



COMMITTEE ON BUDGET AND FISCAL REVIEW
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Summary of the Governor's Proposed 2023-24 Budget

January 10, 2023

The purpose of this Summary is to provide members and staff of the Legislature with an overview of the Governor's proposed budget for 2023-24. 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.

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Overall Budget Proposal

The Governor has proposed a budget for the 2023-24 fiscal year that includes General Fund resources—carry-forward balance, revenues and transfers—of \$231.7 billion and expenditures of \$223.6 billion (total expenditures from all funds is proposed to be \$297 billion). Based on the budget proposal, the General Fund would end the 2023-24 fiscal year with a Special Fund for Economic Uncertainties (SFEU) balance of \$3.8 billion and include a deposit of approximately \$911 million to the Budget Stabilization Account (BSA), resulting in an expected balance in this account of \$22.4 billion at the end of the budget year.

The proposed budget includes a General Fund revenue estimate that is \$29.5 billion lower than assumed in the 2022 Budget Act, and over a three year budget window, the Governor's budget projects a budget gap of \$22.5 billion in the 2023-24 fiscal year. The Governor's proposal notes that the state's ability to withstand an economic slowdown is stronger than ever: the result of building reserves, eliminating budgetary debt, reducing retirement liabilities, and focusing on one-time spending over ongoing investments to maintain structurally balanced budgets over the long term. As a result, the proposed budget does not call for deep reductions to critical programs, but uses a variety of tools to balance the budget moving forward.

The proposed 2023-24 budget's adjusted base, incorporates a general reserve (SFEU), Safety Net Reserve, Public School System Stabilization Account (PSSSA) and BSA of approximately a combined \$35.6 billion (with another \$4.3 billion reserved for encumbrances). The revised General Fund expenditure level for the current year (2022-23) is approximately \$240 billion. Overall, General Fund spending in 2023-24 is expected to decrease by approximately \$16.5 billion from the revised 2022-23 level.

The Governor's proposal of a budget for the 2023-24 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.

Overall Structure. The Governor's budget includes \$231.7 billion in General Fund revenues and other resources and \$223.6 billion in total General Fund expenditures (\$143.1 billion in non-Proposition 98 and \$80.6 billion in Proposition 98 funds), providing for a \$3.8 billion unencumbered reserve balance in the SFEU, a \$900 million Safety Net Reserve, a \$8.5 billion PSSSA balance, and reflecting \$22.4 billion in the BSA. The BSA is at its constitutional maximum (10 percent of General Fund revenues) requiring \$951 million to be dedicated for infrastructure investments in 2023-24. The Governor's proposed 2023-24 budget maintains vital investments made in past years, in

areas of health and human services, education, climate, and infrastructure, among others. As detailed later, the proposed budget closes the budget gap with solutions that include delayed funding, targeted reductions, fund source shifts, and a combination of borrowing and revenue generation. The proposed budget does not draw down reserves to address the budget gap.

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

2022-23 and 2023-24		
General Fund Summary		
(Dollars in Millions)		
	Revised	Proposed
	<u>2022-23</u>	<u>2023-24</u>
PRIOR YEAR BALANCE	\$52,713	\$21,521
Revenues and transfers	\$208,884	\$210,174
TOTAL RESOURCES AVAILABLE	\$261,597	\$231,695
Non-Proposition 98 Expenditures	\$160,973	\$143,060
Proposition 98 Expenditures	\$79,103	\$80,554
TOTAL EXPENDITURES	\$240,076	\$223,614
FUND BALANCE		
Encumbrances	\$4,276	\$4,276
Special Fund for Economic Uncertainties	\$17,245	\$3,805
Public School System Stabilization Account	\$8,108	\$8,473
Safety Net Reserve	\$900	\$900
Budget Stabilization Account	\$21,487	\$22,398

Paying Down Retirement Liabilities. The Governor's proposed 2023-24 budget allocates approximately \$1.9 billion in Proposition 2 debt payments in the budget year toward further reducing retirement liabilities (including State Retiree Health and State Employee Pensions). The budget projects approximately \$5.3 billion in Proposition 2 debt payments over the next three years. Proposition 2, passed by the voters in 2014, requires minimum annual payments toward eligible debts until 2029-30 and annual deposits into the BSA.

Reserves. The Governor assumes approximately \$1.3 billion less will be transferred to the BSA (commonly referred to as the Rainy Day Fund) as a true up in the current fiscal year and \$911 million will be transferred in 2023-24. The BSA balance is projected to be \$22.4 billion in 2023-24. Overall, transfers are anticipated to be around \$2 billion lower than anticipated in the 2022 Budget Act.

The Governor's budget does not include an additional deposit, which is discretionary, to the Safety Net Reserve, maintaining a balance of \$900 million. In addition, the mandatory set aside for the PSSSA is reduced reflecting lower Proposition 98 estimates, bringing its total to \$8.5 billion in the budget year.

Finally, the budget reserves \$3.8 billion in the SFEU to address emergencies and unforeseen events. Overall, the budget has \$35.6 billion set aside in reserves.

Closing the Budget Gap. Overall, the proposed budget closes the \$22.5 billion budget gap as follows:

- **Funding Delays**—\$7.4 billion. The budget delays funding for multiple items across the 2021-22 through 2023-24 fiscal years, and spreads it across the multiple years without reducing the total amount of funding.
- **Reductions/Pullbacks**—\$5.7 billion. The budget reduces spending for various items across the 2021-22 through 2023-24 fiscal years, and pulls back certain items that were included in the 2022 Budget Act to provide additional budget resilience.
- **Fund Shifts**—\$4.3 billion. The budget shifts certain expenditures in the 2022-23 and 2023-24 fiscal years from the General Fund to other funds.
- **Trigger Reductions**—\$3.9 billion. The budget reduces funding for certain items in the 2020-21 through 2023-24 fiscal years and places them in a “trigger” that would restore the reductions in the 2024 Governor's budget if it is determined that sufficient funds will be available to cover certain commitments.
- **Limited Revenue Generation and Borrowing**—\$1.2 billion.

Additional changes are proposed to the 2022 Budget Act multi-year plan to balance the budget in future years, including:

- **Future Inflationary Adjustments Withdrawn**—\$7 billion in funding to address inflationary adjustments, which were scheduled over 2024-25 and 2025-26, are now withdrawn.

- General Obligation Bond Liability—\$1.7 billion in General Fund, which had been scheduled in 2024-25 to reduce General Obligation bond liability through the redemption of callable bonds, is now withdrawn.
- Lease Revenue Bonds Liability—\$2.1 billion in General Fund had been scheduled to reduce lease revenue bond liability in 2022-23 through 2025-26. This amount is reverted back to lease revenue bond funds to pay for capital projects.
- Supplemental Deposits to BSA—\$4 billion in supplemental deposits to this reserve account had been scheduled over 2024-25 and 2025-26. These are now withdrawn.
- Additional Safety Net Reserve Deposits—\$4 billion in additional deposits to the Safety Net Reserve had been scheduled in 2024-25 and 2025-26. These are now withdrawn.

Economic Outlook. According to the Department of Finance, despite global economic slowdowns, California continues to experience growth, although slower than in the past few years. Particularly in employment, the Governor's budget documents note that the state had recovered all COVID-19 pandemic-induced job losses by October of 2022 and unemployment fell to a record low in September of 2022.

However, inflation rates have continued to impact economic growth. Nationwide, inflation rates grew to a high of 8.5 percent in March 2022. In response, the Federal Reserve raised the target federal funds rate multiple times between March and December of 2022, and high rates will likely be maintained until inflation reaches the Federal Reserve's target level of around two percent.

As a result of both strong job growth, and high inflation, the Governor's budget adjusts its economic outlook from the 2022 Budget Act to reflect slower economic and job growth, returning to normalized trends over time. The Department of Finance notes risks remain, including inflation remaining high longer than anticipated, or the Federal Reserve rate adjustments lead to more slowing in the economy than anticipated, and while this is not predicted at this time, these risks could lead to a mild recession for the state. However, a more positive outlook is also possible, with inflation easing in a shorter timeframe than anticipated and global economic pressures easing.

Data analyzed by the Department of Finance shows that non-farm jobs fully recovered from the COVID-19 pandemic by October 2022. However, despite the state's unemployment rate falling to a record low of 3.8 percent in September 2022, the overall labor force has not fully recovered, with only 71 percent of the estimated one million

people who had left the labor force during the initial months of the pandemic returning to work by October of 2022. Finally, Department of Finance notes that wage growth was lower than estimated due to contractions in traditionally high-wage labor sectors. Looking forward, the department estimates that non-farm job growth will continue to increase but at a slower rate in 2023, eventually returning to pre-pandemic trends by 2025, with wages continuing to grow but at a more modest pace. These labor market trends are anticipated to be reflected in personal income growth and resulting state revenues.

2022-23 Budget Recap

As a reminder of work done last year, which the Governor's proposed budget builds upon, following is a recap of some of the components of the 2022-23 budget. As the economic recovery from the COVID-19 pandemic was quicker and more robust than initially expected, the level of resources available in the 2022 Budget Act allowed the state to make significant investments in critical programs, including:

- **Better for Families Refunds.** The budget provided \$9.5 billion for direct tax refunds to 17.5 million California tax filers.

Support for Vulnerable Californians

- **SSI/SSP and CalWORKs Increase.** The budget accelerated half of the planned SSI/SSP grant increase from January 1, 2024 to January 1, 2023. The budget increases CalWORKs grants for two years, and made ongoing increases subject to future budget allocations. As noted below, these increases are maintained in the proposed 2023-24 Governor's budget.

K-12 Education

- **Local Control Funding Formula (LCFF).** The budget provided a total of approximately \$75.2 billion for the LCFF. This funding amount provided a cost-of-living adjustment (COLA) of \$771.5 million (6.56 percent), in addition to changes to LCFF and a rate increase that equals \$4.3 billion above COLA, for school districts, charter schools, and county offices of education (COEs), known as Local Educational Agencies (LEAs), in 2022-23.
- **School Transportation.** The budget significantly increased funding for Home-to-School Transportation by \$637 million ongoing Proposition 98, so that starting in 2022-23, school districts and county offices of education will receive an annual COLA to their transportation add-on or 60 percent of their transportation costs reimbursed.

- Continued Pandemic Recovery and Response. The budgets included a \$7.9 billion one-time Proposition 98 General Fund Learning Recovery Emergency Block Grant, to be allocated based on a local educational agency's unduplicated pupil percentage and is available for use for up to five years to establish learning recovery initiatives.
- Arts, Music, and Instructional Materials Discretionary Block Grant. The budget included one-time \$3.48 billion Proposition 98 General Fund for an Arts, Music, and Instructional Materials Discretionary Block Grant, to all local education agencies, based on average daily attendance.

Higher Education

- Higher Education Student Housing. The budget included multiple actions on student housing. First, the budget includes an additional \$2 billion General Fund for student housing projects across the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC), bringing the total amount of student housing funding to \$4 billion General Fund between 2021-22 to 2024-25.
- Base Increases at UC, CSU, and CCC. The budget included five percent base increases to increase support for the UC and CSU systems in 2022-23 and ongoing \$200.5 million General Fund and \$211.1 million General Fund respectively. The budget also included two base augmentations to support the CCC system: 1) \$493 million ongoing Proposition 98 General Fund to colleges for a 6.56 percent COLA for apportionments and 2) an additional \$600 million ongoing Proposition 98 General Fund base increase above the COLA.

Labor

- COVID-19 Supplemental Paid Sick Leave Extension. The budget agreement included re-establishing COVID-19 supplemental paid sick leave provisions through December 2022 and created the California Small Business and Nonprofit COVID-19 Supplemental Paid Sick Leave Relief Grant Program.

Resources and Energy

- Climate-Energy Package. The Budget Act of 2022 included a \$20.4 billion, multi-year Climate-Energy package to address climate change impacts and energy issues.

- **CalFire Staffing and Fire Protection Operational Enhancements.** The budget included \$671.4 million (\$622.9 million General Fund) and 1,265 positions in 2022-23 to enhance CalFire's fire suppression capabilities.
- **Greenhouse Gas Reduction Fund (GGRF): Cap-and-Trade Discretionary Spending Plan.** The GGRF Discretionary Spending Plan for 2022-23 appropriated \$1.6 billion for various purposes, including but not limited to, community air protection and monitoring, short-lived climate pollutant reductions, and sea level rise adaptation.
- **Zero-Emission Vehicle Package.** The budget provided \$6.1 billion from 2021-22 to 2026-27 to support zero-emission vehicles and infrastructure across several departments.
- **Energy Reliability, Relief and Clean Energy Investments.** The budget included a total of \$7.9 billion across several departments to support a variety of ratepayer relief, reliability, and clean energy investments.
- **Equitable Building Decarbonization Program.** The budget provided a total of \$1.1 billion over four years for the Equitable Building Decarbonization program at the California Energy Commission.

Health and Human Services

- **Medi-Cal Coverage for All Income-Eligible Californians.** The budget included expenditure authority of \$835.6 million (\$626.1 million General Fund and \$209.5 million federal funds) in 2023-24, growing to \$2.6 billion (\$2.1 billion General Fund and \$500 million federal funds) when fully implemented, to expand full-scope Medi-Cal eligibility to all income-eligible adults regardless of immigration status, beginning no later than January 1, 2024.
- **Behavioral Health, Primary Care, and Public Health Workforce Investments.** The budget included expenditure authority of \$195.1 million (\$185.1 million General Fund and \$10 million Mental Health Services Fund) in 2022-23, and General Fund expenditure authority of \$134.1 million in 2023-24, \$34.1 million in 2024-25, and \$3.2 million in 2025-26, for investments in workforce development for providers of services in the fields of behavioral health, primary care, and public health.
- **Community Health Workers.** The budget included General Fund expenditure authority of \$281.4 million over three years to recruit, train and certify 25,000 new community health workers by 2025, with specialized training to work with varying

populations, such as justice-involved, people who are unhoused, older adults, or people with disabilities.

- **Comprehensive Nursing Initiative.** The budget included General Fund expenditure authority of \$220 million over three years to increase the number of registered nurses, licensed vocational nurses, certified nursing assistants, certified nurse midwives, certified medical assistants, family nurse practitioners, and other health professions.
- **Expanding Social Workers.** The budget included General Fund expenditure authority of \$126 million over three years to increase the number of social workers trained in the state by supporting social work training programs and providing stipends and scholarships for working people to create a new pipeline for diverse social workers who cannot otherwise afford the financial or time investment required to complete full-time training programs.
- **Reproductive Health Investments.** The budget included General Fund expenditure authority of \$201.6 million, available over several years, to support and protect access to reproductive health and abortion services in California.
- **Modernizing the Older Californians Act.** The budget included \$59.3 million General Fund in 2022-23, \$86.9 million General Fund in 2023-24, and \$39.8 million General Fund in 2024-25 to restore supports and services for older adults.
- **Developmental Service Provider Rate Acceleration.** The budget included \$159.1 million General Fund in 2022-23, \$34.1 million General Fund in 2023-24, \$534 million General Fund in 2024-25, and \$13.6 million General Fund ongoing to accelerate service provider rate increases approved in the 2021 Budget Act, and to accelerate full implementation to July 1, 2024.
- **Foster Care Supports for Youth and Families.** The budget included \$150 million General Fund one-time for intensive family finding and engagement services for children in foster care.

Public Safety

- **Reduction of the Civil Assessment.** The budget appropriated \$100 million ongoing and \$10 million one-time General Fund to backfill trial courts for changes related to civil assessments.

- **Firearm Relinquishment.** The budget included \$65 million in resources to reduce the proliferation of firearms.
- **Reentry Support.** The budget included \$212 million over three years for housing and other programs to support successful reentry.
- **Victim Services.** The budget provided \$50 million one-time General Fund to establish a grant program for community-based organizations to provide flexible assistance to survivors of crime.
- **Retail Theft.** The budget included \$303 million over three years to combat retail theft.

Housing and Transportation

- **Housing and Homelessness Investments.** The budget included \$1.55 billion in 2022-23, and \$1.5 billion in 2023-24, in investments to provide affordable housing and combat homelessness statewide.
- **HHAPP Funding.** The budget provided an additional \$1 billion in 2023-24 for the Homeless Housing, Assistance, and Prevention Program (HHAPP).
- **California Dream For All.** The budget provided \$500 million General Fund and establishes the California Dream For All program to make homeownership more achievable for first time homebuyers.
- **Transit Infrastructure.** The budget included \$3.65 billion for transit investments in the current year through the California State Transportation Agency (CalSTA) Transit and Intercity Rail Capital Program.
- **Ports and Freight Infrastructure.** The budget included \$1.2 billion over two years through CalSTA for freight-related infrastructure at and around the state's ports.
- **Active Transportation Program.** The budget included \$1 billion in the current year for the Active Transportation Program and \$150 million at Caltrans for a pilot program for planning and delivery of projects that will inform the future conversion of underutilized highways into multimodal corridors that serve existing communities.
- **California High Speed Rail Project.** The budget appropriated the remaining \$4.2 billion in Proposition 1A funds for the High Speed Rail Authority, and provides

that \$2.2 billion will be available when specified conditions are met by the Authority.

- Diesel Sales Tax Relief. The budget provided \$439 million to suspend the General Fund portion of the sales tax on diesel fuel, reducing costs by about 23 cents per gallon, which primarily benefits businesses.

Other

- Young Child Tax Credit and Foster Youth Tax Credit. The budget expanded the existing Young Child Tax Credit to zero-income filers, indexes the credit to inflation and creates a Foster Youth Tax Credit to provide a \$1,000 credit to young adults who were in the foster care system.
- Cannabis Tax Reform. The budget made several statutory changes to the tax structure related to cannabis and the cannabis regulatory framework. Most significantly, the budget: (1) suspended the state's cannabis cultivation tax; (2) maintained a 15 percent cannabis excise tax, as required by Proposition 64 – and allowed cannabis equity operators to collect an equivalent amount to 12 percent cannabis excise tax – until June 30, 2025, and moves collection of the excise tax from the distributor to the point-of-sale; and, (3) set the baseline of new cannabis tax revenue for Allocation 3 entities (these entities use cannabis revenues to operate youth programs related to substance use education, prevention, and treatment, environmental programs, and law enforcement) at \$670 million in 2022-23, 2023-24, and 2024-25, which can be satisfied with tax revenues, or with up to \$150 million one-time General Fund backfill if needed.

2023-24 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 2022-23	Proposed 2023-24	Change
K-12 Education	\$78,505	\$81,176	\$2,671
Higher Education	23,043	22,518	-525
Health and Human Services	64,790	71,447	6,657
Corrections and Rehabilitation	15,822	14,775	-1,047
Business, Consumer Services, Housing	4,062	1,472	-2,590
Transportation	1,725	2,191	466
Natural Resources	15,437	9,723	-5,714
Environmental Protection	2,133	1,989	-144
Labor and Workforce Development	1,234	1,638	404
Government Operations	6,795	3,847	-2,948
General Government:			
Non-Agency Departments	2,791	3,562	771
Tax Relief / Local Government	678	558	-120
Statewide Expenditures	3,425	-3,134	-6,559
Legislative, Judicial and Executive	19,636	11,852	-7,784
Total	\$240,076	\$223,614	-\$16,462

The Governor's 2023-24 budget proposes major policy and budgetary changes. Some of the more significant aspects of the budget proposal are outlined below:

Education and Higher Education

K-12 Education. In addition to Proposition 98 (General Fund and property taxes), K-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 K-12 education from all sources is approximately \$128.5 billion in 2023-24.

Local Control Funding Formula (LCFF). The budget proposes an LCFF cost-of-living-adjustment of 8.13 percent, and when combined with growth adjustments, results in \$4.2 billion in additional discretionary funds for local educational agencies. The budget proposes \$613 million in one-time resources to support the ongoing cost of LCFF in 2022-23 and \$1.4 billion in one-time resources to support the ongoing cost of LCFF in 2023-24. The budget also proposes an “equity multiplier” as an add-on to LCFF, and will be allocated based on school-site eligibility.

Arts and Music in Schools-Funding Guarantee and Accountability Act (Proposition 28). The budget includes \$941 million to fund Proposition 28 outside of Proposition 98 funding levels. To accommodate this cost pressure, as well as one-time costs related to LCFF, the budget proposes to reduce the Arts, Music, and Instructional Materials Discretionary Bock Grant – for which the 2022 budget included \$3.5 billion Proposition 98 General Fund – by \$1.2 billion, for a revised level of \$2.3 billion Proposition 98 General Fund.

Higher Education

Multi-Year Compacts and Roadmap Retained. The Governor's budget maintains the multi-year compacts with the University of California (UC) and California State University (CSU) and the roadmap with the California Community Colleges (CCC). This includes five-percent base funding increases for UC and CSU in exchange for clear commitments to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities, as well as a cost of living adjustment for apportionments at CCC.

Delayed Timing in Student Housing Funding. As part of a previously adopted multi-year agreement, the state planned to provide \$750 million in 2023-24 for the third year of the Higher Education Student Housing Grant Program. The Governor now proposes to reduce this funding to \$500 million by delaying \$250 million until 2024-25.

As part of the Budget Act of 2022, the state planned to provide a total of \$1.8 billion one-time General Fund for a new revolving loan program focused on housing. Of this amount, the state planned to provide \$900 million in 2023-24 and \$900 million in 2024-25. The

Governor's budget now proposes delaying this funding, with \$650 million proposed for 2024-25 and \$1.15 billion proposed for 2025-26.

Shifts in Capital Support Funding at UC and CSU. The Governor's budget shifts capital outlay support for projects at UCLA, UC Berkeley, UC Riverside, and UC Merced from 2023-24 to 2024-25. The Governor's budget also proposes shifting \$404.8 million appropriated for the upfront support of various capital projects on CSU campuses to CSU-issued bonds and includes \$27 million General Fund ongoing to support the underlying debt service on those bonds.

Health and Human Services

Medi-Cal Coverage for All, Regardless of Immigration Status. The budget maintains the state's historic investment in expanding full-scope Medi-Cal coverage to all Californians, regardless of immigration status. The budget includes expenditure authority of \$844.5 million (\$635.3 million General Fund) in 2023-24, \$2.1 billion (\$1.6 billion General Fund) in 2024-25, and \$2.5 billion (\$2 billion General Fund) annually thereafter for the expansion.

MCO Tax Reauthorization. The budget includes General Fund savings of \$316.5 million in 2023-24 and approximately \$2 billion in 2024-25 and 2025-26 from renewal of the enrollment tax on managed care organizations (MCO Tax), beginning January 1, 2024.

CARE Act Implementation. The budget maintains and continues investments in county implementation of behavioral health services to support the Community Assistance, Recovery, and Empowerment (CARE) Act, including General Fund expenditure authority of \$57 million in 2022-23, \$16.5 million in 2023-24, \$66.5 million in 2024-25, and \$108.5 million annually thereafter.

CalBH-CBC Demonstration. The budget includes expenditure authority of \$6.1 billion (\$314 million General Fund, \$175 million Mental Health Services Fund, \$2.1 billion County Behavioral Health Fund, and \$3.5 billion federal funds) over five years to support the California Behavioral Health Community-Based Continuum (CalBH-CBC) Demonstration, effective January 1, 2024. The demonstration, part of the California Advancing and Innovating Medi-Cal (CalAIM) initiative, is intended to expand access and strengthen the continuum of mental health services for Medi-Cal beneficiaries living with serious mental illness or serious emotional disturbance.

Behavioral Health Bridge Housing Delay. The budget delays a portion of the \$1.5 billion General Fund commitment to Behavioral Health Bridge Housing adopted in the 2022 Budget Act. After the delay, the budget includes General Fund expenditure authority

of \$1 billion in 2022-23, \$250 million in 2023-24 and \$250 million in 2024-25 for clinically enriched temporary housing for unhoused individuals with serious behavioral health conditions.

Behavioral Health Continuum Infrastructure Program Delay. The budget delays the final round of funding for the Behavioral Health Continuum Infrastructure Program, moving \$480.7 million General Fund expenditures scheduled to be awarded in 2022-23 to future years. According to DHCS, \$1.2 billion has been awarded to date, with an additional \$480.7 million scheduled to be awarded in 2022-23. The program will now award the final \$480.7 million that was scheduled to be awarded in 2022-23 as follows: 1) \$240.4 million in 2024-25 and 2) \$240.3 million in 2025-26.

Child Care. The Governor's budget maintains past ongoing rate increases for child care providers, but makes no new investments in rate increases. The Administration expresses intent to develop a single rate structure and work with the Child Care Providers Union (CCPU) to negotiate a new agreement. The budget also delays the implementation of 20,000 child care slots, slowing California's progress towards the goal of 200,000 new subsidized child care slots.

State Supplemental Payment (SSP). The Governor's budget includes an SSP increase of approximately 8.6 percent, sustaining progress to restore SSP grants to pre-Great Recession levels.

CalWORKs. The Governor's budget projects a 2.9 percent increase to the CalWORKs maximum aid payment.

Developmental Services. The budget sustains the historic investments in services for Californians with intellectual and developmental disabilities with a focus on improving outcomes and reducing disparities.

Delays Expansion of the California Food Assistance Program (CFAP). The Governor's budget proposes delaying the expansion of CFAP to all Californians age 55 and older regardless of immigration status from 2025 to 2027.

Resources and the Environment

Climate Investment Reductions. The 2021 and 2022 Budget Acts allocated approximately \$54 billion over five years to advance the state's climate agenda. The proposed budget maintains 89 percent of these investments (approximately \$48 billion), reducing these investments by 11 percent (approximately \$6 billion). The proposed budget includes reductions across several climate programs, which are partially offset by shifts to other fund sources. Additionally, the state will pursue additional federal funding

through the Inflation Reduction Act and the Infrastructure Investment and Jobs Act. Most of the climate reductions are included in the trigger, so if there is sufficient General Fund in January 2024, these reductions will be restored.

Coastal Protection and Adaptation. The proposed budget includes a reduction of \$175 million in 2022-23, \$297 million in 2023-24, and \$9 million in 2024-25 across various coastal protection and adaptation programs administered by the State Coastal Conservancy. This maintains approximately \$582 million (55 percent) for this purpose.

Urban Flood Risk Reduction. The proposed budget includes an increase of \$135 million General Fund over two years to support local agencies for the purpose of reducing urban flood risk.

Zero-Emission Vehicles (ZEVs). The proposed budget maintains \$8.9 billion (or 89 percent of \$10 billion provided in the 2021 and 2022 Budget Acts) over five years for ZEV investments. The proposed budget includes \$2.5 billion of General Fund reductions across various ZEV programs, which are partially offset by approximately \$1.4 billion in fund shifts to Cap and Trade funds.

Energy. The proposed budget maintains \$7 billion (or 89 percent of \$7.9 billion provided in the 2022 Budget Act) in clean, reliable, and affordable energy investments, and proposes an initial allocation of \$100 million in 2023-24 from SB 846 Clean Energy Reliability Investment Plan funds for reliability and enabling investments that will accelerate the clean energy transition. The proposed budget includes \$897 million in General Fund reductions and \$370 million in General Fund delays to future years. If there is sufficient General Fund in January 2024, up to \$410 million of these reductions will be restored.

Agriculture. The proposed budget maintains \$1 billion (or 89 percent of \$1.1 billion provided in the 2021 and 2022 Budget Acts) over multiple years for sustainable agriculture investments. The proposed budget includes \$128 million in General Fund reductions across various programs. If there is sufficient General Fund in January 2024, reductions will be restored.

Transportation, Housing, and Homelessness.

Transportation Infrastructure. The proposed budget maintains \$11.6 billion (or 84 percent of \$13.8 billion provided in the 2022 Budget Act) over multiple years for transportation programs. The proposed budget includes \$2.7 billion in General Fund reductions, partially mitigated by an additional \$500 million from state transportation

funds. If there is sufficient General Fund in January 2024, \$2 billion of these reductions will be restored.

Homelessness. The proposed budget includes \$3.4 billion General Fund in 2023-24 to maintain the state's efforts to address homelessness, maintaining commitments made in prior budgets.

Housing. The proposed budget also includes \$2.85 billion for housing resources. This represents a \$350 million reduction in previously-budgeted funds for housing. These reductions include:

- A reversion of \$200 million in General Fund resources previously budgeted for the California Dream for All Program at the California Housing Finance Agency (CalHFA).
- A reduction of \$100 million in General Fund resources previously budgeted for the CalHome program and the Department of Housing and Community Development.
- A reduction of \$50 million in General Fund resources previously budgeted for the Auxiliary Dwelling Unit program at CalHFA.

Labor, Employment, and Workforce Development

Several Workforce Investments Subject To Reduction and Shifts. The Governor's budget proposes a reduction of \$55 million in workforce investments included in the Budget Act of 2022. However, these reductions are included in a trigger mechanism and will be restored if there is sufficient General Fund in January 2024. Moreover, the Budget Act of 2022 previously planned \$65.6 million over four years for various public health workforce development programs. The Governor's budget now proposes to reduce this investment to \$15.8 million to help address the projected revenue shortfall. As well, the Governor's budget defers funding for various workforce initiatives at the department of Health Care Access and Information.

Unemployment Insurance (UI) Withdrawals. The Governor's budget proposes to withdraw the \$750 million General Fund one-time UI Debt Payment in 2023-24 and also remove a \$500 million one-time General Fund commitment in 2024-25 to offset the anticipated rising federal unemployment insurance tax rates resulting from the UI Trust Fund insolvency.

General Government and Public Safety

California Competes (CalCompetes) Grant Program. The proposed budget includes an investment of \$120 million for a third round of the CalCompetes Grant Program. This investment would continue to be subject to changes made to the program in the 2022 Budget Act, including priority treatment of funding for semiconductor manufacturing, research and development.

Film and Television Tax Credit. The proposed budget extends the Film and Television Tax Credit for an additional five year, starting in 2025-26, maintains the credit total of \$330 million per year, and makes the credit refundable.

Cannabis Tax Fund. The proposed budget includes \$95.4 million General Fund to backfill an estimated decline in revenues for “Allocation 3” programs, which fund youth education, prevention, early intervention, and treatment; environmental protection; and public safety-related activities.

Cannabis Enforcement. The proposed budget includes approximately \$113.5 million for cannabis enforcement purposes.

Seismic Retrofitting Program for Soft Story Multifamily Housing. In 2022, SB 189 (Committee on Budget and Fiscal Review), Chapter 48, Statutes of 2022, established the Seismic Retrofitting Program for Soft Story Multifamily Housing and included legislative intent language to appropriate \$250 million in the 2023-24 budget. The proposed budget does not include the intended appropriation, citing the state’s fiscal outlook and projected decline in General Fund revenues.

Corrections Population Declines and Facility Closures. The adult incarcerated and parolee populations supervised by the California Department of Corrections and Rehabilitation (CDCR) are continuing to decline. The adult incarcerated population is projected at 96,157 in 2022-23 and reaching 87,295 in 2025-26, and the parolee population at 43,668 in 2022-23 and declining to 36,473 by 2027. The proposed budget reflects savings from closing two prisons, \$150.3 million annually from the closure of the Deuel Vocational Institution in 2021 and \$142.8 million annually from the upcoming closure of the California Correctional Center. The proposed budget also includes the anticipated closures of two additional prisons and six yards by March 2025, projected to collectively save about \$150 million annually. The proposed budget also reflects \$95.8 million ongoing savings from the closure of CDCR’s Division of Juvenile Justice in June 2023.

Trial Court Funding. The proposed budget includes a total of \$2.9 billion for trial court operations, including an increase of \$74.1 million ongoing General Fund for general operations. This is in addition to an \$84.2 million increase last year and a \$72.2 million increase in the 2021 budget. The proposed budget also includes \$109.4 million ongoing General Fund to backfill the Trial Court Trust Fund, \$19.6 million ongoing General Fund for trial court employee benefits, and \$89.5 million in 2023-24 increasing to \$174.5 million ongoing to backfill the State Court Facilities Construction Fund.

Reductions to Previously Approved Programs. The Governor's budget proposes reduced funding for the following programs:

- **Court Appointed Special Advocates.** The 2022 budget included \$20 million per year for three years. The proposed budget would eliminate the second and third years of funding.
- **Public Defender Pilot Program.** The proposed budget eliminates the third year of funding for the Public Defender Pilot Program administered by the Board of State and Community Corrections, a reduction of \$50 million General Fund in 2023-24.
- **Deferred Maintenance.** The proposed budget reduces the funding available for deferred maintenance by \$30 million for CDCR and \$49.5 million for the Judicial Branch.

Overall Proposition 98 – K-14 Education

Budget Year – Overall Funding Levels. The proposed budget estimates a total Proposition 98 funding level of \$108.8 billion (K-14) for 2023-24. This is a \$1.5 billion decrease over the 2023-24 Proposition 98 level provided in the 2022 Budget Act. The Administration estimates that the Proposition 98 calculation for 2023-24 will be a Test 1 calculation.

Prior and Current Year Adjustments. The budget proposes to provide total Proposition 98 funding (K-14) for 2021-22 of \$110.4 billion (an increase from \$110.2 billion), and for 2022-23, the Governor estimates a total Guarantee of \$106.9 billion (a decrease from \$110.4 billion). This represents an overall three-year decrease in the minimum Guarantee of \$4.7 billion over the level funded in the 2022 Budget Act. The Administration estimates that the Proposition 98 calculations for 2021-22 and 2022-23 are Test 1.

Proposition 98 Changes. The proposed budget includes a Proposition 98 funding level of \$95.9 billion General Fund for K-12 programs. This includes a year-to-year increase of \$2.3 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2022-23. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures totals \$17,519 Proposition 98 General Fund, and \$23,723 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 2023-24 proposed budget includes revised 2021-22 and 2022-23 payments, and a 2023-24 payment of \$3.7 billion, \$1.1 billion, and \$365 million, respectively, into the PSSSA. 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 K-12 share of the Guarantee. The balance of \$8.1 billion in 2022-23 continues to trigger school district reserve caps in 2023-24.

K-12 Education – Major Spending Proposals

K-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 8.13 percent, and when combined with growth adjustments, results in \$4.2 billion in additional discretionary funds for local educational agencies. The

budget proposes \$613 million in one-time resources to support the ongoing cost of LCFF in 2022-23 and \$1.4 billion in one-time resources to support the ongoing cost of LCFF in 2023-24. The budget also proposes an “equity multiplier” as an add-on to LCFF, and will be allocated based on school-site eligibility.

K-12 Special Education. The proposed budget includes statutory changes to special education, including:

- Limiting the amount of additional funding that Special Education Local Plan Areas (SELPA) are allowed to retain for non-direct student services before allocating special education base funding to their member local educational agencies.
- Stabilizing current SELPA membership by extending the moratorium on the creation of new single-district SELPAs by two years from June 30, 2024 to June 30, 2026.
- Increasing fiscal transparency by requiring the California Department of Education to post each SELPA’s annual local plan, including their governance, budget and service plans, on its website.

Literacy. The budget proposes \$250 million one-time Proposition 98 General Fund to build upon the existing Literacy Coaches and Reading Specialists Grant Program. The budget also proposes \$1 million one-time General Fund to create a Literacy Roadmap to help educators navigate various literacy-related resources.

School Facility Program. The budget proposes a decrease of \$100 million General Fund in planned support for the School Facility Program, taking the planned allocation in 2023-24 from approximately \$2.1 billion to \$2 billion.

Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program (FDK Program). The 2022 Budget Act reflected \$550 million in 2023-24 to support the FDK Program. The proposed budget delays this investment to the 2024-25 fiscal year.

Child Nutrition. The budget continues to fund universal access to school meals and the additional enhanced meal rate, so that students who want a meal will have access to two free meals each day.

Kitchen Infrastructure and Training Funds. The 2022 Budget Act included \$600 million in one-time Proposition 98 General Fund to assist local educational agencies for

infrastructure and training to provide universal school meals. The budget proposes to use \$15 million of the \$600 million for commercial dishwasher grants.

Reversing Opioid Overdoses. The budget proposes an increase of \$3.5 million ongoing Proposition 98 General Fund for all middle and high school sites to maintain at least two doses of naloxone hydrochloride or another medication to reverse an opioid overdose on campus for emergency aid.

Arts and Music in Schools-Funding Guarantee and Accountability Act (Proposition 28). The budget includes \$941 million to fund Proposition 28 outside of Proposition 98 funding levels. To accommodate this cost pressure as well as one-time costs related to LCFF, the budget proposes to reduce the Arts, Music, and Instructional Materials Discretionary Block Grant, for which the 2022 Budget Act included \$3.5 billion Proposition 98 General Fund, by \$1.2 billion, for a revised level of \$2.3 billion Proposition 98 General Fund.

Further Access to Art Enrichment Activities. The budget proposes \$100 million one-time Proposition 98 General Fund (\$200 per every 12th grade student enrolled in California public schools) to provide high school seniors with access to cultural enrichment experiences across the state.

Cost-of-Living Adjustments. The proposed budget provides \$669 million Proposition 98 General Fund to support an 8.13 percent COLA for categorical programs that are not included in LCFF. 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. The proposed funding level for the LCFF includes COLAs for school districts and county offices of education.

County Offices of Education. The proposed budget includes \$51.7 million ongoing Proposition 98 General Fund to reflect the 8.13 percent COLA and ADA changes applicable to the LCFF.

Local Property Tax Adjustments. The proposed budget includes a decrease of \$153 million in ongoing Proposition 98 General Fund in 2022-23, and a decrease of \$1.3 billion in Proposition 98 General Fund in 2023-24 for school districts and county offices of education related changes to offsetting local property taxes.

California College Guidance Initiative. The budget proposes an increase of \$3.9 million ongoing Proposition 98 General Fund to support the California College Guidance Initiative.

K-12 High Speed Network. The budget proposes an increase of \$3.8 million ongoing Proposition 98 General Fund to support the K-12 High Speed Network program.

Data Support (State Operations). The budget proposes an increase of \$2.5 million General Fund and 15 positions for the California Department of Education to meet state and federal data and accountability reporting requirements, support data exchanges with other agencies, and to quickly respond to data requests.

Fiscal Crisis and Management Assistance Team. The budget proposes an increase of \$750,000 ongoing Proposition 98 General Fund to support the professional development of local educational agencies' Chief Budget Officers through mentorship programming by the Fiscal Crisis and Management Assistance Team.

Child Care and Early Education

Transitional Kindergarten. The 2022 Budget Act provided \$614 million to support the first year of expanded eligibility for transitional kindergarten, in addition to \$383 million to add one additional certificated or classified staff person to transitional kindergarten classrooms to meet ratio requirements. The budget revises these estimates from \$614 million to \$604 million for expanded access, and from \$383 million to \$337 million for the additional certificated or classified staff. The budget also proposes to include \$690 million to implement the second year of transitional kindergarten, and \$165 million to support the addition of certificated or classified staff in transitional kindergarten classrooms. These funds will increase the Proposition 98 Guarantee through the process of rebenching.

State Preschool Program. Consistent with the 2022 Budget Act, the budget proposes \$64.5 million Proposition 98 General Fund and \$51.8 million General Fund to continue a multi-year plan to ramp up the inclusivity adjustments for the State Preschool Program. The 2023-24 year will be the second year of the three-year ramp up process, and students with disabilities will be required to make up at least 7.5 percent of State Preschool Program providers' enrollment.

Preschool Classroom Assessment Scoring System. The budget proposes \$763,000 Proposition 98 General Fund to support the preschool Classroom Assessment Scoring System.

Higher Education

Intersegmental

Multi-Year Compacts and Roadmap Retained. The Governor's budget maintains the multi-year compacts, including increased base funding, with the University of California (UC) and California State University (CSU) and roadmap with the California Community Colleges (CCC) that includes substantial and sustained funding increases for UC and CSU in exchange for clear commitments to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities. The UC and CSU recently submitted their required annual report describing plans to advance the goals of the compacts.

The Administration intends to introduce a mechanism as part of the May Revision to provide community college districts that are making progress toward the CCC roadmap goals with additional categorical program spending flexibilities and the ability to consolidate reporting requirements across specified, and to be determined, categorical programs, provided the goals of the categorical programs and overall progress toward the roadmap goals continue to be met. Under the proposal, districts making progress would have the opportunity to submit a streamlined report for the specified programs, as well as spend funds more flexibly across the programs.

Total Higher Education Funding. The Governor's budget proposes total funding of \$40.3 billion (\$27.3 billion General Fund and local property tax and \$13 billion other funds) for the three higher education segments and the California Student Aid Commission.

Delays in Student Housing Funding. The Budget Acts of 2021 and 2022 included General Fund investments totaling \$4 billion over fiscal years 2021-22 to 2024-25 for the Higher Education Student Housing Grant Program and California Student Housing Revolving Loan Fund to provide zero-interest loans to qualifying campuses of the UCs, CSUs, and CCCs. The Governor's budget proposes delaying a portion of funding to future fiscal year as outlined below:

- The total allotment for the Higher Education Student Housing Grant Program is currently \$2.2 billion General Fund for student housing grants over the three-year period (\$700 million in 2021-22, \$750 million in 2022-23, and \$750 million in 2023-24). The budget proposes delaying \$250 million of the anticipated 2023-24 support for affordable student housing projects to the 2024-25 fiscal year.

- The 2022 Budget Act included intent language to provide \$1.8 billion General Fund over a two-year period (\$900 million scored to 2023-24, and \$900 million scored to 2024-25) to establish a student housing revolving loan program for the UC, CSU, and CCCs. The Governor's budget proposes delaying \$900 million planned in 2023-24 to the 2025-26 fiscal year and delaying \$250 million from the 2024-25 fiscal year to the 2025-26 fiscal year. This delay would result in \$650 million in 2024-25 and \$1.15 billion in 2025-26 being available for the program.

University of California (UC)

Base Growth. The Governor's budget proposes an increase of \$215.5 million General Fund ongoing for operating costs, representing a five-percent base increase in ongoing General Fund resources that is consistent with the Governor's multi-year compact with UC.

Resident Undergraduate Enrollment Growth. Consistent with the Budget Act of 2021, the Governor's budget includes an increase of \$30 million General Fund ongoing to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three campuses with an equivalent number of California resident undergraduate students at these campuses in 2023-24. This investment builds on the previous \$31 million General Fund ongoing provided in the 2022 Budget Act that supported a shift of 902 nonresident students.

Medical School Project at UC Riverside. Consistent with the 2019 Budget Act, the Governor's budget includes an increase of \$6.5 million ongoing General Fund to support the Medical School Project at UC Riverside. Consistent with the 2019 Budget Act, the Administration's fiscal plan also includes an additional \$14.5 million General Fund ongoing to support the Medical School Project at UC Merced beginning in 2024-25.

Graduate Medical Education. The Governor's budget includes an increase of \$4 million General Fund ongoing to offset the Proposition 56 revenue offset amount for a statewide grant program and maintain \$40 million ongoing for graduate medical residency slots.

Delayed Capital Outlay Support. The Governor's budget delays support for three projects in the 2022 Budget Act as follows:

1. A delay for \$200 million (\$100 million in 2022-23 and \$100 million in 2023-24) of the support for the construction of an Institute for Immunology and Immunotherapy at the University of California, Los Angeles (UCLA) to fiscal year 2024-25;

2. A delay for \$83 million to support the UC Berkeley Clean Energy Campus project currently planned for fiscal year 2023-24 to 2024-25; and,
3. A delay for \$83 million to support campus expansion projects at UC Riverside and UC Merced currently planned for fiscal year 2023-24 to 2024-25.

Transfer Admissions Guarantee at UCLA. As a condition of receiving a specified amount of state General Fund through the UC campus allocation model, the Governor's budget proposes requiring UCLA to participate in the UC Transfer Admissions Guarantee Program to further facilitate students' ability to transfer to UCLA.

Associate Degree for Transfer at UCLA. As a condition of receiving a specified amount of state General Fund through the UC campus allocation model, the Governor's budget proposes requiring UCLA to offer Associate Degree for Transfer program pathways to students seeking to transfer from a California Community College to UCLA.

California State University (CSU)

Base Growth. The Governor's budget proposes an increase of \$227.3 million General Fund ongoing for operating costs, representing a five-percent base increase in ongoing General Fund resources that is consistent with the Governor's multi-year compact with CSU.

Shift in Capital Support Funding. The Governor's budget proposes shifting \$404.8 million appropriated for the upfront support of various capital projects on CSU campuses to CSU-issued bonds. The Governor's budget includes \$27 million General Fund ongoing to support the underlying debt service on those bonds.

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 proposes an increase of \$652.6 million Proposition 98 General Fund ongoing to provide an 8.13 percent cost-of-living adjustment (COLA) for Student Centered Funding Formula apportionments.

Enrollment Growth. The Governor's budget proposes \$28.8 million Proposition 98 General Fund ongoing to support 0.5 percent enrollment.

CCC Categorical Program COLA. The Governor's budget proposes an increase of \$92.5 million Proposition 98 General Fund ongoing to provide an 8.13 percent COLA for select categorical programs and the Adult Education Program.

Deferred Maintenance. The Governor's budget proposes a decrease of \$213 million Proposition 98 General Fund one-time for deferred maintenance needs.

Student Enrollment and Retention. The Governor's budget includes an increase of \$200 million Proposition 98 General Fund one-time to continue to support community college efforts and focused strategies to increase student retention rates and enrollment, building on an investment of \$150 million one-time Proposition 98 General Fund and \$120 million Proposition 98 General Fund one-time for student enrollment and retention in the Budget Acts of 2022 and 2021, respectively.

Workforce Training Grants. The Governor's budget proposes an increase of \$14 million Proposition 98 General Fund one-time to support the administration of workforce training grants in collaboration with the California Department of Forestry and Fire Protection.

Chief Business Officer Mentorship Program. The Governor's budget includes an increase of \$275,000 Proposition 98 General Fund, of which \$200,000 is ongoing, to develop a community college chief business officer professional learning program run through the Fiscal Crisis and Management Assistance Team to improve community college district leadership capacity and fiscal accountability.

UC College of the Law, San Francisco

Base Adjustment. The Governor's budget proposes an increase of \$2.2 million General Fund ongoing to support operating costs. This represents a three percent increase base augmentation.

Safety Program, Urban Alchemy. The Governor's budget proposes an increase of \$3 million, available over three years, to continue supporting a campus safety program that employs formerly incarcerated individuals and/or those who have experienced homelessness.

California Student Aid Commission (CSAC)

Overview. The Governor's budget assumes total financial aid expenditures of \$3.3 billion, of which \$2.3 billion supports the Cal Grant Program, and \$859 million supports the Middle Class Scholarship Program. In 2021-22, approximately 174,000 students

received new Cal Grant awards, and approximately 221,000 students received renewal awards. Funding provided to students through the Middle Class Scholarship Program and through programs that support the construction of affordable student housing are intended to help facilitate students' access toward a debt free college pathway.

The state's Cal Grant entitlement program is estimated to provide over 377,000 financial aid awards to students who meet specified eligibility criteria in 2023-24. Students who demonstrate financial need, but do not meet all of the criteria for entitlement awards, may qualify for one of 13,000 proposed competitive Cal Grant awards. The majority of these awards provide a stipend to cover some living expenses, such as housing, food, and transportation.

Middle Class Scholarship. Consistent with the Budget Act of 2022, the Governor's budget includes an increase of \$227 million General Fund one-time to support a modified version of the Middle Class Scholarship that will focus resources toward reducing a student's total cost of attendance.

Cybersecurity. The Governor's budget includes an increase of \$1.4 million General Fund in 2023-24, of which \$469,000 is ongoing, to assess CSAC's current information technology system, address cybersecurity issues, and support two positions.

Financial Aid Programs. The Governor's budget includes an increase of \$241,000 ongoing for one position at CSAC to support human resources and to distribute toolkits to high schools to help students complete their financial aid applications.

Golden State Education and Training Grant Program Expenditure Shift. The Governor's budget assumes, consistent with estimated program expenditures, that \$100 million General Fund provided for the program, that was previously assumed to be spent in 2021-22, will be spent in 2024-25 and that \$200 million, \$100 million, and \$100 million would be expended in fiscal years 2024-25, 2025-26, and 2026-27, respectively.

California State Library

Delaying Support for Local Library Infrastructure. The Budget Act of 2021 provided \$439 million General Fund one-time to support local library infrastructure projects. The Budget Act of 2022 provided an additional \$50 million and assumed an additional \$100 million in 2023-24 to support local library infrastructure projects. The Governor's budget proposes delaying the \$100 million to the 2024-25 (\$33 million), 2025-26 (\$33 million), and 2026-27 (\$34 million) fiscal years.

Support for Law Library. The Governor's budget proposes an increase of \$462,000 General Fund ongoing to support and expand the Witkin State Law Library and its personnel.

California History Room. The Governor's budget proposes an increase of \$597,000 General Fund, of which \$357,000 is ongoing, to expand the California History Room Special Collections and provide personnel support.

Internal Audit. The Governor's budget proposes an increase of \$168,000 General Fund ongoing to support a State Library Audit Program.

Natural Resources, Environmental Protection, and Energy

Climate Change

Climate Investment Reductions. The 2021 and 2022 Budget Acts allocated approximately \$54 billion over five years to address climate change. The Governor proposes to maintain 89 percent (overall) of these investments (approximately \$48 billion), reducing the sum by 11 percent (approximately \$6 billion). Reductions are proposed across several climate programs, which are partially offset by shifts to other fund sources. The Governor states that the Administration will pursue additional federal funding through the Inflation Reduction Act and the Infrastructure Investment and Jobs Act. The Governor states that most of the climate reductions are included in the trigger – so if there is sufficient General Fund in January 2024, these reductions will be restored.

Possible Bond. The Administration states that it will engage the Legislature to explore the possibility of a bond for purposes of addressing climate change.

Extreme Heat and Community Resilience. The 2021 and 2022 Budget Acts allocated \$649 million for extreme heat and \$1.9 billion for community resilience investments over multiple years to advance climate resilience in low-income and underrepresented communities. The Governor proposes to maintain \$444 million (68 percent) of extreme heat funding and \$1.6 billion (85 percent) of community resilience funding over multiple years. Proposed changes in 2023-24 include:

- **Urban Greening Program.** A reduction of \$100 million General Fund in 2023-24. This maintains approximately \$150 million (60 percent) for this program.

- **Community Resilience Centers.** A delay of \$85 million General Fund to 2024-25. This program remains fully funded, but the funds would be provided later than initially allocated.
- **Transformative Climate Communities Program.** A reduction of \$65 million in 2022-23 and \$40 million in 2023-24. This maintains approximately \$315 million (75 percent) for this program.

Natural Resources

Drought Response and Water Resilience. The 2021 and 2022 Budget Acts committed \$8.7 billion over multiple years for purposes of drought response and water resilience. The Governor proposes to maintain \$8.6 billion (98 percent) overall by reducing \$194 million General Fund across various programs. Proposed new investments include:

- **Urban Flood Risk Reduction.** An increase of \$135 million General Fund over two years to support local agencies working to reduce urban flood risk.
- **Delta Levees.** An increase of \$40.6 million General Fund for ongoing Delta projects that reduce risk of levee failure and flooding, provide habitat benefits, and reduce the risk of saltwater intrusion contaminating water supplies.
- **2023 Drought Contingency.** A set-aside of \$125 million General Fund as drought contingency funding to be allocated as part of the spring budget process when additional water data will be available to inform future drought needs.
- **Planning and Permitting for New Water Supplies.** An increase of \$4.7 million Waste Discharge Permit Fund in 2023-24, and \$5.7 million Waste Discharge Permit Fund and \$408,000 Safe Drinking Water Account ongoing to support planning and permitting for projects that produce new water supplies.
- **Modernizing Water Rights.** An increase of \$31.5 million General Fund one-time in 2023-24 to continue development of the Updating Water Rights Data for California Project to enhance the state's water management capabilities.

The Governor proposes the following changes to address the budget problem:

- **Watershed Resilience Programs.** A reduction of \$24 million General Fund in 2023-24 and a delay of an additional \$270 million General Fund to 2024-25. This maintains approximately \$470 million (95 percent) across various watershed resilience programs.

- **Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) Cleanup.** A reduction of \$70 million General Fund in 2023-24 and a delay of an additional \$30 million General Fund to 2024-25. This maintains approximately \$130 million (65 percent) of PFAS cleanup resources.
- **Water Recycling.** A reduction of \$40 million General Fund in 2023-24. This maintains approximately \$760 million (95 percent) to support water recycling and groundwater cleanup.
- **State Water Efficiency and Enhancement Program (SWEEP).** A reduction of \$40 million General Fund in 2022-23. This maintains approximately \$120 million (75 percent) for SWEEP.

Wildfire and Forest Resilience. The 2021 and 2022 Budget Acts committed \$2.8 billion over four years for purposes of wildfire prevention and forest resiliency. The Governor proposes to maintain \$2.7 billion (97 percent) of this funding by reducing \$91 million General Fund across various programs, which are partially offset by a \$14 million shift to Proposition 98. Also, if there is sufficient General Fund in January 2024, the Governor proposes for reductions not otherwise offset by other funds will be restored. Among the proposed changes, reductions include the following:

- **Stewardship of State-Owned Lands.** \$10 million General Fund in 2022-23 and \$15 million in 2023-24. This maintains approximately \$280 million (92 percent) for wildfire prevention projects on state-owned lands.
- **Defensible Space Inspections.** \$5 million General Fund in 2023-24. This maintains approximately \$20 million (80 percent) to support defensible space inspections.
- **Monitoring and Research.** \$5 million General Fund in 2023-24. This maintains approximately \$33 million (87 percent) to support monitoring and research.
- **Climate Catalyst Fund.** \$10 million General Fund in 2020-21 and \$31 million in 2021-22. This maintains approximately \$8 million (16 percent) to support the Climate Catalyst Fund.

Nature-Based Solutions and Coastal Resilience. The 2021 and 2022 Budget Acts committed \$1.6 billion for nature-based solutions and \$1.3 billion for coastal resilience over multiple years. The Governor proposes to maintain \$1.3 billion (86 percent) of nature-based solutions funding and \$734 million (57 percent) of coastal resilience

funding. The Governor proposes \$779 million in General Fund reductions across various programs. If there is sufficient General Fund in January 2024, reductions that are not otherwise delayed will be restored. Among the proposed changes, reductions include the following:

- **Coastal Protection and Adaptation.** \$175 million in 2022-23, \$297 million in 2023-24, and \$9 million in 2024-25 across various coastal protection and adaptation programs administered by the State Coastal Conservancy. This maintains approximately \$582 million (55 percent) for the purpose of funding actions to protect against, and adapt to, sea-level rise.
- **Ocean Protection.** \$69 million in 2023-24 and \$10 million in 2024-25 across various ocean protection programs administered by the Ocean Protection Council. This maintains approximately \$139 million (64 percent) for this purpose.
- **Protecting Fish and Wildlife from Changing Climate.** \$35 million General Fund in 2023-24. This maintains approximately \$318 million (90 percent) for this purpose.
- **San Joaquin Valley Flood Plain Restoration.** \$40 million General Fund in 2023-24, which eliminates funding for flood plain restoration in the San Joaquin Valley.

Environmental Protection

Circular Economy. The 2021 and 2022 Budget Acts included \$468 million over two years for programs to support waste reduction and recycling. The Governor's proposal includes a reduction of \$24 million General Fund across several programs and maintains \$443 (93 percent) of investments to support implementation of goals to reduce short-lived climate pollutants and advancing organic waste infrastructure. Among the proposed changes, reductions include the following:

- **Composting Opportunities.** \$4.8 million General Fund in 2021-22. This maintains approximately \$7.8 million (62 percent) for composting programs.
- **Recycling Feasibility Grant.** \$2 million General Fund in 2021-22 and \$13 million in 2022-23, eliminating funding for this program.
- **Recycling Market Development Zone Loan Program.** \$4.5 million General Fund in 2022-23. This maintains approximately \$45.5 million (91 percent) for this program.

Food and Agriculture

The Governor's budget includes \$128 million in General Fund reductions across various agriculture programs. This lowers funding for sustainable agriculture investments provided in the 2021 and 2022 Budget Acts from 1.1 billion to \$1 billion over multiple years. If there is sufficient General Fund in January 2024, reductions will be restored. The reductions include the following:

- **Healthy, Resilient, and Equitable Food Systems Investment:** \$29.5 million General Fund (\$20.6 million in 2021-22 and \$8.9 million in 2022-23) for the Urban Agriculture Program, Healthy Refrigeration Grant Program, and Farm to Community Food Hubs Program. This maintains approximately \$98 million (77 percent) for these programs.
- **Climate Smart Agriculture Programs:** \$94.2 million General Fund (\$8.5 million in 2021-22 and \$85.7 million in 2022-23) for the Healthy Soils Program, Sustainable Cannabis Pilot Program, Pollinator Habitat Program, Conservation Agriculture Planning Grant Program, greenhouse gas reduction research, Invasive Species Council, and Climate Catalyst Fund. This maintains approximately \$867 million (90 percent) for these programs.
- **Economic Recovery and High-Road Job Growth:** \$4.7 million General Fund in 2022-23 for the New and Beginning Farmer Training and Farm Manager Apprenticeships Program. This maintains approximately \$5 million (50 percent) for this program.

Energy

Zero Emission Vehicles (ZEV). The Governor budget includes \$2.5 billion of General Fund reductions across various ZEV programs, which are partially offset by approximately \$1.4 billion in fund shifts to Cap and Trade funds. (In addition, the budget includes a mechanism to allocate any additional discretionary Cap and Trade auction proceeds towards ZEV programs.) This lowers funding for zero-emission vehicles provided in the 2021 and 2022 Budget Acts from \$10 billion to \$8.9 billion over five years. More specifically, the reductions include the following:

- **Equitable Zero-Emission Vehicles and Infrastructure:** \$745 million General Fund, which is partially offset by a shift of \$535 million to the Greenhouse Gas Reduction Fund. This maintains approximately \$2.1 billion (91 percent) for programs that expand ZEV infrastructure access in low-income neighborhoods.

- **Heavy-Duty Zero-Emission Vehicles and Supporting Infrastructure:** \$1.5 billion General Fund, which is partially offset by a shift of \$839 million to the Greenhouse Gas Reduction Fund. This maintains approximately \$5.3 billion (89 percent) for programs that support drayage, transit and school busses, and port ZEVs and infrastructure.
- **Zero-Emission Mobility:** \$184 million General Fund, which is partially offset by a shift of \$25 million to the Greenhouse Gas Reduction Fund. This maintains approximately \$180 million (53 percent) for sustainable community-based transportation equity projects.
- **Emerging Opportunities and Federal Programs:** \$133 million General Fund, which is partially offset by a shift of \$40 million to the Greenhouse Gas Reduction Fund. This maintains approximately \$1.3 billion (93 percent) to invest in demonstration and pilot projects in high carbon-emitting sectors.

Energy Investments. The budget includes \$897 million in General Fund reductions and \$370 million in General Fund delays to future years. If there is sufficient General Fund in January 2024, up to \$410 million of these reductions will be restored. This lowers the funding provided for energy programs provided in the 2022 Budget Act from \$7.9 billion to \$7 billion. Key changes to the funding include the following:

- **California Arrearage Payment Program:** The budget reverts \$400 million in California Emergency Relief Funds to the General Fund in 2022-23, for savings from the California Arrearage Payment Program, based on actual applications received and approved for funding.
- **Residential Solar and Storage:** A reduction of \$270 million in 2023-24 from the Residential Solar and Storage program at the Public Utilities Commission. This maintains approximately \$630 million (70 percent) for solar and storage incentives for low-income utility customers.
- **Long Duration Energy Storage:** A reduction of \$50 million in 2023-24 from the Long Duration Energy Storage Program at the California Energy Commission (CEC). This maintains approximately \$330 million (87 percent) for support of long duration energy storage projects.
- **Carbon Removal:** A reduction of \$25 million in 2023-24 from the Carbon Removal Program at the CEC. This maintains approximately \$75 million (75 percent) for this program.

- **Transmission Financing:** A reduction of \$25 million in 2023-24 from the Transmission Financing Program at the California Infrastructure Bank. This maintains approximately \$225 million (90 percent) for financing support of new energy transmission projects.
- **Accelerating Adoption of Low Global Warming Pollutant Refrigerants:** A reduction of \$20 million in 2023-24 from the Air Resources Board Equitable Building Decarbonization program to Accelerate Adoption of Low Global Warming Pollutant Refrigerants. This maintains approximately \$20 million (50 percent) for support of businesses adopting technologies with low global warming pollutant refrigerants.
- **Food Production Investment Program.** A reduction of \$10 million in 2023-24 from the Food Production Investment Program at the CEC. This maintains approximately \$65 million (87 percent) for support of projects that help with the decarbonization of the food production process.
- **Industrial Grid Support and Decarbonization.** A reduction of \$10 million in 2022-23 from the Industrial Grid Support and Decarbonization at the CEC. This maintains approximately \$90 million (90 percent) for projects that support decarbonization of the industrial sector and provide grid support.
- **Equitable Building Decarbonization.** A delay of \$370 million of funds in the current year and the budget year to future years for the Equitable Building Decarbonization Program at the CEC. In addition, a reduction of \$87 million is planned for 2025-26 for this program. This maintains approximately \$835 million (91 percent) for support of projects reducing greenhouse gas emissions in homes and advancing energy equity.

SB 846. SB 846 (Dodd), Chapter 239, Statutes of 2022, proposed \$1 billion over three years beginning in 2023-24 for a Clean Energy Reliability Investment Plan, subject to later appropriation. The budget proposes an initial allocation of \$100 million in 2023-24 from SB 846 Clean Energy Reliability Investment Plan funds.

Broadband. The budget maintains the same level of funding for broadband middle-mile, last-mile and the Loan Loss Reserve Fund activities. However, the budget proposes to defer some of the current year and budget year funding for programs at the CPUC, including:

- \$550 million for last-mile infrastructure grants in 2023-24 to future years (\$200 million in 2024-25, \$200 million in 2025-26, and \$150 million in 2026-27).
- \$175 million from 2022-23 and \$400 million from 2023-24 for the Loan Loss Reserve Fund to future years (\$300 million in 2024-25 and \$275 million in 2025-26).

Climate Innovation Program. The budget proposes a delay of \$150 million of funds in the current year and the budget year to 2026-27 for the Climate Innovation Program at the CEC.

SB 1020 Implementation. SB 1020 (Laird, Atkins, Caballero and Durazo), Chapter 361, Statutes of 2022, advances new clean energy targets for California. The budget includes \$4 million from various funds (General Fund, Cost of Implementation Account, Greenhouse Gas Reduction Fund, and Public Utilities Commission Utilities Reimbursement Account) in 2023-24, and additional ongoing funds, across multiple agencies to support implementation of Chapter 361, Statutes of 2022. (SB 1020).

Health and Human Services

The Governor's January budget includes a total of \$230.5 billion (\$71.5 billion General Fund and \$159 billion other funds) in 2023-24 for health and human services programs that serve low-income, vulnerable individuals and families.

Health

Department of Health Care Services (DHCS)

The budget includes \$144.2 billion (\$33.2 billion General Fund, \$92.7 billion federal funds, and \$18.2 billion special funds and reimbursements) in 2022-23 and \$144.4 billion (\$39.4 billion General Fund, \$86.8 billion federal funds, and \$18.3 billion special funds and reimbursements) in 2023-24 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 \$1.8 billion (\$549.3 million General Fund, \$663.5 million federal funds, and \$594.9 million special funds and reimbursements) in 2022-23 and \$1.3 billion (\$350.6 million General Fund, \$597 million federal funds, and \$397.6 million special funds and reimbursements) in 2023-24 for state operations, and \$142.3 billion (\$32.7 billion General Fund, \$92.1 billion federal funds, and \$17.6 billion special funds and reimbursements) in 2022-23 and \$143.1 billion (\$39.1 billion General Fund, \$86.2 billion

federal funds, and \$17.9 billion special funds and reimbursements) in 2023-24 for local assistance, primarily in the Medi-Cal program.

Medi-Cal Program: Current Year (2022-23) – The budget includes total expenditures of \$137.7 billion (\$32.3 billion General Fund, \$91.4 billion federal funds, and \$14 billion special funds and reimbursements) for the Medi-Cal program in 2022-23, a 12.9 percent decrease in General Fund expenditures compared to the assumptions included in the 2022 Budget Act. According to DHCS, the primary drivers of these decreased General Fund expenditures are as follows:

- *State Only Claiming.* \$2.4 billion General Fund savings from updated estimates of federal repayments for inappropriate claims related to state only populations, as well as shifts of portions of those repayments into future fiscal years.
- *COVID-19 Impacts.* \$773.8 million General Fund savings as a net result of additional quarters of enhanced federal matching funds related to the continuation of the federal public health emergency (PHE), offset by increased caseload costs. The budget does not reflect the impact of the federal Consolidated Appropriations Act and its gradual phase-down of enhanced federal matching funds and schedule for eligibility redeterminations for state Medicaid programs.
- *Delay of Behavioral Health Continuum Infrastructure Program Grants.* \$480.7 million General Fund savings as a result of the delay of the final round of grant awards in the Behavioral Health Continuum Infrastructure Program (BHCIP) from 2022-23 to 2025-26 and 2026-27.
- *Delay Elimination of Checkwrite Hold.* \$309.4 million General Fund savings from shifting the elimination of the two-week checkwrite hold for Medi-Cal fee-for-service claims from 2022-23 to 2024-25.
- *Impact of Federal Deferrals.* \$425.3 million General Fund savings as a result of recent decisions and updated estimates of deferrals of federal matching funds for Medi-Cal expenditures.
- *Prior Year MCO Tax Reconciliation.* \$308 million General Fund savings as a net result of updated estimates of payments to and recoveries from managed care plans related to risk corridor calculations for the previous tax on managed care organizations (MCO Tax).

- *Proposition 56 Impacts.* \$295.5 million General Fund savings as a result of updated Proposition 56 revenue projections reducing the estimated need to backfill supplemental provider payments with General Fund resources.
- *Hospital Quality Assurance Fee Transfers.* \$139.2 million General Fund savings from updated savings estimates from the Hospital Quality Assurance Fee.
- *Medi-Cal Drug Rebate Fund Transfer.* \$43.6 million General Fund savings from transfer of prescription drug manufacturer rebate funding from the Medi-Cal Drug Rebate Fund to the General Fund.
- *Designated State Health Programs.* \$40.4 million General Fund savings from the federal reauthorization of the Designated State Health Program, which will help cover the costs of the justice components of the California Advancing and Innovating Medi-Cal (CalAIM) initiative.
- *Nursing Facility Rate Adjustment.* \$41 million General Fund costs due to updated estimates of costs for the Workforce and Quality Incentive Program for nursing facility days and federal PHE-related add-on costs.
- *Coordinated Care Initiative Reconciliation.* \$86 million General Fund costs due to reconciliations of payments for in-home supportive services in the Coordinated Care Initiative (CCI).
- *Medicare Eligibility Update.* \$95.7 million General Fund costs for updated estimates of state Medicare costs for individuals for whom federal matching funds are not available.
- *Medi-Cal Rx Updated Rebates Amounts.* \$124.2 million General Fund costs due to a decrease in estimated supplemental rebates from transition of pharmacy claims from managed care to fee-for-service as part of Medi-Cal Rx.
- *Shift of BHCIP Expenditures from Prior Years.* \$160.6 million General Fund costs related to the delay of BHCIP expenditures previously estimated to be spent in 2021-22 into the 2022-23 fiscal year.
- *Various Other Changes.* \$439.6 million General Fund costs from various other changes to the Medi-Cal program.

Medi-Cal Program: Budget Year (2023-24) – The budget includes total expenditures of \$138.9 billion (\$38.7 billion General Fund, \$85.8 billion federal funds, and \$14.4 billion special funds and reimbursements) for the Medi-Cal program in 2023-24, a 19.9

percent increase compared to the revised General Fund expenditure assumptions for 2022-23. According to DHCS, the primary drivers of these increased General Fund expenditures are as follows:

- *End of One-Time Expenditures.* \$2.8 billion General Fund savings due to the end of one-time expenditures, including BHCIP, the Children and Youth Behavioral Health Initiative, Behavioral Health Bridge Housing, and funding for Los Angeles County Justice-Involved Populations Services and Supports.
- *Hospital Quality Assurance Fee Transfers.* \$690.9 million General Fund savings from updated savings estimates from the Hospital Quality Assurance Fee.
- *Proposed 2024 MCO Tax.* \$316.5 million General Fund savings from the proposed reauthorization of the MCO Tax beginning January 1, 2024.
- *Medi-Cal Rx Updated Rebates Amounts.* \$690.9 million General Fund savings due to an increase in estimated supplemental rebates from transition of pharmacy claims from managed care to fee-for-service as part of Medi-Cal Rx.
- *Disproportionate Share Hospital Funding Reduction.* \$124.3 million General Fund savings from reduction of state spending on disproportionate share hospitals pursuant to provisions of the federal Affordable Care Act.
- *Designated State Health Programs.* \$112.6 million General Fund savings from the federal reauthorization of the Designated State Health Program, which will help cover the costs of the justice components of the California Advancing and Innovating Medi-Cal (CalAIM) initiative.
- *Impact of Federal Deferrals.* \$69 million General Fund savings as a result of recent decisions and updated estimates of deferrals of federal matching funds for Medi-Cal expenditures.
- *County Behavioral Health Recoupments.* \$63.5 million General Fund savings from recoupments from county behavioral health systems related to inpatient psychiatric hospital claims and state only programs.
- *CARE Act Implementation.* \$16.5 million General Fund costs to support county implementation of the Community Assistance, Recovery, and Empowerment (CARE) Act.

- *Proposition 56 Impacts.* \$88.4 million General Fund costs as a result of updated Proposition 56 revenue projections and the estimated need to backfill supplemental provider payments with General Fund resources.
- *Growth in Fee-for-Service Costs.* \$223.3 million General Fund costs as a result of fee-for-service delivery system expenditures, primarily attributable to growth in pharmacy spending.
- *Increase in Retroactive Managed Care Payments.* \$251.6 million General Fund costs related to retroactive payments to managed care plans, primarily attributable to the ten percent add-on for skilled nursing facilities.
- *Growth in Medicare Costs.* \$260.1 million General Fund costs related to increases in costs for Medicare for dual eligible beneficiaries.
- *Nursing Facility Rate Adjustment.* \$302.4 million General Fund costs due to updated estimates of costs for the Workforce and Quality Incentive Program for nursing facility days and federal PHE-related add-on costs, as well as including a full 12 months of the facility reimbursement rate increase.
- *Medi-Cal Drug Rebate Fund Transfer.* \$363.7 million General Fund costs from decreased transfers from the Medi-Cal Drug Rebate Fund to the General Fund due to establishment of an estimated reserve in the fund.
- *Expansion of Full-Scope Medi-Cal Regardless of Immigration Status.* \$634.8 million General Fund costs to expand full-scope Medi-Cal to all income-eligible Californians regardless of immigration status, beginning January 1, 2024.
- *Growth in Managed Care Costs.* \$664 million General Fund costs due to growth in costs for managed care coverage of health care services for Medi-Cal beneficiaries.
- *End of Prior MCO Tax.* \$1.5 billion General Fund costs related to the expiration of the previous MCO Tax.
- *COVID-19 Impacts.* \$2.7 billion General Fund costs as a net result of loss of enhanced federal matching funds due to expiration of the federal PHE offset by savings from redeterminations of eligibility for Medi-Cal beneficiaries retained in the program under the federal continuous coverage requirement. The budget does not reflect the impact of the federal Consolidated Appropriations Act and its

gradual phase-down of enhanced federal matching funds and schedule for eligibility redeterminations for state Medicaid programs.

- *State Only Claiming.* \$3.4 billion General Fund costs from updated estimates of federal repayments for inappropriate claims related to state only populations, as well as shifts of portions of those repayments from prior fiscal years into 2023-24.
- *Various Other Changes.* \$15.2 million General Fund savings from various other changes to the Medi-Cal program.

Medi-Cal Caseload. Medi-Cal is projected to provide health care services to approximately 15.2 million Californians in 2022-23, which represents an increase of six percent since 2021-22, and 14.4 million Californians in 2023-24, which represents a decrease of 5.2 percent compared to the revised 2022-23 estimate. This caseload increase in 2022-23 is primarily attributable to the continuing federal public health emergency and related restrictions on disenrolling beneficiaries, while the caseload decrease in 2023-24 is primarily attributable to the assumed expiration of the federal public health emergency. The budget assumes the optional expansion of Medi-Cal will provide coverage to 5 million Californians in 2022-23 and 4.6 million in 2023-24.

Medi-Cal Coverage for All, Regardless of Immigration Status. The budget maintains the state's historic investment in expanding full-scope Medi-Cal coverage to all Californians, regardless of immigration status. The budget includes expenditure authority of \$844.5 million (\$635.3 million General Fund) in 2023-24, \$2.1 billion (\$1.6 billion General Fund) in 2024-25, and \$2.5 billion (\$2 billion General Fund) annually thereafter for the expansion.

MCO Tax Reauthorization. The budget includes General Fund savings of \$316.5 million in 2023-24 and approximately \$2 billion in 2024-25 and 2025-26 from renewal of the enrollment tax on managed care organizations (MCO Tax), beginning January 1, 2024.

CARE Act Implementation. The budget maintains and continues investments in county implementation of behavioral health services to support the Community Assistance, Recovery, and Empowerment (CARE) Act, including General Fund expenditure authority of \$57 million in 2022-23, \$16.5 million in 2023-24, \$66.5 million in 2024-25, and \$108.5 million annually thereafter.

CalBH-CBC Demonstration. The budget includes expenditure authority of \$6.1 billion (\$314 million General Fund, \$175 million Mental Health Services Fund, \$2.1 billion County Behavioral Health Fund, and \$3.5 billion federal funds) over five years to support the California Behavioral Health Community-Based Continuum (CalBH-CBC)

Demonstration, effective January 1, 2024. The demonstration, part of the California Advancing and Innovating Medi-Cal (CalAIM) initiative, is intended to expand access and strengthen the continuum of mental health services for Medi-Cal beneficiaries living with serious mental illness or serious emotional disturbance, including the following components:

- Strengthen the continuum of community-based services that reduce the need for institutional care by expanding coverage for evidence-based therapies and home-based services for children and families, assertive community treatment (ACT), forensic ACT (FACT), coordinated specialty care for first-episode psychosis, supported employment services, rent and temporary housing, and community health worker services.
- Improve integrated medical, behavioral health, and social services for foster children and youth.
- Build statewide centers of excellence in behavioral health services to support statewide practice transformations.
- Enhance quality of care and pre-discharge care coordination in psychiatric hospitals and residential settings.
- Implement strategies to decrease lengths of stay in emergency departments.
- Provide coverage for short-term inpatient psychiatric and residential mental health treatment in facilities that meet the federal criteria for an institution for mental disease (IMD).

CalAIM Transitional Rent Payments. The budget includes expenditure authority of \$17.9 million (\$6.3 million General Fund) in 2025-26, increasing to \$116.6 million (\$40.8 million General Fund) when fully implemented, to allow up to six months of rent or temporary housing for individuals experiencing, or at risk of, homelessness and transitioning out of institutional care and at risk of inpatient hospitalization or emergency department visits.

Designated State Health Program Reauthorization. The budget includes General Fund savings of \$40.4 million in 2022-23 and \$161.6 million in 2023-24 through 2026-27 from the federal reauthorization of the Designated State Health Program. These savings will be used to support costs related to the Providing Access and Transforming Health (PATH) and CalAIM Justice Initiative.

Primary Care and Obstetrics Reimbursement Rate Increases. The budget includes expenditure authority of \$22.7 million (\$8.6 million General Fund) in 2022-23 and \$57.1 million (\$21.7 million General Fund) annually thereafter to support reimbursement rate increases for primary care and obstetrics providers. These rate increases are required as a condition of reauthorization of the Designated State Health Program.

Reproductive Health Services 1115 Waiver. The budget includes \$200 million (\$15 million General Fund) in 2024-25 for a grant program under a federal 1115 Medicaid Demonstration Waiver to support access to family planning and related services, system transformation, capacity, and sustainability of California's safety net.

Behavioral Health Bridge Housing Delay. The budget delays a portion of the \$1.5 billion General Fund commitment to Behavioral Health Bridge Housing adopted in the 2022 Budget Act. After the delay, the budget includes General Fund expenditure authority of \$1 billion in 2022-23, \$250 million in 2023-24 and \$250 million in 2024-25 for clinically enriched temporary housing for unhoused individuals with serious behavioral health conditions.

Behavioral Health Continuum Infrastructure Program Delay. The budget delays the final round of funding for the Behavioral Health Continuum Infrastructure Program, moving \$480.7 million General Fund expenditures scheduled to be awarded in 2022-23 to future years. According to DHCS, \$1.2 billion has been awarded to date, with an additional \$480.7 million scheduled to be awarded in 2022-23. The program will now award the final \$480.7 million that was scheduled to be awarded in 2022-23 as follows: 1) \$240.4 million in 2024-25 and 2) \$240.3 million in 2025-26.

Department of Public Health (DPH)

The budget includes \$6.8 billion (\$1.3 billion General Fund, \$1.9 billion federal funds, and \$3.7 billion special funds and reimbursements) in 2022-23 and \$5.5 billion (\$1 billion General Fund, \$2.2 billion federal funds, and \$2.3 billion special funds and reimbursements) in 2023-24 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.

Public Health Infrastructure Investments. The budget maintains the investment of \$300 million General Fund annually to support investments in public health infrastructure adopted in the 2022 Budget Act.

SMARTER Plan Implementation. The budget includes General Fund expenditure authority of \$176.6 million to continue the state's efforts to protect the public against

COVID-19, consistent with the Administration's SMARTER Plan. These resources would also maintain significant information technology systems, including the California COVID Reporting System for laboratory data management and CalCONNECT for case and outbreak investigation.

Reductions to Public Health Workforce Investments. The budget includes reduction of General Fund expenditure authority of \$49.8 million over four years that had previously been approved in the 2022 Budget Act to support development of the public health workforce. The reduced programs include: 1) the California Public Health Pathways Training Corps, 2) Incumbent Worker Upskill Training, 3) California Microbiologist Training, 4) California Lab Aspire, and 5) California Epidemiologic Investigation Services (Cal-EIS) Training.

Reduction to Public Health Climate and Resilience Planning. The budget includes reduction of General Fund expenditure authority of \$25 million previously approved in the 2022 Budget Act to support grants to local health departments, community-based organizations, and tribes to develop regional Climate and Health Resilience Plans.

Department of State Hospitals (DSH)

The budget includes \$3.2 billion (\$3 billion General Fund) in 2023-24 for the Department of State Hospitals (DSH), which administers five state mental health hospitals, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The Administration estimates that the population served by the five state hospitals and other programs will reach a total of 9,289 by the end of 2023-24, with 5,468 committed to one of the five state hospitals and 2,772 participating in one DSH's contracted non-hospital competency restoration or community-based treatment programs.

Incompetent to Stand Trial (IST) Solutions. The budget maintains General Fund expenditure authority of \$535.5 million, increasing to \$638 million in 2025-26 and annually thereafter for DSH to implement solutions to improve the backlog of individuals deemed incompetent to stand trial (IST) awaiting placement in a state hospital, including: 1) early stabilization, 2) community care coordination, and 3) expanding diversion and community-based restoration capacity. These resources are intended to establish 5,000 beds to support felony ISTs. According to DSH, the waitlist has declined from 1,953 to 1,473 between January and December 2022.

COVID-19 Impacts. The budget includes General Fund expenditure authority of \$51.3 million in 2023-24 related to direct response costs to continue responding to and mitigating the impacts of the COVID-19 pandemic.

Department of Health Care Access and Information (HCAI)

Delay of Health Care Workforce Development Programs. The budget includes delays in several health care workforce development programs previously approved in the 2022 Budget Act into later fiscal years, including the following:

- *Nursing Initiative Grants.* \$70 million scheduled to be awarded in 2022-23 and 2023-24 for a comprehensive nursing initiative would be delayed until 2024-25 (\$35 million) and 2025-26 (\$35 million). These funds were intended to support programs to increase the number of registered nurses, licensed vocational nurses, certified nursing assistants, certified nurse midwives, certified medical assistants, family nurse practitioners, and other health professions
- *Community Health Workers Initiative.* \$130 million scheduled to be awarded in 2023-24 to train and certify 25,000 new community health workers would be delayed until 2024-25 (\$65 million) and 2025-26 (\$65 million).
- *Social Work Initiative.* \$52 million scheduled to be awarded in 2022-23 and 2023-24 to expand the number of social workers trained in the state would be delayed until 2024-25 (\$26 million) and 2025-26 (\$26 million).
- *Addiction Psychiatry and Addiction Medicine Fellowships.* \$48.5 million scheduled to be awarded in 2022-23 and 2023-24 to support additional slots for Addiction Psychiatry and Addiction Medicine Fellowships will be delayed until 2024-25 (\$24.3 million) and 2025-26 (\$24.3 million).
- *University and College Grants for Behavioral Health Professionals.* \$52 million scheduled to be awarded in 2022-23 and 2023-24 to support 4,350 licensed behavioral health professionals through grants to existing university and college training programs would be delayed until 2024-25 (\$26 million) and 2025-26 (\$26 million).
- *Masters in Social Work (MSW) Slots at Public Universities and Colleges.* \$30 million scheduled to be awarded in 2023-24 to expand the number of MSW students at the University of California and California State University programs would be delayed until 2024-25 (\$15 million) and 2025-26 (\$15 million).
- *Song-Brown Nursing Grants.* \$15 million scheduled to be awarded in 2023-24 to support nurse training slots in the Song-Brown Healthcare Workforce Training Program would be delayed until 2024-25 (\$7.5 million) and 2025-26 (\$7.5 million).

California Health Benefit Exchange (Covered California)

Health Care Affordability Reserve Fund. The budget includes a transfer of \$333.4 million from the Health Care Affordability Reserve Fund, which collects revenue from the imposition of the individual mandate penalty on those who do not maintain minimum essential coverage, to the General Fund. According to the Administration, these funds would be returned after the end of enhanced federal subsidies for health insurance premiums in California's health benefit exchange, Covered California, scheduled in 2025-26.

Other Health-Related Adjustments

Opioid and Fentanyl Response. The budget includes expenditure authority of \$93 million from the Opioid Settlement Fund over four years to support youth- and fentanyl-focused investments, including:

- *Naloxone Distribution Project.* \$79 million for the Naloxone Distribution Project to increase distribution of naloxone to first responders, law enforcement, community-based organizations, and county agencies.
- *Fentanyl Program Grants.* \$10 million for fentanyl program grants to increase local efforts in education, testing, recovery, and support services to implement AB 2365 (Patterson), Chapter 783, Statutes of 2022.
- *Fentanyl Test Strips and Naloxone.* \$4 million to support innovative approaches to make fentanyl strips and naloxone more widely available.

The budget also includes Proposition 98 General Fund expenditure authority of \$3.5 million to provide at least two doses of naloxone or another medication to reverse an opioid overdose to all middle school and high school sites.

988 Implementation. The budget includes approximately \$12 million to support implementation of "988" as a three-digit number for the National Suicide Prevention Hotline, pursuant to federal law, including the following:

- \$5.5 million for CalHHS to convene a state 988 policy advisory group to advise on development of a comprehensive implementation plan to build out a comprehensive 988 behavioral health crisis prevention, response, and care system.

- \$700,000 for DHCS to oversee county behavioral health plans implementation of 988.
- \$4 million in 2023-24 and \$12.5 million annually thereafter for DHCS to support eligible 988 call center behavioral health crisis services.
- \$2 million annually for the Department of Managed Health Care (DMHC) to oversee health care service plans.

Human Services

California Department of Aging (CDA). The budget proposes the following significant adjustment to CDA's 2023-24 budget.

- **Mello-Granlund Older Californians Act Modernization.** The 2022 Budget Act included \$186 million General Fund for programs supporting community services, senior nutrition, family and caregiver supports, senior volunteer development, and aging in place. The budget proposes to spend the \$186 million over five years (\$37.5 million annually) instead of across three years as originally planned.

Department of Social Services (DSS). The budget proposes an overall 2023-24 budget of \$43.8 billion (\$18.4 billion General Fund) for DSS.

California Work Opportunity and Responsibility to Kids (CalWORKs). The budget proposes an overall 2023-24 budget of \$7.4 billion for CalWORKs program expenditures and estimates a caseload of 360,000 families in 2023-24.

- **CalWORKs Grants.** The budget includes a 2.9 percent increase to CalWORKs maximum aid payment levels, with an estimated cost of \$87 million. This increase will be funded entirely by the Child Poverty and Family Supplemental Support Subaccount and is in addition to an 11 percent statutory increase for 2022-23.

In-Home Supportive Services (IHSS). The budget includes \$20.5 billion (\$7.8 billion General Fund) in 2023-24 for the IHSS program. It estimates a 642,000 person caseload in 2023-24.

Supplemental Security Income/State Supplementary Payment (SSI/SSP). The budget includes \$3.5 billion General Fund in 2023-24 for the SSI/SSP program. The estimated caseload for the SSI/SSP program is 1.1 million recipients. Effective January

2023, maximum SSI/SSP grant levels are \$1,134 per month for individuals and \$1,928 per month for couples.

- **SSP Increase.** The budget reflects an additional SSP increase of approximately 8.6 percent totaling roughly \$146 million General Fund in 2023-24 and \$292 million ongoing, sustaining progress to restore SSP grants to pre-Great Recession levels.

Child Welfare Services (CWS). The budget includes \$884.9 million General Fund in 2023-24 for CWS programs to provide services to children and families. Including federal and realignment funds, total funding for CWS programs totals more than \$9.2 billion.

- **California Behavioral Health Community-Based Continuum (CalBH-CBC) Demonstration Waiver.** The budget proposes \$14.5 million (\$10.6 million General Fund) ongoing to support additional workload for county child welfare agencies associated with implementation of the CalBH-CBC Demonstration Waiver. This proposal includes funding for Child and Family Teams, joint home visits with mental health providers, and activity stipends for extracurricular activities. For more details on the CalBH-CBC Demonstration Waiver, please see the Health section of this report.

Food Assistance Programs. The budget proposes the following adjustments related to food assistance.

- **Delay of California Food Assistance Program (CFAP) Expansion.** The budget delays the implementation of the expansion of CFAP to adults age 55 and older regardless of immigration status from January 1, 2025 to January 1, 2027.
- **Electronic Benefit Transfer (EBT) Fraud Mitigation.** The budget includes \$50 million (\$17.1 million General Fund) in 2023-24, \$23 million (\$7.9 million General Fund) in 2024-25, and \$3.5 million (\$1.2 million General Fund) in 2025-26, to pursue security upgrades and EBT card technology enhancements to protect clients and prevent theft of EBT benefits.

Child Care. The budget includes \$6.6 billion (\$2.7 billion General Fund) for child care programs, which maintains ongoing rate increases for child care providers, but makes no new investments in rate increases.

- **Child Care Slots.** The budget delays the implementation of 20,000 child care slots, slowing California's progress towards the goal of 200,000 new subsidized child care slots.

- **Child Care Rates.** The budget expresses intent to develop a single rate reimbursement structure for child care. This rate structure will be informed by recommendations of the Joint Labor Management Committee (JLMC), consisting of the state and Child Care Providers United (CCPU), and a stakeholder workgroup convened by DSS. The budget also expresses intent to continue to work with CCPU to negotiate a successor agreement to the current agreement expiring June 30, 2023.

Department of Developmental Services (DDS). The budget proposes an overall 2023-24 budget of \$14.2 billion (\$8.6 billion General Fund) and estimates that approximately 421,000 individuals will receive developmental services by the end of 2023-24.

- **Safety Net Plan Update.** The budget includes \$28.7 million (\$22.1 million General Fund) to expand safety net services to support individuals with complex needs. The updated plan includes the development of a residential program in the community for adolescents and adults with co-occurring developmental disabilities and mental health diagnoses, conversion of two Stabilization Training Assistance Reintegration homes to Intermediate Care Facilities, adjustments to Crisis Assessment Stabilization Teams staffing, and expansion of supports for foster youth who are eligible for regional center services.
- **Autism Services Branch.** The budget includes the establishment of an Autism Services Branch to focus on the needs of the growing number of individuals with autism spectrum disorder.
- **Delay of Preschool Inclusion Grants.** The budget includes a two-year delay, from 2022-23 to 2024-25, to implement the Preschool Inclusion grant program. This program supports preschool inclusion efforts such as facility modifications or staff training. The budget restarts the \$10 million grant program on an ongoing basis beginning in 2024-25.

Other Health and Human Services programs. The budget proposes the following adjustments related to health and human services.

- **Home and Community-Based Services (HCBS) Spending Plan.** The state's HCBS spending plan reflects funding available through the federal American Rescue Plan Act of 2021 to enhance, expand, and strengthen Home and Community-Based Services, delivered through 26 initiatives across six Health and Human Services departments. The budget reduces the HCBS spending plan by \$60 million and forgoes an optional one-year extension of the plan, which anticipates all funding would be expended by March 2024. The Administration has not yet released details on which programs will be affected by the reduction and shortened timeline.

State Administration and General Government

The budget includes several proposals related to statewide issues and cross-departmental functions.

Housing and Homelessness

In total, the proposed budget includes \$2.85 billion for housing resources and \$3.4 billion for homelessness resources in 2023-24. This includes new funding, detailed below, already-budgeted multiyear funding from the 2022 budget, and certain reductions from previously-budgeted multiyear amounts.

Homelessness. The 2022 Budget Act allocated \$10.2 billion, in addition to the \$7.3 billion provided in 2021, for homelessness solutions. This signifies a continued priority in providing investments to support the state's comprehensive homelessness strategy, including resources to provide long-term permanent housing options, services, and supports for individuals experiencing homelessness, or who are at risk of experiencing homelessness.

The budget includes \$3.4 billion General Fund in 2023-24 to maintain the state's efforts to address homelessness, as committed to in prior budgets. This includes:

- \$400 million for a third round of encampment resolution grants.
- \$1 billion for a fifth round of HHAP grants, conditional on proposed statutory changes requiring greater accountability in the planning and expenditure of these critical homelessness resources.
- The budget also includes funding to allow up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness and maintains funding for the Behavioral Health Bridge Housing Program. For more information see the Health and Human Services section.

Housing. The 2022 Budget Act included a housing package of \$11.2 billion over multiple years with a focus on affordable housing production and homeownership opportunities. Due to the state's fiscal condition, the proposed budget includes \$350 million in reductions related to housing programs that were included as part of the 2022 Budget Act. Even with these reductions, funding for these housing programs remains at approximately 88 percent of the allocations made in 2022-23 and proposed for 2023-24 (\$2.85 billion).

These reductions are subject to a proposed trigger mechanism - if there is sufficient General Fund in January 2024, these reductions will be restored. These reductions include:

- **California Dream For All.** The 2022 Budget Act included \$500 million one-time General Fund to the California Housing Finance Agency for the Dream For All program, to provide shared-appreciation loans to help low- and moderate-income first-time homebuyers achieve homeownership. The budget proposes to revert \$200 million of the \$500 million one-time General Fund in 2023-24. This proposal will not impact the Administration's commitment or timeline for implementing the program.
- **CalHome.** The 2022 Budget Act included \$350 million one-time General Fund (\$250 million in the 2022 Budget Act and \$100 million committed for 2023-24) for the Department of Housing and Community Development's CalHome program, to provide local agencies and nonprofits grants to assist low- and very-low-income first-time homebuyers with housing assistance, counseling and technical assistance. The budget proposes to remove \$100 million one-time General Fund in 2023-24.
- **Accessory Dwelling Unit Program.** The 2022 Budget Act included \$50 million one-time General Fund for the California Housing Finance Agency's Accessory Dwelling Unit program. The budget proposes to revert \$50 million one-time General Fund in 2022-23.

Office of Planning and Research (OPR)

The Governor's Office of Planning and Research serves as the Administration's staff for long-range planning and research, and constitutes the state's comprehensive planning agency. Major budget adjustments include:

- **Office of Community Partnerships and Strategic Communications.** The 2022 Budget Act included \$65 million General Fund annually through 2025-26 to establish the Office and provided \$230 million one-time California Emergency Relief Fund in 2022-23 for the Office to continue COVID-19 vaccine-related public education and outreach campaigns. Due to declining General Fund revenues, the budget proposes to remove \$80 million in 2022-23 for the COVID-19 Outreach campaign, reducing the one-time investment to \$150 million.
- **Racial Equity and Youth Empowerment Commissions.** The budget includes \$3.8 million General Fund in 2023-24 and \$3.1 million General Fund through

2028-29, which includes \$1.5 million General Fund that was authorized in the 2022 Budget Act, to support the state's first Racial Equity Commission established by Executive Order N-16-22 and the California Youth Empowerment Commission established in Chapter 660, Statutes of 2021. The Office of Planning and Research will oversee both Commissions, which will launch by the end of 2023. The budget also includes statutory changes to establish the Racial Equity Commission, an advisory body, through 2029.

- **California Climate Action Corps.** The budget proposes \$4.7 million General Fund in 2023-24 through 2025-26, and \$9.4 million ongoing to make this program permanent and double the number of Climate Corps members from 115 to 230.
- **Youth Jobs Corps Program.** The budget proposes \$78.1 million ongoing General Fund to make the CaliforniansForAll Youth Jobs Corps program permanent while providing pathways for undocumented Californians with work authorization.
- **Summer Youth Jobs Corps Program.** The budget proposes to eliminate \$25 million one-time General Fund included in the 2022 Budget Act to support the existing Youth Jobs Corps program and offer additional summer employment opportunities. The purpose of this one-time grant program can be achieved by the proposed ongoing funding for the Youth Jobs Corps program.

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

California Small Business COVID-19 Relief Grant Program. In December 2020, CalOSBA launched the California Small Business COVID-19 Relief Grant Program to administer grants of up to \$25,000 to eligible small businesses and nonprofits. Due to the high demand for the program, approximately 150,000 applications remain unfunded. In the 2022-23 budget, an additional \$150 million was provided to capture the small businesses on a waiting list. The proposed budget reduces this program by \$92 million General Fund to reflect updated estimates of remaining eligible businesses and associated credit amounts.

IBank's Small Business Finance Center and the California Rebuilding Fund. California's IBank invests in a variety of programs to increase access to funding for small businesses. The California Rebuilding Fund is a public-private partnership that is aggregating funding from private, philanthropic, and public sector sources to address the capital and advisory needs of California's small businesses as they reopen and recover from the pandemic. IBank's Small Business Finance Center features a loan guarantee program designed to assist small businesses that experience capital access barriers. The

proposed budget includes a reduction of \$50 million General Fund for these programs, leaving a total of \$37.5 million in General Fund.

California Competes (CalCompetes) Grant Program. The proposed budget includes an investment of \$120 million for a third round of the CalCompetes Grant Program. This investment would continue to be subject to changes made to the program in the 2022 Budget Act, including priority treatment of funding for semiconductor manufacturing, research and development.

Made in California Program. The proposed budget includes \$1.5 million in one-time General Fund, to be spent over three years, to relaunch the Made in California program and conduct outreach and engagement to increase participation in the program. The Made in California Program is intended to support and promote in-state manufacturing.

Franchise Tax Board

Film and Television Tax Credit. The proposed budget extends the Film and Television Tax Credit for an additional five years, starting in 2025-26, maintains the credit total of \$330 million per year, and makes the credit refundable. This would allow more productions to draw down credit funds, including those productions with insufficient tax liability for the credit to offset.

New Employment Credit. The New Employment Credit provides a tax credit for businesses that operate in high-poverty areas and provide long-term employment for specified populations. The proposed budget removes existing geographic restrictions for qualifying semiconductor manufacturing, research, and development firms.

Student Loan Forgiveness Tax Exemption. The proposed budget includes the exemption of federal student loan debt forgiveness from state income taxation. This plan is contingent upon the resolution of litigation related to the federal program. The federal American Rescue Plan Act exempts the forgiveness of student loan debt from 2021-2025 federal income taxes. This proposed budget would exempt that debt relief from state income taxes.

Incomplete Non-Grantor Trusts. The Governor's budget proposes to require net income derived from incomplete non-grantor trusts to be subject to state income tax if the grantor of the trust is a California resident. This change is intended to prevent a practice of California residents transferring assets into out-of-state incomplete non-grantor trusts and potentially avoid state taxation. The change would take effect for the 2023 tax year.

Department of Cannabis Control

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 proposed budget includes \$95.4 million General Fund, from the \$150 million one-time General Fund made available in the 2022-23 Budget Act, to backfill the estimated decline in revenues that fund the program as follows:

- **Education, prevention, and treatment of youth substance use disorders and school retention**—60 percent (\$401.8 million)
- **Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation**—20 percent (\$133.9 million)
- **Public safety-related activities**—20 percent (\$133.9 million)

Below are the estimated revenues and expenditure allocations for the California Cannabis Tax Fund:

	2021-22*	2022-23*	2023-24*
REVENUES:			
Beginning Balance	\$669,610	\$696,933	\$574,233
Cannabis Tax	812,980	642,013	714,690
Total Revenues	\$1,482,590	\$1,338,946	\$1,288,923
Allocation 1: Regulatory and Administrative			
Governor's Office of Business and Economic Development (Equity Program)	15,573	15,684	15,681
Department of Cannabis Control	-	-	-
Department of Fish and Wildlife	9,084	-	-
Department of Pesticide Regulation	2,726	-	-
State Water Resources Control Board	10,728	-	-
Employment Development Department	3,630	-	-
Department of Tax and Fee Administration	9,347	-	-
State Controller's Office	-	-	-
Department of Finance	440	-	-
Statewide General Administration	9,519	14,419	13,181
Total Allocation 1	\$61,047	\$30,103	\$28,862
Allocation 2: Specified Allocations for Research and Other Programs			
Public University/Universities in California	10,000	10,000	10,000
California Highway Patrol	3,000	3,000	-
Governor's Office of Business and Economic Development	40,000	50,000	50,000
University of San Diego Center for Medicinal Cannabis Research	2,000	2,000	2,000
Total Allocation 2	\$55,000	\$65,000	\$62,000
Allocation 3: Percentage of Remaining Revenue Collection			
Youth Education Prevention, Early Intervention and Treatment Account	401,766	401,766	401,766
Environmental Restoration and Protection Account	133,922	133,922	133,922
State and Local Government Law Enforcement Account	133,922	133,922	133,922
Total Allocation 3	\$669,610	\$669,610	\$669,610
Based on prior year actual tax collection			
Less Funding Provided by General Fund per RTC 34019.1	-	-	-95,377
Total Expenditures	\$785,657	\$764,713	\$665,095
Balance of Tax Receipts	\$669,610	\$574,233	\$623,828

Note: Cannabis Tax Revenue includes an estimated reduction of \$2.1 million in 2022-23 and \$4.5 million in 2023-24 related to equity retailer relief.

Cannabis Enforcement. The proposed budget includes funding for the following entities for cannabis enforcement purposes:

- **Board of State and Community Corrections.** The proposed budget includes \$83.9 million Cannabis Tax Fund, through Allocation 3, to award grants to local governments to assist with law enforcement, fire protection, or other local programs addressing public health and safety associated with the implementation of the Control, Regulate and Tax Adult Use of Marijuana Act.
- **State Water Resources Control Board.** The proposed budget includes \$6.4 million Cannabis Control Fund and \$5.7 million in other special funds, which will increase over time to \$13.1 million Cannabis Tax Fund and \$6.6 million other special funds, for enforcement to address water quality and instream flow-related impacts of illegal cultivations.

- **Department of Fish and Wildlife.** The proposed budget includes \$3.8 million Cannabis Control Fund and \$4.2 million Fish and Game Preservation Fund to continue the Department's Cannabis Regulatory and Enforcement Program, including required impact minimization or mitigation measures in permits, licenses, and California Environmental Quality Act (CEQA) documents.
- **Department of Cannabis Control.** The proposed budget includes \$1.9 million Cannabis Control Fund to establish a permanent Department of Cannabis Control Enforcement District Office in Fresno.
- **California Department of Tax and Fee Administration.** The proposed budget includes a portion of the \$10 million Cannabis Control Fund for the cannabis tax enforcement program.

Other General Government

- **California Cybersecurity Integration Center (Cal-CSIC).** Cal-CSIC was established as a partnership between Cal OES, the California Military Department, the California Department of Technology, and the California Highway Patrol and serves as the central organizing hub of the state government's cybersecurity preparedness and response activities. The proposed budget includes \$28.7 million and 40 positions across various departments to maintain and enhance the capabilities of the Cal-CSIC.
- **Seismic Retrofitting Program for Soft Story Multifamily Housing.** In 2022, SB 189 (Committee on Budget and Fiscal Review), Chapter 48, Statutes of 2022, established the Seismic Retrofitting Program for Soft Story Multifamily Housing and included legislative intent language to appropriate \$250 million in the 2023-24 budget. The proposed budget does not include the intended appropriation, citing the state's fiscal outlook and projected decline in General Fund revenues.

Public Safety, Corrections, Judiciary, Labor and Transportation

California Department of Corrections and Rehabilitation (CDCR)

The Governor's budget proposes total funding of \$14.5 billion (\$14.1 billion General Fund and \$374.9 million other funds) for the CDCR in 2023-24.

Adult Institution Population. The average daily adult incarcerated population for 2022-23 is projected to be 96,157, a decrease of 6.6 percent from the spring 2022 projections. The population is expected to continue to decline, decreasing to 93,396 in 2023-24 and 87,295 in 2025-26.

Parolee Population. The parolee average daily population is projected to decline from 43,668 in 2022-23 to 41,345 in 2023-24 and 36,473 by June 30, 2027.

Prison Closures. The proposed budget includes savings of \$150.3 million General Fund annually from the closure of the Deuel Vocational Institution in Tracy in September 2021 and \$142.8 million annually from the closure of the California Correctional Center in Susanville. The proposed budget also reflects two future closures, the California City Correctional Facility by March 2024 and Chuckawalla Valley State Prison by March 2025, and six yard closures. These closures are projected to save the state roughly \$150 million annually once they are complete.

Division of Juvenile Justice (DJJ) Closure. The Governor's budget includes savings of \$95.8 million ongoing (\$93 million General Fund and \$2.8 million other funds) reflecting the closure of DJJ in June 2023.

Free Voice Calling. The proposed budget includes \$30.7 million ongoing General Fund to implement SB 1008 (Becker), Chapter 827, Statutes of 2022, and provide free voice calling to incarcerated individuals.

Continued Expansion of Video Surveillance Systems. The proposed budget includes \$87.7 million one-time General Fund in 2023-24 and \$14.7 million ongoing to install fixed cameras at all remaining CDCR institutions.

COVID-19 Response and Employee Health. As of January 4, 2023, CDCR reported 570 incarcerated adult cases and 616 staff cases in its adult institutions. The proposed budget includes the following resources and adjustments in response to COVID-19 and employee health:

- \$141.8 million one-time General Fund in 2023-24 for direct response to COVID-19, including testing, personnel services, and medical registry costs.
- \$22.7 million General Fund in 2023-24 and \$22.4 million ongoing to continue the Employee Health Program to address employee health-related issues.
- \$30.9 million General Fund reduction each year for four years to reflect staff vacancy savings.

Facilities Funding. The proposed budget includes the following adjustments for facilities funding:

- \$1.5 million General Fund in 2023-24 and \$62 million one-time General Fund in 2024-25 for a roof replacement at the Richard J. Donovan Correctional Facility.
- Reduction of \$30 million in available deferred maintenance funding.

Local Public Safety

Proposition 47 State Savings. The Administration estimates \$101 million net savings in 2023-24 associated with Proposition 47, the Reduced Penalties for Some Crimes Initiative (2014).

Post Release Community Supervision. The proposed budget includes \$8.2 million one-time General Fund in 2023-24 for county probation departments to supervise individuals on Post Release Community Supervision.

Community Corrections Performance Incentive Grant. The proposed budget contains \$123.8 million General Fund in 2023-24 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. This funding level was stabilized in the 2022 budget for two years in response to COVID-19 impacts.

Board of State and Community Corrections (BSCC)

Reduction of the Public Defender Pilot Program. The proposed budget eliminates the third year of funding for the Public Defender Pilot Program, a reduction of \$50 million General Fund in 2023-24.

Department of Justice (DOJ)

The proposed budget includes total funding of approximately \$1.2 billion (\$486 million General Fund) to support the DOJ in 2023-24.

Bureau of Forensic Services Backfill. The proposed budget includes \$53.4 million ongoing General Fund to continue backfilling the DNA Identification Fund.

Implementation of Legislation. The proposed budget includes the following resources to implement recent legislation:

- **Unserialized Firearms AB 1621 (Gipson).** \$2.8 million General Fund in 2023-24, \$2.5 million in 2024-25, and \$1.2 million ongoing, to regulate the sale, transfer, possession, and manufacturing of unserialized firearm precursor parts pursuant to Chapter 76, Statutes of 2022.
- **Firearms: Dealer Inspections AB 228 (Rodriguez).** \$797,000 General Fund in 2023-24, and \$738,000 ongoing, to conduct firearms dealer inspections at least once every three years and increase audit sampling amounts during inspections pursuant to Chapter 138, Statutes of 2022.
- **Firearms: Civil Suits AB 1594 (Ting).** \$648,000 General Fund in 2023-24, and \$631,000 ongoing, to provide legal guidance, expert testimony, and support general research and analytic workload in civil lawsuits pertaining to firearms pursuant to Chapter 98, Statutes of 2022.
- **Firearms: Dealer Requirements SB 1384 (Min).** \$177,000 Special Fund in 2023-24, and \$164,000 in 2024-25, to promulgate regulations and update existing procedures for operating a firearm dealer business pursuant to Chapter 995, Statutes of 2022.
- **Firearms: Gun Shows and Events AB 2552 (McCarty).** \$408,000 (\$12,000 General Fund and \$396,000 Special Fund) in 2023-24, decreasing to \$191,000 (\$12,000 General Fund and \$179,000 Special Fund) ongoing, to address increased gun show enforcement and related reporting requirements pursuant to Chapter 696, Statutes of 2022.
- **Firearms: Manufacturers AB 2156 (Wicks).** \$911,000 one-time General Fund to address increased workload to process firearm manufacturer applications and make changes to the Unique Serial Number Application process pursuant to Chapter 142, Statutes of 2022.
- **Police Practices Division AB 1506 (McCarty).** \$1.8 million ongoing General Fund to establish the Police Practices Division to review the use of deadly force policies and make best practice recommendations pursuant to Chapter 326, Statutes of 2020.
- **Domestic Violence: Death Review Teams SB 863 (Min).** \$1.5 million General Fund in 2023-24, and \$1.1 million ongoing, to collect data on near-death domestic

violence cases and prepare an annual report pursuant to Chapter 986, Statutes of 2022.

- **Crimes: Race-Blind Charging AB 2778 (McCarty).** \$817,000 General Fund in 2023-24, and \$2.4 million ongoing, to collaborate with local jurisdictions, develop guidelines and policies for race-blind charging, perform document redaction, and review additional criminal cases pursuant to Chapter 806, Statutes of 2022.
- **Criminal Procedures: Discrimination AB 256 (Kalra).** \$2.2 million General Fund in 2023-24, \$2.1 million in 2024-25, and \$848,000 in 2025-26 and 2026-27, to address increased litigation-related workload associated with increased appeals for past convictions pursuant to Chapter 739, Statutes of 2022.

Fee Increase for Missing Persons DNA Program. The Governor's budget includes \$1.5 million Special Fund in 2023-24 and \$1.4 million ongoing to support the Missing Persons DNA Identification program. This program is funded by a fee assessed for each death certificate, and the Governor's budget proposes to increase the fee from \$2 to \$3.63 to support the current service level.

The Judicial Branch

The proposed budget includes total funding of \$5.1 billion (\$3.2 billion General Fund and \$1.9 billion other funds) in 2023-24 for the Judicial Branch, of which \$2.9 billion is provided to support trial court operations.

Trial Courts. The proposed budget includes an additional \$74.1 million ongoing General Fund to support trial court operations. This is in addition to an \$84.2 million increase last year and a \$72.2 million increase in 2021.

Community Assistance, Recovery and Empowerment (CARE) Act Implementation. The proposed budget includes \$23.8 million General Fund in 2023-24, \$50.6 million in 2024-25, and \$68.5 million in 2025-26 and ongoing for the Judicial Branch to implement the CARE Act. In addition, the proposed budget includes \$6.1 million in 2023-24 increasing to \$31.5 million in 2025-26 and ongoing to support public defender and legal services organizers to provide legal counsel to CARE participants.

Juror Compensation. The proposed budget includes \$19 million General Fund in 2023-24, \$17.5 million in 2024-25, and \$4.2 million ongoing to implement Chapter 326, Statutes of 2021 (AB 1981, Lee) to expand transit reimbursements for jurors and create a pilot program to study increased compensation and juror diversity.

Trial Court Revenue Backfills. The proposed budget includes \$109.3 million ongoing to continue backfilling the Trial Court Trust Fund.

Trial Court Employee Benefits. The proposed budget includes \$19.6 million ongoing General Fund for trial court employee health benefits and retirement costs.

Trial Court Facilities. The proposed budget includes:

- \$89.5 million General Fund in 2023-24, \$175.5 million in 2024-25, and \$174.5 million ongoing to backfill the State Court Facilities Construction Fund (SCFCF) and maintain existing service levels. The SCFCF, which covers a range of costs including facility modifications, repairs, and debt service, has a structural deficit due to a decline in fine and fee revenues.
- Reduction of \$49.5 million in the amount of funding available for deferred maintenance. The 2021 Budget Act appropriated \$188 million available for two years, which will be reduced to \$138.5 million.

Court Appointed Special Advocate (CASA) Program. The 2022 Budget Act included \$20 million per year for three years for the CASA program. The Governor's budget proposes maintaining the 2022-23 funding but rescinding the funding for the 2023-24 and 2024-25 years.

Governor's Office of Emergency Services (Cal OES)

The proposed budget includes \$3.3 billion (\$771.1 million General Fund) and 1,877 positions for Cal OES.

California Cybersecurity Integration Center (Cal-CSIC). The proposed budget includes \$28.7 million and 40 positions for Cal-CSIC, a multi-department partnership that coordinates cybersecurity preparation and response across the state.

Labor, Public Employment and Retirement

Several Workforce Investments Subject To Reduction and Shifts. The Governor's budget proposes a reduction of \$55 million in workforce investments. However, these reductions are included in a trigger. If there is sufficient General Fund in January 2024, then they will be restored. Moreover, the Budget Act of 2022 previously planned \$65.6 million over four years for various public health workforce development programs. The Governor's budget proposes to reduce this investment to \$15.8 million to help address the

projected revenue shortfall. Finally, the Governor's budget defers funding for various workforce initiatives at the department of Health Care Access and Information.

California Workforce Development Board (CWDB)

California Youth Leadership Program. The Budget Act of 2022 included \$60 million General Fund over three years (\$20 million in each 2022-23, 2023-24, and 2024-25) to CWDB to invest in career pathway programs at community colleges. The Governor's budget proposes to withdraw \$20 million (\$10 million in each 2023-24 and 2024-25), reducing the total three-year investment to \$40 million. If there is sufficient General Fund in January 2024, then this reduction will be restored.

Employment Development Department (EDD)

Unemployment Insurance (UI) Small Business Relief Withdrawal. The Governor's budget proposes to remove the \$500 million one-time General Fund commitment in 2024-25, made as part of the Budget Act of 2022, to offset the anticipated rising federal unemployment insurance tax rates resulting from the UI Trust Fund insolvency.

UI Debt Payment Withdrawal. The Budget Act of 2022 included \$1 billion (\$250 million federal funds in 2022-23 and \$750 million General Fund in 2023-24) to pay down a portion of the state's approximately \$18 billion UI Trust Fund debt. The Governor's budget proposes to withdraw the \$750 million one-time General Fund payment in 2023-24.

UI Trust Fund Loan Interest. The Governor's budget includes \$279 million one-time General Fund to pay the annual interest payment on the state's UI loan balance.

EDDNext. The Governor's budget includes \$198 million one-time in 2023-24 (\$99 million General Fund) to continue the planning and development of EDDNext, for the second year of a five-year plan to modernize EDD. The effort includes enhancements to EDD's benefits system, improving call centers, simplifying forms and notices, including user testing and engagement, developing data analysis tools to continue curbing fraudulent benefit claims, and training.

Fraud Prevention. The Governor's budget includes \$85 million (\$71 million General Fund) one-time in 2023-24 as part of a multi-year investment included in the Budget Act of 2022 to combat fraud, including front-end technology to block foreign and suspicious Internet Protocol addresses, improvements to applicant identity verification, and services to screen and validate claim integrity.

Emergency Medical Technician Training. The Budget Act of 2022 committed \$60 million General Fund over three years (\$20 million in each 2022-23, 2023-24, and 2024-25) for EDD to provide targeted emergency medical technician training. The budget proposes to withdraw \$20 million (\$10 million in each 2023-24 and 2024-25), reducing the total three-year investment to \$40 million. If there is sufficient General Fund in January 2024, then this reduction will be restored.

Department of Industrial Relations (DIR)

Wage Claim Adjudication. The Governor's budget includes an additional \$11.7 million special funds and 42 positions in 2023-24 and \$6.5 million special funds ongoing for DIR to help address wage claim processing times by improving the efficiency of the claims intake and processing as well as automate portions of the claims processing activities within the Wage Claim Adjudication unit.

Electronic Adjudication Management System Modernization. The Governor's budget includes \$21.1 million special funds in 2023-24 for DIR to support the replacement of the Division of Workers' Compensation's electronic case management and document storage system.

Apprenticeship Innovation Fund. The Budget Act of 2022 included \$175 million General Fund over three years (\$55 million in 2022-23 and \$60 million in each 2023-24 and 2024-25) at DIR to invest in and expand non-traditional apprenticeships. The Governor's budget proposes to withdraw \$40 million (\$20 million in each 2023-24 and 2024-25), reducing the total three-year investment to \$135 million. If there is sufficient General Fund in January 2024, then this reduction will be restored.

Women in Construction Unit. The Budget Act of 2022 included \$15 million General Fund ongoing at DIR to promote and support women and non-binary individuals in skilled trade careers. The Governor's budget proposes to pause this funding in 2023-24 and 2024-25 and resume funding of \$15 million General Fund ongoing in 2025-26. If there is sufficient General Fund in January 2024, then this pause will be withdrawn.

COVID-19 Workplace Outreach Program. The Budget Act of 2022 included \$50 million General Fund over two years (\$25 million in each 2022-23 and 2023-24) to DIR to partner with organizations to perform COVID-19 outreach and education to workers and employers in high-risk industries. The Governor's budget proposes the elimination of \$25 million in 2023-24.

Department of Human Resources (CalHR)

Tribal Consultation Training. AB 923 (Ramos), Chapter 475, Statutes of 2022, requires CalHR to develop training by June 1, 2024, regarding the required elements of government-to-government consultations with California Native American Tribes. It also requires designated state officials to complete the training by January 1, 2025, and for officials appointed after that date to do so within six months of their appointment. All designated officials are required to retake the training annually.

The Governor's budget includes \$100,000 General Fund in 2023-24 for consulting services for the design, development and delivery of the required training, and \$10,000 General Fund for fiscal year 2024-25 and ongoing for all related annual update activities and ongoing administrative and maintenance functions.

CalHR Privacy Officer. The Governor's budget includes one permanent position and \$172,000 (\$65,000 General Fund) for fiscal year 2023-2024, and \$165,000 (\$63,000 General Fund) ongoing to allow CalHR to have a dedicated Privacy Officer to develop and manage the department's, policies, procedures, and compliance with California requirements on privacy laws and standards.

Communications Office and Content Management System Replacement. The Governor's budget includes two positions and \$1.35 million (\$994,000 General Fund) in fiscal year 2023-2024 and \$563,000 (\$214,000 General Fund) in fiscal year 2024-2025 and ongoing to 1) research and plan for the replacement of the CalHR Web Content Management System (CMS); and, 2) research, plan and develop an improved communication service to the public, state, and employees.

Personnel Management Division Strategic Workload Support. The Governor's budget includes two positions and \$428,000 (\$256,000 General Fund) in fiscal year 2023-2024, and \$412,000 (\$246,000 General Fund) in 2024-2025 and ongoing to provide the Personnel Management Division strategic workload support to enable CalHR capacity to provide better customer service in alignment with CalHR's Strategic Plan.

Psychological Screening Program Administrative Support Adjustment. The Governor's budget includes reimbursement authority of \$116,000 and permanent position authority to transition one limited-term position within the Medical and Psychological Screening Division.

Augmentation for Employee Compensation

Employee Compensation and Collective Bargaining. The Governor's budget includes \$487.5 million (\$130.6 million General Fund) for increased employee compensation, health care costs for active state employees, and retiree health care prefunding contributions for active employees. Included in these costs are collectively bargained salary and benefit increases resulting from contract and side letter negotiations. Funding is also included for 2024 calendar year increases in health care and dental premiums and enrollment.

Collective bargaining negotiations will commence with 14 bargaining units including: Professional, Administrative, Financial and Staff Services; Professional Educators and Librarians; Office and Allied Employees; Engineering and Scientific Technicians; Printing and Allied Trades; Allied Services; Registered Nurses; Medical and Social Services; Educational Consultants and Library; Correctional Officers; Law Enforcement; Craft and Maintenance; Physicians, Dentists, and Psychologists; and Health and Social Services/ Professionals, whose contracts expire in summer 2023.

California Public Employees' Retirement System (CalPERS)

CalPERS Supplemental Pension Payment and Annual Contribution. The Governor's budget proposes \$8.5 billion (\$4.7 billion General Fund) for the statutorily required annual state contribution to CalPERS for state pension costs based on the CalPERS actuarial valuation projected contribution rates as of June 30, 2021. This is \$255 million (\$151 million General Fund) higher than the Budget Act of 2022 due to payroll growth and the normal progression of amortization bases, including the 7.4-percent investment loss in 2021-22. Included in these costs are \$747 million General Fund for California State University retirement costs. Additionally, the Governor's budget includes \$1.2 billion one-time Proposition 2 debt repayment funding as a supplemental payment toward the state plans' unfunded liabilities.

California State Teachers' Retirement System (CalSTRS)

Teachers' Retirement Contributions. The Governor's budget includes \$3.9 billion General Fund for the statutorily required annual state contribution to CalSTRS. The roughly \$218 million increase from the Budget Act of 2022 due to higher-than-anticipated growth in creditable compensation from 2020-21 to 2021-22.

Retiree Health

State Health Care Benefits. The Governor's budget includes \$390 million in one-time Proposition 2 debt repayment funding for the employer's share of contributions to pay for future retiree health benefits.

Transportation

Transportation Package. The budget includes \$2.7 billion in General Fund reductions, partially offset by an additional \$500 million from state transportation funds, across various transportation programs. If there is sufficient General Fund in January 2024, \$2 billion of these reductions will be restored. This lowers the funding for the transportation package provided in the 2022 Budget Act from \$13.8 billion to \$11.6 billion. Key changes to the funding include:

- **Transit Intercity Rail Capital Program:** A reduction of planned funding in 2023 and 2024 from \$2 billion each year to \$1 billion in 2023-24 and \$500 million in each of 2024-25 and 2025-26. These funds are set to be allocated proportionally, by region, based on population. This maintains approximately \$5.7 billion (74 percent) of the original \$7.7 billion planned additional funds for local transit capital infrastructure projects. If there is sufficient General Fund in January 2024, this reduction will be restored.
- **Active Transportation Program:** A reduction of \$500 million General Fund, with \$300 million of the reduction being restored from State Highway Account funds, for a net reduction of \$200 million. This maintains approximately \$850 million (81 percent) of the original \$1.05 billion of additional funds for the program.
- **Climate Adaptation Program:** A reduction of \$200 million General Fund offset by \$200 million from the State Highway Account for the program.
- **Safety Grade Separations:** A delay of \$350 million of funding originally planned to be available in 2023-24, which will instead be made available in 2025-26.

Ports and Goods Movement. The budget includes a delay of \$600 million General Fund, originally planned to be available in 2023-24, to be spread out over three years at \$200 million annually from 2023-24 to 2025-26.

Body-Worn Cameras. The budget proposes \$9.8 million Motor Vehicle Account for the California Highway Patrol to implement a statewide body-worn camera program, which previously has been a pilot project.