



Step 3.1:
Legislature's Version
of the
2023-24 State Budget

June 12, 2023



PROTECT
OUR

Progress



Senator Toni G. Atkins

President pro Tempore

Senator Nancy Skinner

Chair, Committee on Budget and Fiscal Review

Senator John Laird

Chair, Subcommittee 1

Senator Josh Becker

Chair, Subcommittee 2

Senator Caroline Menjivar

Chair, Subcommittee 3

Senator Stephen C. Padilla

Chair, Subcommittee 4

Senator Maria Elena Durazo

Chair, Subcommittee 5

Elevation of Budget Development

- **Step #1:** Senate Key Values.....Released in March
- **Step #2:** Detailed Senate Budget Plan.....Released in April
- **Step #3:** Senate Version.....Released Late May
- **Step #3.1:** Legislature's Version.....*Included*
- **Step #4:** Final Version.....Mid/Late June



Introduction

The Legislature’s Version of the Budget Act of 2023 is now contained in the identical bills of SB 101 and AB 101.

The Legislature’s version of the budget is the product of over 120 public hearings and meets the key Senate goals of protecting the progress of recent years and continuing the state’s responsible budgeting practices.

All told, the Legislature’s Version contains \$311.7 billion in total spending, including \$227 billion from the General Fund. The Legislature’s Version includes \$30.7 billion in solutions to close the budget gap and contains a total General Fund Reserves of \$37.2 billion.

The Governor met his constitutional obligation by proposing a budget on January 10. And now the Legislature is poised to meet its constitutional obligation and pass a budget by June 15. Just as it is understandable for the Legislature to not agree with every detail of the January 10 proposal, there should be no expectation for the Governor to agree to every detail of the June 15 Legislature’s version.

So, while both the Executive and Legislative branches of government are both meeting their constitutional obligations, more work will be done to craft the Final Version of the Budget Act of 2023.

Summary

➤ **Meets Top-Two Priorities for the State Senate:**

- First, the Legislature’s Version protects the progress of recent years with:
 - No ongoing cuts to core programs.
 - No middle class tax increases.
 - Maintains planned program increases for schools, higher education, CalWORKs and SSI/SSP grants, Medi-Cal expansions, and more.
- Second, the Legislature’s Version continues responsible budgeting practices and continues providing historic reserve levels – even while



PROTECT
OUR

Progress



closing a budget gap approaching \$30 billion. This includes fully protecting the Safety Net Reserve, which the Administration proposed cutting in half.

➤ **Significant Improvements to the Governor's May Revision:**

- **Schools and Community Colleges:** Provides \$2.1 billion increase.
- **Child Care:** Provides \$1 billion for temporary rate increases.
- **Higher Education:** Avoids cuts and delays to infrastructure and student housing projects by shifting costs to bonds, expands financial aid programs to provide debt free college to foster youth, and provides ongoing increases to student support programs.
- **Public Transit:** Provides \$5.1 billion for transit across three years, with 100% flexibility for capital and operations expenses.
- **Medi-Cal:** Provides \$10.3 billion of increases through December 31, 2026 from the fiscal benefit of the Managed Care Operations Tax, rather than the eight to ten year period proposed by the Governor.
- **CoveredCA:** Provides \$165 million (\$330 million ongoing) from penalty funds to lower copays and deductibles of CoveredCA plans beginning January 1, 2024.
- **Safety Net Reserve:** Rejects proposed use of the Safety Net Reserve for purposes not intended for the reserve.
- **Greenhouse Gas Reduction Fund (GGRF):** Provides \$595 million in additional GGRF funding.
- **Climate and Energy:** Protects key investments in Coastal Resilience and Clean Energy..
- **Strengthens Out-Year Commitments:** Continues to “protect our progress” with actions to key programs:
 - Continues \$1 billion for the HHAP program in 2024-25 to provide local partners the certainty that funding will be maintained beyond the 2023-24 budget year.
 - Provides \$289 million for the Middle Class Scholarship program in 2024-25 to maintain current level of the program in that school



PROTECT
OUR

Progress



year. The funding level for 2024-25 needs to be set in this budget, since the California Student Aid Commission needs to make award decisions for the 2024-25 school year during the 2023-24 budget year.

- Eliminates statutory language that beginning in 2024-25 subjects CalWORKs grant levels to future appropriation. This ensures the executive branch cannot change grant levels without agreement with the Legislature.

Key Charts

2023-24	
Legislature's Version	
General Fund Budget Summary	
(Dollars in Billions)	
	<u>2023-24</u>
Prior Year Balance	26.3
Revenues and Transfers	209.2
Transfer to/from BSA	0.0
Total Resources Available	235.5
Non-Proposition 98 Expenditures	146.3
Proposition 98 Expenditures	78.4
Prop 2 Infrastructure Offset	2.3
Total Expenditures	227.0
Fund Balance	8.5
<i>Reserve for Liquidation of Encumbrances</i>	5.3
Budget Reserves:	
Special Fund for Economic Uncertainties	3.2
Safety Net Reserve	0.9
Budget Stabilization Account	22.3
Public School System Stabilization Account	10.8
Total General Fund Reserves	37.2



PROTECT
OUR

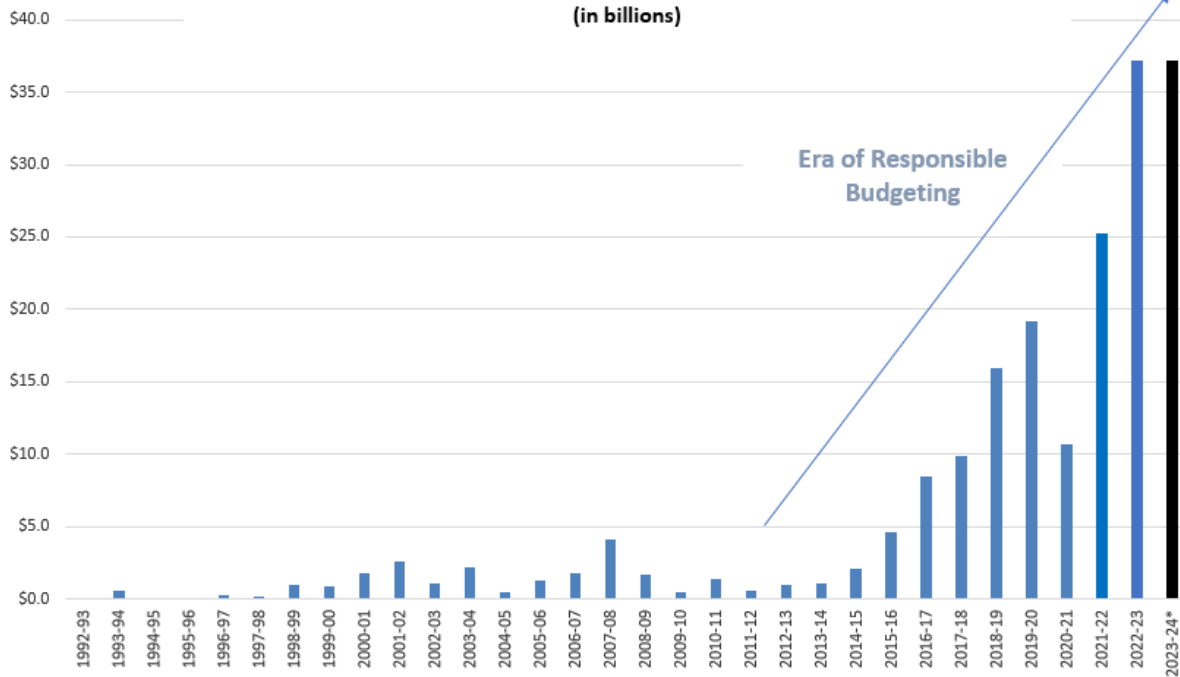
Progress



Legislature's Version Continues Responsible Budgeting

History of Budget Act General Fund Reserves

(in billions)



* Projected in Legislature's Version



Earlycare – K-12 Education

Approval of Key Governor's Proposals:

- Approves the increases to the Local Control Funding Formula that were included in the 2022-23 Budget.
- Approves the 8.22 percent cost-of-living adjustment for the Local Control Funding Formula and affected categorical programs.
- Fully funds the current year costs and budget year costs of universal school meals.
- Approves \$80 million ongoing Proposition 98 General Fund for county offices of education that operate county juvenile court and community schools.
- Approves \$20 million for the Bilingual Teacher Professional Development Grants.

Changes to Key Governor's Proposals:

- Significantly restores the proposed reduction the Arts, Music, and Instructional Materials Discretionary Block Grant, so that the total proposed \$1.8 billion reduction is now \$200 million.
- Significantly restores the K-12 Learning Recovery Emergency Block Grant from the proposed \$2.5 billion reduction to a \$494.5 million reduction.
- Significantly reduces the reliance of one-time funds to cover ongoing costs of LCFF.
- Includes \$15 million Proposition 98 General Fund for the commercial dishwasher grant program outside of the Kitchen Infrastructure and Training Funds.

Approval of Key New Legislature Proposals:

- Builds a pipeline for administrators of color by funding \$10 million Proposition 98 General Fund for the Diverse Education Leaders Pipeline Initiative.
- Moves toward child care rate reform by increasing reimbursement rates to support and stabilize child care providers, including providers of State Preschool programs.



PROTECT
OUR

Progress



- Waives child care fees through September 30, 2023 and provides permanent family fee reform, capping family fees at one percent of family income and waiving family fees for families with income under 75 percent of state median income, including State Preschool programs.



Higher Education

Approval of Key Governor's Proposals:

- Approves proposed base increases for UC, CSU, and CCC systems.
- Approves shift in finance support for various UC and CSU capital outlay projects to UC and CSU-issued bonds.
- Approves solution that preserves, with minimal delays, Higher Education Student Housing Grant Program funding for affordable student housing projects across UC, CSU, and CCC campuses.
- Delays \$200 million (\$100 million in 2022-23 and \$100 million in 2023-24) of support for the construction of an Institute for Immunology and Immunotherapy at the University of California, Los Angeles (UCLA) to fiscal year 2024-25.
- Approves proposed delay to Library Infrastructure Grant Program.
- Approves continued implementation of 2021 Budget Act agreement to fund nonresident enrollment reduction plan at UC Berkeley, UCLA, and UC San Diego campuses.
- Approves funding to bolster safe spaces, learning communities, and other support services for LGBTQ+ students that attend community colleges across the state.
- Increases support for UC Division of Agriculture and Natural Resources, and categorical programs at community colleges such as the Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and mandates block grant.
- Provides the California Student Aid Commission with additional staffing to support its increased financial aid program workload.

Changes to Key Governor's Proposals:

- Rejects funding delay for the California Student Housing Revolving Loan Fund and instead provides \$300 million per year for six years (each of 2023-24 through 2028-29). This fund will provide zero-interest loans to qualifying campuses at UC,



CSU, and CCC for the purpose of constructing affordable student, faculty, and staff housing.

- Rejects proposed cut to community college COVID-19 Recovery Block Grant and instead provides districts the flexibility to spend funding amongst COVID-19 learning loss, recruitment and retention, and deferred maintenance purposes.
- Instead of one-time support, includes \$5 million General Fund in 2023-24 and \$3 million in 2024-25 and ongoing for the Ralph J. Bunche Center for African-American Studies at UCLA.

Approval of Key New Legislature Proposals:

- Maintains proposed 2023-24 funding for the Middle Class Scholarship for the 2024-25 school year to maintain efforts to reach goal of Debt Free College.
- Makes foster youth the first population to achieve “Debt Free College” by expanding the Student Success Completion Grant for CCC foster youth students and the Middle Class Scholarship for CSU and UC foster youth students. Changes will cover their total cost of attendance.
- Increases ongoing funding to address basic needs and rapid rehousing demands, support students with disabilities, and support mental health services at CSU and UC.
- Provides \$16.951 million Proposition 98 General Fund in 2023-24 and ongoing for a COLA to basic needs centers, mental health services, rapid rehousing, NextUp, MESA, Puente, veteran’s resource centers and Umoja programs at community colleges.
- Provides \$60 million per year for at least five years to grow, educate, and maintain the next generation of registered nurses, through the community college system starting in 2024-25.
- Provides \$3 million to the Center for Healthy Communities at CSU Chico to address the continued crisis of food insecurity on college and university campuses.



PROTECT
OUR

Progress



Resources and Environmental Protection

Approval of Key Governor's Proposals:

- Approves proposals for an additional \$290 million for flood protection.
- Approves proposal to continue implementation of water rights modernization.
- Approves trailer bill language proposal that would align the state's EV supply equipment payment standards with federal standards.

Changes to Key Governor's Proposals:

- Rejects proposed reductions of \$97 million for the Equitable Building Decarbonization programs at CARB and CEC.
- Restores \$102 million for coastal resilience programs at the Coastal Conservancy and \$65 million to implement SB 1 at the Ocean Protection Council (OPC).
- \$64 million to the Cascades and Higher Sierra Upper Watersheds Program and the Land Acquisition and Habitat Enhancement Program.

Approval of Key New Legislature Proposals:

- Provides \$595 million in Greenhouse Gas Reduction Fund allocations, in accordance with the following:
 - \$220 million for the Zero Emission Transit Capital Program at CalSTA.
 - \$125 million for Clean Cars 4 All and Financing Assistance at CARB.
 - \$100 million for the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program at CARB.
 - \$50 million for AB 617 at CARB.
 - \$35 million for Agriculture Related Methane Reductions at CDFA.
 - \$15 million for Ocean Protection at OPC.



PROTECT
OUR

Progress



- \$12.5 million for Regional Climate Resilience at OPR.
- \$10 million for Organics Transition at CDFA.
- \$10 million for the Building Energy Benchmarking Program at CEC.
- \$10 million for Technical Assistance for Federal Tax Credits at CEC.
- \$5 million for the Intertidal Biodiversity DNA Barcode Library at OPC.
- \$2.5 million for Urban Greening at CNRA.



Human Services

Approval of Key Governor's Proposals:

- Approves the creation of the new Summer EBT program, which will provide \$40 per month in summertime food benefits to approximately four million children beginning in Summer 2024, bringing about \$480 million in federally funded food benefits to California.
- Approves a 3.6 percent increase to CalWORKs grants to continue efforts for No Child in Deep Poverty and an 8.6 percent increase to SSP grants. Increases for both programs are in accordance with Budget Act of 2022 agreement.
- Approves the expansion of the California Food Assistance Program for adults age 55 and older, regardless of immigration status, to begin in late 2025, instead of January 2027 as proposed in the Governor's January budget.
- Approves \$150 million for the Rapid Response program, which funds sheltering and humanitarian support at the Southern border.
- Approves improvement to EBT card security to protect CalFresh and CalWORKs families from theft.
- Approves a new grant program to advance older adult behavioral health and continue the Older Adult Friendship line.
- Approves proposals to adjust developmental services rates for Independent Living Services, reduce caseload ratios for young children with developmental disabilities, and expand trauma-informed care for foster youth in the developmental services system.
- Approves proposals to improve health care and provide activity stipends for children in the child welfare system.
- Increases access to In-Home Supportive Services for children with disabilities.

Changes to Key Governor's Proposals:

- Rejects \$450 million withdrawal from the Safety Net Reserve, which is inconsistent with the purpose of the Reserve to protect the CalWORKs and Medi-Cal programs during economic downturns.



- Rejects the delay of 20,000 subsidized child care slots, and instead releases the 20,000 new slots on July 1, 2024.
- Extends the In-Home Supportive Services Career Pathways program through December 2024, rejects proposed shortened timeline for the Senior Nutrition Infrastructure program, and lengthens funding period for Older Californians Resiliency and Recovery initiative and other programs funded under state's Home and Community-Based Services Spending Plan.
- Adds additional resources to reduce the backlog of caregiver background checks that are exacerbating workforce issues in child care, foster care, and senior care settings.

Approval of Key New Legislature Proposals:

- Makes the 2022 10 percent CalWORKs grant increase permanent, preventing a cut to CalWORKs grants in 2024.
- Provides \$1 billion in temporary rate increases to support and stabilize child care providers and moves toward comprehensive child care rate reform.
- Waives child care family fees through September 30, 2023 for all families, and implements permanent family fee reform, capping family fees at one percent of family income and waiving fees for families with income under 75 percent of state median income.
- Initiates the CalFresh Minimum Pilot Program, a \$30 million pilot program to raise monthly minimum food benefits to \$50 minimum from the current minimum of \$23.
- Initiates the first phase of the Reimagine CalWORKs effort, which is a multi-year effort to transform CalWORKs participation requirements with the intention that the program be family-centered, anti-racist, and participant-inclusive.
- Streamlines access to services with individuals with intellectual and developmental disabilities and provides greater oversight of regional centers to improve equitable access to developmental services.
- Removes the CalFresh 3-month time limit for people who are out of work.



PROTECT
OUR

Progress



- Extends the CalFresh Fruit and Vegetable Pilot Project, which provides matching dollars for purchasing fruits and vegetables with EBT cards.
- Extends the CalFresh Safe Drinking Water pilot, preventing families from experiencing a drop in their CalFresh benefits used to purchase safe drinking water.
- Provides \$8 million to provide a one-time increase to the current rates paid to foster family agencies to support stability for children in foster care.
- Extends the Opportunities for Youth program serving unaccompanied minors.
- Expands the Stop the Hate program to fund community-based organizations providing services to victims of hate incidents.
- Convenes a working group to explore statewide collective bargaining for In-Home Supportive Services providers.



Health

Approval of Key Governor's Proposals:

- Approves continued implementation of key Senate and Administration priorities, including expansion of Medi-Cal to all adults regardless of immigration status, the Children and Youth Behavioral Health Initiative, and the Community Assistance, Recovery, and Empowerment (CARE) Act.
- Approves implementation of Behavioral Health Payment Reform to reduce administrative burdens and improve care quality in the county behavioral health system.
- Approves expansion of CalAIM to support temporary housing assistance for those whom housing is necessary in order to provide health care services.

Changes to Key Governor's Proposals:

- Rejects delays to critical health care workforce programs, such as nursing, community health workers, addiction medicine, and social work to improve access to behavioral health.
- Appreciates the Administration withdrawing proposed cuts to public health workforce programs to recruit and retain staff in our local public health departments.
- Approves proposed \$375 million for CalAIM to address county cash-flow challenges, but requires the funds be repaid within the budget year.
- Rejects the Governor's updated Managed Care Organization (MCO) Tax proposal to spend additional revenue over 8-10 years and instead invests that money immediately to improve reimbursement rates and make other investments in primary care, specialty care, hospitals, clinics, community health workers, behavioral health capacity, reproductive health care, abortion access, workforce development. Also uses MCO Tax revenue to eliminate pending trigger reductions for continuous Medi-Cal coverage for children 0-5 and share of cost reform for seniors in Medi-Cal, adopted in the 2022 Budget Act.



Approval of Key New Legislature Proposals:

- Ends diversion of CoveredCA penalties funds intended to be used to lower costs of CoveredCA plans. Subsidies will be increased on January 1, 2024, to eliminate health care deductibles and reduce copays for 900,000 Californians.
- Makes investments in naloxone and opioid overdose prevention and reversals in harm reduction centers to bring resources closer to those in need.



Transportation

Approval of Key Governor's Proposals:

- Approves proposal to continue funding for homeless encampment clean up on state highways.
- Approves proposal to equip all uniformed California Highway Patrol employees with body worn cameras.

Changes to Key Governor's Proposals:

- Rejects the \$2 billion proposed net reductions of the Transportation Infrastructure Package, including \$1 billion in 2023-24 and \$1.5 billion in 2024-25 and a delay of \$500 million to 2025-26.
- Requires Caltrans to report on the outcomes of the Encampment Coordinator Team, who will support statewide efforts to address homelessness within the highway system right of way.

Approval of Key New Legislature Proposals:

- Provides \$1.1 billion to CalSTA across 2023-24, 2024-25, and 2025-26 for the Zero Emission Transit Capital Program, which will provide 100% flexibility for capital and operations expenses and be contingent on meeting specified accountability provisions.
- Adopt trailer bill language that limits Caltrans from charging self-help counties with countywide sales tax measures dedicated to transportation improvements more than 10 percent for administration indirect cost recovery.



Housing and Homelessness

Approval of Key Governor's Proposals:

- Provides \$1 billion in Homeless Housing, Assistance, and Prevention (HHAP) funding to support Round 5 of local efforts to reduce and prevent homelessness.
- Requires regional planning and establishes additional accountability mechanisms for local spending of homelessness reduction and prevention resources across programs including, but not limited to, HHAP – pending finalization of corresponding trailer bill language.

Changes to Key Governor's Proposals:

- Fully funds the California Dream for All shared-equity down payment assistance program for first-time homebuyers by rejecting \$200 million in proposed cuts.
- Fully funds the Accessory Dwelling Unit Grant Program, thus facilitating the continued production of these “missing middle” housing options by rejecting \$50 million in proposed cuts.
- Retains \$50 million for the CalHome affordable housing retention and rehabilitation program, by partially rejecting \$100 million in proposed cuts.
- Retains \$82.5 million for the Foreclosure Intervention and Housing Preservation Program (\$32.5 million above and beyond the Governor's proposed level of funding) while still achieving budget year savings through deferral of \$345 million previously allocated to the program.

Approval of Key New Legislature Proposals:

- Provides an additional year (“Round 6”) of Homeless Housing, Assistance, & Prevention (HHAP) program funding in the amount of \$1 billion, enabling local initiatives to make investments in solutions to homelessness over a longer time-horizon.
- Advances deployment of \$360 million in HHAP funding previously set-aside for use as “bonus” awards.



- Directs \$100 million to the Housing and Community Development Department's flagship affordable housing development program: Multi-Family Housing Program.
- Directs CalHFA to refine program eligibility to ensure the California Dream for All down payment assistance program lifts up first-time homebuyers from historically-excluded communities and authorizes CalHFA to pursue innovative partnerships with charitable foundations and private entities in order to replenish and expand the pool of funds available for the program – pending finalization of corresponding trailer bill language.
- Provides \$2 million to assist border communities with temporary shelter for recently arrived asylum seekers.



General Government

Approval of Key Governor's Proposals:

- Approves Film Tax Credit extension and refundability proposal, with final language to be negotiated.
- Approves proposal to subject Incomplete Non-Grantor Trusts to the California Income Tax, with final language to be negotiated.

Changes to Key Governor's Proposals:

- Defers proposed allocations to the CalCompetes grant program from \$120 million this year, to \$40 million spread over three years.
- Retains \$50 million for the California Youth Job Corps program while trimming a more expansive spending proposal for that program and rejecting a doubling of the California Climate Action Corps.
- Reallocates the Local Government Budget Sustainability Fund to:
 - Invest \$50 million in the Fresno Public Infrastructure Plan designed to revitalize downtown Fresno and lay the groundwork for infill housing development through transportation, water, and greenspace public works projects.
 - Retain \$50 million for Local Government Budget Sustainability Fund investments.
 - Recoup \$200 million in General Fund savings.
- Achieves General Fund savings through rejection of the proposed Made in California relaunch and pulling back on Visit California expenditures.
- Approves the Governor's proposed changes to the New Employment Credit with updates to support more businesses statewide, including additional support for hiring for lithium extraction, electric battery manufacturing, and electric aviation industries.
- Approves the proposed funding for the Department of General Services Richards Boulevard building, but shift the funding to lease revenue bonds.



PROTECT
OUR

Progress





Labor and Workforce Development

Approval of Key Governor's Proposals:

- Approves proposed second round of funding for EDDNext modernization project
- Approves proposed solutions for Emergency Medical Technician Training and Apprenticeship Innovation Fund
- Preserves funding that supports women and nonbinary individuals in the construction workforce
- Approves \$750 million withdrawal to the supplemental Unemployment Insurance debt payment
- Approves \$500 million withdrawal to Unemployment Insurance small business relief
- Approves a one-time loan of \$306 million from the Unemployment Compensation Disability Fund to the General Fund to pay the annual interest payment on the state's Unemployment Insurance loan balance for the 2023 calendar year.

Changes to Key Governor's Proposals:

- Rejects proposed cut to COVID-19 Worker Outreach Project and instead supports 2023-24 appropriation with Labor and Workforce Development Fund
- Rejects proposed cut to California Youth Leadership Corps. program that provides community change learn-and-earn career pathways
- Strengthens a Department of Industrial Relations proposal to help address wage claim processing times by: 1) Establishing a Workers Rights Enforcement Grant Program to provide reimbursements to local city attorneys and district attorneys for funds expended on workers rights enforcement, and 2) Providing resources for worker outreach as well as recruitment, hiring, and retention efforts to increase staffing levels at the Division of Labor Standards and Enforcement.



Approval of Key New Legislature Proposals:

- Establishes a working group, convened by Labor and Workforce Development Agency in consultation with the Employment Development Department and consisting of representatives from state and local stakeholders, to explore ways that the state can create and support a permanent fund for excluded workers that enables them to access the unemployment insurance benefits paid for by their employers.
- Funds initiatives that protect the health and safety of household domestic service employees.
- Updates California's existing high road statute by: 1) adding definitions for "quality job," "economic equity," "high road jobs program," "high road jobs plan," 2) clarifying the CA Workforce Development Board's role in high road procurement and high road contracting, and 3) creating a zero-emission jobs roadmap for the state to identify the actions needed to meet California's zero-emissions goals with minimal displacement of existing workers.
- Provides \$5 million General Fund in 2023-24 for the Breaking Barriers to Employment grant program at the California Workforce Development Board.



Justice and Public Safety

Approval of Key Governor's Proposals:

- Approves funding to implement free phone calling at state prisons, as required by SB 1008 (Becker), Chapter 827, Statutes of 2022.
- Approves and expands efforts to close prisons to reflect the declining incarcerated population.
- Approves expanded funding for the court system, including resources for ongoing courthouse construction, facility maintenance, and trial court operations.
- Maintains funding for the Court Appointed Special Advocate Program.
- Approves expansion of the Prison to Employment Initiative to federal prisons.

Changes to Key Governor's Proposals:

- Rejects proposed \$50 million cut to the Public Defense Pilot.
- Provides some preliminary funding for rehabilitative and programming reforms at San Quentin State Prison, and includes \$21 million for rehabilitative programming statewide.
- Provides additional funding for the Nonprofit Security Grant, bringing the total allocation from \$10 million proposed in the May Revision to \$20 million.
- Shifts \$25 million proposed for firearm surrender programs at Cal OES to the Judicial Branch for expedited removal of firearms from prohibited persons in criminal cases.

Approval of Key New Legislature Proposals:

- Expands access to justice by providing support for legal aid recruitment and retention programs and \$1.2 million in additional criminal fee relief.
- Funds a statewide UC based depository & public database for police records.
- Provides \$3 million for additional enforcement of tenant rights.



PROTECT
OUR

Progress



- Provides \$2.3 million for sexual and domestic violence prevention programs, \$7 million for services for victims of human trafficking, and \$10 million for Family Justice Centers, which assist victims of crime in accessing legal services.
- Provides \$4 million for education and outreach in multiple languages around Gun Violence and Domestic Violence Restraining Orders.