

# *Shrink the Shortfall Agreement*



*Step One:*

**SHRINK THE  
SHORTFALL**



***April 3, 2024***

*Shrink The Shortfall*

## **Solutions Summary**

<b>Category</b>	<b>Amount</b>
Reductions	\$3.6 billion
Revenue/Borrowing	\$5.2 billion
Delays	\$3.1 billion
Fund Shifts	\$3.4 billion
Deferrals	\$2.1 billion
<b>Total</b>	<b>\$17.3 billion</b>

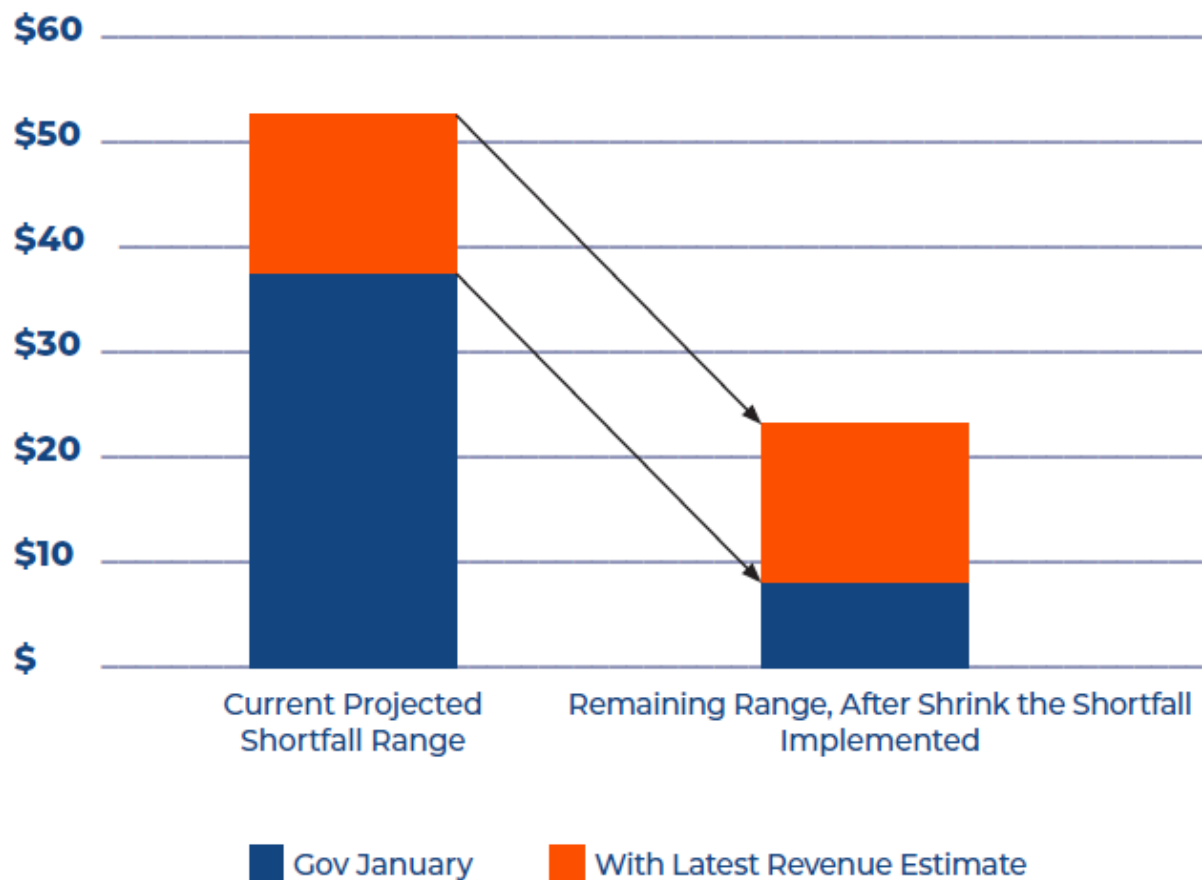
## **How the Shortfall Shrinks**

Current Projected Shortfall Range:	\$37.9 to \$52.9 billion
Shrink the Shortfall Agreement Solutions:	-\$17.3 billion
Assume Proposed Use of Rainy Day Fund:	-\$12.2 billion
<b>Remaining Shortfall Range:</b>	<b>\$8.4 to \$23.4 billion</b>

# SHRINK THE SHORTFALL

## Dramatically Improves Budget Condition

(in billions)



## **\$17.3 Billion Solutions Detail**

(in millions)

#	Department	Education	Current Year	Budget Year
1	University of California	<p>➤ Approves Governor’s proposed one-time deferrals of \$227.8 million, representing a five-percent resource adjustment that is consistent with the Governor’s multi-year compact with UC and \$31 million General Fund to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three UC campuses with an equivalent number of California resident undergraduate students.</p> <p>Deferrals would maintain ongoing UC at 2023-24 levels and enable UC to pursue various interim financing to support the planned 2024-25 base support.</p>	\$0	\$258.8
2	University of California	<p>➤ Approves Governor’s proposal to forego a \$300 million General Fund investment for a new construction project at UCLA because the project scope shifted to the acquisition and maintenance of an existing facility.</p>	\$0	\$300
3	California State University	<p>➤ Approves Governor’s proposal to defer \$240.2 million General Fund one-time. The deferral would maintain ongoing CSU at 2023-24 levels and enable CSU to pursue various interim financing to support the planned 2024-25 base support.</p>	\$0	\$240.2
4	California State Library	<p>➤ Approves Governor’s proposal to pull back \$29 million of the \$35 million General Fund provided in the 2021 Budget Act to expand broadband access to isolated and under-served communities.</p>	\$29.0	\$0

5	Office of Public School Construction	➤ Approves Governor’s proposal to reduce the School Facility Program by \$500 million, bringing the total General Fund appropriation since 2022-23 from \$4.1 billion to \$3.6 billion. The General Fund allocation is expected to support the program until funds from a November 2024 bond can be administered.	\$0	\$500
6	Office of Public School Construction	➤ Approves Governor’s proposal to delay \$550 million for the Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facility Program. School bond discussions for the November 2024 election include early education facilities.	\$0	\$550

#	Department	Resources and Energy	Current Year	Budget Year
7	Department of Water Resources	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to delay the Investments in Strategic Reliability Assets (Energy Package).</li> </ul> <p>(Maintains \$2.37 billion. This will have minimal programmatic impact.)</p>	\$0	\$55
8	Department of Water Resources	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to delay Oroville Pump Storage (Energy Package). This will have minimal programmatic impact.</li> </ul> <p>(Maintains \$240 million. This will have minimal programmatic impact.)</p>	\$0	\$90
9	Various	<ul style="list-style-type: none"> <li>➤ Approves Governor's level of fund shifts from General Fund to the Greenhouse Gas Reduction Fund. The specific programs to backfill will be determined through continued discussions with the Governor and Assembly.</li> </ul>	\$557	\$1,241
10	Air Resources Board and Energy Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce funding for Drayage Trucks &amp; Infrastructure Pilot Project.</li> </ul>	\$23.5	\$0
11	Energy Resource Conservation, and Development Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce funding for ZEV manufacturing grants.</li> </ul>	\$7.3	\$0
12	Energy Resource Conservation, and Development Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to funding for Emerging Opportunities.</li> </ul>	\$7.3	\$0
13	Energy Resource Conservation, and Development Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce the Climate Innovation Program.</li> </ul>	\$0	\$100

14	Energy Resource Conservation, and Development Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor’s proposal to reduce the Food Production Investment Program (Energy Package).  (Maintains \$46 million.)</li> </ul>	\$18.8	\$0
15	Energy Resource Conservation, and Development Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor’s proposal to reduce the Industrial Decarbonization Program (Energy Package).  (Maintains \$68 million. Program will leverage \$90 million in federal Department of Energy funds.)</li> </ul>	\$22	\$0
16	Energy Resource Conservation, and Development Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor’s proposal to reduce the Hydrogen Grants.  (Maintains \$65 million. California recently received more than \$1 billion for hydrogen development through federal ARCHES.)</li> </ul>	\$35	\$0
17	Energy Resource Conservation, and Development Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor’s proposal to delay funding for Distributed Electricity Backup Assets.</li> </ul>	\$50	\$0
18	Energy Resource Conservation, and Development Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor’s proposal to reduce funding for California Electric Homes Program.</li> </ul>	\$6.4	\$0
19	Energy Resource Conservation, and Development Commission	<ul style="list-style-type: none"> <li>➤ Approves portion of Governor’s proposal to delay funding for Clean Energy Reliable Investment Plan.</li> </ul>	\$0	\$100
20	Public Utilities Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor’s proposal to delay Broadband – Last Mile.  (Maintains \$2 billion. This will have minimal programmatic impact.)</li> </ul>	\$0	\$100

21	Public Utilities Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce the Capacity Building Grant Program (Energy Package).</li> </ul> <p>(Maintains \$10 million.)</p>	\$20	\$0
22	Public Utilities Commission	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce Broadband – Loan Loss Reserve.</li> </ul> <p>(Maintains \$500 million.)</p>	\$0	\$150
23	Department of Water Resources	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce \$6.8 million for forecasted informed reservoir operations/improving runoff forecasting/snow.</li> </ul>	\$0	\$6.8
24	Department of Conservation	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce funding for Biomass Hydrogen/Biofuels Project</li> </ul>	\$45	\$0
25	Office of Planning and Research	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce \$9.8 million for regional climate collaboratives.</li> </ul> <p>(\$10 million remains.)</p>	\$9.8	\$0
26	Office of Planning and Research	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce \$5 million for climate adaptation and resilience planning grants.</li> </ul> <p>(\$10 million of the original \$25 million has been committed to date; this proposal would allow an additional \$10 million to remain uncommitted.)</p>	\$5	\$0
27	Department of Water Resources/Wildlife Conservation Board	<ul style="list-style-type: none"> <li>➤ Partially approves half of the Governor's proposal to reduce \$413.3 million for watershed climate resilience, for a total \$206.7 million.</li> </ul> <p>(Possible upcoming bond. Other funding available includes \$43 million (Prop 68 and annual support of \$21 million from Habitat Conservation Fund.)</p>	\$88.3	\$118.4



28	Department of Pesticide Regulation	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce \$2.6 million for pest notification.</li> </ul> <p>(This issue could/will get bundled into overhaul of mill assessment.)</p>	\$2.6	\$0
29	Wildlife Conservation Board	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce \$5 million for resource conservation investment strategies.</li> </ul> <p>(Minimal impact to WCB; still has Prop. 68 funding remaining for same purpose.)</p>	\$5	\$0
30	CalRecycle	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce \$6.7 million for the Compost Permitting Pilot Program.</li> </ul> <p>(Won't be able to provide grants; but remaining \$1 million will support research contract.)</p>	\$6.7	\$0
31	Toxics and Substance Control	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to delay funding for the Vulnerable Community Toxic Clean-up.</li> </ul>	\$0	\$175
32	CalFire	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce \$3.6 million for the Forest Legacy Program.</li> </ul> <p>(Retains \$45 million.)</p>	\$3.6	\$0
33	CalFire	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to reduce \$2.9 million for the Interagency Forest Data Hub.</li> </ul> <p>(Retains \$7 million.)</p>	\$2.9	\$0
34	State Water Resources Control Board	<ul style="list-style-type: none"> <li>➤ Approves Governor's proposal to borrow \$200.6 million from the Underground Storage Tank fund as a loan to the General Fund.</li> </ul>	\$0	\$200.6

#	Department	Health and Human Services	Current Year	Budget Year
35	Health and Human Services Agency	➤ <u>Health and Human Services (HHS) Innovation Accelerator</u> - Approves Governor's proposal to delay \$74 million for HHS Innovation Accelerator approved in 2023 Budget Act, until 2025-26.	\$42	\$32
36	Health Care Services	➤ <u>Behavioral Health Infrastructure</u> – Approves Governor's proposal to delay \$475.4 million for the final rounds of the Behavioral Health Continuum Infrastructure Program and Behavioral Health Bridge Housing until 2025-26. If the voters approve Proposition 1, the Legislature may consider swapping these General Fund investments in the out-years with the new bond funding approved for this purpose.	\$0	\$375.4
37	Health Care Services	➤ <u>Medi-Cal Drug Rebate Special Fund Reserve</u> – Approves Governor's proposal to sweep the \$162.7 million reserve balance in the Medi-Cal Drug Rebate Special Fund to the General Fund. This special fund is meant to smooth fluctuations in Medi-Cal drug rebate receipts, which are lower this year than expected, so this use of the fund is reasonable.	\$135.1	\$27.6
38	Public Health	➤ Approves Governor's proposal to borrow from the AIDS Drug Assistance Program Rebate Fund, with agreement for new program commitments from available funds as part of the Budget Act of 2024.	\$0	\$500
39	Public Health	➤ <u>Skilled Nursing Facility Staffing Audits Fund Shift</u> – Approves Governor's proposal to shift \$4 million to support staffing audits in skilled nursing facilities from the General Fund to the Licensing and Certification Fund. The Legislature had advocated for this funding shift in last year's budget, but it was ultimately not included.	\$0	\$4
40	Public Health	➤ <u>Clinical Dental Rotations Fund Shift</u> – Approves Governor's proposal to shift \$9.7 million to support clinical dental rotations in underserved areas from the General Fund to the Proposition 56 State Dental Account Fund reserves. According to CDPH, these reserves have built up over time due	\$9.7	\$0

		to prior implementation delays and should not affect the current program funding or operations.		
41	Public Health	➤ <u>Climate and Health Surveillance Program</u> – Approves Governor’s proposal to reduce \$3.1 million General Fund expenditures for climate and health surveillance, due to program savings.	\$3.1	\$0
42	Public Health	➤ <u>COVID-19 Website Transition and Information Technology Resources</u> – Approves Governor’s proposal to eliminate \$900,000 General Fund authorized in the 2023 Budget Act for the COVID-19 website, and transition the website to CDPH.	\$0.9	\$0.9
43	Health Care Access and Information	➤ <u>HCAI Special Fund Loans</u> – Approves Governor’s proposal to loan the General Fund a total of \$66 million from the following HCAI special funds: 1) Hospital Building Fund (\$50 million), 2) Registered Nurse Education Fund (\$3 million), 3) Vocational Nurse Education Fund (\$1 million), 4) Mental Health Practitioner Fund (\$1 million), and 5) CA Health and Data Planning Fund (\$11 million).	\$0	\$66
44	Managed Health Care	➤ <u>Managed Care Fund Loan</u> – Approves Governor’s proposal to loan the General Fund \$22.9 million from the Managed Care Fund.	\$0	\$22.9
45	Health Care Services	➤ <u>Managed Care Organization (MCO) Tax</u> – Approves Governor’s proposal to seek federal approval to increase the state’s tax on managed care organizations. The enhanced tax will provide additional federal funding for the Medi-Cal program, offsetting existing General Fund expenditures to address the budget shortfall.	\$1,020	\$2,779
46	Health Care Services	➤ <u>Two-Week Fee-for-Service Checkwrite Hold</u> – Approves Governor’s proposal to withdraw elimination of the two-week fee-for-service checkwrite hold for Medi-Cal providers. The 2023 Budget Act authorized \$532.5 million to support the elimination of the checkwrite hold in 2024-25. Due to the	\$0	\$532.5

		General Fund shortfall, the Governor proposes to keep the checkwrite hold in place.		
47	Developmental Services	➤ Approves Governor's proposal to delay the Preschool Inclusion Grant program by one additional year.	\$0	\$10
48	Aging	➤ Approves Governor's proposal to cancel the Healthier at Home Pilot Program.	\$11.9	\$0
49	Social Services	➤ Approves Governor's proposal to revert \$336 million from the 2022-23 CalWORKs Single Allocation. This is funding that is projected to be unexpended and should have no programmatic impact.	\$336	\$0

#	Department	General Government	Current Year	Budget Year
50	Housing and Community Development	➤ Approves Governor's proposal to reduce funding for Foreclosure Intervention Housing Preservation Program.	\$0	\$85
51	GOBiz	➤ Approves, in part, Governor's proposal to delay funding for economic development and conservation investments associated with decommissioning of Diablo Canyon.	\$0	\$110
52	Office of Planning and Research	➤ Approves Governor's proposal to revert unspent amounts from Experience Corps. There was limited interest in the program.	\$8.8	\$0
53	Office of Planning and Research	➤ Approves Governor's proposal to make a reversion and reductions to the Office of Community Partnerships and Strategic Communication Budget.	\$5	\$8
54	Dept. of Food and Agriculture	➤ Approves Governor's proposal to reduce funding for On-farm Water Use and Agriculture Technical Assistance.	\$6	\$0
55	Government Operations Agency	➤ Approves Governor's proposal to revert \$2.2 million General Fund in the 2019-20 budget from Census operations funding. Because the previous census work has concluded, this funding is available for reversion.	\$2.2	\$0
56	Board of State and Community Corrections.	➤ Approves Governor's proposal to shift \$100 million from the BSCC Cannabis Tax Fund Allocation 3 Subaccount to the General Fund via budgetary loan. The budgetary loan would be paid back from the General Fund in 2026-27 and 2027-28 or earlier if the budgetary loan impacts programmatic functions of the subaccount.	\$100	\$0
57	Financial Information System for California (FI\$Cal)	➤ Approves Governor's proposal to revert \$5.5 million General Fund in the 2023-24 budget from the CA State Payroll System Project. Due to delays in the project, this funding that was intended for contracting services in next phases of implementation is not currently needed therefore this funding is available for reversion.	\$5.5	\$0

58	Joint Expenses	➤ Approves Governor's proposal to shift \$50 million from the Annex Project – State Project Infrastructure fund to the General Fund via budgetary loan. This loan would be paid back in 2025-26.	\$50	\$0
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#	Department	Public Safety, Transportation, and Labor	Current Year	Budget Year
59	Various	➤ Approves Governor's proposal to return to payroll accounting that was in place beginning in 2009-10 through 2018-19 budget years.	\$0	\$1,577
60	Various	➤ Approves Governor's proposal to make appropriate reductions associated with vacant positions in 2024-25. Appropriations reduced through this process will revert to full funding levels in future budget years.	\$0	\$762
61	CalPERS	➤ Approves Governor's proposal to apply state plans retirement contribution reductions using Proposition 2 debt repayment funding.	\$0	\$1,296
62	Labor and Workforce Development Agency	➤ Approves Governor's proposal for a one-time loan of \$125 million from the Labor and Workforce Development Fund to the General Fund.	\$0	\$125
63	Labor and Workforce Development Agency	➤ Approves Governor's proposal to extend a repayment date to fiscal year 2027-28 for a one-time loan of \$107 million from the Labor and Workforce Development Fund to the General Fund that was previously included in the 2020 Budget Act.	\$0	\$107
64	Employment Development Department	➤ Approves Governor's proposal to delay \$275 million General Fund for the California Jobs First program (formerly Community Economic Resilience Fund) and instead includes \$91.7 million for each year between 2024-25 and 2026-27.	\$275	-\$91.7
65	Employment Development Department	➤ Approves Governor's proposal to support the state's Unemployment Insurance loan interest payment with \$100 million Employment Training Fund.	\$0	\$100

66	Employment Development Department	➤ Approves Governor’s proposal to reduce the investment for the Emergency Medical Technician Training program by \$10 million and instead maintain the program at \$30 million over two years.	\$0	\$10
67	Employment Development Department	➤ Approves Governor’s proposal to revert \$10 million General Fund and maintain \$30 million for the Displaced Oil and Gas Worker Fund program.	\$10	\$0
68	Employment Development Department	➤ Approves Governor’s proposed fund shift for \$3 million each year in 2023-24 and 2024-25 from the General Fund to the Unemployment Compensation Disability Fund. This funding assists with fraud mitigation and improvement of cybersecurity efforts at the Employment Development Department.	\$3.0	\$3.0
69	Department of Industrial Relations	➤ Approves Governor’s proposed fund shift for \$650,000 in 2022-23 and ongoing from the General Fund to the Labor Enforcement and Compliance Fund. This funding was for the “Reaching Every Californian” campaign that focuses on educating employees and employers on California labor laws.	\$0.7	\$0.7
70	Department of Industrial Relations	➤ Approves Governor’s proposal to delay \$40 million General Fund in 2024-25 for the Apprenticeship Innovation Fund and spread this funding over the 2025-26 and 2026-27 fiscal years.	\$0	\$40
71	Department of Industrial Relations	➤ Approves Governor’s proposal for fund shift of \$15.6 million for Enhanced Protections for Vulnerable Populations.	\$15.6	\$0
72	California Workforce Development Board	➤ Approves Governor’s proposal to delay \$40 million General Fund in 2024-25 for the Goods Movement Workforce Training Campus and spread this funding over the 2025-26 and 2026-27 fiscal years.	\$0	\$40
73	Department of Corrections & Rehabilitation	➤ Approves Governor’s proposal to delay the installation of five fixed camera projects costing \$27.2 million General Fund from 2023-24 to 2025-26 and	\$27.2	\$0



		2026-27. The proposed budget maintains \$50.4 million General Fund in 2023-24 and associated ongoing resources to implement five other projects.		
74	Department of Corrections & Rehabilitation	➤ Approves Governor's proposal to reduce excess appropriation authority related to the closed Deuel Vocation Institution.	\$11.9	\$0
75	Office of Emergency Services	➤ Approves Governor's proposal to revert \$45 million unspent funds from the Community Hardening to Build Disaster Resilient Communities Program, which was originally approved in the 2021 budget at \$100 million.	\$45	\$0
76	Office of Emergency Services	➤ Approves Governor's proposal to reduce \$12 million for Home Hardening.	\$12	\$0
77	Judicial Branch	➤ Approves Governor's proposal to transfer \$5 million from the Trial Court Emergency Fund. The proposal leaves \$5 million in the emergency fund, which is rarely used. Judicial Council had no concerns with this reversion.	\$0	\$5
78	Department of Corrections & Rehabilitation	➤ Approves Governor's proposal to reduce a contract for parolee urinalysis testing by \$100,000 ongoing General Fund. The Administration noted that contract utilization has declined due to the declining parolee population, and is returning the savings to the General Fund.	\$0.1	\$0.1
79	Department of Corrections & Rehabilitation	➤ Approves Governor's proposal to revert \$38.8 million General Fund in 2023-24 intended for COVID-19 prevention, mitigation, and response activities at CDCR but was unspent. The proposal would maintain \$53.8 million for this purpose.	\$38.8	\$0
80	Department of Corrections & Rehabilitation	➤ Approves Governor's proposal to reduce the funding provided to maintain closed Division of Juvenile Justice facilities by \$909,000 General Fund. The 2023-24 budget included \$1.7 million for facility maintenance at recently-closed DJJ facilities, but the Administration noted that the actual maintenance costs were lower than expected.	\$0	\$0.9

81	Department of Corrections & Rehabilitation	➤ Approves Governor’s proposal to revert \$1.9 million General Fund in 2023-24 and ongoing due to reduced workload related to the implementation of SB 990 (Hueso), Chapter 826, Statutes of 2022. The Administration noted that less funding than anticipated was needed to fulfill the obligations of the bill.	\$1.9	\$1.9
82	Department of Corrections & Rehabilitation	➤ Approves Governor’s proposal to revert \$5 million in 2023-24 and \$9 million in 2024-25 for COVID-19 related workers compensation funding for CDCR.	\$5	\$9
83	Department of Corrections & Rehabilitation	➤ Approves Governor’s proposal to reduce CDCR’s baseline administrative budget by \$15 million ongoing.	\$0	\$15
84	Board of State and Community Corrections	➤ Approves Governor’s proposal to reduce funding for the Community Corrections Partnership Plan updates.	\$0	\$8
85	Commission on Peace Officer Standards and Training	➤ Approves Governor’s proposal to revert unspent local assistance funding.	\$2.9	\$2.9
86	Commission on Peace Officer Standards and Training	➤ Approves Governor’s proposal to revert unspent funding approved for the implementation of SB 2 (Bradford and Atkins), Chapter 409, Statutes of 2021.	\$8	\$0
87	Judicial Branch	➤ Approves Governor’s proposal to transfer \$75 million from the unrestricted balance of the Trial Court Trust. The Judicial Council had no concerns with this reversion.	\$0	\$75
88	Department of Corrections & Rehabilitation	➤ Approves Governor’s proposal to transfer \$7.3 million of unobligated funds from the now unused Recidivism Reduction Fund to the General Fund.	\$7.3	\$0

89	Department of Justice	➤ Approves Governor's proposal to borrow \$100 million from the Unfair Competition Law Fund.	\$0	\$100
90	Transportation Agency	➤ Approves Governor's proposal to delay the Formula Transit and Intercity Rail Program.  (Maintains \$4 billion. This will have minimal programmatic impact.)	\$0	\$1,000
91	Transportation Agency	➤ Approves Governor's proposal to delay the Ports and Freight Infrastructure Program.  (Maintains \$2 billion, This will have minimal programmatic impact.)	\$0	\$100
92	Motor Vehicles	➤ Approves Governor's proposal to shift the Oxnard DMV Field Office Reconfiguration construction costs from General Fund to lease revenue bonds.  (Continues the capital outlay project, as proposed.)	\$14.3	\$0
93	Motor Vehicles	➤ Approves Governor's proposal to shift the El Centro DMV Field Office performance criteria costs from General Fund to lease revenue bonds.  (Continues the capital outlay project, as proposed.)	\$2.5	\$0
94	Highway Patrol	➤ Approves Governor's proposal to shift the performance criteria funding for six area offices from General Fund to lease revenue bonds.  (Continues the capital outlay project, as proposed.)	\$13.1	\$0
95	Transportation Agency	➤ Approves Governor's proposal to reduce Port of Oakland funding.  (Maintains \$184 million.)	\$96	\$0