of Legal Services**—A reduction of \$6 million ongoing General Fund from the Division of Legal Services, including a \$1 million reduction for activities related to federal lawsuits.
- **Division of Medi-Cal Fraud and Elder Abuse**—A fund shift of \$2 million ongoing from the General Fund to the False Claims Act Fund.

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## OFFICE OF EMERGENCY SERVICES

The Office of Emergency Services (Cal OES) serves as the state's leadership hub during all major emergencies and disasters. This includes responding, directing, and coordinating local, state, and federal resources, and mutual aid assets across all regions to support the diverse communities across the state. Cal OES also builds disaster resilience by supporting local jurisdictions and communities through planning and preparedness activities, training, and facilitating the immediate response to an

emergency through the longer-term recovery phase. During this process, Cal OES serves as the state's overall coordinator and agent to secure federal government resources through the Federal Emergency Management Agency. The Budget includes \$3.4 billion (\$715.9 million General Fund) and 1,912 positions for Cal OES.

### SIGNIFICANT BUDGET ADJUSTMENT

- **Public Safety Radio Modernization to Support Equal Access to 9-1-1 Services**—An increase of \$30.1 million State Emergency Telephone Number Account funds annually for four years, from 2024-25 through 2027-28, and an additional 12 positions to continue implementation of the California Radio Interoperable System, a statewide public safety radio system that dramatically improves interoperability for state, local, and federal public safety responders. These modernization efforts are vital to make sure first responders have equal access to voice and data communications wherever their mission takes them. The system's expanded coverage will include connecting the front-line responders to centralized command and dispatch.

### ADDRESSING THE BUDGET PROBLEM

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

- **Building Resilience**—A reversion of \$45 million General Fund from 2021-22 for a grant program that supports community hardening efforts through leveraging the federal Hazard Mitigation Grant Program. The Budget maintains \$55 million one-time General Fund for this program.
- **Multifamily Seismic Retrofit Matching Funds**—A reversion of \$15 million General Fund from 2023-24 for establishing the Seismic Retrofitting Program for Soft Story Multifamily Housing authorized in Chapter 48, Statutes of 2022 (SB 189).
- **Listos California Emergency Preparedness Campaign**—A reduction of \$12.5 million ongoing beginning in 2024-25. This solution reduces by half the \$25 million annual funding authorized as part of the 2021-22 Strengthening California's Emergency Capacity and Capabilities proposal for the creation of a grant program focused on developing culturally competent messaging related to disaster preparedness.

## JUDICIAL BRANCH

The Judicial Branch consists of the Supreme Court, Courts of Appeal, trial courts, the Habeas Corpus Resource Center, and the Judicial Council. The Judicial Council is responsible for managing the resources of the Judicial Branch. The trial courts are funded with a combination of General Fund, county maintenance-of-effort requirements, fines, fees, and other charges. Other levels of the Judicial Branch receive most of their funding from the General Fund. The Budget includes total funding of \$5 billion (\$3 billion General Fund and \$2 billion other funds) in 2024-25 for the Judicial Branch, of which \$2.9 billion is provided to support trial court operations.

### MAINTAINING ACCESS TO JUSTICE

In a continuing effort to support access to justice, the Budget includes \$19.1 million General Fund in 2024-25, 2025-26, and 2026-27 to maintain current service levels for court-based self-help centers to continue providing services to self-represented litigants and members of the public who cannot afford an attorney. The Budget also includes statutory changes to extend the sunset dates for remote proceedings for criminal and civil cases through January 1, 2027, to help preserve access to justice for court users by providing the option to participate remotely.

### SIGNIFICANT BUDGET ADJUSTMENTS

- **Trial Court Trust Fund Backfill**—\$37 million ongoing General Fund to continue to backfill the Trial Court Trust Fund for revenue declines expected in 2024-25.
- **State Court Facilities and Construction Fund Backfill**—\$40 million General Fund in 2024-25 and \$89 million ongoing to continue to backfill a projected shortfall in the State Court Facilities and Construction Fund and to maintain existing service levels.
- **Trial Court Employee Health Benefits**—\$36.6 million ongoing General Fund for trial court employee health benefit and retirement costs. The state began consistently funding the increased health benefit and retirement costs for the trial courts in 2014-15.
- **Facility Operations and Maintenance**—\$3.6 million ongoing General Fund for trial court facility operations and maintenance for a new Stanislaus County courthouse opening in 2024-25.

- **Keeping Children Safe from Family Violence Act (SB 331)**—\$1.1 million ongoing General Fund, and \$150,000 Family Law Trust Fund in 2024-25 and \$210,000 Family Law Trust Fund in 2025-26, for the courts to expand educational programs and materials related to domestic violence and post-conviction probation supervision.

### ADDRESSING THE BUDGET PROBLEM

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

- **Trial Court Trust Fund Unrestricted Balance**—A reversion of \$100 million in 2024-25 of the unrestricted fund balance in the Trial Court Trust Fund to the General Fund. This unrestricted fund balance exists primarily from cost savings from previous allocations to the Judicial Branch where no mechanism exists to return the funds to the General Fund.
- **Trial Court Emergency Fund**—A reversion of \$5 million in 2024-25 from the \$10 million available in the Trial Court Emergency Fund. The Budget maintains \$5 million to support emergency situations, revenue shortages, or budgetary imbalances.
- **Reduction to Trial Court State Operations**—A reduction of \$97 million ongoing General Fund consistent with the statewide ongoing reduction for state operations. These statewide reductions will also be applied to the state-level judiciary, which includes the Supreme Court, Courts of Appeal, Habeas Corpus Resource Center, and the Judicial Council.
- **Implementation of the CARE Act**—A reversion of \$17.6 million General Fund savings from 2023-24 provided to the Judicial Branch for the implementation of the CARE Act.
- **Court Interpreter Grants**—A reversion of \$20.4 million General Fund savings from 2021-22 from the Court Interpreter Employee Incentive Grant program that provided grants to the trial courts for the recruitment of court interpreters. The Budget maintains \$6.8 million General Fund in 2023-24 for the California Court Interpreter Workforce Pilot Program.
- **Court Reporter Grants**—A reversion of \$16 million total General Fund savings from 2022-23 and 2023-24 provided to the trial courts to support the recruitment and retention of court reporters. The Budget maintains \$30 million ongoing to continue support for the recruitment and retention of court reporters in family and civil cases.



# LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency supports pathways to quality jobs and equity through workforce development strategies. The 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. Additionally, the Administration is taking steps to address workers' compensation wait times and hiring challenges at the Department of Industrial Relations.

## SIGNIFICANT BUDGET ADJUSTMENTS

- **Unemployment Insurance Trust Fund Loan Interest**—\$484 million one-time funding (\$384 million General Fund) to pay the annual interest payment on the state's Unemployment Insurance loan balance. Of this amount, \$100 million will be funded by the Employment Training Fund, consistent with existing statutory authority that allows the use of these funds for this purpose. The Budget also includes \$50 million from the Employment Training Fund for this purpose in 2025-26.
- **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 includes statutory changes to clarify the time period for the Board to issue a decision on an appeal, until July 1, 2026.
- **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 to upgrade outdated systems and processes.
- **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 \$8.6 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.
- **Department of Industrial Relations Hiring**—Statutory changes to authorize the Department of Industrial Relations to utilize emergency hiring authority to expedite hiring and fill vacancies to increase the effective and timely enforcement of state labor laws and require the Department of Industrial Relations and Department of Human Resources to prioritize the analysis of classification changes.

### ADDRESSING THE BUDGET PROBLEM

The 2022 Budget invested approximately \$2.2 billion General Fund towards the state's goals of increasing the number of apprenticeships; workforce training to mitigate the effects of climate change; and creating more innovative and accessible opportunities to recruit, train, hire, and advance an ethnically and culturally inclusive health and human services workforce. The Budget reduces \$1.16 billion (\$971.1 million General

Fund) and delays \$190 million General Fund from 2023-24 and prior years to 2024-25 and future years (\$50 million in 2024-25, \$70 million in 2025-26, and \$70 million in 2026-27).

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

- **Healthcare Workforce Investments**—A reduction of \$746.1 million General Fund over five years, and \$189.4 million Behavioral Health Services Fund in 2025-26 for various healthcare workforce initiatives at the Department of Health Care Access and Information. The Budget maintains \$108.9 million General Fund in committed funds, and \$357.7 million General Fund in prior and current year workforce investments in the Department of Health Care Access and Information. The Budget also includes \$60 million Proposition 98, per year over five years, in the community colleges for nursing. (See the Health and Human Services Chapter and Higher Education Chapter for additional information).
- **California Jobs First (Formerly the Community Economic Resilience Fund)**—A reduction of \$150 million General Fund and a delay of \$150 million General Fund for California Jobs First, an inter-agency partnership of the Labor and Workforce Development Agency, the Governor's Office of Business and Economic Development, and the Governor's Office of Land Use and Climate Innovation (formerly the Office of Planning and Research) to support resilient, equitable, and sustainable regional economies. The Budget includes \$50 million General Fund annually in 2024-25 through 2026-27 for this program.
- **Apprenticeship Innovation Fund**—A reduction of \$40 million General Fund for the Apprenticeship Innovation Fund at the Department of Industrial Relations. The Budget maintains \$95 million General Fund for this program over two years (\$55 million in 2022-23 and \$40 million in 2023-24).
- **Goods Movement Workforce Training Facility**—A delay of \$40 million General Fund for a Goods Movement Workforce Training Facility in Southern California. The Budget includes \$20 million General Fund for this purpose in both 2025-26 and 2026-27. (See the Climate Change Chapter for additional information.)
- **Low Carbon Economy Program**—A reduction of \$15 million General Fund for the Low Carbon Economy Grant Program at the California Workforce Development Board. The Budget maintains \$30 million (\$15 million General Fund in 2022-23 and \$15 million Greenhouse Gas Reduction Fund in 2023-24) over two years for this program. (See the Climate Change Chapter for additional information.)

## LABOR AND WORKFORCE DEVELOPMENT

- **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. The Budget maintains \$30 million General Fund for this program. (See the Climate Change Chapter for additional information.)
- **Emergency Medical Technician Training**—A reduction of \$10 million General Fund for the Emergency Medical Technician training program at EDD. The Budget maintains \$30 million General Fund for this program over two years.
- **Labor and Workforce Development Fund Loan**—A budgetary loan of \$125 million from the Labor and Workforce Development Fund to the General Fund from resources not currently projected to be used for operational or programmatic purposes.

# GENERAL GOVERNMENT AND STATEWIDE ISSUES

This chapter describes items in the Budget that are statewide issues or related to various departments.

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## GOVERNOR'S OFFICE OF LAND USE AND CLIMATE INNOVATION

The Governor's Office of Planning and Research (OPR) has expanded significantly in recent years, from a budget of \$54 million in 2016-17 to \$1.7 billion in 2023-24. In recognition of this growth and the number of programs and initiatives within OPR, the 2023 Budget began transitioning OPR to a more traditional department that relies on state civil service classifications. The Budget makes changes within OPR to further streamline efforts and enable OPR to focus on its core responsibilities, by renaming OPR the Governor's Office of Land Use and Climate Innovation and transferring the following programs to state entities that are better suited to administer these programs:

- California Initiative to Advance Precision Medicine to the California Health and Human Services Agency;
- California Jobs First Program to the Governor's Office of Business and Economic Development; and,
- Zero-Emission Vehicle Program to the Governor's Office of Business and Economic Development.

In addition, the Budget establishes a new department, the Governor's Office of Service and Community Engagement (GO SERVE), to engage Californians in service, volunteering, and civic action to tackle our state's most pressing challenges. GO SERVE will oversee California Volunteers, the Office of Community Partnerships and Strategic Communications, and the Youth Empowerment Commission, which were all previously administered by OPR. See below for additional information on GO SERVE.

### SIGNIFICANT ADJUSTMENTS

- **Information Technology Unit**—\$3.7 million General Fund in 2024-25 and 2025-26 to establish a baseline for the department to meet its information technology infrastructure needs.
- **California Environmental Quality Act Judicial Streamlining**—\$2.3 million General Fund in 2024-25 through 2026-27 to implement recently adopted and amended judicial streamlining provisions in the Public Resources Code for certain infrastructure and environmental leadership development projects.
- **Administrative Workload**—\$977,000 ongoing General Fund to address increased administrative workload to support the transition to a more traditional state department relying on civil service classifications.

### ADDRESSING THE BUDGET PROBLEM

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

- **California Education Learning Lab**—A reduction of \$5.5 million in 2024-25 and 2025-26, and \$4 million in 2026-27 and ongoing to the California Education Learning Lab. The Budget maintains \$5.5 million in 2024-25 and 2025-26 and \$4 million beginning in 2026-27 to support this program that will remain in the Governor's Office of Land Use and Climate Innovation.
- **Golden State Awards**—A reversion of \$9.9 million one-time General Fund from 2022-23 from the Golden State Awards program. This reversion results in the discontinuation of this program.

## GOVERNOR'S OFFICE OF SERVICE AND COMMUNITY ENGAGEMENT

The Budget establishes the Governor's Office of Service and Community Engagement (GO SERVE) to elevate paid service and volunteerism in the state, promote more youth and community engagement, and advance public awareness and outreach campaigns to tackle the state's most pressing challenges. GO SERVE consists of the Office of Community Partnerships and Strategic Communications, California Volunteers, and the Youth Empowerment Commission.

### SIGNIFICANT ADJUSTMENTS

- **College Corps Program**—\$5 million one-time General Fund in 2024-25 for the CaliforniansForAll College Corps Program. Overall, the funding for this program totals \$78.1 million General Fund in 2024-25 and \$63.1 million in 2025-26. This funding level reflects a one-time augmentation of \$5 million in 2024-25 and a reduction of \$10 million to the program in 2025-26 to help address the budget shortfall.
- **Youth Service Corps Program**—\$5 million one-time General Fund in 2024-25 for the CaliforniansForAll Youth Service Corps Program. Overall, the funding for this program totals \$83.1 million General Fund in 2024-25 and \$68.1 million beginning in 2025-26. This funding level reflects a one-time augmentation of \$5 million in 2024-25 and an ongoing reduction of \$10 million to base funding beginning in 2025-26 to help address the budget shortfall.
- **California Student Success Coach Grant Program**—\$5 million one-time General Fund in 2024-25 for the California Student Success Coach Grant Program. This program supports and expands the presence of student success coaches in high-need schools.

### ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, in addition to the out-year reductions noted above, the Budget includes General Fund solutions to achieve a balanced budget. These include:

- **Office of Community Partnerships and Strategic Communications**—A reduction of \$50 million in 2024-25 and 2025-26. The Budget maintains \$15 million in 2024-25 and 2025-26 to advance the state's highest priority public awareness and community outreach campaigns.

- **Extreme Heat Awareness Campaign**—A reversion of \$14 million from 2023-24 for the Extreme Heat Awareness Campaign administered by the Office of Community Partnerships and Strategic Communications.
- **California Climate Action Corps**—A shift of \$9.4 million from the General Fund to the Greenhouse Gas Reduction Fund in 2024-25 through 2027-28 to support the California Climate Action Corps program. The Budget shifts funding back to the General Fund beginning in 2028-29.
- **California Experience Corps**—A reversion of \$8.8 million from 2022-23 for the California Experience Corps program. In 2022-23, California Volunteers awarded \$1.2 million in grants to volunteer programs to engage older adults in volunteer service.
- **Neighbor-to-Neighbor Program**—A reduction of \$8.5 million in 2024-25 and \$10 million in 2025-26 to the Neighbor-to-Neighbor program. The Budget maintains \$1.5 million in 2024-25 to continue administering existing grants.
- **Youth Empowerment Commission**—A reduction of \$1.5 million in 2027-28 through 2029-30 for the Youth Empowerment Commission. The Budget maintains \$1.5 million in 2024-25, 2025-26, and 2026-27 to support the Commission's efforts to advise and make recommendations on various legislative and fiscal issues affecting youth.

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## GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

The Governor's Office of Business and Economic Development (GO-Biz) serves as the state's lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, economic growth, export promotion, permit assistance, innovation and entrepreneurship.

In March 2024, GO-Biz and the Labor and Workforce Development Agency co-launched the California Jobs First Council to focus on streamlining the state's economic and workforce development programs to create more jobs. The Council's operational plan will guide the state's investments in economic and workforce development to create more family-supporting jobs and prioritize industry sectors for future growth. See the Labor and Workforce Development Chapter for additional information regarding the California Jobs First Program.



## SIGNIFICANT ADJUSTMENTS

- **Recapitalization of the Infrastructure State Revolving Fund**—An increase of \$25 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 government 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.
- **Clean Energy and Infrastructure Assessment Project (AB 585)**—An increase of \$2.3 million General Fund in 2024-25 and \$252,000 in 2025-26 to prepare an assessment, in consultation with the California Public Utilities Commission, California Energy Commission, and State Air Resources Board, of the barriers, challenges, and impediments limiting the deployment and development of clean energy projects, pursuant to Chapter 335, Statutes of 2023 (AB 585).
- **Federal Grant Awards**—An increase of \$3.3 million ongoing Federal Trust Fund to receive federal awards to help small businesses in California expand their customer base into foreign markets, rebuild regional economies by supporting statewide planning and research, and to provide support for economically distressed communities.
- **Zero-Emissions Vehicle (ZEV) Program**—A transfer of \$2.1 million one-time General Fund in 2024-25 to transition the ZEV Program from the Governor’s Office of Land Use and Climate Innovation (formerly the Office of Planning and Research) to GO-Biz to create efficiencies and consolidate efforts to develop and implement the ZEV Market Development Strategy.
- **California Jobs First Program**—A transfer of \$3.5 million General Fund in 2024-25 and \$406,000 beginning in 2025-26 to transition the California Jobs First Program from the Governor’s Office of Land Use and Climate Innovation to GO-Biz to consolidate efforts to implement the program.

## ADDRESSING THE BUDGET PROBLEM

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

- **City of Fresno Public Infrastructure Plan**—A delay of \$200 million General Fund for the City of Fresno Public Infrastructure plan. The 2023 Budget Act included \$250 million

General Fund to support infrastructure development in downtown Fresno. The Budget maintains \$50 million in 2023-24 for this purpose and delays the remaining \$200 million to 2026-27.

- **Electric Transmission Financing**—A reversion of \$225 million total from 2022-23 and 2023-24 for electric transmission infrastructure financing from the Climate Catalyst Revolving Loan Fund back to the General Fund.
- **Local Government Budget Sustainability Fund**—A reversion of \$50 million General Fund from 2023-24 for the Local Government Budget Sustainability fund that was created to provide short-term grants to local entities facing significant challenges to their near-term financial sustainability.
- **Wildfire and Forest Resilience**—A reversion of \$6 million from 2021-22 from the Climate Catalyst Revolving Loan Fund back to the General Fund for financing for wildfire and forest resilience projects.
- **Small Agricultural Business Drought Relief Grant Program**—A reversion of \$5 million General Fund from 2022-23 to help small businesses in the agriculture sector negatively impacted by the drought.

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## CANNABIS

The state continues to work to strengthen California's legal cannabis market through reform of the tax structure, fee relief to support entry into the legal market, and assistance to local governments to move licensees from provisional licensure to annual licenses. The tax reforms included in Chapter 56, Statutes of 2022 (AB 195), suspended the cannabis cultivation tax and modified cannabis excise tax remittance to the point of sale. The state also created numerous tax programs: the High-Road Cannabis Tax Credit, Cannabis Equity Tax Credit, and the Cannabis Equity Retailer Vendor Compensation Program.

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### UPDATED ALLOCATION OF THE CANNABIS TAX FUND

Proposition 64 specifies the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated. Pursuant to Proposition 64, expenditures are prioritized for regulatory and administrative workload necessary to implement, administer, and enforce the Cannabis Act, followed by research and activities related to the legalization of cannabis and the past effects of its criminalization. Once these priorities have been met, the remaining funds are directed to youth education, prevention, early

intervention, and treatment; environmental protection; and public safety-related activities.

The Budget estimates \$574.4 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**—\$344.6 million (60 percent)
- **Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation**—\$114.9 million (20 percent)
- **Public safety-related activities**—\$114.9 million (20 percent)

## ADDRESSING THE BUDGET PROBLEM

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

- **Cannabis Tax Fund Loan**—A budgetary loan of \$175 million from the Board of State and Community Correction's Cannabis Tax Fund subaccount to the General Fund from resources not currently projected to be used for operational or programmatic purposes. See the Criminal Justice and Judicial Branch Chapter for additional information.
- **Cannabis Local Jurisdiction Retail Access Grant Program**—A reversion of \$16.5 million General Fund from 2023-24 from the Cannabis Local Jurisdiction Retail Access Grant program. The Department of Cannabis Control awarded \$3.2 million in grants to 15 local jurisdictions that did not have a local cannabis retailer licensing program to assist them in developing such a program and in issuing permits pursuant to the program.

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## STATEWIDE BROADBAND NETWORK IMPLEMENTATION

The Budget includes \$250 million one-time General Fund in 2024-25 to complete key segments of the Middle-Mile Network. Additionally, the Budget includes provisional authority allowing up to \$250 million in additional General Fund in 2024-25, to build out additional segments beyond the currently funded public and statewide, open-access Middle-Mile Network. To access these additional funds, the California Department of Technology Office of Digital Literacy must provide a report to the Joint Legislative

Budget Committee that includes a breakdown of stand-alone California Department of Transportation projects related to the Middle-Mile Broadband Initiative. Reporting metrics include the locations of projects, total costs per year and the funding source, construction timelines, and Last-Mile projects that are anticipated to connect to the Middle-Mile Network.

To complement middle-mile development, the Budget maintains the multiyear plan to provide \$2 billion in last-mile grants through 2027-28 (\$1.45 billion General Fund and \$550 million federal funds from the American Rescue Plan Act of 2021) to help enhance access to high-speed broadband service in unserved and underserved communities. Additionally, the Budget maintains a total of \$50 million General Fund for the Broadband Loan Loss Reserve program.

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## DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) continues to modernize its operations through projects like the Digital eXperience Platform project, a comprehensive replacement of DMV's major IT software programs. Projects such as these will improve the overall customer experience when completing DMV transactions in the field office and through alternative service channels.

However, the Budget currently projects that the Motor Vehicle Account (MVA) will be insolvent as soon as 2025-26. Reductions in available MVA funds would have negative impacts on the DMV's modernization efforts and, if not addressed, could lead to other programmatic impacts. To maintain fund solvency, the Administration is exploring potential revenue and expenditure solutions for the fund.

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

- **California Commercial Drive Test Centers**—A reversion of \$30.7 million General Fund across 2023-24, 2024-25, and 2025-26 for California Commercial Drive Test Centers. DMV has achieved its goal of providing commercial drive test appointments within 30 days and, therefore, the need for dedicated drive test centers to address supply chain issues has been reduced.

## FRANCHISE TAX BOARD

The Franchise Tax Board (FTB) ensures the fair and efficient administration of the state's personal income tax and corporation tax, which are two of the state's largest revenue sources.

### SIGNIFICANT ADJUSTMENT

- **Direct File Implementation**—\$700,000 General Fund in 2024-25, \$1.7 million in 2025-26, and \$2.1 million in 2026-27 for the FTB to link CalFile with the Internal Revenue Service's Direct File portal. Beginning in 2026, this will allow qualified tax filers to complete pre-populated state tax returns that draw from the federal tax return data they submit to Direct File.

## TAX POLICY CHANGES

The Budget includes the following tax policy changes:

- **Net Operating Loss (NOL) Suspension and Credit Limitation**—Suspends the carryover NOL tax deduction for medium and large businesses and limits business incentive tax credits, with the exception of the low-income housing tax credit and the Pass-Through Entity Elective Tax, from offsetting more than \$5 million of tax liability for tax years 2024, 2025, and 2026. This tax policy change includes a refundability component to ensure taxpayers subject to the temporary credit limitation can fully utilize their credits after the limitation period ends, as well as trigger mechanisms for tax years 2025 and 2026. This change is projected to increase General Fund revenues by \$5.9 billion in 2022-23 through 2024-25.
- **Apportionment Factor Fix**—Clarifies existing law that when a corporation receives income that is excluded from taxable business income, then it must exclude this income from its apportionment factor. This fix aligns statute with original legislative intent as well as with the FTBs prior legal rulings and longstanding guidance on the matter and is consistent with constitutional principles that dictate that states should apportion income for taxation in an equitable and fair manner. It eliminates a potential loophole and fiscal risk to the state, while providing clear statutory authority and guidelines to taxpayers on how to determine what income should be included in their apportionment factor. This fix is projected to prevent revenue losses of \$216 million in 2022-23 through 2024-25.

- **Elimination of the Bad Debt Deduction and Refund**—Disallows deductions for non-retailer lenders for sales tax paid on bad debts, effective in January 2025. This change is projected to increase General Fund revenues by \$2.5 million in 2022-23 through 2024-25.
- **Elimination of Direct Oil and Gas Subsidies**—Eliminates the Immediate Deduction for Intangible Drilling Costs, Percentage Depletion Rules for Fossil Fuels, and Oil Recovery Costs Credit beginning in tax year 2024. This change is projected to increase General Fund revenues by \$22 million in 2022-23, 2023-24, and 2024-25.
- **Sunset Date for 280E Exemption for Cannabis Businesses**—Extends the sunset date from January 1, 2025 to January 1, 2030 for the exemption from Internal Revenue Code Section 280E for licensed cannabis businesses, thereby continuing to allow licensed cannabis businesses to be eligible to take ordinary state tax deductions and utilize state tax credits, which Section 280E prohibits at the federal level due to cannabis businesses being deemed unlawful under federal law.
- **State Disaster Tax Relief**—Shifts the authority to determine whether and to what extent the state will conform to the federal postponement of certain tax-related deadlines when disaster relief has been granted by the Internal Revenue Service for a disaster declaration made by the Federal Emergency Management Agency from the FTB to the Director of Finance. Additionally, in cases where the state does not conform or only partially conforms, it sets a process for the state to grant individualized relief equal to the federal postponement of the tax-related deadlines to taxpayers, upon their request, if they can provide specified supporting documentation of being impacted by the disaster.

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## CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

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### EMERGENCY INVASIVE FRUIT FLY RESPONSE

California is experiencing the largest fruit fly infestation in its history. The California Department of Food and Agriculture is working with federal and local partners to prevent the establishment of these invasive species in the state. Given the magnitude of the infestation, increased detection and eradication efforts this year necessitate additional resources. Accordingly, the Budget includes one-time funding of \$25 million General Fund and \$28.8 million Federal Funds to complete the response to the detections and address new anticipated detections.

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## EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The Budget includes \$1.2 billion ongoing (\$639.5 million General Fund) for employee compensation, health care, and retiree health care prefunding costs for active state employees. Included in these costs are collectively bargained salary and benefit increases. The Budget also includes funding for 2025 calendar year increases in health care and dental premiums and enrollment.

Collective bargaining negotiations are ongoing with three bargaining units representing the California Highway Patrol, Firefighters, and Professional Scientists, whose contracts have expired.

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## STATE RETIREMENT CONTRIBUTIONS

The state continues to make all required pension payments and will continue to pay down its unfunded retirement liabilities to improve the long-term sustainability of the state retirement systems and the state employees' retirement benefits are paid out during their retirement years.

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## CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) CONTRIBUTIONS

The Budget includes \$6.9 billion (\$3.5 billion General Fund) for the state's contributions to CalPERS. Included in these contributions are \$608.5 million one-time General Fund for California State University retirement costs. The contribution amount is a \$1.6 billion (\$1.2 billion General Fund) decrease from 2023-24 due to the application of the 2023-24 CalPERS supplemental pension payment to the state's overall pension liability, as adopted under Chapter 9, Statutes of 2024 (AB 106).

Additionally, the Budget includes \$337 million in one-time Proposition 2 debt repayment funding for fiscal year 2024-25 to further reduce the unfunded liabilities of the CalPERS state plans. As of the 2024 Budget, an additional \$3 billion is projected to be paid to CalPERS over fiscal years 2025-26 to 2027-28 to continue to reduce the state's unfunded liability; however, this will depend on the availability of Proposition 2 debt repayment funding during this period.

## **CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CALSTRS) CONTRIBUTIONS**

The Budget includes \$4.3 billion General Fund for state contributions to CalSTRS. This is roughly \$318 million more than the contributions in 2023-24, due mainly to the growth in creditable compensation for state teachers from 2021-22 to 2022-23.

The State Retirement and Health Care Contributions figure below provides a historical overview of pension and health care benefit contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS).



**State Retirement and Health Care Contributions** <sup>1/ 2/ 3/</sup>

(Dollars in Millions)

	CalPERS	CSU CalPERS	CalSTRS	JRS	JRS II	LRS <sup>5/</sup>	Active Health & Dental <sup>6/</sup>	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding <sup>7/</sup>
2015-16	\$4,338	\$585	\$1,935	\$190	\$67	\$1	\$2,968	\$1,556	\$263	\$63
2016-17	4,754	621	2,473	202	68	1	3,104	1,623	272	342 <sup>8/</sup>
2017-18	5,188	661	2,790	199	80	1	3,192	1,695	285	189
2018-19	5,506	683	3,082	194	84	1	3,255	1,759	313	394
2019-20	5,946	716	3,323	242	91	1	3,371	1,844	326	562
2020-21	4,925	680	3,428 <sup>4/</sup>	225	84	1	3,398	1,938	339	600
2021-22	5,363	677	3,862	194	91	1	3,501	2,019	356	1,292 <sup>9/</sup>
2022-23	7,475	744	3,712	208	86	1	3,771	2,208	392	735
2023-24	7,728	744	3,939	211	89	0	4,089	2,417	428	711
2024-25 <sup>10/</sup>	6,251	609	4,257	217	92	0	4,447	2,723	484	663

<sup>1/</sup> The chart does not include contributions for University of California pension or retiree health care costs.

<sup>2/</sup> The chart does not reflect the following pension payments: \$6 billion supplemental payment to CalPERS in 2017-18 authorized by Chapter 50, Statutes of 2017 (SB 84), additional payments to CalPERS and CalSTRS authorized in Chapter 33, Statutes of 2019 (SB 90), Chapter 859, Statutes of 2019 (AB 118), Chapter 78, Statutes of 2021 (AB 138), Chapter 67, Statutes of 2022 (SB 191), Chapter 12, Statutes of 2023 (SB 101), and Proposition 2 payments to CalPERS approved in the 2024 Budget.

<sup>3/</sup> In addition to the Executive Branch, this chart includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS. Amounts displayed in the CalPERS column include statewide contributions to the five CalPERS state plans, including contributions from employers that are not included in the annual Budget Act.

<sup>4/</sup> As part of the 2020 Budget Act, the Teachers' Retirement Board's statutory authority to adjust the state contribution rate for fiscal year 2020-21 was suspended. The amount shown excludes the additional \$297 million in supplemental pension payment from Proposition 2 debt payment funding authorized in the 2021 Budget.

<sup>5/</sup> No state employer contributions to the Legislators' Retirement System are included in 2023-24 as the fund was in a surplus position due to the termination of all active members. In 2024-25, a one-time contribution of \$75,085 is expected due to negative impacts of investment losses and cost of living adjustments to the fund. The one-time contribution will return the plan to 100 percent funded status.

<sup>6/</sup> These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and the California State University (CSU).

<sup>7/</sup> Amount reflects the employer contribution to pay down the Other Post-Employment Benefits (OPEB) unfunded liability.

<sup>8/</sup> Amount includes a one-time prefunding contribution of \$240 million pursuant to Chapter 2, Statutes of 2016 (AB 133).

<sup>9/</sup> Amount includes \$616 million to help ensure full funding by 2046, which is provided by the employer on behalf of the employees, based on the actuarial liability for each bargaining unit, as employee prefunding contributions were suspended in 2020-21 due to the Personal Leave Program 2020.

<sup>10/</sup> Estimated as of the 2024 Budget Act, contributions sourced from the General Fund are estimated to be \$2,868 million for CalPERS, \$609 million for CSU CalPERS, \$2,089 million for Active Health and Dental, and \$663 million for OPEB Prefunding. Fiscal year 2024-25 contributions to CalSTRS, JRS, JRS II, LRS, and Retiree Health & Dental (including CSU) are funded entirely by the General Fund.

## GOVERNMENT EFFICIENCY AND COST SAVING MEASURES

To achieve a balanced budget and further promote government efficiencies, the 2024 Budget includes reductions to nearly all state departments' budgets beginning in 2024-25. The Department of Finance will work with agencies and departments in the fall to implement the following reductions:

- **Vacant Positions Funding Reduction and Elimination of Positions**—\$1.5 billion (\$762.5 million General Fund) in 2024-25 for savings associated with vacant positions and the elimination of approximately 10,000 positions starting in 2025-26 and ongoing.
- **State Operations Ongoing Reductions**—An across-the-board reduction to state operations of approximately 7.95 percent, beginning in 2024-25. This reduction includes personal services, operating expenses and equipment, and consulting and professional services costs.

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 Statewide Budget Issues, and  
 Statewide Accounting Policies and Training

Corrections and Rehabilitation,  
 Justice, and General Government

Education

Employee Compensation and State Pensions,  
 State Central Services Departments,  
 Information Services, Information Technology  
 and Consulting, and Departmental  
 Administration

Energy, Housing and Homelessness,  
 Labor, Local Government, Tax Agencies, and  
 Transportation

Health

Human Services

Natural Resources, Environment,  
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