Budget Act of 2024 - Key Highlights

The Legislature and the Governor have reached agreement on the Budget Act of 2024.

The final agreement on the Budget Act is the culmination of a process spanning over five months: beginning with the Governor’s constitutionally required January 10th proposals; months of review and the Legislature holding over 100 public hearings; the Legislature meeting its constitutional required passage of the budget by June 15; and finally ending with this agreement.

The final agreement closes a budget shortfall of over $45 billion, which was largely driven by two things: 1) The projected surplus of the 2022 Budget Act overstating the actual level of the surplus; and 2) The IRS delay of the tax filing deadline for 2022 all the way into November of 2023, which kept the state from sufficiently addressing the impacts of the overstated 2022 surplus.

Thanks in large part to the more than a decade of responsible budgeting, the budget shortfall has been closed with real and lasting solutions that results in projected balanced budgets through the 2025-26 fiscal year. And just as importantly, the final agreement protects the progress to core programs and schools that have been made in recent years.

The details of the Budget Act of 2024 will be further fleshed through public hearings – the hallmark of the Legislature’s budget process – of the Budget Bill Jr and several trailer bills, which along with the Budget Bill and trailer bills passed on June 13, will make up the Budget Package.

This document outlines key highlights of the Budget Act of 2024.
Overall:

- **Balanced Budget.** The Budget Act of 2024 is not only balanced through the 2024-25 budget year, but is also balanced through the 2025-26 budget year as well. All told, the Budget Plan eliminates the Department of Finances budget year projected shortfall of about $45 billion and the 2025-26 shortfall of over $30 billion.
  
  - The Budget Plan is balanced in 2024-25, with a $3.5 billion Regular Reserve and over $22 billion in total reserves – a bit lower than the May Revision proposal.
  
  - The Budget Plan is balanced in 2025-26, with a $1.5 billion Regular Reserve and over $13 billion in total reserves – nearly $2 billion higher than the May Revision.

![General Fund Summary](image-url)
• **Budget Solutions.** The Budget Act of 2024 contains a total of $46.8 billion in solutions for 2024-25. The Budget Plan provides a balanced approach to closing the budget shortfall, with the solutions primarily coming from Program Reductions ($16 billion) and Revenues ($13.6 billion). The rest of the shortfall is closed with a mix of Reserves, Fund Shifts, Delays, and Deferrals.

Here is a breakdown of the Solution Categories, in billions:

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• **Responsible Budgeting Reforms.** Budget Act of 2024 embraces important responsible budgeting reforms that will strengthen the state’s budget resilience in the future and help further avoid significant budget shortfalls. Details are still under discussion between the Legislature and the Administration and will be enacted later this year. The basics of the agreement are:

  o Updating the state’s Rainy Day Fund:
    
    ▪ Increase the size of the Rainy Day Fund from 10 percent of the state budget to 20 percent.

    ▪ Exclude deposits into the Rainy Day Fund from the state appropriations limit (Gann Limit) so that the budget is not
constitutionally forced to allocate funds and can instead responsibly
deposit funds into budget reserves to protect against future
downturns.

- Creating a new “Projected Surplus Temporary Holding Account”:
  - This new fund will help avoid the problems the state has
    experienced since 2022. In that year, there was a significant
    surplus projected, and the budget allocated that surplus pursuant to
    constitutional requirements.
  - It turned out that the surplus was not a large as projected, but the
    budget had already allocated the surplus at the higher level.
  - Under this reform, a portion of any projected surplus will be
    deposited into Projected Surplus Temporary Holding Account
    where they will be held until a future year once it is clear whether
    the projected surplus of revenues actually materialized.

**Education:**

- **Proposition 98.** Proposition 98 is funded at $97.5 billion, $98.5 billion, and
  $115.3 billion in 2022-23, 2023-24, and 2024-25, respectively, and has an overall
  increase of $1.9 billion compared to the May Revision.
  - The budget includes the total deployment of the Proposition 98 Reserve in
    2023-24. For TK-12, the reserve funds $5.3 billion Local Control Funding
    Formula costs in 2023-24 and $2.3 billion on unallocated categorical
    deferrals from 2022-23. The budget also includes $3.6 billion in deferrals
    from 2023-24 to 2024-25. Finally, the budget defers $246 million in 2024-
    25 to 2025-26.
In addition to deferrals, the budget also adopts the establishment of an obligation schedule for $6.2 billion General Fund from 2022-23, which will begin in 2026-27 with $544,214,000 General Fund per year until 2035-36.

With these actions together, in addition to the suspension of Proposition 98 in the 2023-24 fiscal year, the budget avoids elimination of any K-12 program.

- **Proposition 98 Reserve.** Deposits $1.1 billion into the Public School System Stabilization Account, or the Proposition 98 Reserve, after 2024-25, and provides a cushion for future budget years.

- **Inclusive Early Education Expansion Program.** Restores $100 million Proposition 98 General Fund to the Inclusive Early Education Expansion Program.

- **Staff Protections.** Protects certificated and classified staff from layoffs in the upcoming school year.

- **Support for Educators.** The budget supports educators in their professional development to support students:
  - Funds $20 million one-time Proposition 98 General Fund for professional development aligned to the recently approved Mathematics Framework.
  - Allows the Learning Recovery Emergency Block Grant to be used for professional development and coaching aligned to recently adopted frameworks for math and literacy.
  - Funds an initial investment of $25 million Proposition 98 General Fund, beginning in 2024-25, for professional development and training for educators who will administer literacy screenings starting in 2025-26. The budget also ensures that the K-12 Mandates Block Grant will provide...
continuous funding for training and professional development related to administering these screeners.

- The budget will fund $35 million in 2025-26 to provide trainings for school staff to address youth behavioral concerns.

**Higher Education and Libraries:**

- **Provides UC and CSU Compact Increases in 2024-25.** Provides a net increase in state support for the third year of compacts as follows:
  - Funds ongoing compact increases for the UC ($258.8 million General Fund) and CSU ($240.2 million General Fund) in 2024-25
  - Adopts May Revision one-time unallocated base reduction for UC ($125 million) and CSU ($75 million) in 2024-25

- **Restructures UC and CSU Compacts In Future Years.** Restructures compacts support for UC and CSU as follows:
  - Defers the 2025-26 compact increases to 2026-27 and repays this amount in 2026-27.
  - Defers the 2026-27 compact increases to 2027-28 and repays this amount in 2027-28.

- **Makes No Reductions to Core California Community College (CCC) Programs.** Maintains COLA for CCC apportionments, maintains COLAs for categorical programs, supports enrollment growth across districts, and fully funds Student Centered Funding Formula overall costs.

- **Maintains Support for Key Institutes.** Rejects cuts to the UC Labor Centers and the UCLA Latino Policy and Politics Institute.
• **Protects Student Access to Financial Aid.**
  
  o Restores full funding for the Middle Class Scholarship (MCS) program in 2024-25, which primarily benefits lower income students, rather than the May Revision proposal to dramatically reduce the program and force students into more student debt and hurt chances of thriving in the middle class upon graduation.

  o Provides returning and continuing students with additional time to submit a Free Application for Federal Student Aid (FAFSA) and receive a MCS award for the 2024-25 award year.

  o Provides $20 million Proposition 98 General Fund one-time to assist community college financial aid offices with unexpected workload and circumstances due to FAFSA delays and to help support students who are still trying to complete the FAFSA.

• **Ensures That Construction of CCC Higher Education Student Housing Projects Continue.** Includes the financing structure for a statewide lease revenue bond program to support the construction of 13 community college affordable student housing facilities selected in the 2022 and 2023 Budget Acts as a part of Higher Education Student Housing Grant Program. Additionally, includes one-time General Fund payments to three districts for housing projects that are not appropriate for bond funds.

• **Creates Nursing Program Support at CCC.** Establishes the Rebuilding Nursing Infrastructure Grant Program to expand nursing programs and partnerships, address nursing shortages, and increase, educate, and maintain the next generation of registered nurses through the CCC. The 2024 Budget Act supports this program with $60 million Proposition 98 General Fund per year for five years, starting 2024-25, with CCC Strong Workforce Program funding.
• **Education Pathways for low-income workers through CCC.** Includes $5 million Proposition 98 General Fund in 2024-25 through the CCC Strong Workforce Program to support low-income workers seeking education and training through pathways provided by community colleges.

• **Fully Restores Golden State Teacher Grant (GSTG) Support.** Rejects cut to GSTG and instead maintains $110.2 million General Fund for allocation in 2024-25.

• **Supports Key State Library Programs.**
  
  o Rejects elimination of all state support for the Lunch at the Library program and instead leaves $2.5 million ongoing total support.

  o Includes $750,000 General Fund in 2024-25 for the preservation and public accessibility of LGBTQ archives statewide.

  o Rejects cuts to Dolly Parton Imagination Library program.

**Climate, Environment and Energy.**

• **Offshore Wind.** Preserves $45 million for offshore wind port infrastructure at the California Energy Commission (CEC), and provides $16 million for offshore wind permitting activities at the Ocean Protection Council, Coastal Commission, and State Lands Commission.

• **Equitable Building Decarbonization.** Restores $25 million to the Equitable Building Decarbonization program at CEC.

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

• **Food and Agriculture.** Rejects cuts to the California Nutrition Incentive Program, Farm to Community Food Hubs Program, Farm to School Incubator Grant Program, and Relief for Small Farmers.

**Health.**

• **MCO Health Investments.** Rejects the May Revision proposal to permanently eliminate over $2.4 billion in annual new health investments scheduled to take effect January 1, 2025. Instead, targeted new investments will start January 1, 2025, while others will start one year later on January 1, 2026. The final agreement includes additional new investments not originally included in initial concept in 2023.

• **Public Health.** Rejects the May Revision’s proposed complete elimination of recent funding increases for Public Health programs, instead contains a modest cut of just under eight percent.

• **Specialty Dental Clinics.** Restores infrastructure grants to dental clinics to improve access to dental care for children with special health care needs.

• **Maintains State Commitments in Workforce Programs.** Maintains $108.9 million for workforce programs to ensure the state keeps its promise to those already awarded funding for residencies, nursing training, and other pipeline programs.

• **Indian Health Program.** Rejects the May Revision proposal to eliminate funding for the Indian Health Program.

• **Acupuncture Benefit in Medi-Cal.** Rejects the May Revision proposal to eliminate the acupuncture benefit in Medi-Cal.
• **Children and Youth Behavioral Health Initiative Public Education and Change Campaign.** Restores $34.7 million in 2024-25 and $13.7 million in 2025-26 of the proposed reduction to the Children and Youth Behavioral Health Initiative Public Education and Change Campaign.

• **Sickle Cell Centers for Excellence.** Authorizes $5 million in 2024-25 to support Sickle Cell Centers for Excellence.

• **California Cancer Registry.** Authorizes $800,000 in 2024-25 to maintain the California Cancer Registry.

• **Health Care for Striking Workers.** Requires the Department of Finance to augment funding in Covered California for healthcare for striking workers up to $5 million, and notify the Legislature if the program will exceed the appropriation.

**Human Services.**

• **Developmental Services Rates.** Reduces proposed 12 month delay of Developmental Services rate increase to six months, resulting in the rate increase starting to January 1, 2025.

• **Child Care Slots.** Restores funding for Child Care slots that have been recently offered, resulting in more than 11,000 funded slots than proposed in the May Revision. Codifies the plan to create over 200,000 new subsidized child care slots by 2028.

• **Foster Care.** Rejects proposed cuts to foster care programs, including Family Urgent Response System (FURS) and funding for caregiver approvals. Implements the permanent foster care rate structure, to take effect July 1, 2027.
• **CalWORKs.** Rejects proposed cuts to CalWORKs Expanded Subsidized Employment, CalWORKs Home Visiting, and CalWORKs Mental Health, instead temporarily reducing program funding to match recent expenditures.

• **CalFresh and Food Programs.** Rejects proposed cuts to senior nutrition, the CalFresh Minimum Benefit pilot program, and the Work Incentive Nutrition Supplement program. Adds $10 million to continue the CalFresh Fruits and Vegetables EBT program.

• **In-Home Supportive Services (IHSS).** Rejects proposed cut to IHSS regardless of immigration status and IHSS Backup Provider system.

• **Adult Protective Services.** Rejects proposed cuts to Adult Protective Services expansion and training.

• **Services for Immigrants.** Rejects proposed cuts to services for immigrant communities, including CSU Immigration Legal Services and the Rapid Response Program.

• **Diaper Banks.** Adds $9 million to fund local diaper distributions for low-income families with infants and toddlers.

**Revenue Solution.**

• **NOL Suspension / Credit Cap.** Suspends the Net Operating Loss Credit and limits business tax credits at $5 million for tax years 2024, 2025, and 2026. Specifies that business tax credits that are not able to be applied during the limitation period are made refundable for use in future years. Includes a trigger to end the suspension and limitation period early if the Director of Finance determines that revenues are sufficient and if adopted as part of the Budget Act.

• **Tax Changes.** Approves a variety of proposals to make tax changes and close loopholes including:
- Eliminating the bad debt deduction for lenders.
- Conforming tax deductions on charitable conservation easements with federal law.
- Eliminating oil and gas tax subsidies.
- Clarifying current law and practice for the apportionment factor formula for multinational corporations.

- **Direct File Alignment.** Provides ongoing funding (grows to $3 million over time) to support alignment of the state free tax filing tool, CalFile, with the federal Direct File pilot.

**General Government.**

- **Reorganization of OPR.** Approves the Governor’s proposal to rename and refocus the Governor’s Office of Planning and Research as the Governor’s Office of Land Use and Climate Innovation. Spins off California Volunteers as a separate department; reassigns ZEV and the California Jobs First programs to GO-Biz; and transfers the Initiative to Advance Precision Medicine to Health and Human Services Agency.

- **California Volunteers.** Approves the Governor’s proposals to maintain or expand College Corps, Youth Job Corps, and Climate Action Corp service programs.

- **Middle Mile Broadband Initiative (MMBI).** Maintains current level of investment in the statewide Middle Mile Broadband network and includes $250 million in flexible funding and trailer bill language for the MMBI to prioritize construction of network segments in unserved and underserved locations.
- **Capitol Annex.** Reduces taxpayer costs for the Capital Annex project by rejecting proposal to fund with more costly revenue bonds, and avoids potentially higher costs by returning the project to its ordinary exemption from the California Environmental Quality Act.

**Housing and Homelessness.**

- **HHAP.** Provides $1 billion to HHAP Round 6 to provide local governments continued funding to combat the homelessness crisis. Strengthens program oversight, transparency, and performance accountability.

- **Low Income Housing Tax Credits.** Approves an additional $500 million for Low Income Housing Tax Credit program to help finance affordable housing development projects, as proposed by the Governor.

- **Affordable Housing.** Rejects proposed cuts to the Multifamily Housing Program (MHP), Regional Early Action Planning (REAP) 2.0 grants, and the Housing Navigation and Maintenance Program.

- **Encampment Resolution Funds.** Accepts Governor’s proposal to add $150 million in new resources for dismantling homeless encampments and providing encampment residents with a pathway to stable housing.

**Transportation**

- **Active Transportation.** Rejects the proposed cut to the Active Transportation Program, and instead provides $600 million over six years, subject to appropriation after two years.

- **Rail.** Rejects the proposed $148 million cut to the Competitive Transit and Intercity Rail Capital Program.
• **Grade Separations.** Preserves $150 million for targeted grade separation projects, and prioritizes funding for other grade separations projects in existing programs through trailer bill.

• **Highways to Boulevards.** Provides $75 million for the Highways to Boulevards program at the California Department of Transportation.

**Public Safety and Corrections**

• **Corrections Reductions.** Includes $750 million in various reductions to the Department of Corrections and Rehabilitation.

• **Services for Survivors of Crime.** Provides $103 million to backfill lost federal funds for the Victims of Crime Act program and restores complete funding ($50 million) for the Flexible Assistance for Survivors of Crime grant program.

• **Non-Profit Security Grants.** Provides $80 million for grants to help nonprofit organizations that are targets of hate-motivated violence and hate crimes.

• **Missing and Murdered Indigenous People (MMIP).** Provides $5 million for the Missing and Murdered Indigenous People program.

• **Restores Grant Programs.** Restores complete funding for key programs at the Board of State and Community Corrections, including the Public Defender Pilot Program and the Adult Reentry Grant program.

• **Protects Funding for Court Programs.** Protects core components of funding for Court Reporters, Court Interpreters, and the court-based firearm relinquishment program.
Labor, Workforce, and Public Employment

- **SB 525 Implementation.** Implements health care minimum wage law subject to two potential triggers. The first trigger is related to the Administration submitting a new federal waiver for an additional Quality Assurance Fee, which will generate billions for hospitals. The second being weather revenues out-perform projections by more than three percent. Under this action, it is expected that SB 525 will be implemented as early as October, but no later than January 1, 2025.

- **Maintains Support for Women in Construction.** Rejects the proposal to eliminate the Women in Construction Unit at the Department of Industrial Relations (DIR).

- **Protects Key Workforce Programs.** Rejects cuts to California Youth Apprenticeship, California Youth Leadership Corps, and High Road Training Partnerships in Health and Human Services programs.

- **Invests in Workforce Education and Outreach.** Provides $30 million Labor and Workforce Development Fund in 2024-25 for the California Workplace Outreach Project at DIR.

- **Addresses Staffing Vacancies at DIR and Strengthens Enforcement.** Gives DIR the ability to expedite hiring and streamline processes to address staffing emergencies and to ensure effective and timely enforcement of state labor laws.

- **Rejects Telework Stipend Elimination.** Does not include General Fund savings or statutory changes associated with the proposed elimination of the telework stipend first offered to state employees in 2021-22.

More details on all of these items and all other actions that make up the Budget Act of 2024 will be contained in the public hearing agendas and bill analysis for the Assembly and Senate budget committee hearings.
Appendix

Budget Act of 2024 Bill Package

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