



COMMITTEE ON BUDGET AND FISCAL REVIEW
Legislative Office Building - Room 502
Sacramento, CA 95814

SENATOR SCOTT WIENER, CHAIR

Summary of the Governor's Proposed 2025-26 Budget

January 10, 2025

The purpose of this Summary is to provide members and staff of the Legislature with an overview of the Governor's proposed budget for 2025-26. More detailed reviews of the proposals will be developed as the Committee reviews the proposals in public hearings. If you have questions, please contact the committee at (916) 651-4103.

CONTENTS

	Page
Overview of the Governor’s Proposed 2025-26 Budget	3
K-14 Education	15
Higher Education	20
Natural Resources and Environmental Protection	23
Energy	26
Health	27
Human Services	32
State Administration and General Government	33
Corrections, Public Safety, and Judiciary	42
Labor, Public Employment and Retirement	46
Transportation	49

Overall Budget Proposal

The Governor's proposal of a budget for the 2025-26 fiscal year begins the annual budget process, during which the Legislature will review and analyze the Governor's proposals, engage with the Administration and the public regarding the state's resources and priorities, and then negotiate a final budget with the Governor that reflects our shared values across the branches of state government.

The Governor has proposed a budget for the 2025-26 fiscal year that includes General Fund resources—carry-forward balance, revenues and transfers—of \$251.4 billion and expenditures of \$228.9 billion (total expenditures from all funds is proposed to be \$322.3 billion). Based on the budget proposal, which includes the use of reserves, the General Fund would end the 2025-26 fiscal year with a Special Fund for Economic Uncertainties (SFEU) balance of \$4.5 billion.

The proposed budget includes a General Fund revenue estimate that is \$16.5 billion higher than assumed at the 2024 Budget Act over a three year budget window. The 2024 Budget Agreement not only addressed a budget shortfall for the 2024-25 budget, but also addressed a projected 2025-26 shortfall as well. The proposed budget maintains that agreement, including the use of \$7.1 billion in reserve funding in 2025-26. The Administration notes that the proposed budget continues to support programs for all Californians, including in the areas of health, education, housing, homelessness reduction, and public safety, while continuing to invest in economic development.

The proposed 2025-26 budget's adjusted base after withdrawals, incorporates a general reserve (SFEU), Safety Net Reserve, Public School System Stabilization Account (PSSSA) and BSA of approximately a combined \$17 billion (with another \$18 billion reserved for encumbrances). The revised General Fund expenditure level for the current year (2024-25) is approximately \$232.1 billion. Overall, General Fund spending in 2025-26 is expected to decrease by approximately \$3.2 billion from the revised 2024-25 level.

The Governor's budget does propose additional budget stability measures. Specifically, the proposal would increase the mandatory deposit level in the Budget Stabilization Account from 10 to 20 percent of General Fund revenues and exempt deposits from the State Appropriations Limit.

Overall Structure. The Governor's budget includes \$251.4 billion in General Fund revenues and other resources and \$228.9 billion in total General Fund expenditures (\$144.3 billion in non-Proposition 98 and \$84.6 billion in Proposition 98 funds),

providing for a \$4.5 billion unencumbered reserve balance in the SFEU, a \$1.5 billion PSSSA balance, and reflecting \$10.9 billion in the BSA.

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

2024-25 and 2025-26 General Fund Summary (Dollars in Millions)		
	Revised <u>2024-25</u>	Proposed <u>2025-26</u>
PRIOR YEAR BALANCE	\$35,877	\$26,299
Revenues and transfers	\$222,473	\$225,095
TOTAL RESOURCES AVAILABLE	\$258,350	\$251,394
Non-Proposition 98 Expenditures	\$146,998	\$144,290
Proposition 98 Expenditures	\$85,053	\$84,602
TOTAL EXPENDITURES	\$232,051	\$228,892
FUND BALANCE		
Encumbrances	\$18,001	\$18,001
Special Fund for Economic Uncertainties	\$8,298	\$4,501
Public School System Stabilization Account	\$1,157	\$1,533
Safety Net Reserve	\$0	\$0
Budget Stabilization Account	\$18,045	\$10,945

Revenue Updates. According to the Department of Finance, the economy has improved significantly since the 2024 Budget Act forecast and as a result, General Fund revenue is anticipated to be \$16.5 billion higher (2.7 percentage higher than assumed at the 2024 Budget Act over 2023-24 through 2025-26). This increase is mainly due to growth in personal income taxes (\$12.6 billion) from higher than projected wage growth in high-wage non-farm technology sector employment and strong stock market performance, corporation taxes (\$2.5 billion) driven by required lower usage of tax credits and net

operating losses from the 2024 Budget Act changes in these areas, and gains from pooled money investment account interest (\$2 billion), reflecting the state's healthy cash position.

The Department of Finance further notes that despite the increased revenues reflected in their proposed budget, the overall forecast for revenue growth remains consistent with the long-term forecast at the 2024 Budget Act. After the large increases in 2021-22 and the correction in 2022-23, revenue growth has stabilized and is projected to return to a rate of approximately 5.3 percent through the end of the forecast (a slight increase over the five percent projected at the 2024 Budget Act). These growth rates exclude the impacts of the temporary policies to limit the use of tax credits and net operating losses, and reflect a return to a pre-pandemic revenue growth trajectory.

Economic Outlook. According to the Department of Finance, California's economy reflects national trends showing slow and steady growth. Real Gross Domestic Product (GDP) annual growth for the U.S. is projected to be 1.5 to 2 percent every quarter starting at the end of 2024, slightly upgraded from the 2024 Budget Act.

Year-over-year inflation rates have slowed from a June 2022 peak of 9.1 percent nationwide, and 8.3 percent for California, to 2.6 percent nationwide and 2.5 percent in California in October 2024 (below the 2024 Budget Act percentages of 2.9 percent and 3.2 percent, respectively). The Federal Reserve began reducing the federal funds rate in the fall of 2024 to stimulate economic activity, beginning with a reduction of 0.5 percent in September and additional reductions of 0.25 percent in November and again in December. The Department of Finance forecast further reflects the stabilization of inflation rates at 2.2 to 2.3 percent in the U.S. and 2.6 percent for California.

Data analyzed by the Department of Finance shows that job growth in California is occurring at a higher rate than anticipated in the 2024 Budget Act. On average, California has added 56,000 jobs per quarter in the second and third quarters of 2024, much higher than the previously anticipated 31,000 jobs. This performance reflects the slowing of job losses in high-wage sectors, with losses more than compensated through the strong growth in low-wage sectors. The forecast reflects the rate of job growth stabilizing at 0.6 percent in 2026, improving just slightly from 0.4 percent growth rate projected as of the 2024 Budget Act.

Department of Finance notes that wage growth is projected at 6.4 percent in 2024, 0.5 percent faster than the 2024 Budget Act average, due to gains in the information and professional and business services sectors. However, similar to the 2024 Budget Act assumptions, the forecast projects wage growth to stabilize between 3.4 and 4 percent from 2025 to 2028. These labor market trends are anticipated to be reflected in personal income growth and resulting state revenues.

According to the Department of Finance, the economic outlook for California has continued to improve, showing stable growth. Despite the positive signs, there continue to be risks to the forecast, most immediate include uncertainty on federal policies that could impact California's economy including potential tariffs and immigration changes that could result in inflation and interest rate increases. Additional long-term risks include climate change and extreme weather events such as wildfires, floods, and drought, as well as slower population growth, stock market volatility, and high housing and living costs.

2024-25 Budget Recap

The 2024-25 budget incorporated priorities of the Legislature and the Administration and focused on preserving investments in core social service and health programs while making reductions across many other program areas. An early action package was adopted in the Spring of 2024 that used a combination of tools to immediately reduce the shortfall by \$17.3 billion. The final 2024-25 Budget Act addressed the remaining 2024 shortfall (for a total of roughly \$46.8 billion in solutions) and also closed a 2025 shortfall of approximately \$30 billion. The budget agreement used a variety of tools to balance the budget, including the use of a portion of the state's reserves, which reached record highs in 2023-24. The use of reserves was prudent to maintain the state's fiscal stability while, at the same time, allowing the state to continue to fund priorities, such as addressing homelessness, combatting climate change, and maintaining programs that support the well-being of Californians. In addition, the use of the public school rainy day fund allowed for the stability of funding for K-14 education.

As described by the Department of Finance's Final Budget Summary document, the \$46.8 billion in solutions for 2024-25 can be categorized as follows:

- Fund Shifts—\$6.0 billion from shifting expenditures from the General Fund to other funds.
- Reductions—\$16.0 billion in General Fund spending reductions.
- Delays and Pauses—\$3.1 billion in delayed spending – extending expenditure periods across multiple years.
- Revenue and Internal Borrowing—\$13.6 billion in revenue, primarily from an increased Managed Care Organization (MCO) tax and the suspension of Net Operating Loss and limitations on business tax credits.
- Reserves—\$6.0 billion in withdrawals from the BSA.

- Deferrals—\$2.1 billion in payments deferred to future years.

K-12 EDUCATION

- **Proposition 98.** The budget included Proposition 98 funding at \$97.5 billion, \$98.5 billion, and \$115.3 billion in 2022-23, 2023-24, and 2024-25, respectively. The budget included the use of the entire Proposition 98 Reserve in 2023-24, but also included a deposit of \$1.1 billion into the reserve after 2024-25.
- **Inclusive Early Education Expansion Program.** The budget restored \$100 million Proposition 98 General Fund to the Inclusive Early Education Expansion Program.
- **Support for Educators.** The budget included a variety of investments in professional development related to mathematics, literacy, and student behavior.

HIGHER EDUCATION

- **University of California and California State University Compacts.** The budget provided a net increase in state support for the third year of the compacts with ongoing increases for the UC (\$258.8 million General Fund) and CSU (\$240.2 million General Fund) in 2024-25. The budget also included a one-time unallocated base reduction for UC (\$125 million) and CSU (\$75 million) in 2024-25. Finally, the budget included rolling deferrals of compact increases for two years starting in 2025-26, which are fully retired in 2027-28.
- **CCC Higher Education Student Housing Projects Construction.** The budget included the financing structure for a statewide lease revenue bond program to support the construction of 13 community college affordable student housing facilities selected in the 2022-23 and 2023-24 Budget Acts as a part of the Higher Education Student Housing Grant Program and funded three districts for housing projects that are not appropriate for bond funds.

CLIMATE, ENVIRONMENT, AND ENERGY

- **Offshore Wind.** The budget preserved \$45 million for offshore wind port infrastructure at the California Energy Commission (CEC), and provided \$16 million for offshore wind permitting activities at the Ocean Protection Council, Coastal Commission, and State Lands Commission.

- **Energy Reliability.** The budget provided CEC flexibility to allocate \$75 million between the Demand Side Grid Support program and Distributed Electricity Backup Assets program.
- **Loan Loss Reserve.** The budget included \$50 million for the Loan Loss Reserve program at the California Public Utilities Commission (CPUC).

HEALTH

- **MCO Health Investments.** The budget provided for targeted new health investments starting January 1, 2025, while others will start one year later on January 1, 2026.
- **Public Health.** The budget maintained most funding increases for Public Health programs, with a modest cut of just under eight percent.
- **Specialty Dental Clinics.** The budget restored infrastructure grants to dental clinics to improve access to dental care for children with special health care needs.
- **Maintains State Commitments in Workforce Programs.** The budget maintained \$108.9 million for workforce programs to ensure the state keeps its promise to those already awarded funding for residencies, nursing training, and other pipeline programs.

HUMAN SERVICES

- **Developmental Services Rates.** The budget included a six month delay of Developmental Services rate increases (less than the originally proposed 12-month delay), resulting in the rate increase starting in January 1, 2025.
- **Child Care Slots.** The budget restored funds for all Child Care slots that have been recently offered, maintaining an increase of more than 11,000 funded slots and codified the plan to create over 200,000 new subsidized child care slots by 2028-29.
- **Foster Care.** The budget maintains funding for foster care programs, including Family Urgent Response System (FURS) and funding for caregiver approvals and implements the permanent foster care rate structure, to take effect July 1, 2027.

- **CalWORKs.** The budget temporarily reduced program funding to match recent expenditures in CalWORKs Expanded Subsidized Employment, CalWORKs Home Visiting, and CalWORKs Mental Health, avoiding permanent cuts.
- **CalFresh and Food Programs.** The budget added \$10 million to continue the CalFresh Fruits and Vegetables EBT program and maintained funding for senior nutrition, the CalFresh Minimum Benefit pilot program, and the Work Incentive Nutrition Supplement program.

GENERAL GOVERNMENT

- **NOL Suspension / Credit Cap.** The budget suspended the Net Operating Loss Credit and limits business tax credits at \$5 million for tax years 2024, 2025, and 2026. In addition, the budget specified that business tax credits that are not able to be applied during the limitation period are made refundable for use in future years and included a trigger to end the suspension and limitation period early if the Director of Finance determines that revenues are sufficient and if adopted as part of the budget act.
- **Reorganization of OPR.** The budget renamed and refocused the Governor's Office of Planning and Research as the Governor's Office of Land Use and Climate Innovation. The budget created California Volunteers as a separate department; reassigned ZEV and the California Jobs First programs to GO-Biz; and transferred the Initiative to Advance Precision Medicine to Health and Human Services Agency.
- **Middle Mile Broadband Initiative (MMBI).** The budget maintained the current level of investment in the statewide Middle Mile Broadband network and included \$250 million in flexible funding and trailer bill language for the MMBI to prioritize construction of network segments in unserved and underserved locations.

HOUSING & HOMELESSNESS

- **HHAP.** The budget provided \$1 billion to Homeless Housing, Assistance and Prevention (HHAP) Round 6 to provide local governments continued funding to combat the homelessness crisis and strengthened program oversight, transparency, and performance accountability.

- **Low Income Housing Tax Credits.** The budget approved an additional \$500 million for the Low Income Housing Tax Credit program to help finance affordable housing development projects, as proposed by the Governor.
- **Encampment Resolution Funds.** The budget included \$150 million in new resources for dismantling homeless encampments and providing encampment residents with a pathway to stable housing.

PUBLIC SAFETY, CORRECTIONS, AND JUDICIAL

- **Corrections Reductions.** The budget included \$750 million in various reductions to the Department of Corrections and Rehabilitation.
- **Services for Survivors of Crime.** The budget provided \$103 million to backfill lost federal funds for the Victims of Crime Act program and restores complete funding (\$50 million) for the Flexible Assistance for Survivors of Crime grant program.
- **Non-Profit Security Grants.** The budget provided \$80 million for grants to help nonprofit organizations that are targets of hate-motivated violence and hate crimes.

LABOR

- **SB 525 Implementation.** The budget implemented health care minimum wage law subject to two potential triggers. The first trigger is related to the Administration submitting a new federal waiver for an additional Quality Assurance Fee, which will generate billions for hospitals. The second being whether revenues out-perform projections by more than three percent. In October, the Department of Health Care Services announced that these two triggers had been met, and as of October 16, 2025, the health care minimum wage was increased pursuant to SB 525 (Durazo), Chapter 890, Statutes of 2023.

TRANSPORTATION

- **Active Transportation.** The budget amended the Active Transportation program to provide \$600 million over six years, subject to appropriation after two years.
- **Grade Separations.** The budget preserved \$150 million for targeted grade separation projects, and prioritized funding for other grade separations projects in existing programs through trailer bill language.

- **Highways to Boulevards.** The budget provided \$75 million for the Highways to Boulevards program at the California Department of Transportation.

2025-26 Proposed Budget Expenditures and Revenues

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

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

Program Area	Revised 2024-25	Proposed 2025-26	Change
K-12 Education	\$ 84,135	\$83,087	-\$1,048
Higher Education	23,064	23,324	260
Health and Human Services	76,248	83,385	7,137
Corrections and Rehabilitation	14,044	13,637	-407
Business, Consumer Services, Housing	3,951	517	-3,434
Transportation	721	754	33
Natural Resources	8,164	5,426	-2,738
Environmental Protection	594	137	-457
Labor and Workforce Development	1,121	963	-158
Government Operations	3,778	3,590	-188
General Government:			
Non-Agency Departments	2,413	1,303	-1,110
Tax Relief / Local Government	653	556	-97
Statewide Expenditures	2,303	4,016	1,713
Legislative, Judicial and Executive	10,862	8,198	-2,664
Total	\$232,051	\$228,892	-\$3,519

Some of the more significant aspects of the Governor's 2025-26 budget proposal are outlined below:

TK-12 Education

TK-12 Education. In addition to Proposition 98 (General Fund and property taxes), TK-12 education is funded through a variety of other fund sources, including federal funds, state lottery funds, local fund sources, and other funds. Total funding for TK-12 education from all sources is approximately \$137.1 billion (\$83.3 billion General Fund and \$53.8 billion other funds) in 2025-26.

Local Control Funding Formula (LCFF). The budget proposes an LCFF cost-of-living-adjustment of 2.43 percent, and when combined with growth adjustments, results in \$2.5 billion in additional discretionary funds for local educational agencies. To fully fund LCFF and to maintain the level of past year principal apportionments, the budget proposes to use re-appropriated and reverted funds totaling \$25.9 million to support ongoing LCFF in 2023-24 and deferring LCFF funds totaling \$35.1 million from 2023-24 to 2024-25. This one-time deferral is fully repaid in 2024-25.

Student Support and Discretionary Block Grant. The budget proposes a one-time \$1.8 billion Proposition 98 General Fund block grant to address rising costs and fund statewide priorities including literacy, mathematics, teacher recruitment and retention strategies, and career pathways and dual enrollment expansion efforts.

Higher Education

University of California (UC) and California State University (CSU) Compact Deferrals. For the UC, the Governor's budget includes the planned deferral of the 2025-26 Compact investment of \$240.8 million, representing a five-percent base increase in the fourth year of the Compact, to the year 2027-28. For the CSU, the Governor's budget includes the planned deferral of the 2025-26 Compact investment of \$252.3 million, representing a five-percent base increase in the fourth year of the Compact, to the year 2027-28.

Health

Proposition 35 (MCO Tax) and Provider Rate Increases. The Governor's budget proposal reflects total General Fund savings of \$7.9 billion in 2024-25, \$4.4 billion in 2025-26, and \$3.3 billion in 2026-27 due to support for the non-federal share of Medi-Cal expenditures from the recently enacted MCO tax. Compared to assumptions in the 2024 Budget Act, these figures represent \$1 billion additional savings in 2024-25 and

reduced savings of \$2.2 billion in 2025-26 and \$1.8 billion in 2026-27. The budget also includes expenditures on provider rate increases for primary care, maternal care, and non-specialty mental health services authorized in the 2023 Budget Act, as well as provider rate increases authorized by Proposition 1 for calendar years 2025 and 2026, subject to consultation with the required stakeholder advisory committee.

In addition, due to the passage of Proposition 1, additional provider rate increases authorized by the 2024 Budget Act will not be implemented, including those for community-based adult services, congregate living health facilities, pediatric day health centers, private duty nursing, and continuous Medi-Cal coverage for children ages zero to five.

Resources, Energy, and Transportation

Climate Bond. Of the \$10 billion approved by the voters in Proposition 4, the Governor's budget includes a proposed \$2.7 billion allocation in 2025-26, for various climate investments, including \$1.1 billion for Safe Drinking Water, Drought, Flood & Water Resilience, \$325 million for Wildfire & Forest Resilience, \$286 million for Biodiversity & Nature-Based Solutions, \$286 million for Outdoor Access, \$275 million for Clean Air & Energy, \$173 million for Coastal Resilience, \$134 million for Climate Smart Agriculture, and \$102 million for Extreme Heat Mitigation. The Governor's budget proposes to shift a total of \$273 million from prior General Fund Obligations to Proposition 4 funding.

Energy Package. The Governor's budget includes several reductions to the Energy Package that is proposed to receive Climate Bond monies, including \$18 million General Fund for the Demand Side Grid Support Program and \$32 million Greenhouse Gas Reduction Fund for the Clean Energy Reliability Investment Plan.

E15. The Governor's budget includes \$2.3 million from special funds for the California Air Resources Board to evaluate, develop, and implement the appropriate regulatory changes necessary to authorize the use of E15 in California.

Clean California. The Governor's budget includes \$25 million General Fund for the Clean California Program for a Community Cleanup and Employment Pathways Grant Program, which provides matching grants to communities with a Clean California Community designation focused on litter remediation and jobs creation.

Motor Vehicle Account. The Governor's budget includes a transfer of \$85 million Air Pollution Control Fund (APCF) in 2025-26 and a transfer of \$81 million Greenhouse Gas Reduction Fund (GGRF) in 2025-26 to the MVA to address the projected insolvency of

the MVA in 2025-26. This is to offset expenditures of the California Air Resources Board related to its Mobile Source Program that is typically funded from the MVA.

Housing, and Homelessness.

The Governor' budget makes no cuts and no additions to existing housing and homelessness funding commitments. Accordingly, the Governor's budget:

- Does not propose any funding for further rounds of the Homelessness Housing and Assistance Program (HHAP).
- Does not propose any supplemental state Low Income Housing Tax Credit (LIHTC). The last several budgets have included \$500 million for this purpose.

Labor, and Employment

Unemployment Insurance (UI) Interest Payment. The Governor's Budget includes \$634.3 million one-time General Fund to pay the annual interest payment on the state UI loan balance.

Vacant Positions Funding Reduction and Elimination of Positions. The Governor's budget includes \$617.6 million (\$234.4 million General Fund) in 2024-25, and ongoing, for savings associated with vacant positions and the elimination of approximately 6,500 positions starting in 2025-26, and ongoing.

State Operations Ongoing Reductions. The Governor's budget includes a reduction to state operations of \$1.5 billion (\$820 million General Fund) in 2024-25, and \$2 billion ongoing (\$1.2 billion General Fund) beginning in 2025-26. This reduction includes personal services, operating expenses and equipment, and consulting and professional services costs.

General Government and Taxation

California Film and Television Tax Credit. The Governor's budget proposes an expansion of the Film Tax Credit 4.0 program from \$330 million to \$750 million in annual credits. As part of the 2023 Budget Act, the Film Tax Credit was extended through a 4.0 program for years 2024-25 through 2029-30. This extension provided for \$330 million annually in available credits, and allowed for the election of refundable credits. Refundability provisions allow taxpayers with insufficient tax liability to receive the benefits of a tax credit, to recoup those funds through refunds over a five-year period. This proposal is estimated to reduce annual revenues by \$209 million by the end of the multiyear period, however most revenue impacts will come after 2028-29.

California Competes Grant Program. The Governor's budget includes \$60 million in one-time General Fund for new CalCompetes grants.

Public Safety and the Judiciary

California Department of Corrections and Rehabilitation (CDCR). The Governor's budget proposes total funding of \$13.9 billion (\$13.5 billion General Fund and \$365.4 million other funds) for the CDCR in 2025-26. The adult incarcerated population is projected to temporarily increase, from 91,672 in 2024-25 to 93,278 in 2025-26, but it is still projected to decline in the long-term, to 90,988 in 2027-28. The proposed budget reflects savings of \$900 million General Fund annually from previous facility closures and deactivation, and operational efficiency savings of \$267.6 million in 2024-25 and \$193.6 million ongoing.

Trial Court Operations. The proposed budget restores \$42 million of the \$97 million ongoing General Fund reduction to trial court operations that was included in the 2024 Budget Act. The proposed budget also includes an additional \$40 million General Fund in 2025-26 and ongoing to account for increased expenses for the trial courts.

K-12 and Higher Education

K-12 Education

Overall Proposition 98 – TK-14 Education

Budget Year – Overall Funding Levels. The proposed budget estimates a total Proposition 98 funding level of \$118.9 billion (TK-14) for 2025-26. The Administration estimates that the Proposition 98 calculation for 2025-26 will be a Test 1 calculation. Budgetary deferrals of \$246.6 million are also proposed to be fully repaid in 2025-26. Due to the rebenching of the Proposition 98 Guarantee to reflect the implementation of universal transitional kindergarten (TK), the Test 1 percentage increases from 39.2 percent to 39.6 percent.

Prior and Current Year Adjustments. The budget proposes to provide total Proposition 98 funding (TK-14) for 2023-24 at its suspended level of \$98.5 billion. For 2024-25, while the Governor calculates the Guarantee to be \$119.2 billion, the budget appropriates the 2024-25 Guarantee at \$117.6 billion.

Proposition 98 Changes. The calculated levels represent an overall three-year increase in the minimum Guarantee of \$7.5 billion over the level funded in the 2024 Budget Act. The Administration estimates that the Proposition 98 calculations for 2023-24 is a Test 2, and continues to remain Test 1 in 2024-25 and 2025-26. Under the Governor's proposal, ongoing TK-12 Proposition 98 per pupil expenditures total \$18,918 Proposition 98 General Fund, and \$24,764 per pupil when accounting for all funding sources.

Public School System Stabilization Account (PSSSA). The state's Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. The 2025-26 proposed budget replaces the discretionary payment of \$1.1 billion into the Proposition 98 Rainy Day Fund in 2024-25 with a mandatory payment of \$1.2 billion, and another mandatory payment in 2025-26 of \$376 million. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Account is equal to or greater than three percent of the total TK-12 share of the Guarantee. The balance of \$1.2 billion in 2024-25 does not trigger school district reserve caps in 2025-26.

K-12 Education – Major Spending Proposals

TK-12 Local Control Funding Formula. The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the number of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and has annually adjusted the grant amounts by a cost-of-living adjustment (COLA). The budget proposes an LCFF COLA of 2.43 percent, and when combined with growth adjustments, results in \$2.5 billion in increased discretionary funds for local educational agencies. To fully fund LCFF and to maintain the level of past year principal apportionments, the budget proposes to use reappropriated and reverted funds totaling \$25.9 million to support ongoing LCFF in 2023-24 and deferring LCFF funds totaling \$35.1 million from 2023-24 to 2024-25. This one-time deferral is fully repaid in 2024-25.

Student Support and Discretionary Block Grant. The budget proposes a one-time \$1.8 billion Proposition 98 General Fund block grant to address rising costs and fund statewide priorities including literacy, mathematics, teacher recruitment and retention strategies, career pathways and dual enrollment expansion efforts. Further details will be provided in the Administration's proposed trailer bill.

Literacy and Mathematics Coaches. The budget proposes \$500 million one-time Proposition 98 General Fund to expand the existing Literacy Coaches and Reading Specialists Grant Program, and include mathematics coaches.

Expanded Learning Opportunities Program. The budget proposes \$435 million ongoing Proposition 98 General Fund, for total program funding of \$4.4 billion Proposition 98 General Fund.

Learning Recovery Emergency Block Grant. The budget proposes to augment the Learning Recovery Emergency Block Grant by \$378.6 million one-time Proposition 98 General Fund.

Teacher Recruitment. The budget proposes \$150 million one-time Proposition 98 General Fund to provide financial assistance for teacher candidates through the proposed Teacher Recruitment Incentive Grant Program.

Golden State Teacher Grant Program. The budget proposes one-time \$50 million General Fund to support the Golden State Teacher Grant Program beginning in the 2025-26 fiscal year.

National Board Certification Incentive Program. The budget proposes \$100 million Proposition 98 General Fund to extend the timeline of the existing National Board Certification Incentive Program.

School Facility Program. California voters recently approved Proposition 2 in November 2024, which authorizes a total of \$8.5 billion in state General Obligation bonds for K-12 schools. The budget authorizes \$1.5 billion in Proposition 2 bond funding through the School Facility Program in 2025-26.

Child Nutrition. The budget continues to fund universal access to school meals with an increase of \$106.3 million ongoing Proposition 98 General Fund, to fully fund the universal school meals program in 2025-26 and students who want a meal will have access to two free meals each day.

Kitchen Infrastructure and Training. The budget proposes a one-time \$150 million Proposition 98 General Fund investment for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.

Farm to School. The budget proposes one-time \$24.9 million General Fund for the Department of Food and Agriculture to support the California Farm to School programs. Additional details are included in the General Government section of this document.

Arts and Music in Schools-Funding Guarantee and Accountability Act (Proposition 28). The budget includes \$1.04 billion to fund arts and music in schools pursuant to Proposition 28.

Literacy Screener Implementation. The budget proposes \$40 million one-time Proposition 98 General Fund in 2025-26 to support necessary costs to administer literacy screenings, including the procurement of screening materials and training for educators.

English Language Proficiency Screener for Transitional Kindergarten Students. The budget proposes one-time \$10 million Proposition 98 General Fund for the statewide use of English language proficiency screeners for transitional kindergarten students.

Literacy Network. The budget proposes \$5 million Proposition 98 General Fund annually through the 2029-30 fiscal year to launch a Literacy Network within the Statewide System of Support to serve as a clearinghouse for state-developed literacy resources, elevate high performing districts and best practices, and provide support to local educational agencies facing persistent challenges.

Cost-of-Living Adjustments. The proposed budget provides \$204 million ongoing Proposition 98 General Fund to support a 2.43 percent COLA for categorical programs that are not included in LCFF and the LCFF equity multiplier. These programs include special education and child nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

County Offices of Education. The proposed budget includes an increase of \$12.2 million ongoing Proposition 98 General Fund to reflect the average daily attendance (ADA) changes applicable to the county office of education LCFF and a 2.43 percent COLA.

Local Property Tax Adjustments. The proposed budget includes an increase of \$125 million in ongoing Proposition 98 General Fund in 2024-25, and a decrease of \$1.5 billion in Proposition 98 General Fund in 2025-26 for school districts and county offices of education, related to changes to the offsetting local property taxes.

California College Guidance Initiative. The budget proposes an increase of \$3 million ongoing Proposition 98 General Fund to support the California College Guidance Initiative and the Cradle-to-Career Data System.

Career Technical Education. The budget proposes to direct the Department of Education to examine the feasibility of streamlining applications for TK-12 career technical education programs into a single consolidated application.

K-12 High Speed Network. The budget proposes an increase of \$3.5 million ongoing Proposition 98 General Fund to support the K-12 High Speed Network program.

Individualized Education Program (IEP) Template and Translation Digitization.

The budget proposes one-time \$2 million Proposition 98 General Fund to support the digitization of the IEP template and translate the template into multiple languages.

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

Curriculum Framework, Standards, and Instructional Materials Process. The budget proposes \$1 million one-time Proposition 98 General Fund to evaluate the state's process for developing and adopting standards, curriculum frameworks, and instructional materials and make recommendations to streamline and improve the process.

Instructional Quality Commission. The budget proposes to direct the Instructional Quality Commission to initiate a follow-up adoption for English Language Arts/English Language Development instructional materials. It also includes \$300,000 one-time General Fund in 2024-25 for the Commission to develop a curriculum guide and resources in personal finance, pursuant to AB 2927.

Early Education

Transitional Kindergarten. The budget proposes to provide a total of \$2.4 billion ongoing Proposition 98 General Fund to support the full implementation of universal transitional kindergarten. The budget also provides an additional \$1.5 billion ongoing Proposition 98 General Fund to support the average student-to-adult ratio from 12:1 to 10:1 in every transitional kindergarten classroom. These funds will increase the Proposition 98 Guarantee through the process of rebenching.

Higher Education

The Governor's budget proposes total funding of \$45.1 billion (\$28.5 billion General Fund and local property tax and \$16.6 billion other funds) for the higher education segments and the California Student Aid Commission.

University of California (UC)

Compact Deferral. The Governor's budget includes the planned deferral of the 2025-26 multi-year Compact investment of \$240.8 million, representing a five-percent base increase in the fourth year of the Compact, to the year 2027-28.

Resident Undergraduate Enrollment Growth Deferral. The Governor's Budget maintains the planned 2025-26 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, from 2025-26 to 2027-28.

Efficiency Reduction. The Governor's budget maintains the planned reduction of 7.95 percent in ongoing General Fund support, approximately \$396.6 million, beginning in 2025-26.

California State University (CSU)

Compact Deferral. The Governor's budget includes the planned deferral of the 2025-26 multi-year Compact investment of \$252.3 million ongoing General Fund, representing a five-percent base increase in the fourth year of the Compact to the year 2027-28.

Efficiency Reduction. The Governor's budget maintains the planned reduction of 7.95 percent in ongoing General Fund support, approximately \$375.2 million, beginning in 2025-26.

Capital Fellows Salary Increase. The Governor's budget includes \$1.3 million ongoing General Fund to support a salary increase from \$3,253 per month to \$4,888 per month for the Capital Fellows, who are employed through the CSU's Center for California Studies.

Drug Testing Devices at Campus. The Governor's budget includes \$345,000 ongoing General Fund to support costs of recently chaptered legislation requiring CSU to provide drug test devices at campuses to detect the presence of controlled substances in a drink.

California Community Colleges (CCC)

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

CCC Apportionments. The Governor's budget includes \$230.4 million ongoing Proposition 98 General Fund to provide a 2.43-percent cost-of-living adjustment (COLA) for Student Centered Funding Formula Apportionments and \$30.4 million ongoing Prop 98 General Fund for 0.5 percent enrollment growth.

Statewide Technology Transformation. The Governor's budget includes \$168 million one-time Proposition 98 General Fund for the completion of the Statewide Technology Transformation project. This project is intended to standardize and streamline data collection across the system. Goals of the project include automation of credit transfers between institutions, enhancing data security, cost savings relating to operational efficiencies, and the adoption of a cloud-based common enterprise system that will unite college staff across the system.

Systemwide Common Data Platform. The Governor's budget includes \$162.5 million (\$29 million of which is ongoing), for scaling of a common cloud data platform across the community college system.

Expanded Credit for Prior Learning Policies and Career Passport. The Governor's budget includes \$100 million one-time Proposition 98 General Fund (\$7 million of which is ongoing) to build upon existing credit for prior learning policies. These funds will be used to develop and beta-test an outcomes-based funding model to support CCC districts in the integration of credit for prior learning into the enrollment process, offering course credit for past experiences such as military service and will include the development of the Career Passport.

Community College Facilities. The Governor's Budget includes \$51.5 million one-time Proposition 2 bond funds allocated for critical infrastructure, facility modernization, and enrollment growth projects for 28 districts.

Expansion of Rising Scholars Network. The Governor's budget includes \$30 million ongoing Prop 98 General Fund to expand the Rising Scholars Network, with the goal of serving more students through the program.

CCC Categorical Program COLA. The Governor's budget includes \$16 million ongoing Proposition 98 General Fund to provide a 2.43 percent COLA for select categorical programs and the Adult Education Program.

UC College of the Law, San Francisco

Efficiency Reduction. The Governor's budget maintains the planned 7.95 percent reduction in ongoing General Fund support, approximately \$1.8 million, beginning in 2025-26.

McAllister Tower Second Phase. The Governor's budget includes \$10.1 million ongoing General Fund to support the debt service associated with the second phase of the McAllister Tower renovation.

Base Growth. The Governor's budget includes \$2.4 million ongoing General Fund to support operating costs, representing a three percent base augmentation.

California Student Aid Commission

Overview. The Governor's budget assumes total financial aid expenditures of \$3.1 billion, of which \$2.6 billion supports the Cal Grant Program, and \$527.2 million supports the Middle Class Scholarship Program. In 2025-26, approximately 327,000 students are expected to receive a Middle Class Scholarship award.

Middle Class Scholarship. The Governor's budget includes \$575.2 million for the Middle Class Scholarship program in 2025-26.

Golden State Teacher Grant Program. The Governor's budget includes \$50 million one-time General Fund for the Golden State Teacher Grant program. Funds are intended to support grants to applicants in 2025-26.

California State Library

Information Technology Enterprise Security. The Governor's budget includes \$332,000 one-time General Fund in 2025-26 and \$282,000 ongoing thereafter to support the State Library's cybersecurity infrastructure. Funding is intended to replace outdated hardware and purchase renewable cloud-based security subscription services.

Natural Resources, Environment Protection and Energy

Natural Resources and Environmental Protection

Climate Bond. In November 2024, the voters approved the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (Proposition 4), which is a \$10 billion general obligation bond. The following chart provides a general breakdown of the Governor’s proposed bond spending plan:

Climate Bond Expenditure Plan
(\$ in Millions)

Investment Category	Bond Allocation	Proposed 2025-26	Out-Years	Pending Allocation
Safe Drinking Water, Drought, Flood & Water Resilience	\$3,800	\$1,074	\$2,716	\$10
Wildfire & Forest Resilience	\$1,500	\$325	\$1,086	\$89
Coastal Resilience	\$1,200	\$173	\$1,027	\$0
Extreme Heat Mitigation	\$450	\$102	\$348	\$0
Biodiversity & Nature-Based Solutions	\$1,200	\$286	\$813	\$101
Climate Smart Agriculture	\$300	\$134	\$106	\$60
Outdoor Access	\$700	\$286	\$183	\$231
Clean Air & Energy	\$850	\$275	\$252	\$323
Total	\$10,000	\$2,655	\$6,531	\$814

Source: Department of Finance

The Governor’s budget proposes to use part of the funding in 2025-26, the following expenditure plan. The Administration notes that some bond programs and projects have not yet been scheduled to a specific fiscal year and will engage with the Legislature on these allocations as part of the annual budget process. For information regarding proposed Proposition 4 energy spending, please refer to the Energy section of this document.

The Governor’s budget proposes to shift a total of \$273 million from prior General Fund obligations to Climate Bond funding to offset current expenditures.

Among the various Proposition 4 spending proposals related to natural resources and environmental protection, the Governor proposes the following:

Department of Forestry and Fire Protection (CalFire)

Forest Health Program. \$82.2 million for projects to improve forest health by reducing fuels, prescribed fires, restoring degraded areas, and conserving threatened forests.

Regional Projects. \$79.5 million for block grants to support landscape-scale, multi-benefit projects developed by forest collaboratives in high-risk regions.

Local Fire Prevention Grants. \$59.1 million for the Wildfire Prevention Grants Program to support local projects in and near fire-threatened communities, including fuels reduction, wildfire prevention planning, and wildfire prevention education with an emphasis on improving public health and safety.

State-Owned Lands. \$33.4 million to help restore health and resilience to 3.8 million acres of state-owned lands vulnerable to wildfires.

Wildfire Mitigation. \$9.1 million for the Wildfire Program, administered by the Office of Emergency Services and CalFire, which offers financial assistance to vulnerable populations in wildfire-prone areas for cost-effective structure hardening and retrofitting to create fire-resistant homes, as well as defensible space and vegetation management activities.

Urban Greening Program. \$46.8 million for greening communities through creation and expansion of green streets, parks, and schoolyards.

Other Wildfire Resilience Projects and Programs. \$39.3 million for various wildfire and forest resilience projects and programs, including defensible space, home hardening, reforestation, and wood utilization.

State Conservancies

Watershed Improvement and Wildfire Resilience. \$22.4 million for various state conservancies for watershed improvement, forest health, biomass utilization, chaparral and forest restoration, and workforce development.

Biodiversity and Nature-Based Solutions. \$79.9 million for various state conservancies for projects such as land conservation, habitat restoration, and improvements for equitable access to nature.

Salton Sea Conservancy. The Administration's proposal to establish the new Salton Sea Conservancy pursuant to SB 583 (Padilla), Chapter 771, Statutes of 2024, will be submitted in the Spring. The Governor intends to allow additional time for stakeholder and community input and organizations processes.

Coastal Resilience

Coastal Resilience. \$30.8 million for projects to protect coastal lands, public access facilities, and habitat, as well as an additional \$20 million for projects that address sea level rise, flood management, and wetlands restoration, consistent with the San Francisco Bay Restoration Authority Act or the San Francisco Bay Area Conservancy Program.

Sea Level Rise Mitigation and Adaptation. \$20.3 million for planning and implementation of projects that help communities prepare for impacts of sea level rise and coastal flooding, and \$7.5 million for grants to increase resilience of coastal ecosystems and protect marine wildlife.

Department of Water Resources

Dam Safety and Climate Resilience. \$231.5 million to the Dam Safety and Climate Resilience Local Assistance Program for competitive grants for projects supporting dam safety and reservoir operations.

Flood Management Projects. \$173.1 million for flood control projects to evaluate, repair, rehabilitate, reconstruct, expand, or replace levees, weirs, bypasses, and facilities of the State Plan of Flood Control, as well as funding for the Flood Control Subventions Program.

State Water Resource Control Board (SWRCB)

Water Quality and Safe Drinking Water. \$183.2 million for grants and loans to improve water quality and provide clean and reliable drinking water, such as water quality monitoring and remediation of perfluoralkyl and polyfluoroalkyl substances, prevention and treatment of contaminated groundwater, and consolidation or extension of water or wastewater systems.

Water Reuse and Recycling. \$153.4 million for water reuse and recycling projects that support treatment, storage, conveyance, or distribution facilities for potable and nonpotable uses, and multi-benefit projects that allow use of recycled water.

Fish and Wildlife Resources

Protection and Enhancement Fish and Wildlife Resources. \$176 million for projects such as land conservation acquisitions and easements, habitat enhancement and restoration, floodplain reactivation, wetlands restoration, and wildlife connectivity.

Department of Parks and Recreation

Statewide Park Development and Community Revitalization Program. \$190 million to create new parks and improve existing parks in disadvantaged communities.

Deferred Maintenance Program. \$84.4 million to help address deferred maintenance projects throughout the State Park System.

Reduction of Climate Impacts and Creation, Protection and Expansion of Outdoor Recreation. \$11 million to improve safety and accessibility of trails and facilities, increase interpretive information, and complete wildfire preparedness and mitigation projects.

Energy

Climate Bond. Of the \$10 billion approved by the voters in Proposition 4, the Governor's budget includes \$2.7 billion in 2025-26 and \$6.5 billion in the out-years, for various climate investments. Of that amount, \$527 million is proposed for clean air and energy—\$275 million in 2025-26 and \$252 million in the out-years. Specifically, the budget includes:

- Port Upgrades for Offshore Wind: \$228.2 million for port upgrades, including construction and improvements of publicly owned port facilities for manufacturing, assembly, staging, and integration of components and vessels, to support the development of offshore wind generation and other activities.
- Demand Side Grid Support (DSGS) Program: \$50 million for load reduction and backup generation efforts that support electric grid reliability during extreme weather events.

Energy Package. The Governor's budget includes several reductions to programs that is proposed to receive Climate Bond monies. This includes:

- DSGS: A reduction of \$18 million General Fund to the DSGS program. Instead, this program is proposed to be funded by the Climate Bond.
- Clean Energy Reliability Investment Plan (CERIP): A reduction of \$32 million Greenhouse Gas Reduction Fund for the CERIP. This is proposed to be backfilled by the Climate Bond. The GGRF is proposed to be transferred to the Motor Vehicle Account to address a projected shortfall.

E 15 Transportation Blend. The proposed budget includes \$2.3 million from special funds for the California Air Resources Board to evaluate, develop, and implement the appropriate regulatory changes necessary to authorize the use of E15 in California, upon submission to the California Environmental Policy Council of the written summary and results of the peer review for the multimedia evaluation of E11-E15 (11 to 15 percent of ethanol) gasoline-ethanol blends.

Health and Human Services

Health

The Governor's January budget includes a total of \$296.1 billion (\$83.7 billion General Fund and \$212.4 billion other funds) in 2025-26 for health and human services programs that serve low-income, vulnerable individuals and families.

Department of Health Care Services (DHCS)

The budget includes \$180.1 billion (\$38.5 billion General Fund, \$108.5 billion federal funds, and \$33.1 billion special funds and reimbursements) in 2024-25 and \$193.4 billion (\$42.8 billion General Fund, \$119 billion federal funds, and \$31.6 billion special funds and reimbursements) in 2025-26 for the Department of Health Care Services (DHCS), which provides Californians with access to affordable, integrated, high-quality health care including medical, dental, behavioral health, and long-term care services. Of this amount, the budget includes \$1.6 billion (\$518.4 million General Fund, \$608.3 million federal funds, and \$431 million special funds and reimbursements) in 2024-25 and \$1.3 billion (\$358.5 million General Fund, \$592.7 million federal funds, and \$322.8 million special funds and reimbursements) in 2025-26 for state operations, and \$178.6 billion (\$38 billion General Fund, \$107.9 billion federal funds, and \$32.7 billion special funds and reimbursements) in 2024-25 and \$192.1 billion (\$42.4 billion General Fund, \$118.4 billion federal funds, and \$31.2 billion special funds and reimbursements) in 2025-26 for local assistance, primarily in the Medi-Cal program.

Medi-Cal Program: Current Year (2024-25) – The budget includes total expenditures of \$174.6 billion (\$37.6 billion General Fund, \$107.5 billion federal funds, and \$29.5 billion special funds and reimbursements) for the Medi-Cal program in 2024-25, a 7.5 percent increase in General Fund expenditures compared to the assumptions included in the 2024 Budget Act. According to DHCS, the primary drivers of these increased General Fund expenditures are as follows:

- *Caseload Impacts.* \$3.7 billion General Fund costs from related to changes in Medi-Cal caseload. Of this amount, \$2.7 billion is related to higher than anticipated enrollment and higher pharmacy costs for the Medi-Cal undocumented expansion population, and \$1.1 billion is related to smaller than expected savings achieved through post-pandemic Medi-Cal eligibility redeterminations.
- *Pharmacy Expenditures.* \$540 million General Fund costs due to growth in Medi-Cal pharmacy expenditures.

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

- *Proposition 35 and Managed Care Organization (MCO) Tax Impacts.* \$1 billion General Fund savings due to updated estimates of the General Fund impact of Proposition 35 and the MCO tax. DHCS estimates additional General Fund savings of \$453.7 million in 2024-25 due to passage of Proposition 35 by the voters, as well as \$478.7 million General Fund savings from federal approval of an amendment to MCO tax amounts allowing consideration of Medicare revenue for an additional quarter than originally estimated.

Medi-Cal Program: Budget Year (2025-26) – The budget includes total expenditures of \$188.1 billion (\$42.1 billion General Fund, \$118.1 billion federal funds, and \$28 billion special funds and reimbursements) for the Medi-Cal program in 2025-26, an 11.8 percent increase in General Fund expenditures compared to the revised assumptions for 2024-25. According to DHCS, the primary drivers of these increased General Fund expenditures are as follows:

- *Proposition 35 and Managed Care Organization (MCO) Tax Impacts.* \$3.6 billion General Fund costs due to updated estimates of the General Fund impact of Proposition 35 and the MCO tax. DHCS estimates additional General Fund costs of \$2.7 billion in 2025-26 due to passage of Proposition 35 by the voters, as well as a \$478.7 million General Fund savings adjustment related to the 2024-25 federal approval of an amendment to MCO tax amounts allowing consideration of Medicare revenue for an additional quarter than originally estimated.
- *Pharmacy Expenditures.* \$215.2 million General Fund costs due to growth in Medi-Cal pharmacy expenditures.
- *Baseline Medi-Cal Costs.* \$268.5 million General Fund costs due to increases in baseline Medi-Cal costs, particularly the growth in Medi-Cal managed care rates,

changes in projected enrollment, growth in Medicare premium costs, and higher projected utilization in the fee-for-service delivery system.

Medi-Cal Caseload. Medi-Cal is projected to provide health care services to approximately 15 million Californians in 2024-25, which represents a decrease of 1.9 percent since 2023-24, and 14.5 million Californians in 2025-26, which represents a decrease of 3.1 percent compared to the revised 2024-25 estimate. The budget assumes the expansion of Medi-Cal under the federal Affordable Care Act will provide coverage to 5.1 million Californians in 2024-25 and 4.9 million in 2025-26.

Proposition 35 (MCO Tax) and Provider Rate Increases. The budget reflects total General Fund savings of \$7.9 billion in 2024-25, \$4.4 billion in 2025-26, and \$3.3 billion in 2026-27 due to support for the non-federal share of Medi-Cal expenditures from the recently enacted MCO tax. Compared to assumptions in the 2024 Budget Act, these figures represent \$1 billion additional savings in 2024-25 and reduced savings of \$2.2 billion in 2025-26 and \$1.8 billion in 2026-27. According to DHCS, the budget includes expenditures on provider rate increases for primary care, maternal care, and non-specialty mental health services authorized in the 2023 Budget Act for dates of services on or after January 1, 2024, as well as provider rate increases authorized by Proposition 1 for calendar years 2025 and 2026. However, the final expenditure plan will be subject to consultation with the stakeholder advisory committee pursuant to the requirements of Proposition 1.

In addition, due to the passage of Proposition 1, additional provider rate increases authorized by the 2024 Budget Act will not be implemented, including the following:

- *Community-Based Adult Services.* \$4 million in 2024-25, \$8 million in 2025-26, and \$8 million in 2026-27 to support community-based adult services, beginning January 1, 2025.
- *Congregate Living Health Facilities.* \$4 million in 2024-25, \$8 million in 2025-26, and \$8 million in 2026-27 to support congregate living health facilities, beginning January 1, 2025.
- *Pediatric Day Health Centers.* \$2 million in 2024-25, \$3 million in 2025-26, and \$3 million in 2026-27 to support pediatric day health centers, beginning January 1, 2025.
- *Private Duty Nursing.* \$31 million in 2025-26 and \$62 million in 2026-27 to support private duty nursing services, beginning January 1, 2026.

- *Continuous Medi-Cal Coverage for Children Ages 0 to 5.* \$17 million in 2025-26 and \$32 million in 2026-27 to support continuous Medi-Cal coverage for children ages 0 to 5, beginning January 1, 2026.

Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Demonstration. The budget includes total five year funding of approximately \$8 billion from state, local, and federal funds for the recently approved federal Section 1115 Waiver authorizing the BH-CONNECT Demonstration. The demonstration will support programs at DHCS, CDSS, and HCAI including support for behavioral health delivery systems, activity funds to improve behavioral health outcomes for children and youth involved in the child welfare system, transitional rent services for up to six months, short-term mental health care provided in inpatient and residential treatment settings, and community transition in-reach services to support individuals with significant behavioral health needs returning to the community after long-term stays in institutional settings. In addition, BH-CONNECT will provide \$1.9 billion to HCAI to administer a Behavioral Health Workforce Initiative, which will support workforce recruitment and retention and promote increased availability of providers for Medi-Cal members and other underserved populations.

Behavioral Health Services Act (Proposition 1) Implementation. The budget includes expenditure authority of \$93.5 million (\$55 million General Fund) to support county efforts to implement the requirements of the Behavioral Health Services Act (Proposition 1), approved by voters in March 2024.

Department of Public Health (DPH)

The budget includes \$5.3 billion (\$967.8 million General Fund, \$2.2 billion federal funds, and \$2.2 billion special funds and reimbursements) in 2024-25 and \$5.1 billion (\$727.9 million General Fund, \$2.3 billion federal funds, and \$2 billion special funds and reimbursements) in 2025-26 for the Department of Public Health (DPH), which is dedicated to optimizing the health and well-being of all Californians through a variety of public health monitoring, protection, education, direct services and emergency preparedness activities.

AIDS Drug Assistance Program (ADAP) Rebate Fund Loan and Program Enhancements. The 2023 Budget Act and the 2024 Budget Act included loans from the ADAP Rebate Fund to the General Fund totaling \$900 million. The budget does not include repayment of these loans by the General Fund. The ADAP Estimate includes \$23 million allocated for program enhancements, but does not specify the specific enhancements supported by these resources.

Avian Flu and Marburg Emergency Preparedness and Response. The budget includes General Fund expenditure authority of \$13.5 million in 2025-26 to support prevention and preparedness efforts related to the current avian flu outbreak, as well as preparedness for any potential California cases of the Marburg virus, a severe viral hemorrhagic fever, currently part of an outbreak occurring in the Republic of Rwanda.

Overdose Prevention and Harm Reduction Initiative Reduction. The budget includes a decrease in expenditure authority from the Opioid Settlements Fund of \$8.4 million that supports the Overdose Prevention and Harm Reduction Initiative. According to CDPH, this reduction is due to the availability of resources. However, in a separate proposal, DHCS is requesting an increase of funding for the Naloxone Distribution Project of \$8.4 million from the Opioid Settlements Fund.

Public Health Information Technology Projects. The budget includes General Fund expenditure authority of \$45 million for two information technology projects: 1) \$27 million would support the Surveillance and Public Health Information Reporting and Exchange (SaPHIRE) system, and 2) \$18 million would support the California Confidential Network for Contact Tracing (CalCONNECT) system.

Department of Health Care Access and Information (HCAI)

Diaper Initiative. The budget includes General Fund expenditure authority of up to \$7.4 million in 2025-26 and \$12.5 million in 2026-27 to contract for the provision of a three-month supply of diapers at no cost to California families with newborn babies.

Prescription Drug Affordability. The budget summary includes an effort from the Administration to evaluate key drivers of prescription drug cost growth, including the impact of pharmacy benefit managers, and the Administration's intent to explore approaches to increase transparency in the pharmacy supply chain and improve the affordability of prescription drugs in California.

California Health Benefit Exchange (Covered California)

State-Only Cost-Sharing Reduction Subsidies. The budget includes expenditure authority of \$167 million from the Health Care Affordability Reserve Fund (HCARF) to support increased subsidies to reduce costs for individuals purchasing coverage in the Covered California health benefits exchange in the 2026 coverage year. However, given uncertainty regarding the availability of federal support for premium subsidies under expiring provisions of the Inflation Reduction Act, the Legislature and the Governor, in consultation with Covered California and stakeholders, should consider how best to use HCARF resources to mitigate the potential impacts of federal changes.

Human Services

Department of Social Services (DSS). The budget proposes an overall 2025-26 budget of \$62.1 billion (\$22.5 billion General Fund) for DSS programs.

California Work Opportunity and Responsibility to Kids (CalWORKs). The budget proposes an overall 2025-26 budget of \$6.4 billion total funds (\$961.4 million General Fund) for CalWORKs program expenditures and estimates a caseload of 361,834 families. The budget includes a projected CalWORKs grant increase of 0.2 percent, funded by \$9.1 million from the Child Poverty and Family Supplemental Support Subaccount of the 1991 Local Revenue Fund. In addition, the budget will advance California's participation in the federal Work and Family Well-Being pilot program, of which California was recently selected as one of five pilot states.

CalFresh and Food Programs. The budget proposes \$3 billion (\$1 billion General Fund) for CalFresh administration in 2025-26. The budget projects about a one percent increase in CalFresh caseload to 3.2 million households. The budget reflects the expiration of one-time funding for the CalFood program, which funds food banks, decreasing the CalFood budget from approximately \$60 million in recent years to the baseline of \$8 million General Fund.

In-Home Supportive Services (IHSS). The budget includes \$28.5 billion (\$10.6 billion General Fund) in 2025-26 for the IHSS program, with an estimated caseload of 771,650 individuals.

Supplemental Security Income/State Supplementary Payment (SSI/SSP). The budget includes \$11.1 billion (\$3.6 billion General Fund) in 2025-26 for the SSI/SSP program. The estimated caseload for the SSI/SSP program is 1.1 million individuals, a slight decrease from 2024-25. Costs for the Cash Assistance Program for Immigrants (CAPI) program are \$254 million General Fund in 2025-26 with an estimated caseload of 17,339 individuals.

Child Welfare. The budget includes \$10.8 billion (\$1 billion General Fund) for children and family services programs in 2025-26. The budget proposes \$1.7 million (\$1.2 million General Fund) in 2025-26 to support preparation activities for implementation of the new Tiered Rate Structure for foster care in 2027. The budget also proposes a revised spending plan for the state's child welfare technology project known as California Automated Response and Engagement System (CWS-CARES).

DSS Housing and Homelessness Programs. The budget includes \$124.4 million (\$123.2 million General Fund) for housing and homelessness programs administered by DSS in 2025-26. The budget does not include any funding to continue the Home Safe Program or Bringing Families Home Program, which provide housing to adults with Adult Protective Services cases or families with child welfare cases, respectively. One-time funding for these programs is likely to run out by 2025-26, effectively ending these services.

Child Care. The budget includes \$7.1 billion (\$4.6 billion General Fund) for Department of Social Services (DSS) child care and development programs. This includes funding to maintain child care reimbursement rates at current levels, consistent with the rate floor established by the 2024 Budget Act, but does not include any new funding to implement child care rate reform. The Administration expresses intent to continue progress on child care rate reform, and to provide the Legislature with a timeline for the transition. Additionally, the state is negotiating a successor agreement with Child Care Providers United (CCPU) as the current Memorandum of Understanding expires on June 30, 2025.

Immigration Services Funding. The budget continues to fund immigration legal services programs administered by DSS at the \$75 million General Fund baseline.

Department of Developmental Services (DDS). The budget proposes an overall 2025-26 budget of \$19 billion (\$12.4 billion General Fund) for DDS and estimates that approximately 505,000 individuals will receive developmental services. The Administration estimates an increase of nearly 40,000 individuals due to children moving out of Early Start. The Administration plans to release the Master Plan for Developmental Services, generated by workgroup recommendations for improving lifelong services for individuals with intellectual and developmental disabilities, in March 2025.

State Administration and General Government

Franchise Tax Board

California Film and Television Tax Credit. The Governor's budget proposes an expansion of the Film Tax Credit 4.0 program from \$330 million to \$750 million in annual credits. As part of the 2023-24 Budget Act, the Film Tax Credit was extended through a 4.0 program for years 2024-25 through 2029-30. This extension provided for \$330 million annually in available credits, and allowed for the election of refundable credits to allow taxpayers, to recoup refunds over a five-year period. This proposal is estimated to reduce

annual revenues by \$15 million in 2025-26 and rise to \$209 million by the end of the multiyear period, however most revenue impacts will come after 2028-29.

Single Sales Factor for Financial Institutions. Beginning with the 2025 tax year, the Governor's budget proposes to require financial institutions to use a single sales factor apportionment to calculate taxable income allocated to California. Currently, financial institutions use a three-factor apportionment methodology. This change will align financial institutions taxable income apportionment methodology with most other corporations in the state and will benefit companies with a larger physical presence in the state. Revenue increases are impacted at \$330 million in 2025-26, and more than \$250 million annually thereafter.

Military Retirement Income Exclusion. Beginning with the 2025 tax year, the Governor's budget proposes to exclude from income for state tax purposes: (1) retirement pay received by a taxpayer from the federal government for service in the uniformed services; and (2) annuity payments received by a qualified taxpayer pursuant to a Department of Defense Survivor Benefit Plan. The exemption would apply for up to \$20,000 of military retirement income. Additionally, the exemption would be limited to taxpayers with up to \$250,000 in income if filing jointly and up to \$125,000 in income for single filers. The proposal is estimated to reduce revenues by \$130 million in 2025-26 and by \$85 million annually thereafter.

Wildfire Settlements Income Exclusion. The Governor's budget proposes to exempt all wildfire settlements from state taxation for settlements paid in tax years 2025 through 2029, regardless of when the fire occurred. This proposal would end the current practice of providing income exemptions on a case-by-case basis following certain large wildfires.

Pass-Through Entity Elective Tax. Under federal law personal income taxpayers are limited to deducting no more than \$10,000 of state and local tax (SALT) payments on their federal return while business entities are able to fully deduct state and local income taxes. The 2021 Budget Act enacted a new pass-through entity elective tax (PTET) allowing taxpayers who have income from pass-through entities to electively pay a tax at the business entity level and receive a state personal income tax credit for the same amount. The PTET is scheduled to sunset after 2025 tax year along with the federal SALT cap. The Governor's budget proposes to extend the PTET, subject to the federal SALT cap being extended, to ensure continuity for California taxpayers.

Housing and Homelessness

Agency Reorganization. The Governor's budget proposes to separate and reorganize the existing Business, Consumer Services, and Housing Agency (BCSH) into two new agencies: the Housing and Homelessness Agency; and the Consumer Protection Agency. According to the Governor's budget, "more details will be provided in the spring through a Reorganization Plan submitted to the Little Hoover Commission."

Homelessness. The Governor's budget makes no cuts and no additions to existing commitments to appropriations to address homelessness. Accordingly, the proposed budget includes a \$100 million one-time allocation to the Encampment Resolution Fund, but does not include any funding for further rounds of the Homelessness Housing and Assistance (HHAP) program. However, the budget does indicate that the Administration is "open to working with the Legislature on additional funding to drive progress on this critical issue" while insisting that any such funding incorporate stronger accountability measures including:

- Housing Element compliance;
- prioritizing funding for Pro-Housing jurisdictions; and,
- a mechanism to reallocate funds from under-performing or non-compliant jurisdictions to those that are acting with "the necessary urgency."

The budget also indicates that the Housing and Community Development Department (HCD) will be taking the following steps to increase its scrutiny of locals' use of existing state funding to address homelessness:

- closer monitoring of fiscal and outcomes reporting as well as continued enforcement of the requirement for funding recipients to show progress on implementation activities before they can receive additional funding disbursements;
- in-depth review of all housing and homeless programs in select jurisdictions to identify best practices and opportunities for growth;

- convene the various HHAP regions to review and improve performance on data, reporting, implementation, and outcomes; and,
- increased enforcement by HCD's Housing and Homelessness, Results, and Accountability Unit, including reviewing local compliance with the regional MOU's required under HHAP Rounds 5 and 6.

Housing. The proposed budget makes no cuts and no additions to existing commitments to affordable housing investment. The proposed budget does not provide any supplemental General Fund allocation to the Low Income Housing Tax Credit (LIHTC) program beyond the current statutory requirement (roughly \$120 million). Recent budgets have provided \$500 million in additional funding to LIHTC, though on a one-time basis in each instance.

The proposed budget hints at forthcoming proposals, including:

- enhancing the Housing Community Development's (HCD) ability to recycle funding;
- updating housing programs to promote affordability; and,
- expanding California Environmental Quality Act (CEQA) streamlining to accelerate infill housing development.

More generally, the proposed budget sets forth a series of "principles" to guide upcoming housing policy-making: reduced costs, enhanced accountability, and alignment of housing and transportation strategies.

Governor's Office of Land Use and Climate Innovation (GO-LCI)

Extreme Heat and Community Resilience Grants. The Governor's budget includes an allocation of \$16.1 million in Climate Bond (Proposition 4, November 2024) funds for projects that "reduce the impacts of extreme heat, reduce urban heat island effect, and build community resilience to extreme heat."

Transfer of California Education Learning Lab. The Governor's budget proposes to move this program out of GO-LCI and over to the Government Operations Agency (GovOps). The transfer would be budget neutral.

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

CalCompetes Grant Program. The CalCompetes program provides financial subsidies to businesses that agree to stay in, or relocate to, California in exchange for investment and job creation commitments. In addition to \$180 million in annual tax credit allocations to CalCompetes through 2027-28, the 2021-2023 Budget Acts each allocated an additional \$120 million in one-time General Fund for CalCompetes grants, with recent priority given to the semiconductor industry. To help address the budget shortfall, the 2024 budget made no allocation to the grant side of the program. The Governor's proposed 2025 budget would appropriate \$60 million in one-time General Fund for the grant program.

National Semiconductor Technology Center. In November 2024, the U.S. Department of Commerce and Natcast, the non-profit entity designated by the Department of Commerce to operate the National Semiconductor Technology Center, announced Sunnyvale as the location for the Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Design and Collaboration Facility. The Governor's budget includes a \$25 million one-time General Fund to reimburse Natcast for capital expenditures to build the facility.

Regional Initiative for Social Enterprises Program (CalRISE). Established in 2022, CalRISE provides financial and technical assistance to employment social enterprise, which provide jobs, on-the-job training, and specialized support to people who face high barriers to work, including homelessness, previous incarceration, substance use, or mental health issues. The Governor's budget includes a \$17 million one-time General Fund for CalRISE.

Governor's Office of Service and Community Engagement (GO-Serve)

Californians for All College Corps. The Californians for All College Corps, established in 2021, is a partnership with the University of California, California State University, California Community Colleges, and private California university systems to support lower debt college pathways for low-income students, service opportunities, and career development. The Governor's budget includes \$5 million General Fund in 2025-2026, and \$83.6 million ongoing General Fund beginning 2026-2027, to continue the College Corps program. The Governor's budget includes overall funding for College Corps with a \$68.1 General Fund in 2025-2026 and \$83.6 million General Fund ongoing.

Belonging Campaign. The Governor's budget includes a \$5 million one-time General Fund for the Office of Community Partnerships and Strategic Communications to launch a Belonging Campaign by January 2026. The Office will initiate research projects to

evaluate how connected Californians feel to their communities, develop a strategy to improve the state's efforts in engaging community, and encourage increased applications for the state's service corps, and is intended to help communities better identify pathways to social connectedness and engagement.

Cannabis

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

AB 195 (Committee on Budget), Chapter 56, Statutes of 2022, requires that these Allocation 3 programs are funded at a baseline of approximately \$670 million.

The Governor's budget estimates \$468.2 million will be available for Allocation 3 programs in 2025-26 as follows:

- Education, prevention, and treatment of youth substance use disorders and school retention – 60 percent (\$281 million)
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation – 20 percent (\$93.6 million)
- Public safety-related activities – 20 percent (\$93.6 million)

Farm to School

California Farm to School Program. The Governor's budget proposes \$24.9 million one-time General Fund for the Department of Food and Agriculture to advance the California Farm to School Network, the California Farm to School Incubator Grant Program, Climate Smart Technical Assistance, and further the recommendations of the Farm to School Roadmap for Success.

Museum Of Tolerance

Museum Of Tolerance. The Governor's budget includes a \$10 million one-time General Fund for capital improvements to continue the modernization and expansion of the Museum of Tolerance, which provides diversity training to California teachers and criminal justice professionals.

California State Libraries

California State Libraries Parks Pass. The Governor's budget includes \$6.8 million one-time General Fund for the continuation of the California State Library Parks Pass program. In partnership with the First Partner's Office and the California State Library, the Department of Parks and Recreation is providing free vehicle day-use entry to over 200 participating state park units operated by State Parks for check out to library-card holders.

California Indian Heritage

California Indian Heritage Center. The Governor's budget includes \$6 million from the Natural Resources and Parks Preservation Fund and \$3 million in reimbursement authority from the State Parks and Recreation Fund to continue the work led by California Native American tribes, Native community leaders, and State Parks in building the first-ever California Indian Heritage Center in West Sacramento at the confluence of the American and Sacramento Rivers. These funds will support the next steps in building the Center through preparing working drawings of the facilities and beginning initial construction of immediate public use improvements.

Department of General Services

The Department of General Services (DGS). DGS manages approximately 38.3 million square feet of space that supports a variety of state programs and functions. The DGS portfolio includes 58 DGS-managed state office buildings and 27 other state-owned buildings, and DGS-managed commercial leases of all space types. Major renovations to three buildings in Downtown Sacramento (Former Resources, Jesse Unruh, and Gregory Bateson) are expected to be completed in calendar year 2025.

The Plan includes \$378.7 million (\$46.5 million General Fund and \$322.2 million Public Building Construction Fund) over the next five years for projects in the Sacramento Region to reconfigure the 10th & O Building, renovate the Warren-Alquist Energy Building, and to exercise an option to purchase the State Printing Plant.

Consumer Protection

Consumer Protection Agency Establishment. The Governor's budget includes reference to a new Consumer Protection Agency. According to the Administration, the new agency would enhance how consumers and businesses interact with government processes, with more details to be provided in the spring through a reorganization plan submitted to the Little Hoover Commission.

Artificial Intelligence

Generative Artificial Intelligence (GenAI). On September 6, 2023, the Governor signed Executive Order N-12-23, which directs GovOps, DGS, and the California Department of Technology (CDT) to update the state's project approval, procurement, and contracting processes for GenAI using results from potential GenAI pilot projects. In 2024, GovOps, CDT, the Office of Data and Innovation (ODI) and DGS initiated five pilot projects using GenAI applications. The first cohort is now completing initial Proof-of-Concept testing and evaluation where many promising results have already been found.

According to the Administration, CDT along with GovOps, ODI, DGS, and the Department of Finance are reviewing the current project approval lifecycle process for technology projects to streamline the project delivery lifecycle and provide meaningful and timely oversight of projects.

Education and Workforce Development Coordinating Council

Education and Workforce Development Coordinating Council. The Governor's budget includes \$5 million General Fund in 2025-26 and ongoing for GovOps to establish a planning and coordinating entity to bring together TK-12 education, higher education and state economic and labor agencies to improve coordination of resources and initiatives across state government in alignment with recommendations from the Master Plan for Career Education.

Veterans Affairs

The Department of Veterans Affairs (CalVet). CalVet facilities include eight veterans homes, three state veterans cemeteries, and a headquarters office building in Sacramento. The eight veterans homes are located in Yountville, Barstow, Chula Vista, West Los Angeles, Lancaster, Ventura, Redding, and Fresno. Additionally, CalVet is constructing a new Skilled Nursing Facility in Yountville, California and recently expanded columbarium capacity at the Northern California Veterans Cemetery in Igo, California.

Military Department

Army National Guard Statewide Facilities. The Army National Guard statewide facilities include 80 active armories, three combined support maintenance shops, and one maneuver area training equipment site. The facilities are used to house and train the California National Guard and provide emergency public safety support. The Military Department also operates three major training facilities that provide troop lodging, administration, warehouse, maintenance, firing ranges, and maneuver training areas.

The Governor's budget includes \$15.8 million (\$14.3 million General Fund and \$1.5 million Armory Fund) over the next five years for two readiness center projects and one youth classroom project.

The Governor's budget proposes \$1.2 million (\$419,000 General Fund and \$750,000 Armory Fund) for two projects at the Los Alamitos facility: the STARBASE Classroom Building and the new Battalion Headquarters Readiness Center

California Department of Food and Agriculture

Biological Control Office. The California Department of Food and Agriculture's (CDFA) facilities support the citizens of California by promoting and protecting a safe and healthy food supply and enhancing local and global agricultural trade through efficient management, innovation, and sound science, with a commitment to environmental stewardship.

The Governor's budget includes \$4 million General Fund over the next five years for a new project at the Meadowview Biological Control Office in Sacramento.

The Governor's budget includes \$242,000 General Fund for the initial phase of the Meadowview Biological Control Office for repairs and replacement of laboratory space used by the Biological Control Program.

California Farm to School Program. As noted in the General Government summary, the Governor's budget proposes \$24.9 million one-time General Fund for CDFA to advance the California Farm to School Network, the California Farm to School Incubator Grant Program, Climate Smart Technical Assistance, and further the recommendations of the Farm to School Roadmap for Success.

Corrections, Public Safety, Judiciary, Labor and Transportation

Corrections

Office of the Inspector General (OIG)

The Governor's budget proposes a total of \$52.4 million for the OIG in 2025-26. This includes an increase of \$3.6 million and 22 positions in 2025-26 and \$5.7 million and 29 positions in 2026-27 and ongoing for the OIG to expand monitoring of complaints of staff sexual misconduct, consistent with SB 1069 (Menjivar), Chapter 1012, Statutes of 2024.

California Department of Corrections and Rehabilitation (CDCR)

The Governor's budget proposes total funding of \$13.9 billion (\$13.5 billion General Fund and \$365.4 million other funds) for the CDCR in 2025-26. This includes \$4.1 billion General Fund for health care programs.

Adult Institution Population. The average daily adult incarcerated population for 2024-25 is projected to be 91,672, a slight increase as compared to spring projections. The population is expected to increase to 93,278 in 2025-26, largely due to the impacts of Proposition 36. However, the population is still projected to continue its long-term decline, and reach 90,988 in 2027-28.

Parolee Population. The parolee average daily population is projected to be 34,940 in 2024-25 and 34,671 in 2025-26. The parolee population is expected to remain roughly stable, with a slight increase in the short term due to Proposition 36 and a long-term steady decline.

Facility Capacity. The proposed budget reflects savings of \$900 million General Fund from previous facility closures and deactivations. In addition, the proposed budget reflects savings of \$33.1 million General Fund in 2024-25 and \$65.5 million General Fund ongoing in 2025-26 and ongoing due to additional facility deactivations at four institutions that were part of the 2024-25 efficiency reductions.

Operational Efficiencies Achieved. The 2024 Budget Act directed CDCR to reduce its spending by \$392.1 million through efficiency reductions. The proposed budget reflects savings of \$267.6 million in 2024-25, \$185.8 million in 2025-26, and \$193.6 million ongoing. This savings was achieved through eliminating vacant positions, deactivating housing units, reducing weekend and third watch posts, removing staff from the entrance

posts at most institutions, converting various housing units, redistricting the Division of Adult Parole Operations, implementing changes to training, eliminating a legacy contract, and eliminating the Council on Criminal Justice and Behavioral Health. This also includes one-time savings from reverting \$114 million one-time General Fund in 2024-25 that was appropriated for roof projects that have not yet begun, and accounting for projected savings from the Integrated Substance Use Disorder Treatment Program, Hepatitis C treatment, the Academy, and various other savings.

Health Care. The proposed budget includes \$4.1 billion for health care programs at CDCR. This includes \$13.6 million ongoing General Fund to address increased suicide watch workload, \$12.8 million one-time General Fund to support COVID-19 related expenses, and \$3 million General Fund and 13.4 positions in 2025-26 and \$4.4 million General Fund and 20.4 positions ongoing to staff the new Mental Health Crisis Facility at the California Institute for Men.

Reentry Programs. The proposed budget includes an augmentation of \$32 million General Fund, growing to \$42.9 million in 2029-30, to increase rates for parole reentry contracts for programs including Day Reporting Centers, Long-Term Offender Reentry Recovery Program, and Specialized Treatment for Optimized Programming. The budget also includes \$12.9 million in 2025-26 and in 2026-27 to continue the Returning Home Well program for two more years, and expand wraparound services for program participants. The Returning Home Well program provides transitional housing and other services to individuals who would otherwise be unhoused at the time of their release from prison.

Infrastructure. The proposed budget includes \$14.1 million General Fund for the California Health Care Facility, Stockton–Potable Water Treatment System; the Ironwood State Prison, Blythe–New Potable Water Wells; the Valley State Prison, Chowchilla–New Potable Water Wells; and statewide budget and planning. The Infrastructure Plan also includes \$102.1 million General Fund over the next five years for study funds and for seven projects that address critical fire and life safety upgrades.

San Quentin Rehabilitation Center. The proposed budget includes \$7.8 million General Fund in 2025-26 and \$13 million General Fund in 2026-27 and ongoing to increase staffing, add and expand rehabilitative programs, and provide staff training for the San Quentin Rehabilitation Center and the new Educational and Vocational Center.

Air Cooling Pilot Program. The proposed budget includes \$23.6 million one-time General Fund in 2025-26 and \$45.4 million one-time General Fund in 2026-27 to pilot various air-cooling alternatives at four prisons.

Americans with Disabilities Act Facility Improvements. The proposed budget includes \$23.1 million one-time General Fund in 2026-27 to complete accessibility improvements at six institutions.

Public Safety Radio Replacement. The proposed budget includes \$19.8 million ongoing General Fund to replace and update existing radio and communications equipment.

Food Costs. The proposed budget includes \$37.1 million General Fund in 2025-26 and \$32.1 million General Fund in 2026-27 and ongoing to accommodate increased food costs and fulfill the requirements of AB 778 (Eduardo Garcia), Chapter 576, Statutes of 2022.

Public Safety

Proposition 47 State Savings. The Administration estimates net savings of \$88.3 million General Fund in 2025-26 associated with Proposition 47, the Reduced Penalties for Some Crimes Initiative (2014).

Community Corrections Performance Incentive Grant. The proposed budget contains \$126.5 million General Fund in 2025-26 to support the Community Corrections Performance Incentive Grant SB 678 (Leno), Chapter 608, Statutes of 2009, which provides incentives for counties to reduce the number of felony probationers sent to state prison. The Governor's budget proposes to update the methodology for calculating the incentive payments to counties.

Local Correctional Facilities. CDCR and the Board of State and Community Corrections jointly administer several programs to help finance county correctional facilities. To date, approximately \$294 million has been awarded to 19 counties to build or remodel youth facilities and approximately \$2.1 billion has been awarded to 53 counties to build or remodel adult facilities. CDCR oversees 42 of these projects totaling approximately \$1.6 billion. BSCC oversees 29 of these projects totaling approximately \$918 million.

Department of Justice (DOJ)

The proposed budget includes total funding of approximately \$1.3 billion (\$496 million General Fund) to support the DOJ in 2025-26.

Bureau of Firearms. The proposed budget includes \$3.2 million (\$2.7 million General Fund and \$519,000 Fingerprint Fees Account) and 26 positions in 2025-26 and ongoing to help the Bureau process concealed carry weapon permit applications, and \$2.2 million General Fund and 14 positions in 2025-26 and \$1.9 million in 2026-27 and ongoing for

the Firearms Clearance Section to process an increased number of Dealers Record of Sale transactions.

Chaptered Legislation. The proposed budget includes \$2.4 million (\$2.3 million General Fund and \$100,000 Special Fund) and seven positions in 2025-26 and \$1.2 million ongoing for DOJ to address workload related to recently chaptered legislation related to the storage, sale, transfer and relinquishment of firearms. The proposed budget also includes \$2.2 million (\$597,000 General Fund and \$1.6 million Unfair Competition Law Fund) and nine positions in 2025-26 and \$2.2 million (\$577,000 General Fund and \$1.6 million Special Fund) in 2026-27 and ongoing to address workload in the Public Rights Section related to various legislation that addresses issues such as social media and minors, data and artificial intelligence systems, and deceptive content posted online around elections.

Firearm Information Technology Systems Modernization Project. The proposed budget includes \$11.4 million General Fund in 2025-26 for Stages 3 and 4 of the project.

DNA Identification Fund Backfill. The proposed budget includes backfill of \$37 million General Fund in 2026-27, \$36 million in 2027-28, and \$35 million in 2028-29 and ongoing for the DNA Identification Fund.

License 2000 System Replacement Project. The proposed budget includes \$1.9 million Special Fund and three positions in 2025-26 and ongoing for DOJ to finish the License 2000 System Replacement Project.

Office of Emergency Services (Cal OES)

The proposed budget includes \$3.1 billion (\$562.5 million General Fund) and 1,907 positions for Cal OES in 2025-26.

Internet Crimes Against Children Task Force. The proposed budget includes \$5 million ongoing General Fund to continue this program, which helps law enforcement agencies respond to and combat child pornography.

The Judicial Branch

The proposed budget includes total funding of \$5 billion (\$3.1 billion General Fund and \$1.9 billion other funds) in 2025-26 for the Judicial Branch, of which \$2.9 billion is provided to support trial court operations.

Appellate Court Counsel. The proposed budget includes \$6.3 million ongoing General Fund to increase the hourly rate for counsel appointed to represent indigent clients at the Supreme Court and the Courts of Appeal.

Trial Court Operations. The proposed budget restores \$42 million in 2024-25 and includes \$40 million General Fund in 2025-26 and ongoing for trial court operations. This will offset the reduction of \$97 million General Fund ongoing that was included in the 2024 Budget Act. The Administration intends to use reserves in the Trial Court Trust Fund, which may require a General Fund backfill at the May Revision.

Trial Court Employee Benefits. The proposed budget includes an increase of \$28.7 million ongoing General Fund for trial court employee health benefits and retirement costs.

San Diego Hall of Justice. The proposed budget includes \$9.5 million one-time General Fund in 2025-26 to address cost increases for an existing facility modification project at the San Diego Hall of Justice.

Lactation Rooms. The proposed budget includes \$5.4 million one-time General Fund in 2025-26 to finish building lactation rooms pursuant to AB 1576 (Committee on Judiciary), Chapter 200, Statutes of 2022.

Infrastructure. The proposed infrastructure plan includes \$2.5 billion (\$117.6 million General Fund and \$2.3 billion Public Buildings Construction Fund) over the next five years for eleven Judicial Branch projects identified as the most critical in the 2019 Facilities Reassessment and the study of other critical facility needs. The proposed budget includes \$39.8 million General Fund for the courthouse in the Juvenile Hall Addition and Renovation in Butte County, the New Solano Hall of Justice in Fairfield, the New Fresno Courthouse, the New San Luis Obispo Courthouse, the New Tracy Courthouse in San Joaquin County, and statewide budget and planning.

Labor, Public Employment and Retirement

Unemployment Insurance Fund

Unemployment Insurance (UI) Trust Fund Loan Interest. The Governor's budget includes \$634.3 million one-time General Fund to pay the annual interest payment on the state UI loan balance. The Administration notes that the 2024 Budget Act included \$50 million from the Employment Training Fund to pay a portion of the interest in 2025-26, but the fund is unable to support this payment without reduction to existing programs and the payment is not included in the Governor's budget.

Labor Workforce Development Agency

Regional Coordination for Career Education and Training. The Governor's budget includes \$4 million one-time General Fund for the Labor Workforce Development Agency to evaluate how regional coordination models can be expanded to create sustainable forums where educators, workforce training providers, and employers can work to align programs with employer needs.

Employment Development Department (EDD)

EDDNext. The Governor's budget includes \$124.2 million one-time (\$62.1 million General Fund) to continue the planning and development of EDDNext, fourth year of multi-year plan to modernize benefit systems and enhance customer service at the EDD.

Department of Industrial Relations (DIR)

Electronic Adjudication Management System. The Governor's budget includes \$25.8 million one-time Labor and Workforce Development Fund for the DIR to continue the Electronic Adjudication Management System.

Cal/OSHA Data Modernization. The Governor's budget includes \$18.2 million one-time Labor and Workforce Development Fund for the DIR to continue data modernization project to upgrade outdated systems and processes.

Agricultural Labor Relations Board (ALRB)

Workload Adjustment. The Governor's budget includes \$1.9 million Labor and Workforce Development Fund ongoing to address unanticipated workload and support implementation of the majority petition process.

Employee Compensation and Collective Bargaining

The Governor's budget includes \$917.8 million (\$368.2 million General Fund) for increased employee compensation, health care costs for active state employees, and retiree health care prefunding contributions for active employees in 2025-26. Included in these costs are collectively bargained salary and benefit increases resulting from contracts and side letter negotiations. The proposed budget also includes funding for the 2026 calendar year projected increases in health care and dental premiums and enrollment.

State Employees' Retirement Contributions. The Governor's budget includes \$9.1 billion (\$4.9 billion General Fund) for the statutorily required annual contribution to CalPERS for state pension costs in 2025-26. Of the \$9.1 billion state contributions for 2025-26, \$744.1 million General Fund are included for California State University retirement costs. Additionally, the proposed budget includes \$1.5 billion one-time Proposition 2 debt repayment funding as a supplemental payment toward the state plans' unfunded liabilities.

Teachers' Retirement Contributions. The Governor's budget includes \$4.6 billion General Fund for the statutorily required annual state contribution to CalSTRS in 2025-26. The roughly \$367 million increase from the 2024 Budget Act is due to higher-than-anticipated growth in creditable compensation from 2022-23 to 2023-24.

State Health Care Benefits. The Governor's budget includes \$385 million in one-time Proposition 2 debt repayment funding in 2025-26 for the employer's share of contributions to pay for future retiree health benefits.

Government Efficiency and Cost Saving Measures

Vacant Positions Funding Reduction and Elimination of Positions. The Governor's budget includes \$617.6 million (\$234.4 million General Fund) in 2024-25, and ongoing, for savings associated with vacant positions and the elimination of approximately 6,500 positions starting in 2025-26, and ongoing.

State Operations Ongoing Reductions. The Governor's budget includes \$1.5 billion (\$820 million General Fund) in 2024-25, and \$2 billion (\$1.2 billion General Fund) in 2025-26, and ongoing, from reductions to state operations. This reduction includes personal services, operating expenses and equipment, and consulting and professional services costs.

Transportation

Clean California. The Governor's budget includes \$25 million General Fund for the Clean California Program for a Community Cleanup and Employment Pathways Grant Program. This is proposed to provide matching grants to communities with a Clean California Community designation focused on litter remediation and jobs creation.

California Highway Patrol. The budget includes the following proposals:

- \$5 million ongoing General Fund to expand the Computer Crimes Investigation Unit to investigate and assist allied agencies with criminal investigations dealing with distribution and downloading of child sexual abuse material throughout the state.
- \$1 million from the Motor Vehicle Account (MVA) for Statewide Planning and Side Identification funding to address structural and functional deficiencies in facilities statewide.

Department of Motor Vehicles. The Governor's budget includes a transfer of \$85 million Air Pollution Control Fund (APCF) in 2025-26 and a transfer of \$81 million Greenhouse Gas Reduction Fund (GGRF) in 2025-26 to the MVA to address the projected insolvency of the MVA in 2025-26. This is to offset expenditures of the California Air Resources Board related to its Mobile Source Program that is typically funded from the MVA. These funds are derived from both existing fund balances as well as previous funding appropriations that will be backfilled by the Climate Bond (e.g. \$32 million GGRF for the CERIP).