



**GOVERNOR'S PROPOSED BUDGET FOR 2023-24
JANUARY 10, 2023**

TO: CSAC Board of Directors
County Administrative Officers

FROM: Graham Knaus, CSAC Executive Director
Jacqueline Wong-Hernandez, CSAC Deputy Executive Director

RE: Governor's January Budget Proposal for 2023-24

This morning, Governor Newsom proposed a \$297 billion state budget focused on protecting prior investments amidst a revenue shortfall. The Administration is projecting a \$22.5 billion budget deficit, which it largely proposes to address with a mix of spending delays, clawing back certain planned spending, and pausing some new spending. In comparison to the 2022 Budget Act, there is a \$1 billion increase in budgetary reserves (\$34.6 billion for 2022-23), with \$22.4 billion reserved for the Rainy Day Fund (up \$1.5 billion from last year). There are few new programs and funding commitments proposed, in stark contrast to the Governor's previous annual budget proposals. The bulk of the Administration's narrative highlights investments approved in previous years' budgets that are being "preserved" in this proposal.

The Governor spent some time in his press conference discussing local government – its successes and challenges, and his admiration and frustrations. Notably, he said, "Sacramento's vision is realized at the local level."

Nowhere is that more true than at the *county* level. Counties administer the most critical state services, and turn ideas into effective programs that help our communities. In behavioral health, juvenile justice, public health, homelessness, and more, counties are *the* critical partner.

CSAC looks forward to working on behalf of counties to make sure the Governor, his Administration, and the Legislature understand the importance of our partnership to actually get things done. Supporting [county priorities](#) and protecting county investments serves California communities.

Several proposals warrant close attention from counties, including:

- Deferring \$550 million for Broadband for the California Public Utilities Commission (CPUC) for last-mile infrastructure grants from 2023-24 to future years.
- Sustaining commitment to CalAIM funding, including \$6.1 billion over five years for the Behavioral Health Community-Based Continuum Demonstration.
- \$215 million annually for CARE Act implementation.

- \$2.7 billion to advance critical investments in forest health and fire prevention.
- \$202 million in new investments for flood infrastructure, including \$25 million for Central Valley flood protection.
- Nearly \$116 million allocated for illegal cannabis enforcement.
- \$1.4 billion maintained in 2023-24 for Homeless Housing, Assistance and Prevention and Encampment Resolution Funding programs.
- Funding for housing and transportation programs remain at approximately 85% to 90% of the allocations made in the 2022 Budget Act. No reductions are being made to the following housing focused programs:
 - Infill Infrastructure Grant Program
 - State Excess Sites Development
 - Adaptive Reuse
 - Portfolio Reinvestment Program
 - Manufactured Housing Opportunity and Revitalization Program

As required by the State Constitution, the budget chair in each house of the California Legislature has introduced the Governor’s proposed budget bill. To be in print in the next day or so, those bills are Assembly Bill (AB) 221 and Senate Bill (SB) 72.

The following pages provide statewide revenue and expenditure summary charts as well as specific budget proposals by policy area. For more detail on these and other items of importance, see the following policy sections below or contact CSAC legislative staff.

If you would like to receive the Budget Action Bulletin electronically, please e-mail Amanda Yang, CSAC Legislative Assistant at ayang@counties.org.

2023-24 Governor's Budget

Summary by Agency
(\$ in Millions)

State Agencies	General Fund	Special Funds	Bond Funds	Total State Funds
Legislative, Judicial, Executive	\$11,852	\$3,678	\$262	\$15,792
Business, Consumer Services & Housing	\$1,472	\$1,217	\$936	\$3,625
Transportation	\$2,191	\$15,602	\$82	\$17,875
Natural Resources	\$9,723	\$2,019	\$585	\$12,327
Environmental Protection	\$1,989	\$3,935	\$14	\$5,938
Health and Human Services	\$71,447	\$30,769	---	\$102,216
Corrections and Rehabilitation	\$14,775	\$3,799	---	\$18,574
K-12 Education	\$81,176	\$370	\$629	\$82,175
Higher Education	\$22,518	\$133	\$458	\$23,109
Labor and Workforce Development	\$1,638	\$1,056	---	\$2,694
Government Operations	\$3,847	\$251	\$7	\$4,105
General Government				
<i>Non-Agency Departments</i>	\$3,562	\$1,837	\$2	\$5,401
<i>Tax Relief/Local Government</i>	\$558	\$3,523	---	\$4,081
<i>Statewide Expenditures</i>	-\$3,134	2,196	---	-\$938
TOTAL	\$223,614	\$70,385	\$2,975	\$296,974

2023-24 Revenue Sources
(\$ in Millions)

Revenue Source	General Fund	Special Funds	Total	Change from 2022-23
Personal Income Tax	\$126,725	\$3,564	\$130,289	-\$2,247
Sales and Use Tax	\$33,599	\$15,424	\$49,023	\$847
Corporation Tax	\$39,308	---	\$39,308	\$826
Highway Users Taxes	---	\$9,747	\$9,747	\$788
Insurance Tax	\$3,863	---	\$3,863	\$222
Alcoholic Beverage Taxes and Fees	\$441	---	\$441	\$5
Cigarette Tax	\$45	\$1,480	\$1,525	-\$143
Motor Vehicle Fees	\$37	\$11,693	\$11,730	\$481
Other	\$7,067	\$23,264	\$30,331	-\$1,745
Subtotal	\$211,085	\$65,172	\$276,257	-\$966
Transfer to the Budget Stabilization/ Rainy Day Fund	-\$911	\$911	---	---
TOTAL	\$210,174	\$66,083	\$276,257	-\$966

HEALTH AND HUMAN SERVICES

The Governor's Budget proposal includes about \$230 billion (\$71.5 billion General Fund – nearly 32 percent of the state's overall General Fund budget expenditures) for all health and human services programs in 2023-24. Significant investments have been made in health and human services programs in the last few years, with a focus on the state's most vulnerable communities, to expand access to care and benefits; advance health care affordability and the master plan for aging; and strengthen the behavioral health continuum, health and human services workforce, and public health infrastructure. The Governor's Budget proposal maintains most of the critical investments made in recent years with a proposed reduction and delay in one-time investments in workforce development and climate health.

Realignment

The Governor's Budget proposal includes revenue assumptions for 1991 Realignment and 2011 Realignment. The projections for 2022-23 and 2023-24 indicate that Realignment revenues will have modest growth for both 1991 Realignment and 2011 Realignment. The Governor's Budget proposal estimates revenues will grow by 1.3 percent in 2022-23 over 2021-22 levels and 1.6 percent in 2023-24 over 2022-23 levels. The Realignment revenue tables, including specific projections by subaccount, are included in the appendix at the end of this Budget Action Bulletin.

HEALTH

Community Assistance, Recovery and Empowerment (CARE) Act

The Governor's Budget proposal maintains the \$88.3 million in one-time General Fund for county start-up costs and state implementation included in the 2022 Budget Act and proposes additional funding for the ongoing implementation costs of the CARE Act. In total, the Governor's Budget proposal includes \$215 million General Fund ongoing for state and local agency implementation costs of the CARE Act at full implementation.

The Governor's Budget proposal includes \$16.5 million General Fund in 2023-24, \$66.5 million General Fund in 2024-25, and \$108.5 million in 2025-26 and annually thereafter to support estimated county behavioral health department costs for the CARE Act. The Administration has indicated it will continue to work with counties and stakeholders to refine this ongoing program cost estimate. To date, the Administration has not begun engaging in formal discussions with county associations on the estimated county costs to implement the CARE Act on a statewide basis.

For Judicial Branch funding for CARE Act implementation, including funding to support public defender and legal services organizations who will provide legal counsel to CARE Act participants, please see the Administration of Justice section of this bulletin.

California Advancing and Innovating Medi-Cal (CalAIM)

The Governor's Budget proposal maintains the approximately \$10 billion (total funds) commitment to continue transforming the healthcare delivery system through CalAIM.

California's Behavioral Health Community-Based Continuum Demonstration

The Governor's Budget proposal includes \$6.1 billion (\$314 million General Fund, \$175 million Mental Health Services Fund, \$2.1 billion Medi-Cal County Behavioral Health Fund, and \$3.5 billion federal funds) over five years for the Department of Health Care Services and the Department of Social Services to implement the Behavioral Health Community-Based Continuum Demonstration, effective January 1, 2024. The Demonstration includes statewide and county opt-in components to expand behavioral health services and strengthen the continuum of mental health services for Medi-Cal beneficiaries living with serious mental illness and serious emotional disturbance, including federal financial participation for short-term stays in Institutions for Mental Diseases (IMD), with a focus on children and youth, individuals experiencing or at risk of homelessness, and justice-involved individuals.

The Demonstration will additionally allow counties to cover certain community-based services, such as supportive employment and rent and temporary housing for up to six months for certain high-need beneficiaries. The Governor's Budget proposal includes \$17.9 million (\$6.3 million General Fund) in 2025-26 increasing to \$116.6 million (\$40.8 million General Fund) at full implementation for this purpose.

Behavioral Health Payment Reform Funding

While not specifically called out in the budget summary documents, the Administration has indicated the Governor's Budget proposal includes \$375 million General Fund one-time for behavioral health payment reform activities in 2023-24 to fund the counties' non-federal share of costs of this transition. Additionally, there will be proposed budget trailer bill language associated with this initiative.

Behavioral Health Continuum Infrastructure Program (BHCIP) Funding

The Governor's Budget proposal delays the last round of behavioral health continuum capacity funding of \$480.7 million General Fund appropriated in the 2022 Budget Act for 2022-23 to \$240.4 million in 2024-25 and \$240.3 million in 2025-26. A total of \$1.2 billion has been awarded to date, and the Governor's Budget proposal maintains \$480 million General Fund for crisis and behavioral health continuum grant funding to be awarded in 2022-23.

Medi-Cal

The Medi-Cal budget includes \$137.7 billion (\$32.3 billion General Fund) in 2022-23 and \$138.9 billion (\$38.7 billion General Fund) in 2023-24. Medi-Cal is projected to cover approximately 15.2 million Californians in 2022-23 and 14.4 million in 2023-24—more than one-third of the state’s population. The Governor’s Budget proposal reflects lower Medi-Cal expenditures of approximately \$4.2 billion General Fund in 2022-23 compared to the 2022 Budget Act. The decrease is due primarily to the shifting of certain repayments to the federal government related to state-only populations into 2023-24, and net savings from the assumed extension of the federal COVID-19 Public Health Emergency through mid-April 2023.

Unwinding of the Public Health Emergency (PHE)

The Department of Health Care Services indicates the Medi-Cal estimates do not reflect the impact of recent congressional action (Consolidated Appropriations Act of 2023) to end the Medi-Cal continuous enrollment requirement beginning April 2023 or the gradual phase-down of increased Federal Medical Assistance Percentage (FMAP) over calendar year 2023. DHCS will continue to evaluate the impact of the recent federal legislation and these impacts will be reflected in the May Revision.

Expansion to All Income-Eligible Adults, Regardless of Immigration Status

The Governor’s Budget proposal maintains \$844.5 million (\$635.3 million General Fund) in 2023-24, \$2.1 billion (\$1.6 billion General Fund) in 2024-25, and approximately \$2.5 billion (\$2 billion General Fund) ongoing, inclusive of In-Home Supportive Services costs, to expand full-scope Medi-Cal eligibility to all income-eligible adults ages 26 to 49 regardless of immigration status on January 1, 2024.

Managed Care Organization (MCO) Tax

The Governor’s Budget proposes the renewal of the MCO Tax effective January 1, 2024, through December 31, 2026, to help maintain Medi-Cal program funding for the Medi-Cal expansion to all income-eligible individuals and minimize the need for reductions to the program. This tax renewal maintains the structure from the prior MCO Tax authorized in Assembly Bill 115 (Chapter 348, Statutes of 2019) as approved by the federal government with minor modifications and data updates. The Governor’s Budget proposal includes \$1.3 billion (\$317 million in reduced General Fund spending) in 2023-24 and the MCO Tax is estimated to offset \$6.5 billion in General Fund spending over the three years.

Public Health

Local Public Health Infrastructure Investment

The Governor’s Budget proposal maintains the \$200 million in ongoing General Fund to local health jurisdictions that is critically needed to address vital public health priorities such as

modernizing local public health infrastructure and bolstering public health staffing. An additional \$100 million in ongoing General Fund is also maintained to support increased state public health capacity in foundational areas such as emergency preparedness and response and workforce development and training.

Partial Public Health Workforce Reductions

The Governor's Budget proposal reduces funding for various public health workforce training and development programs by \$49.8 million General Fund over four years in response to the downward revenue projections. The 2022 Budget Act included support for various workforce-related one-time investments, of which the Governor's Budget proposal maintains funding for the waiver of public health nursing certification fees for three years (\$10 million), but retains only partial funding of \$15.8 million maintained in 2022-23 across various other investments, with future resources proposed for reversion.

Emergency Response

The Governor's Budget proposal reflects \$176.6 million General Fund in 2023-24 to continue the state's efforts to protect the public's health against COVID-19, consistent with the Administration's SMARTER Plan, and maintain significant information technology systems, including the California COVID Reporting System for laboratory data management and CalCONNECT for case and outbreak investigation.

Climate Health

The 2022 Budget allocated \$346 million General Fund over multiple years for investments to address the health impacts of climate change. The Governor's Budget proposal maintains \$321 million (93 percent) of these investments in recognition of the continuing statewide goal of mitigating the health impacts of climate change. If there is sufficient General Fund in January 2024, the reduction noted below will be restored.

- Community Health Workers Program—Delays \$130 million General Fund in 2023-24 for the California 25x25 Initiative (Community Health Worker Initiative Grants in Health Care Access and Information). This program remains fully funded, but the funds would be provided later than initially anticipated including \$65 million in both 2024-25 and 2025-26.
- Climate and Health Resilience Planning—A reduction of \$25 million General Fund in 2022-23 for Climate and Health Resilience Planning Grants, which eliminates funding for this purpose.

Current Year 2022-23 COVID-19 Response

The Governor's Budget proposal assumes reduced COVID-19 direct response expenditures of approximately \$614 million California Emergency Relief Fund in 2022-23 compared to the 2022

Budget Act. The decrease is driven in part by reduced response activities since the peak of the COVID-19 Pandemic.

Incompetent to Stand Trial (IST)

Please see the Administration of Justice section for an update on the IST issues included in the Governor's Budget proposal.

HUMAN SERVICES

In-Home Supportive Services (IHSS)

The IHSS program provides assistance and services to eligible older or disabled individuals to help them remain safely in their homes. For 2023-24, the Governor's Budget proposal includes \$20.5 billion for IHSS, of which \$7.8 billion is from the General Fund. These costs also reflect \$448.6 million in 2023-24 for the state minimum wage increases. The Governor's Budget proposal estimates that the average monthly caseload will be 642,000 recipients in 2023-24.

Child Welfare and Foster Care

Child welfare services and foster care provide a range of services for children who are at risk of or have been victims of abuse and neglect. The Governor's Budget proposal includes \$884.9 million General Fund for services to children and families. Total funding for children's programs is more than \$9.2 billion when federal funding and 1991 and 2011 Realignment revenues are included.

California Work Opportunity and Responsibility to Kids (CalWORKs) program

The CalWORKs program is California's version of the federal Temporary Assistance for Needy Families (TANF) program, which provides temporary cash assistance to low-income families with children to meet basic needs as well as welfare-to-work services to help families become self-sufficient. The Governor's Budget proposal includes \$7.4 billion for CalWORKs program expenditures. For 2023-24, the average monthly caseload is estimated to be 360,000 families.

CalWORKs Grant Increase

The Governor's Budget proposal estimates a 2.9 percent increase for the CalWORKs Maximum Aid Payment levels. This grant increase would cost \$87 million and be funded by the Child Poverty and Family Support Subaccount within 1991 Realignment.

CalFresh and Nutrition Assistance

The CalFresh program is California's version of the federal Supplemental Nutrition Assistance Program (SNAP), which provides food benefits to low-income individuals and families. For 2023-24, the average monthly caseload is estimated to be 2.3 million.

Electronic Benefits Transfer (EBT) Fraud

There have been significant increases in EBT theft of CalFresh and CalWORKs benefits with an estimated theft of 1.7 percent of cash benefits distributed in 2022-23. The Governor's Budget proposal includes an investment for the California Department of Social Services (CDSS) to pursue EBT card technology enhancements and security upgrades. This proposal is for \$50 million (\$17.1 million General Fund) in 2023-24, followed by \$23 million (\$7.9 million General fund) in 2024-25 and \$3.5 million (\$1.2 million General Fund) in 2025-26.

Supplemental Security Income (SSI)/State Supplementary Payment (SSP)

The federal Social Security Administration administers monthly SSI payments to eligible aged, blind and disabled persons. California has augmented SSI payments with an SSP. The state also provides state-only funded monthly payments to the aged, blind and disabled legal immigrants who do not qualify for SSI/SSP, through the Cash Assistance Program for Immigrants (CAPI). The Governor's Budget proposal includes a \$3.5 billion General Fund for SSI/SSP programs in 2023-24.

Child Care

The Governor's Budget proposal includes \$6.6 billion (\$2.7 billion General Fund) for the various child care programs that are administered by CDSS. The 2021 Budget Act commitment to fund more than 200,000 new subsidized child care slots is maintained. However, based on thousands of new slots not yet being filled, the Governor's Budget proposal assumes that 20,000 new slots will be funded in 2024-25 instead of 2023-24.

Aging Programs

The Governor's Budget proposal reduces the annual investment for pilot programs supporting community-based services programs, senior nutrition support, family and caregiver supports, senior volunteer development, and aging in place. Although the total \$186 million investment remains, it will now occur over five years instead of the original three-year plan that was included in the 2022 Budget Act.

HOMELESSNESS

The Governor's Budget proposal includes \$3.4 billion in 2023-24 to maintain commitments made in prior budgets, including funding for a fifth round of Homeless Housing, Assistance and Prevention (HHAP) grants, and \$400 million for a third round of the Encampment Resolution Funding Program.

A significant change for future homelessness funding is being proposed. For all future homeless-related grants and competitive programs administered through the Business, Consumer Services and Housing Agency and the Health and Human Services Agency, the

Administration will seek to condition eligibility on compliance with state housing law. Local jurisdictions that are not compliant will be disqualified from receiving certain homelessness funding, and funds will instead be diverted to overlapping jurisdictions such as cities, counties, and Continuums of Care. CSAC looks forward to engaging with the Governor and the Legislature to transform our joint response to homelessness at all levels.

HHAP Program

The Governor's Budget proposal includes \$1 billion for a fifth round of HHAP grants in 2023-24. However, the proposal would also make the funding contingent on the enactment of statutory changes to improve outcomes and increase accountability on local HHAP spending. The Administration will pursue statutory changes to the program to focus on reducing the unsheltered homeless population. These proposed changes would prioritize HHAP spending on activities such as encampment resolution, Homekey operating sustainability, CARE Act housing supports, and, potentially, expanded housing streamlining provisions.

CalAIM Transitional Rent Waiver Amendment

The Governor's Budget proposal includes \$17.9 million in 2025-26, increasing to \$116.6 million at full implementation, to allow up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness and transitioning out of institutional levels of care, correctional facilities, or the foster care system and who are at risk of inpatient hospitalization or emergency department visits.

Behavioral Health Bridge Housing Program

The Governor's Budget proposal delays \$250 million of the total \$1.6 billion for the Behavioral Health Bridge Housing Program to 2024-25. The proposed budget maintains \$1 billion in 2022-23 and \$250 million in 2023-24 for the program.

HOUSING, LAND USE, AND TRANSPORTATION

Housing and Land Use

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 declining General Fund revenues, the Governor's Budget proposal includes \$350 million in reductions related to housing programs that were included as part of the 2022 Budget Act.

The Governor's Budget proposal states that 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). If there is sufficient General Fund in January 2024, these reductions will be restored.

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 Governor's Budget proposes to revert \$200 million of the \$500 million one-time General Fund in 2023-24.

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 (HCD) 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 Governor's Budget proposal proposes to remove \$100 million one-time General Fund in 2023-24.

Accessory Dwelling Unit Program

The 2022 Budget Act included a \$50 million one-time General Fund for the California Housing Finance Agency's Accessory Dwelling Unit program. The Governor's Budget proposes to eliminate the \$50 million in General Fund for the program in 2022-23.

Seismic Retrofitting Program for Soft Story Multifamily Housing

SB 189 (Chapter 48, Statutes of 2022) established the Seismic Retrofitting Program for Soft Story Multifamily Housing and included legislative intent to appropriate \$250 million for this program in the 2023-24 budget. The Administration is proposing to eliminate this funding in the 2023-24 budget. If there is sufficient General Fund in January 2024, this reduction will be restored.

Infill Funding, State Excess Sites and Adaptive Reuse

The Governor's Budget proposal notes that the Administration will continue to promote a comprehensive and integrated climate and housing planning framework. The proposed funding for the following programs remain unadjusted from what was outlined in the 2022-23 State Budget.

Infill Infrastructure Grant Program

The Governor's Budget proposal includes \$225 million for the Infill Infrastructure Grant program, which prioritizes prime infill parcels in downtown oriented areas and brownfields.

State Excess Sites Development

The Governor's Budget proposal includes \$75 million one-time General Fund to expand affordable housing development and adaptive reuse opportunities on state excess land sites.

This will leverage state land as an asset to accelerate housing opportunities by offering low-cost, long-term ground leases in exchange for affordable and mixed-income housing.

Adaptive Reuse

The Governor’s Budget proposal includes \$50 million one-time in the General Fund for adaptive reuse incentive grants. These grants will help remove cost impediments to adaptive reuse (e.g., structural improvements, plumbing/electrical design, exiting) and help accelerate residential conversions.

Portfolio Reinvestment Program

The Governor’s Budget proposal includes \$150 million one-time in the General Fund for the Portfolio Reinvestment Program to further preserve targeted units in downtown-oriented areas and continue increasing the state’s affordable housing stock.

Manufactured Housing Opportunity and Revitalization Program

The Governor’s Budget proposal includes \$75 million one-time General Fund for HCD’s Mobilehome Park Rehabilitation and Resident Ownership Program. These funds will finance the preservation and development of affordable mobilehome parks.

Transportation

The 2022 Budget Act included \$13.8 billion for transportation programs and projects. The Governor’s Budget proposes a variety of funding delays, shifts, conditional changes and reductions to transportation programs that were slated to receive General Fund resources in the 2023-24 budget. Specifically, the Governor’s Budget proposal includes \$2.7 billion in General Fund reductions, partially mitigated by an additional \$500 million from state transportation funds, to maintain \$11.6 billion (84 percent) of these investments. Some of these funding reductions have been fully offset with other funding sources to maintain the previous funding levels while others would experience funding reductions in the Governor’s Budget proposal. A full detail of the proposed adjustments can be found in the “*Transportation Program Funding Adjustments*” section below.

The Administration indicated it will continue to pursue available federal funding, such as the federal Infrastructure Investment and Jobs Act (IIJA) which authorized \$1.2 trillion for transportation and other infrastructure investments with more than \$550 million of that total going toward new investments and programs. This included a \$200 billion augmentation to existing and new transportation programs for highway, transit, highway safety, and rail programs over five years. California will receive an average increase of \$2.2 billion annually in federal road and transit formula funding through 2025-26, bringing California’s total share of federal formula funding for transportation to \$38 billion for the five-year period. The state’s transportation infrastructure funding commitments will also help California potentially secure

up to \$15 billion in additional federal funding, over and above these allocated formula funds, through competitive IJA programs available to all states. CSAC is working closely with counties to participate in the Administration's implementation process.

Transportation Program Funding Adjustments

Transit Intercity Rail Capital Program

A reduction of planned funding in 2023 and 2024 from \$2 billion General Fund 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 will allow the program to sustain all of the programming capacity approved in the 2023 programming cycle. This maintains approximately \$850 million (81 percent) of the original \$1.05 billion of additional funds for projects that increase the proportion of trips accomplished by walking or biking and increase the safety and mobility of non-motorized users.

Climate Adaptation Program

A shift of \$200 million General Fund with \$200 million State Highway Account funding, leaving unaffected the project funding that supports climate resiliency and reduces infrastructure risk.

Safety Grade Separations

A delay of \$350 million General Fund originally planned to be available in 2023-24, which will instead be made available in 2025-26. Given the multi-year nature of these types of projects, this shift should not significantly impact the ability to deliver the same number of originally planned projects that improve safety for people walking, biking, and driving at rail crossings.

Formula Funding for Local Streets and Roads

The Governor's Budget proposal estimates year-over-year increases of 8.6% in gasoline excise tax revenue and 11.1% in diesel excise tax revenue from 2022-23 to 2023-24. These revenue streams fully fund county Highway User Tax Account allocations and provide approximately 70% of county Road Maintenance and Rehabilitation Account (RMRA) allocations.

Transportation Improvement Fee revenues, which fund approximately 30% of county RMRA allocations, are estimated to grow by approximately 9.0%. CSAC will provide counties detailed revenue estimates for the current year and the budget year later this week.

Special Session on Oil and Gas

The Governor’s Budget proposal continues to discuss the potential to impose a windfall tax on oil companies through the special session of the Legislature that the Administration called for in December 2022. CSAC staff will monitor and provide updates on the special session as they become available.

Equitable Zero-Emission Vehicles (ZEV) and Infrastructure

The 2021 and 2022 Budget Acts committed \$10 billion over five years in investments to the state’s ZEV agenda—ranging from cleaning up drayage trucks and school buses to accelerating equitable electrification of passenger vehicles—coupled with infrastructure and incentives for in-state manufacturing. The Governor’s Budget proposal maintains \$8.9 billion (89 percent) of ZEV investments.

The Governor’s Budget proposal includes \$2.5 billion in General Fund reductions across various ZEV programs, which are partially offset by approximately \$1.4 billion in fund shifts to Cap and Trade funds.

Also, there is a reduction of \$745 million General Fund, which is partially offset by a shift of \$535 million to the Greenhouse Gas Reduction Fund; maintaining approximately \$2.1 billion (91 percent) for programs that expand affordable and convenient ZEV infrastructure access in low-income neighborhoods.

Heavy-Duty Zero-Emission Vehicles and Supporting Infrastructure

A reduction of \$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 buses, and port ZEVs and infrastructure.

Zero-Emission Mobility

A reduction of \$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 that increase access to zero-emission mobility in low-income communities.

Emerging Opportunities and Federal Programs

A reduction of \$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, such as maritime, aviation, rail, and other off-road applications, as well as support for hydrogen infrastructure, and vehicle grid integration at scale.

AGRICULTURE, ENVIRONMENT AND NATURAL RESOURCES

The Governor's proposed budget includes various reductions in climate programs and investments in the AENR portfolio, with some reductions including trigger language depending on the status of the General Fund in 2024 and it is determined that sufficient funds will be available to cover certain commitments. These reductions are based on drawing down federal resources through the Inflation Reduction Act (IRA) and the Infrastructure Investment and Jobs Act (IIJA) to offset the decrease of state funds for these climate-related programs.

The current budget language is scant in detail, but CSAC staff will continue to monitor and share information as it becomes available.

Emergency Preparedness and Response

Wildfire and Forest Resilience

The Governor's Budget proposes \$2.7 billion in funding to advance critical investments in forest health and fire prevention to continue to reduce the risk of catastrophic wildfires, as well as resources for fire protection in the state's wildfire response. This is a 3 percent reduction from last year's budget, partly due to actual and anticipated reimbursements from the federal government for costs associated with the state's response to recent wildfires and the pandemic. Budget reductions include:

- Climate Catalyst Fund—A reduction of \$10 million General Fund in 2020-21 and \$31 million in 2021-22, representing an 84 percent reduction. \$8 million remains to support the Climate Catalyst Fund.
- Stewardship of State-Owned Lands—A reduction of \$10 million General Fund in 2022-23 and \$15 million in 2023-24, representing an 8 percent reduction. Approximately \$280 million remains for resilient forests and landscapes on state-owned lands.
- Defensible Space Inspections—A reduction of \$5 million General Fund in 2023-24, representing a 20 percent reduction. This maintains approximately \$20 million to support defensible space inspections.
- Monitoring and Research—A reduction of \$5 million General Fund in 2023-24, representing a 13 percent reduction. This maintains approximately \$33 million to support monitoring and research.
- Workforce Training—A reduction of \$15 million General Fund in 2023-24, representing a 2 percent reduction, partially offset by dedicating \$14 million of Proposition 98 funding for similar purposes. This maintains approximately \$53 million to support workforce training. The increase of \$14 million one-time Proposition 98 General Fund supports the Administration of workforce training grants in collaboration with the California Department of Forestry and Fire Protection.

Community Resilience and Extreme Heat

Last year's Budget included funding for several programs designed to help local communities and residents through extreme heat and other emergency events. This year's projected budget shortfall has led the Administration to propose reductions to the programs.

The Governor's Budget includes \$444 million (68 percent) of extreme heat funding and \$1.6 billion (85 percent) of community resilience funding over several years to reduce urgent risks and build long-term climate resilience, including to address the impacts of extreme heat across California.

The Extreme Heat and Community Resilience Program faces a proposed reduction of \$25 million General Fund in 2022-23 and \$50 million in 2023-24. This maintains approximately \$100 million (57 percent) in funding.

While Community Resilience Centers technically remain fully funded, the Governor's Budget proposal delays \$85 million in funding until 2024-25. These Centers are used to support vulnerable residents experiencing extreme heat, wildfires, power outages, flooding, and other emergency situations brought about by the climate crisis.

Water Resiliency and Drought Response

The Governor's Budget proposal maintains \$8.6 billion of previously committed funding to minimize the immediate economic and environmental damage from the current drought and support hundreds of local water projects to prepare for and be more resilient to future droughts. This is a 2 percent reduction from last year's funding. The Governor's Budget proposal includes \$194 million in General Fund reductions across various programs. If there is sufficient General Fund in January 2024, reductions not otherwise delayed will be restored. Budget reductions include:

- 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, a 5 percent reduction. This maintains approximately \$470 million across various watershed resilience programs.
- Water Recycling—A reduction of \$40 million General Fund in 2023-24, a 5 percent reduction. This maintains approximately \$760 million to support water recycling and groundwater clean-up.
- State Water Efficiency and Enhancement Program—A reduction of \$40 million (25 percent) General Fund in 2022-23. This maintains approximately \$120 million to support farm water use efficiency projects.
- San Joaquin Valley Flood Plain Restoration—A reduction of \$40 million General Fund in 2023-24, which eliminates funding for this purpose.

Drought and Flood

In response to the winter storms California has been facing, the proposed Budget does include new investments to support the state’s drought response, accelerate implementation of the state’s water supply strategy, and increase flood preparedness. New investments include:

- Urban Flood Risk Reduction—\$135.5 million General Fund over two years to support local agencies working to reduce urban flood risk.
- Delta Levees—\$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.
- Central Valley Flood Protection—\$25 million General Fund to support projects that will reduce the risk of flooding for Central Valley communities while contributing to ecosystem restoration and agricultural sustainability.
- 2023 Drought Contingency—\$125 million General Fund one-time as a drought contingency set-aside 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—\$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.
- San Joaquin River Basin Groundwater Recharge: Water Availability Analysis and Technical Assistance—\$4.9 million General Fund over five years to continue to provide local water districts methodologies and tools to conduct water availability analyses, which will help facilitate groundwater recharge, one of the core pillars of the Water Supply Strategy.
- Stream Gages—\$4.7 million General Fund over two years to begin reactivation of historical stream gages, consistent with the SB 19 Stream Gaging Prioritization Plan and as called for in the Water Supply Strategy.

Energy

The Governor’s Budget proposal maintains \$7 billion (89 percent) of investments made in 2022-23. The proposal includes an initial allocation of the \$100 million in 2023-24 for a Clean Energy Reliability Investment Plan which the California Energy Commission (CEC), in consultation with the California Air Resources Board (CARB), must develop to support programs and projects that accelerate the deployment of clean energy resources, support demand response, assist ratepayers, and increase energy reliability.

Energy programs also face a number of proposed budget cuts, pullbacks, and delays, including:

- California Arrearage Payment Program — The Governor’s Budget proposal reverts \$400 million in California Emergency Relief Funds in 2022-23 to the General Fund, for savings from the California Arrearage Payment Program, based on actual applications received

and approved for funding. This program addressed residential utility arrearages accrued during the COVID-19 Pandemic.

- Residential Solar and Storage—A reduction of \$270 million in 2023-24 from the Residential Solar and Storage program at the Public Utilities Commission (PUC). 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 CEC. This maintains approximately \$330 million (87 percent) for support of long duration energy storage projects that will help with the state’s energy transition.

Environment and Climate

The Governor’s Budget proposal includes reductions across several climate programs, which are partially offset by shifts to other fund sources. If there is sufficient General Fund in January 2024, the Administration says that most of these reductions will be restored. While the 2021 and 2022 Budget Acts allocated approximately \$54 billion over five years to advance the state’s climate agenda, the Governor’s Budget proposal maintains approximately \$48 billion (89 percent) of these investments.

The environment and climate cuts, pullbacks, and delays include:

- 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.
- Regional Climate Resilience—A reduction of \$25 million General Fund in 2022-23 and \$100 million in 2023-24. This maintains approximately \$125 million (50 percent) for this program.
- Coastal Protection and Adaptation—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.

Waste and Recycling

The Governor’s Budget proposal includes very little detail on the Administration’s plan with regard to waste and recycling. The Governor’s Budget proposal maintains \$443 million (95 percent) of investments to support implementation of goals to reduce short-lived climate pollutants and advancing organic waste infrastructure. The Governor’s Budget proposal includes \$24 million in General Fund reductions across several programs including:

- Composting Opportunities—A reduction of \$4.8 million General Fund in 2021-22. This maintains approximately \$7.8 million (62 percent) for composting programs.

- Recycling Feasibility Grant—A reduction of \$2 million General Fund in 2021-22 and \$13 million in 2022-23, eliminating funding for this program.
- Recycling Market Development Zone Loan Program—A reduction of \$4.5 million General Fund in 2022-23. This maintains approximately \$45.5 million (91 percent) for this program.

Agriculture

The agriculture section of the Governor's Budget proposal focuses on climate, and maintains \$1 billion (89 percent) of sustainable agriculture investments. The proposal provides \$75 million one-time General Fund for the Small Agricultural Business Drought Relief Grant Program, to give direct assistance to eligible agriculture-related businesses affected by severe drought conditions.

The Governor's Budget also proposes \$238 million in General Fund reductions including \$85.7 million in cuts to 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. The proposal maintains approximately \$867 million (90 percent) for climate smart agriculture programs.

ADMINISTRATION OF JUSTICE

Local Public Safety

Proposition 47 Savings Estimate

The Governor's Budget proposal includes an estimated total state savings of \$101 million in 2023-24. Proposition 47, approved by voters in 2014, requires misdemeanor rather than felony sentencing for certain property and drug crimes and permits incarcerated persons previously sentenced for these reclassified crimes to petition for resentencing. Each year, state savings from the implementation of Proposition 47 are allocated through grants to public agencies for various recidivism reduction programs (such as mental health and substance use treatment services), truancy and dropout prevention, and victims' services.

Post Release Community Supervision (PRCS)

The Governor's Budget proposal includes an estimated \$8.2 million General Fund to be allocated to county probation departments in 2023-24 to supervise the temporary increase in daily population of individuals they receive from the state on PRCS.

Community Corrections Performance Incentive Grant

The Community Corrections Performance Incentive Grant, established by SB 678 (Chapter 608, Statutes of 2009) was created to provide incentives for counties to reduce the number of felony

probationers sent to state prison. Consistent with the 2022 Budget Act, the Governor’s Budget proposal continues a total of \$123.8 million General Fund in 2023-24 to provide county probation departments with a consistent level of funding based on prior performance, so probation departments are not unduly impacted by the lingering effects of the COVID-19 Pandemic on probation populations, law enforcement practices, or court processes.

Board of State and Community Corrections (BSCC)

The Governor’s Budget proposal includes a \$50 million one-time General Fund reduction to the Public Defender Pilot program administered by the BSCC in 2023-24, due to declining General Fund revenues. This program will still be implemented as planned, for two full years of the grant program and with funding for program evaluation.

Cannabis Enforcement

The Governor’s Budget proposal highlights efforts of state departments and the California Unified Cannabis Enforcement Task Force, and seeks to build upon current work to combat illegal cannabis activity by funding various entities. This includes \$83.9 million Cannabis Tax Fund allocated to the BSCC to award grants to local governments assisting law enforcement, fire protection, or other local programs addressing public safety and health concerns. For further budget information related to the cannabis policy area, see the Cannabis section.

Combating Organized Retail Theft and Other Crimes

The Budget sustains \$564.4 million General Fund over three years to bolster local law enforcement efforts to address retail theft and other crimes. These investments help local law enforcement agencies implement anti-theft task forces, improve prosecution, expand Department of Justice and California Highway Patrol anti-crime and retail theft task forces, expand drug interdiction and combat fentanyl prevalence, improve emergency response times, combat human trafficking and child sexual exploitation, support programs to remove and dispose of firearms and provides resources to research to inform policies that address the ever-evolving firearms market.

Opioid and Fentanyl Response

The Governor’s proposed budget includes an additional \$93 million in Opioid Settlement Fund over four years, beginning in 2023-24 to support youth and fentanyl-focused investments for the Department of Health Care Services and for the Department of Public Health as follows:

- \$79 million for the Naloxone Distribution Project to increase distribution to first responders, law enforcement, community-based organizations, and county agencies.
- \$10 million for fentanyl program grants to increase local efforts in education, testing, recovery, and support services.

- \$4 million to support innovative approaches to make fentanyl test strips and naloxone more widely available.
- \$3.5 million ongoing Proposition 98 General Fund to provide all middle and high school sites at least two doses of naloxone hydrochloride or another medication to reverse an opioid overdose on campus.

California Department of Corrections and Rehabilitation (CDCR)

Division of Juvenile Justice (DJJ) Realignment

The DJJ ceased intake of youth on July 1, 2021, and is set for full closure on June 30, 2023. The state estimates roughly 360 youth will remain at the time of closure and will be transferred to the probation department within their county of commitment. As such, the Governor's Budget proposal reflects a decrease of \$95.8 million ongoing (\$93 million General Fund and \$2.8 various funds) associated with the closure of DJJ.

CDCR Adult Institutions

The Governor's Budget proposal includes total funding of \$14.5 billion (\$14.1 billion General Fund and \$374.9 million other funds) for CDCR in 2023-24. The average daily adult incarcerated population for 2022-23 is projected to be 96,157, a decrease of 6.6 percent since spring 2022 projections. Fall projections indicate the adult incarcerated population will trend downward, decreasing by 2,761 individuals between 2022-23 and 2023-24, from 96,157 to 93,396, respectively. To put this in perspective, on January 1, 2020, prior to the COVID-19 Pandemic, the CDCR population was 123,977. The population is projected to continue its long-term downward trend, declining to 87,295 in 2025-26. The overall average daily population for individuals on parole is projected to be 41,345 in 2023-24, which is a reduction of about 2,300 individuals projected in 2022-23. The parole population is projected to decline to 36,473 by June 30, 2027.

Prison Closures

In September 2021, CDCR closed the Deuel Vocational Institution in Tracy, achieving savings of \$150.3 million General Fund annually beginning in 2022-23. Beginning in November 2022, CDCR initiated the closure of a second prison, the California Correctional Center in Susanville, which is expected to achieve an estimated \$142.8 million in annual ongoing General Fund savings.

On December 6, 2022, CDCR announced its plan to close Chuckawalla Valley State Prison in Blythe by March 2025; terminate the lease of the California City Correctional Facility, its last privately-owned prison facility, by March 2024; and deactivate specified facilities within six prisons by the end of 2023.

Judicial Branch

ACTION

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

Community Assistance, Recovery, and Empowerment (CARE) Act

The 2022 Budget Act included \$6.1 million in 2022-23 and \$37.7 million ongoing for the Judicial Branch to implement the CARE Act. The Governor's Budget proposal reduces this funding by \$13.9 million General Fund in 2023-24 and increases funding by \$12.9 million in 2024-25, and \$30.9 million ongoing. In total, the Governor's Budget proposal provides the Judicial Branch \$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 CARE Act. In addition, the Governor's Budget proposal includes \$6.1 million General Fund in 2023-24, increasing to \$31.5 million annually beginning in 2025-26, to support public defender and legal services organizations that will provide legal counsel to CARE participants. For further information on the CARE Act, see the Health and Human Services section.

Trial Court Operations

The Governor's Budget proposal includes \$74.1 million ongoing General Fund to support trial court operations. This is in addition to general increases provided in the 2021 and 2022 Budget Acts, of \$72.2 million and \$84.2 million, respectively.

Juror Compensation

The Governor's Budget proposal includes \$19 million General Fund in 2023-24, \$17.5 million in 2024-25, and \$4.2 million ongoing to expand juror mileage and public transit reimbursements, and to conduct a pilot program in at least six courts to study the impact of increased juror compensation on juror diversity and participation, pursuant to AB 1981 (Chapter 326, Statutes of 2021).

Department of State Hospitals (DSH)

The Governor's Budget proposal includes \$3.2 billion (\$3 billion General Fund) in 2023-24 to support the DSH. By the end of 2023-24, the total patient population is expected to reach 9,289. This estimated total includes patients receiving jail-based and community-based setting competency treatment.

Felony Incompetent to Stand Trial (IST) Waitlist Solutions

The Governor's Budget proposal maintains \$535.5 million General Fund in 2022-23, increasing to \$638 million in 2025-26, and ongoing for DSH to implement solutions focused on early stabilization, community care coordination, and expanding diversion and community-based restoration capacity for the IST population. Over the next four years, this funding will help

establish 5,000 beds to support those deemed IST. In 2022, the IST waitlist was reduced from 1,953 to 1,473 individuals.

Department of Justice (DOJ)

The Governor's Budget proposal includes total funding of approximately \$1.2 billion, including \$486 million General Fund, to support DOJ. The Administration has demonstrated its commitment to strengthening gun violence protections by dedicating funds included in the Governor's Budget proposal to enhance DOJ's firearms information technology systems, regulating the sale and transfer of firearms, and supporting gun violence reduction grant programs. The Governor's Budget proposal also includes funding to implement legislation passed in the previous legislative session, pertaining to domestic violence death review teams, the Missing Persons DNA program, police practices, race-blind charging, and discriminatory practices in criminal procedures.

Governor's Office of Emergency Services (Cal OES)

The Governor's Budget proposal includes \$3.3 billion (\$771.7 million General Fund) and 1,877 positions for Cal OES. It also includes an adjustment to the California Cybersecurity Integration Center (Cal-CSIC), proposing \$28.7 million and 40 positions across various departments to maintain and enhance capabilities of Cal-CSIC. This funding will allow Cal-CSIC to lead state efforts to identify and mitigate current and ever evolving cyber threats, including providing enhanced threat detection, assessment, and research; gap testing and remediation; and incident analysis and response.

GOVERNMENT FINANCE AND ADMINISTRATION

Revenue Estimates

Due to a myriad of issues including supply chain impacts, issues, and the price pressures from the COVID-19 Pandemic, California and the global economy have experienced persistently high inflation. Before accounting for rainy day funds provided under the Budget Stabilization Act, General Fund revenues are expected to be \$29.5 billion lower through 2023-24. The primary driver of these lower projections is a reduction in personal income tax revenue, which has experienced much weaker cash receipts than originally estimated since adoption of the 2022-23 Budget Act.

Following strong stock market growth in 2020 and 2021, markets declined in 2022, negatively impacting the state's revenues. In 2022, various indices, such as the S&P 500 declined by about 20 percent since January 2022, while the tech heavy Nasdaq Composite Index declined by about 35 percent during the same period. The Governor's Budget proposal assumes slow growth in the stock market without further declines. Of the three primary sources of tax revenue, the following are reductions in comparison to the 2022 Budget Act forecast:

ACTION

- The Personal Income Tax is projected to generate \$126.7 billion in 2023-24, reflecting a \$17 billion decrease in forecasting from the 2022 Budget Act, primarily due to the withholdings and capital gains in the stock market. Wage growth and business income were also revised downward. Due to a lower credit usage related to the Pass-Through Entity (PTE) Elective Tax, personal income tax revenues are expected to increase by \$1.4 billion in 2023-24.
- The Corporate Tax forecast for 2023-24 is \$2.7 billion lower than what was forecasted in the 2022 Budget Act, due primarily to updated assumptions for the PTE elective Tax, which allows California business owners to mitigate the impact of the \$10,000 limit on state and local tax deductions imposed by the 2017 Federal Tax Cut and Jobs Act.
- The State Sales Tax forecast is \$32.9 billion in 2022-23 and \$33.6 billion in 2023-24, reflecting a decrease of \$1.1 billion in 2022-23 and \$1.5 billion in 2023-24. Significantly lower than anticipated, the updated forecasts are attributable to weaker projected economic growth and lower taxable private investment.

The revenue forecast in the Governor’s Budget proposal is anticipated to exceed \$276 billion in total (\$210.2 billion General Fund and about \$66 billion Special Fund). In comparison, the 2022-23 enacted budget totaled \$307.9 billion (about \$234.4 billion General Fund and \$69.1 billion special fund) - a decrease of about 11 percent year-over-year. The Governor's Budget revenue assumes continued, but slow economic growth without an economic recession. As the Governor's Budget proposal cautions, even a moderate recession could result in significant revenue declines below the Budget forecast.

Economic Outlook

The Governor's Budget proposal projects that California’s economy will grow at a modest pace in 2023, as interest rates remain high. Additionally, the Governor's Budget proposal forecasts that nonfarm job and wage growth will slow in 2023, and eventually align more closely with normalized growth rates. While the Governor's Budget proposal is cautiously optimistic, there is significant uncertainty, given the geopolitical issues and potential for inflation to persist longer than expected, which ultimately could cause a mild recession.

Broadband Implementation

The 2021-22 and 2022-23 budgets made investments to expand access to broadband and close the digital divide across the state. While the 2023-24 Governor’s Budget proposal maintains the same level of funding for broadband middle-mile, last-mile, and the Loan Loss Reserve Fund (to support costs related to the financing of local broadband infrastructure development), \$550 million designated to the California Public Utilities Commission (CPUC) for last-mile infrastructure grants in 2023-24 has been deferred (\$200 million in 2024-25, \$200 million in 2025-26, and \$150 million in 2026-27). The Governor's Budget proposal also defers \$175 million

from 2022-23 and \$400 million from 2023-24 for the Loan Loss Reserve Fund at the CPUC to future years (\$300 million in 2024-25 and \$275 million in 2025-26).

CSAC supports the expansion of broadband (high speed internet service) to all parts of the state to drive economic development and job opportunities, support county service delivery, and improve health, education, and public safety outcomes for residents. Broadband must be capable of supporting current technology standards and speeds in order for counties to realize these benefits. This may require infrastructure solutions specific to a given county or region. CSAC will work closely with the Administration to mitigate the impacts of these proposed diversions and is committed to opposing all efforts to divert broadband funding or reduce its scope.

State Employee Compensation and Collective Bargaining

The Governor's Budget proposal includes \$487.5 million (\$130.6 million General Fund) for increased employee compensation, including health care costs for active employees and pre-funding retirement contributions for current employees. It is expected that these costs and any resulting benefits and wages will be collectively bargained. Notably, collective bargaining negotiations will begin with 14 of the state's 21 bargaining units, including professional and administrative staff, medical and clinical staff, correctional officers and other law enforcement classifications, engineering and scientific technicians, and professional educators, to name just a few. The majority of these contracts will expire in the summer of 2023, and are being highlighted given that collectively bargained contracts at the state level may influence local negotiations.

California counties are facing significant workforce challenges as the state recovered the jobs lost during the COVID-19 Pandemic. While the need for skilled and licensed professionals is particularly acute, the tight labor supply is impacting many industries across skill levels, including entry-level positions. CSAC will advocate to ensure that workforce needs of counties are being met to fill positions at the county level.

California Public Employees' Retirement System (CalPERS)

Due to payroll growth and the normal progression of amortization bases, the Governor's Budget proposal meets and exceeds statutory annual contribution requirements by allocating \$8.5 billion (\$4.7 billion from the General Fund) for state pension costs; \$255 million (\$151 million General Fund) higher than the 2022-23 Budget Act.

Small Business Unemployment Insurance

Relief to small business unemployment insurance has a proposed cut. To offset the anticipated Federal unemployment insurance tax rates from the Unemployment Trust Fund insolvency, the

State Budget proposes to remove the \$500 million one-time General Fund commitment made as part of the 2022 Budget Act.

ACTION

1991 Realignment
Estimated Revenues and Expenditures at 2023-24 Governor's Budget
(Dollars in Thousands)

2021-22 State Fiscal Year (Actuals)

Amount	CalWORKs		Social	Mental	Family	Child	Totals
	MOE	Health	Services	Health	Support	Poverty	
Base Funding							
Sales Tax Account	\$752,888	\$87,215	\$2,409,972	\$115,314	\$418,627	\$251,580	\$4,035,595
Vehicle License Fee Account	367,663	1,070,952	216,223	104,743	185,798	419,359	2,364,738
Subtotal Base	\$1,120,551	\$1,158,167	\$2,626,195	\$220,057	\$604,425	\$670,939	\$6,400,333
Growth Funding							
Sales Tax Growth Account:	\$-	\$109,354	\$70,065	\$221,816	\$-	\$261,392	\$662,627
Caseload Subaccount	-	-	(70,065)	-	-	-	(70,065)
General Growth Subaccount	-	(109,354)	-	(221,816)	-	(261,392)	(592,562)
Vehicle License Fee Growth Account	-	364	-	737	-	869	-
Subtotal Growth	\$-	\$109,718	\$70,065	\$222,553	\$-	\$262,261	\$664,597
Total Realignment 2021-22^{1/}	\$1,120,551	\$1,267,885	\$2,696,259	\$442,610	\$604,425	\$933,200	\$7,064,929

2022-23 State Fiscal Year (Projected)

Base Funding							
Sales Tax Account	\$752,888	\$149,119	\$2,480,037	\$337,129	\$466,077	\$512,972	\$4,698,222
Vehicle License Fee Account	367,663	1,071,315	216,223	105,480	185,798	420,228	2,366,708
Subtotal Base	\$1,120,551	\$1,220,434	\$2,696,259	\$442,610	\$651,875	\$933,200	\$7,064,929
Growth Funding							
Sales Tax Growth Account:	\$-	\$2,819	\$23,000	\$5,717	\$-	\$6,737	\$38,273
Caseload Subaccount	-	-	(23,000)	-	-	-	(23,000)
General Growth Subaccount	-	(2,819)	-	(5,717)	-	(6,737)	(15,273)
Vehicle License Fee Growth Account	-	13,633	-	27,654	-	32,588	73,875
Subtotal Growth	\$-	\$16,452	\$23,000	\$33,371	\$-	\$39,325	\$112,149
Total Realignment 2022-23^{1/}	\$1,120,551	\$1,236,886	\$2,719,259	\$475,981	\$651,875	\$972,525	\$7,177,078

2023-24 State Fiscal Year (Projected)

Base Funding							
Sales Tax Account	\$752,888	\$128,702	\$2,503,037	\$342,847	\$489,313	\$519,709	\$4,736,495
Vehicle License Fee Account	367,663	1,084,948	216,223	133,134	185,798	452,816	2,440,583
Subtotal Base	\$1,120,551	\$1,213,651	\$2,719,259	\$475,981	\$675,111	\$972,525	\$7,177,078
Growth Funding							
Sales Tax Growth Account:	\$-	\$6,418	\$25,300	\$13,019	\$-	\$15,341	\$60,078
Caseload Subaccount	-	-	(25,300)	-	-	-	(25,300)
General Growth Subaccount	-	(6,418)	-	(13,019)	-	(15,341)	(34,778)
Vehicle License Fee Growth Account	-	7,285	-	14,776	-	17,413	39,474
Subtotal Growth	\$-	\$13,703	\$25,300	\$27,795	\$-	\$32,754	\$99,552
Total Realignment 2023-24^{1/}	\$1,120,551	\$1,227,353	\$2,744,559	\$503,776	\$675,111	\$1,005,280	\$7,276,630

^{1/} Excludes \$14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

2011 Realignment Estimate at 2023-24 Governor's Budget

(\$ millions)

	2021-22	2021-22 Growth	2022-23	2022-23 Growth	2023-24	2023-24 Growth
Law Enforcement Services	\$2,936.5		\$3,336.8		\$3,363.6	
Trial Court Security Subaccount	\$597.3	\$40.0	\$637.3	\$2.7	\$640.0	\$6.6
Enhancing Law Enforcement Activities Subaccount ¹	\$489.9	\$258.1	\$489.9	\$329.3	\$489.9	\$324.8
Community Corrections Subaccount	\$1,593.0	\$300.3	\$1,893.2	\$20.1	\$1,913.3	\$49.5
District Attorney and Public Defender Subaccount	\$56.7	\$20.0	\$76.7	\$1.3	\$78.1	\$3.3
Juvenile Justice Subaccount	\$199.6	\$40.0	\$239.7	\$2.7	\$242.3	\$6.6
<i>Youthful Offender Block Grant Special Account</i>	(188.6)		(226.4)		(229.0)	
<i>Juvenile Reentry Grant Special Account</i>	(11.0)		(13.2)		(13.4)	
Growth, Law Enforcement Services		\$658.4		\$356.1		\$390.8
Mental Health²	\$1,120.6	\$37.1	\$1,120.6	\$2.5	\$1,120.6	\$6.1
Support Services	\$4,419.5		\$5,125.9		\$5,173.1	
Protective Services Subaccount	\$2,650.1	\$334.6	\$2,984.7	\$22.4	\$3,007.1	\$55.2
Behavioral Health Subaccount	\$1,769.4	\$371.8	\$2,141.1	\$24.8	\$2,166.0	\$61.2
<i>Women and Children's Residential Treatment Services</i>	(5.1)		(5.1)		(5.1)	
Growth, Support Services		\$743.5		\$49.7		\$122.5
Account Total and Growth	\$9,878.5		\$9,989.1		\$10,170.6	
Revenue						
1.0625% Sales Tax	\$9,117.5		\$9,150.0		\$9,335.2	
General Fund Backfill ³	\$13.0		\$19.8		\$20.7	
Motor Vehicle License Fee	\$748.0		\$819.2		\$814.7	
Revenue Total	\$9,878.5		\$9,989.1		\$10,170.6	

This chart reflects estimates of the 2011 Realignment subaccount and growth allocations based on current revenue forecasts and in accordance with the formulas outlined in Chapter 40, Statutes of 2012 (SB 1020).

¹ Base Allocation is capped at \$489.9 million. Growth does not add to the base.

² Base Allocation is capped at \$1,120.6 million. Growth does not add to the base.

³ General Fund backfill pursuant to Revenue and Taxation Code sections 6363.9 and 6363.10; Chapter 690, Statutes of 2019; Chapter 78, Statutes of 2020; Chapter 82, Statutes of 2021; Chapter 225, Statutes of 2022; and Chapter 251, Statutes of 2022.

Redirection Calculation							
CMSP	23-24 Realignment		Maintenance of Effort	60% Realignment + 60% MOE	Jurisdictional Risk Limitation	Adjustment to CMSP Board	Redirection
	Sales Tax	VLF					
Alpine	\$ 65,828.75	\$ 121,472.29	\$ 21,465.00	\$ 125,259.62	\$ 13,150.00	\$ 112,109.62	\$ 13,150.00
Amador	\$ 1,013,223.32	\$ 1,683,732.51	\$ 278,460.00	\$ 1,785,249.50	\$ 620,264.00	\$ 1,164,985.50	\$ 620,264.00
Butte	\$ 7,447,771.76	\$ 11,367,311.81	\$ 724,304.00	\$ 11,723,632.54	\$ 5,950,593.00	\$ 5,773,039.54	\$ 5,950,593.00
Calaveras	\$ 1,150,486.27	\$ 1,800,068.57	\$ -	\$ 1,770,332.90	\$ 913,959.00	\$ 856,373.90	\$ 913,959.00
Colusa	\$ 936,592.78	\$ 1,444,930.65	\$ 237,754.00	\$ 1,571,566.46	\$ 799,988.00	\$ 771,578.46	\$ 799,988.00
Del Norte	\$ 1,046,545.68	\$ 1,668,783.19	\$ 44,324.00	\$ 1,655,791.72	\$ 781,358.00	\$ 874,433.72	\$ 781,358.00
El Dorado	\$ 4,258,254.37	\$ 6,585,879.23	\$ 704,192.00	\$ 6,928,995.36	\$ 3,535,288.00	\$ 3,393,707.36	\$ 3,535,288.00
Glenn	\$ 1,019,157.27	\$ 1,609,768.30	\$ 58,501.00	\$ 1,612,455.94	\$ 787,933.00	\$ 824,522.94	\$ 787,933.00
Humboldt	\$ 7,707,453.38	\$ 11,644,609.92	\$ 589,711.00	\$ 11,965,064.58	\$ 6,883,182.00	\$ 5,081,882.58	\$ 6,883,182.00
Imperial	\$ 7,566,612.13	\$ 11,446,270.46	\$ 772,088.00	\$ 11,870,982.35	\$ 6,394,422.00	\$ 5,476,560.35	\$ 6,394,422.00
Inyo	\$ 1,396,045.16	\$ 2,196,382.55	\$ 561,262.00	\$ 2,492,213.83	\$ 1,100,257.00	\$ 1,391,956.83	\$ 1,100,257.00
Kings	\$ 3,658,425.36	\$ 5,620,715.37	\$ 466,273.00	\$ 5,847,248.24	\$ 2,832,833.00	\$ 3,014,415.24	\$ 2,832,833.00
Lake	\$ 1,532,928.81	\$ 2,417,784.74	\$ 118,222.00	\$ 2,441,361.33	\$ 1,022,963.00	\$ 1,418,398.33	\$ 1,022,963.00
Lassen	\$ 1,046,763.13	\$ 1,716,935.96	\$ 119,938.00	\$ 1,730,182.25	\$ 687,113.00	\$ 1,043,069.25	\$ 687,113.00
Madera	\$ 3,660,713.33	\$ 5,563,203.51	\$ 81,788.00	\$ 5,583,422.90	\$ 2,882,147.00	\$ 2,701,275.90	\$ 2,882,147.00
Marin	\$ 8,737,228.88	\$ 13,359,382.37	\$ 1,196,515.00	\$ 13,975,875.75	\$ 7,725,909.00	\$ 6,249,966.75	\$ 7,725,909.00
Mariposa	\$ 584,342.88	\$ 931,785.47	\$ -	\$ 909,677.01	\$ 435,062.00	\$ 474,615.01	\$ 435,062.00
Mendocino	\$ 2,274,398.32	\$ 3,538,470.51	\$ 347,945.00	\$ 3,696,488.30	\$ 1,654,999.00	\$ 2,041,489.30	\$ 1,654,999.00
Modoc	\$ 641,678.82	\$ 1,024,961.41	\$ 70,462.00	\$ 1,042,261.34	\$ 469,034.00	\$ 573,227.34	\$ 469,034.00
Mono	\$ 802,573.77	\$ 1,389,548.75	\$ 409,928.00	\$ 1,561,230.31	\$ 369,309.00	\$ 1,191,921.31	\$ 369,309.00
Napa	\$ 3,633,274.11	\$ 5,587,677.26	\$ 546,957.00	\$ 5,860,745.02	\$ 3,062,967.00	\$ 2,797,778.02	\$ 3,062,967.00
Nevada	\$ 2,287,552.82	\$ 3,525,534.16	\$ 96,375.00	\$ 3,545,677.19	\$ 1,860,793.00	\$ 1,684,884.19	\$ 1,860,793.00
Plumas	\$ 1,011,544.83	\$ 1,522,837.97	\$ 66,295.00	\$ 1,560,406.68	\$ 905,192.00	\$ 655,214.68	\$ 905,192.00
San Benito	\$ 1,352,531.66	\$ 2,121,484.82	\$ -	\$ 2,084,409.89	\$ 1,086,011.00	\$ 998,398.89	\$ 1,086,011.00
Shasta	\$ 6,507,714.59	\$ 9,811,906.87	\$ 184,049.00	\$ 9,902,202.28	\$ 5,361,013.00	\$ 4,541,189.28	\$ 5,361,013.00
Sierra	\$ 206,433.15	\$ 334,455.48	\$ 7,330.00	\$ 328,931.18	\$ 135,888.00	\$ 193,043.18	\$ 135,888.00
Siskiyou	\$ 1,745,651.04	\$ 2,733,148.97	\$ 287,627.00	\$ 2,859,856.21	\$ 1,372,034.00	\$ 1,487,822.21	\$ 1,372,034.00
Solano	\$ 9,027,584.65	\$ 13,799,080.20	\$ 115,800.00	\$ 13,765,478.91	\$ 6,871,127.00	\$ 6,894,351.91	\$ 6,871,127.00
Sonoma	\$ 15,156,774.31	\$ 22,802,032.14	\$ 438,234.00	\$ 23,038,224.27	\$ 13,183,359.00	\$ 9,854,865.27	\$ 13,183,359.00
Sutter	\$ 3,528,952.08	\$ 5,459,441.08	\$ 674,240.00	\$ 5,797,579.90	\$ 2,996,118.00	\$ 2,801,461.90	\$ 2,996,118.00
Tehama	\$ 2,344,547.10	\$ 3,652,084.56	\$ 446,992.00	\$ 3,866,174.20	\$ 1,912,299.00	\$ 1,953,875.20	\$ 1,912,299.00
Trinity	\$ 917,919.77	\$ 1,495,935.66	\$ 292,662.00	\$ 1,623,910.46	\$ 611,497.00	\$ 1,012,413.46	\$ 611,497.00
Tuolumne	\$ 1,800,497.11	\$ 2,821,830.74	\$ 305,830.00	\$ 2,956,894.71	\$ 1,455,320.00	\$ 1,501,574.71	\$ 1,455,320.00
Yuba	\$ 2,955,299.64	\$ 4,455,978.86	\$ 187,701.00	\$ 4,559,387.70	\$ 2,395,580.00	\$ 2,163,807.70	\$ 2,395,580.00
Yolo	\$ 2,081,895.33	\$ 3,941,961.68	\$ 1,081,388.00	\$ 4,263,147.01	\$ 943,110.00	\$ 3,320,037.01	\$ 943,110.00
CMSP Board	\$ 60,683,454.21	\$ 185,797,900.54	\$ -	\$ 147,888,812.85	NA	NA	\$ 246,481,354.75
SUBTOTAL	\$ 171,788,650.57	\$ 356,995,288.56	\$ 11,534,612.00	\$ 324,191,130.68	\$ 90,012,071.00	\$ 86,290,246.83	\$ 336,493,425.75
Article 13 60/40	23-24 Realignment		Maintenance of Effort	FY 10-11 Total Realignment		MOE Capped at 14.6% of 10-11 Realignment	Redirection

	Sales Tax	VLF	Effort	Sales Tax	VLF	10-11 Realignment	
Placer	\$ 2,093,606.08	\$ 3,799,633.94	\$ 368,490.00	\$ 1,223,351.24	\$ 3,475,002.90	\$ 368,490.00	\$ 3,757,038.01
Sacramento	\$ 19,139,197.87	\$ 35,410,857.81	\$ 7,128,508.00	\$ 11,073,547.81	\$ 32,428,453.58	\$ 6,351,292.20	\$ 36,540,808.73
Santa Barbara	\$ 4,758,626.60	\$ 9,155,235.94	\$ 3,794,166.00	\$ 2,695,565.51	\$ 8,405,681.53	\$ 1,620,782.07	\$ 9,320,786.76
Stanislaus	\$ 6,516,758.80	\$ 12,149,654.45	\$ 3,510,803.00	\$ 3,756,009.76	\$ 11,132,596.16	\$ 2,173,736.46	\$ 12,504,089.83
SUBTOTAL	\$ 32,508,189.35	\$ 60,515,382.14	\$ 14,801,967.00	\$ 18,748,474.32	\$ 55,441,734.17	\$ 10,514,300.74	\$ 62,122,723.34
Article 13 Formula	23-24 Realignment		Health Realignment Indigent Care %	Total Revenue FY 23-24	Total Costs FY 23-24	Savings	Calculated Redirection
	Sales Tax	VLF					
Fresno*	\$ 14,260,225.86	\$ 26,851,144.46	44.38%	\$ 10,092,577.29	\$ 848,922.21	\$ 9,243,655.08	\$ 18,245,226.15
Merced*	\$ 3,425,768.95	\$ 6,082,185.33	43.41%				\$ 4,127,402.95
Orange*	\$ 34,412,263.96	\$ 58,718,602.43	52.02%				\$ 48,446,676.70
San Diego*	\$ 40,645,026.57	\$ 65,577,090.51	49.33%				\$ 52,399,370.36
San Luis Obispo*	\$ 2,596,562.41	\$ 4,968,059.19	44.45%				\$ 3,362,474.30
Santa Cruz*	\$ 3,182,064.81	\$ 6,203,321.85	46.61%				\$ 4,374,528.72
Tulare	\$ 4,226,915.39	\$ 10,855,143.01	47.88%				
SUBTOTAL	\$ 102,748,827.95	\$ 179,255,546.78					\$ 10,092,577.29
*Opted for Historical Percentage							
DPH	23-24 Realignment		Health Realignment Indigent Care %	Total Revenue FY 23-24	Total Costs FY 23-24	Savings	Calculated Redirection
	Sales Tax	VLF					
Alameda	\$ 22,292,164.27	\$ 43,221,161.35	81.68%	\$ 680,938,832.19	\$ 661,025,711.35	\$ 19,913,120.84	\$ 15,930,496.67
Contra Costa	\$ 11,416,714.62	\$ 21,957,720.67	80.50%	\$ 452,333,120.87	\$ 671,673,628.24	\$ (219,340,507.38)	\$ -
Kern	\$ 9,667,418.22	\$ 18,282,341.19	66.26%	\$ 348,305,540.56	\$ 265,820,868.01	\$ 82,484,672.55	\$ 18,519,510.59
Los Angeles	\$ 177,460,145.88	\$ 345,945,172.36	83.00%	\$ 852,114,273.08	\$ 6,493,617,000.00	\$ (5,641,502,726.92)	\$ -
Monterey	\$ 4,612,704.95	\$ 8,896,440.74	51.19%	\$ 236,073,965.10	\$ 223,977,169.61	\$ 12,096,795.49	\$ 6,915,331.68
Riverside	\$ 18,340,392.11	\$ 34,183,114.75	84.44%	\$ 621,755,814.39	\$ 517,491,650.49	\$ 104,264,163.90	\$ 44,350,849.19
San Bernardino	\$ 21,652,970.69	\$ 38,120,790.44	58.54%	\$ 450,507,983.17	\$ 393,232,443.91	\$ 57,275,539.26	\$ 34,991,559.77
San Francisco	\$ 33,851,207.32	\$ 65,979,634.68	57.36%	\$ 686,986,804.37	\$ 902,844,159.61	\$ (215,857,355.24)	\$ -
San Joaquin	\$ 8,359,470.36	\$ 14,987,054.86	96.74%	\$ 284,966,117.70	\$ 320,821,586.75	\$ (35,855,469.05)	\$ -
San Mateo	\$ 7,942,458.79	\$ 15,324,106.86	80.82%	\$ 229,822,669.51	\$ 284,829,404.13	\$ (55,006,734.63)	\$ -
Santa Clara	\$ 19,207,954.72	\$ 36,849,443.69	85.00%	\$ 1,284,842,213.22	\$ 1,434,060,146.19	\$ (149,217,932.97)	\$ -
Ventura	\$ 7,522,835.93	\$ 14,320,483.76	80.62%	\$ 337,088,175.83	\$ 304,193,973.99	\$ 32,894,201.84	\$ 17,610,084.33
SUBTOTAL	\$ 342,326,437.86	\$ 658,067,465.35		\$ 6,465,735,509.99	\$ 12,473,587,742.30	\$ (6,007,852,232.31)	\$ 138,317,832.22
FY23-24 Interim Redirection							\$ 675,110,950.05