

## Governor Gavin Newsom’s Proposed Budget for 2024-2025

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### **Introduction**

On January 10, 2024, Governor Gavin Newsom presented his \$291.5 billion budget proposal for the 2024-2025 fiscal year. This document highlights elements of the proposal that may be of interest to advocates and organizations working to foster more equitable, safe, and healthy community conditions. In this document, we highlight aspects of the budget pertinent to PI’s three policy priority areas:

1. Strengthening community-driven approaches to safety and wellbeing
2. Healthy, equitable built environments and land use planning
3. Aligning public investments with health equity and racial justice

In addition to summarizing elements of the budget proposal that foster or hinder these three policy goals, we also included details about budget priorities that advocates are advancing to address shortfalls in the Governor’s proposed budget.

### **Fiscal Overview**

Governor Newsom announced in his budget proposal that the state will face an estimated \$37.9 billion budget deficit, a more optimistic forecast on the state’s fiscal conditions than what state analysts projected. As of February 20, 2024, the Legislative Analyst’s Office (LAO), a nonpartisan agency that provides legislative and fiscal analyses to the Legislature, estimates the deficit to be closer to \$73 billion. And according to the Department of Finance, January income fell \$5 billion short of the Newsom administration's forecasts, dropping tax revenue \$5.9 billion below projections for the fiscal year.<sup>1</sup> In his

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<sup>1</sup> Kamal, S. (2024, February 21). California lawmakers face a ballooning budget deficit. *CalMatters*. <http://calmatters.org/politics/capitol/2024/02/california-budget-deficit-balloons/>



## **Budget Priorities**

### **Operationalizing Equity in State Government**

Embedding equity in government procedures, programs, and decisionmaking processes can catalyze systemic changes that support the flow of resources and investments to communities most impacted by inequitable conditions and historic disinvestment. In the last 4 years, Governor Newsom has launched a variety of initiatives to embed equity in government practice, including through Executive Order [N-16-22](#) which, among a number of equity initiatives, established the Racial Equity Commission. The budget proposes two actions to offices addressing community engagement and equity in government.

- **Office of Community Partnerships and Strategic Communications**—A reversion of \$5 million originally appropriated in 2023-24 back to the General Fund and a reduction of \$8 million in 2024-25 and 2025-26 from the Office, which manages the State’s highest priority community engagement and public awareness efforts, including COVID-19 vaccines, drought resilience and extreme heat. The Budget maintains \$60 million in 2023-24 and \$57 million in 2024-25 and 2025-26 to continue the state’s top priority outreach campaigns.
- **California Governor's Office of Planning and Research (OPR) Restructuring**—OPR is an office within the Governor’s administration that conducts research and engages in inter-agency collaboration to address structural issues in land use and community development, climate, and economic development. Notably, OPR staffs the [Racial Equity Commission](#), and will oversee the Commission’s development of a racial equity framework to guide the state’s efforts to embed equity in government. OPR has expanded significantly in recent years, from a budget of \$54 million in 2016-17 to \$1.1 billion in 2024-25. In recognition of this growth and the number of programs and initiatives within OPR, the 2023 Budget Act began transitioning OPR from a small office to a more traditional department that relies on state civil service classifications.

### **Government Strategies to Address Community Safety and Well-Being**

Community safety and wellbeing can be effectively advanced by understanding the events that have led to present conditions and implementing policies and practices that address the root causes of violence. Comprehensive approaches include a combination of strategies spanning upstream prevention that fosters social and racial equity, from violence interruption and intervention to community-led response and culturally rooted healing practices. Unfortunately, the proposed budget misses the opportunity to create a coordinated, comprehensive approach to community safety, and in some areas, cuts or delays funding to existing programs meant to support people in crisis. Implementation of the 2023 Gun and Ammunition Tax is a notable exception, marking a dedicated investment in the state’s Violence Intervention and Prevention Grant.

### *Behavioral Health*

- **Behavioral Health Continuum Infrastructure Program**—A delay of \$140.4 million General Fund from 2024-25 to 2025-26, for a total of \$380.7 million for the final round of grants in 2025-26.

The Budget maintains \$300 million General Fund in 2023-24 and \$239.6 million General Fund in 2024-25.

- **Behavioral Health Bridge Housing**—Due to lower-than-projected Mental Health Services Act revenues, the Budget proposes to shift \$265 million from Mental Health Services Fund appropriated in the 2023 Budget Act to General Fund in 2024-25. In addition, the Budget delays \$235 million General Fund originally planned for 2024-25 to 2025-26. Despite the delays, the Budget maintains \$1.5 billion for this program.

#### *Homelessness Prevention*

- **Homeless Housing, Assistance and Prevention Program (HHAP)**—A delay from 2023-24 to 2025-26 of \$260 million General Fund HHAP funding to align with when those funds will be available to eligible applicants. The Budget maintains a total of \$1.1 billion General Fund for HHAP 5 across 2023-24 and 2024-25 to provide local jurisdictions, including federally recognized tribal governments, with flexible funding to continue efforts to prevent and end homelessness in their communities.

#### *Violence Intervention*

- **Cal Violence Intervention & Prevention (CalVIP) Grant Program**—A reduction of \$9 million General Fund beginning in 2025-26, which will be replaced by funding from the newly created Gun and Ammunition Tax. AB 28 established the Gun and Ammunition Tax in California, which funds the Gun Violence Prevention and School Safety Fund. Beginning in 2025-26, it is estimated that up to \$75 million will be continuously appropriated to the Board of State and Community Corrections annually to administer and award Cal VIP grants, which may be used in lieu of General Fund.

The CA Partnership to End Domestic Violence, comprised of advocates that represent victims and survivors of child abuse, domestic violence, sexual violence, elder abuse, and human trafficking, as well as providers of legal, housing, and other assistance, expressed profound disappointment in the omission of funding for victims' services programs from the Governor's budget proposal. This omission would jeopardize the state's safety net services for victims of crime, as providers of support services are additionally facing a possible \$170+ federal budget cut in the Crime Victims Fund.

#### **Fostering Equitable Housing Development**

Safe, affordable, and accessible housing is a basic necessity and a core condition for health, safety, and well-being. The state has invested billions of dollars, most notably during the COVID-19 pandemic, into housing protections and affordable housing development to respond to the housing crisis. Housing programs administered by the state benefitted from several surplus years of late, but are now facing a slate of budget reversions to return unspent funds appropriated to these programs in past budget acts back into the General Fund.

- **CalHome Program**—A reversion of \$152.5 million General Fund for the CalHome Program, a program under the Department of Housing and Community Development (HCD) that provides grants to local public agencies and nonprofit corporations for first-time homebuyer and housing rehabilitation assistance, homebuyer counseling and technical assistance activities to enable low- and very low-income households to become or remain homeowners.
- **Infill Infrastructure Grant (IIG) Program**—A reversion of \$200 million General Fund for the Infill Infrastructure Grant Program, which leaves \$25 million in 2023-24 for this purpose. The IIG Program is administered by HCD and promotes infill housing development by providing financial assistance for Capital Improvement Projects that are an integral part of, or necessary to facilitate the development of affordable and mixed income housing.
- **Multifamily Housing Program (MHP)**—A reversion of \$250 million General Fund for the Multifamily Housing Program, which leaves \$75 million in 2023-24 for this purpose. MHP provides low-interest, long-term deferred-payment loans for new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower-income households.

A statewide housing coalition, which includes housing and tenant’s rights advocates like Housing Now!, Western Center on Law & Poverty, and the San Francisco Tenants Union, submitted a joint budget letter to the Governor and Legislative leaders urging them to reject the proposed \$1.2 billion in cuts and delays to affordable housing programs. The coalition stresses that doing so will slow the momentum California has built up over the past few years to address homelessness and housing affordability. In addition to rejecting budget cuts and delays, the coalition also recommends that state leaders prioritize an affordable housing bond on the November 2024 ballot to “fund the State’s core affordable housing production and preservation programs.”

### **Advancing Park Equity and Increasing Access to the Outdoors**

Fair and just access to parks, trails, community gardens, and various other green spaces contributes to environmental resilience and community health and well-being. Unfortunately, the Governor has proposed a number of delays and reductions in key programs that would support increasing equitable access to green spaces that support healthy, thriving communities.

- **Cleanup in Vulnerable Communities Initiative**—A delay of \$175 million General Fund for the Department of Toxic Substances Control’s Cleanup in Vulnerable Communities Initiative Program. The Budget includes \$85 million in funding for the program in 2025-26 and \$90 million in 2026-27.
- **Outdoor Equity Grants Program**—A reduction of \$25 million General Fund for outdoor environmental education and access programs through the Outdoor Equity Grants Program under Chapter 675, Statutes of 2019 (AB 209). The Budget maintains \$90 million General Fund previously allocated for this program.

The California State Parks Foundation, an independent nonprofit dedicated to protecting and preserving the California state park system, expressed concern with budget cuts and absences in renewed funding for the California State Library Parks Pass Program, the Outdoor Equity Grants Program, and the Statewide Parks Program. The proposed budget would cut \$25 million allocated to the Outdoor Equity Grants Program, and no new funding to the Statewide Parks Program, a program that funds new parks in local communities and typically receives funding every year.

### **Supporting Resilient and Equitable Infrastructure and Regional Economies**

Historic investments in infrastructure and regional economic development can be key to fostering sustainable and equitable economic and physical environments for Black, Indigenous, and other communities of color who have been historically-disinvested from. However, the budget relies on recent federal infrastructure and recovery funding to make up for an absence in new state investments.

#### *Transportation*

- **Active Transportation Program (ATP)**—Reduction of \$200 million, leaving ATP with \$850 mil in one-time funding. The \$200 mil reduction will be backfilled with ATP funding that was anticipated to be available for allocation in future cycles (to ensure no impact to previously-awarded projects).

#### *Economic Development*

- **California Youth Apprenticeship Program**—A delay of \$25 million General Fund to 2025-26 for the California Youth Apprenticeship Program at the Department of Industrial Relations. The program is for youth between the ages of 16-24 and combines academic and technical classroom instruction with paid work experience through a proven earn-and-learn model. It provides the foundation for youth to choose from a number of pathways across a wide range of industry sectors and transferable skills to the workforce.
- **California Jobs First (Formerly the Community Economic Resilience Fund)**—A delay of \$300 million General Fund for California Jobs First, an inter-agency partnership of the Labor and Workforce Development Agency, the Office of Planning and Research, and the Governor’s Office of Business and Economic Development to support resilient, equitable, and sustainable regional economies. The Budget Includes \$100 million General Fund annually in 2024-25 through 2026-27 for this program.

#### *Federal Infrastructure Funding*

- **American Rescue Plan Act**—California has allocated nearly \$7.1 billion in State Fiscal Recovery Funds for constructing and preserving affordable housing; acquiring, rehabilitating, and converting buildings for long-term housing for those experiencing homelessness; investing in infrastructure to expand access to behavioral health services; and broadband infrastructure.



- **Infrastructure Investment and Jobs Act**—As of November 2023, the state is expected to have received \$45.3 billion in formula funding and \$7.9 billion in competitive funding (a total of \$53.2 billion) for transportation infrastructure, broadband, and climate resilience projects.
- **Inflation Reduction Act**—As of November 2023, the state is expected to have received \$816 million with \$369 billion more available nationwide for energy and climate change investments.

### **Addressing Climate Change and Advancing Environmental Justice**

With hotter summers and wetter winters, the need to address climate change and its devastating impacts on California communities continues to be a pressing issue. Despite the urgency to address climate, the budget maintains and adds onto billions of dollars in budget cuts to climate investments that began in the 2023-2024 budget cycle. This year's budget proposes additional reversions, reductions, and shifts from climate change investments that may set the state back as it grapples with environmental pollution and exacerbating natural disasters across the state.

#### *Extreme Heat*

- **Extreme Heat and Community Resilience Program**—A net reduction of \$40.1 million for the Extreme Heat and Community Resilience Program which includes a reversion of \$40.1 million and a shift of \$70 million General Fund to the GGFR. Funding being shifted for the Program is delayed to 2024-25. The Budget maintains \$95 million previously allocated to this program.
- **Urban Greening**—A shift of \$23.8 million General Fund to the GGFR, which maintains \$75 million over four years for the Urban Greening Program. Funding being shifted for the Program is delayed to 2024-25.
- **Enhanced Protections for Vulnerable Populations**—A shift of \$15.6 million General Fund for Enhanced Protections for Vulnerable Populations to the Labor and Workforce Development Fund, which maintains \$16 million over three years for this program.

#### *Community Resilience*

- **Regional Climate Resilience**—A reversion of \$25 million General Fund and a reduction of \$50 million for the Regional Climate Resilience Program at the Office of Planning and Research. The Budget maintains \$25 million previously allocated to this program.
- **Regional Climate Collaboratives**—A reversion of \$9.8 million General Fund for Regional Climate Collaboratives Program at the Strategic Growth Council within the Office of Planning and Research. The Budget maintains \$10 million previously allocated to this program.
- **Climate Adaptation and Resilience Planning Grants**—A reversion of \$5 million General Fund for the Climate Adaptation and Resilience Planning Grants at the Office of Planning and Research. The Budget maintains \$20 million previously allocated to this program.
- **Transformative Climate Communities** – The Governor's Proposal did not include funding for the Transformative Climate Communities Program. This program supports community-led development and infrastructure projects that achieve major environmental, health, and economic benefits in California's most disadvantaged communities

### *Other Climate Related Issues*

- **Climate Innovation**—A reduction of the planned investment of \$475 million General Fund in the Climate Innovation Program beginning in 2024-25.

The Greenlining Institute (TGI), a national organization focused on advancing economic and climate equity to shape a more just and inclusive economy, highlighted in their statement that the budget stifles investments and initiatives to mitigate greenhouse gas emissions in the state. TGI expressed deep concern for zero funding earmarked towards the Transformative Climate Communities (TCC) program, a program that funds neighborhood-level transformative climate community plans to reduce greenhouse gas emissions and provide local economic, environmental and health benefits to disadvantaged communities. TGI highlighted that over a dozen communities are waiting on implementation grants to make their transformative climate goals a reality.

### **Ensuring Equity for Children and Youth in Educational Settings**

Individuals with higher levels of education are more likely to be healthier and live longer. The budget proposal aims to prioritize stable, predictable funding for schools in spite of the challenging deficit by preserving and increasing investments in critical programs to help support schools and students. This includes funding for community schools, universal school meals, expanded learning opportunities, education workforce, and continued implementation of universal transitional kindergarten.

- **Community Schools** – Maintains the multi-year investment of \$4.1 billion for Community Schools. These are K-12 public schools that use a holistic approach to student success, which includes: sustaining mental and behavioral health through healing-centered practices, social-emotional learning, and restorative justice.<sup>3</sup> They are supported by community partnerships and are driven by community-driven decision-making.
- **Universal School Meals Program**—An increase of \$122.2 million ongoing Proposition 98 General Fund to fully fund the universal school meals program in 2024-25. Over 845 million meals are projected to be served through this program in 2024-25.
- **Parks Access**—An increase of \$2.1 million ongoing Proposition 98 General Fund for a county Office of Education to enable fourth graders attending public schools to access California state parks.
- **Homeless Education Technical Assistance Centers**—An increase of \$1.5 million ongoing Proposition 98 General Fund to maintain support for Homeless Education Technical Assistance Centers that were first established through the American Rescue Plan Act's Homeless Children and Youth Program. This funding would continue the momentum in increasing homeless youth identification, which is essential to providing the necessary support to improve outcomes.

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<sup>3</sup> California Department of Education (January 30, 2024). Community Schools. *California Department of Education*. <https://www.cde.ca.gov/eo/in/ts-communityschools.asp>.



### **Strengthening Economic Supports to Families and Vulnerable Residents**

Budget investments to economically support low-income communities are core to fostering health, safety, and well-being. Advocates across the state have vehemently fought and advocated to maintain vital economic supports won by their advocacy efforts in past budget cycles. Unfortunately, the Governor is still proposing to make millions of dollars in cuts to programs that provide cash, employment, and supportive services to the most in-need Californians.

- **California Food Assistant Program Expansion (CFAP) Expansion**—The budget proposal maintains its past commitment to expand CFAP to include undocumented adults age 55 and older beginning in October 2025.
- **CalFresh Minimum Boost Pilot**— Maintains a commitment to fund a pilot program to increase the minimum CalFresh benefit (California’s version of the federal Supplemental Nutrition Assistance Program) from \$23 to \$50 for some recipients.
- **Refundable Tax Credits for Low-Income Californians**—Maintains, but does not propose new investments for California’s Earned Income Tax Credit (CalEITC), Young Child Tax Credit, and Foster Youth Tax Credit. These tax credit programs are refundable income tax credits that support millions of Californians and families meet their basic needs.
- **CalWORKS**—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. CalWORKS is facing \$260 million in budget cuts, with the Budget assuming \$9.4 billion in total TANF expenditures in 2024-25. This amount includes \$7 billion for CalWORKS program expenditures and \$2.4 billion for other programs such as Child Welfare Services, Foster Care, DDS programs, the Statewide Automated Welfare System, California Community Colleges Child Care and Education Services, Cal Grants, and the Department of Child Support Services.
- **Child Care and Development**—A multiyear plan was initiated as part of the 2021 Budget Act to expand access to subsidized child care slots. The Budget maintains this commitment, and includes \$2.1 billion for CDSS to fund roughly 146,000 new subsidized child care slots expected to be filled by 2024-25, working towards the goal of creating over 200,000 new slots by 2026-27.

### **Strengthening California's Public Health Infrastructure**

Permanent general fund investments in California’s state and local health departments in the 2022-2023 Budget reflect elected official’s strengthened awareness of the importance of public health infrastructure to respond to pressing health threats, such as COVID-19. As the state continues to grapple with the long-term health impacts of the pandemic and recent economic woes, the budget maintains vital public health funding while also considering tax increases to finance the state’s public health insurance program.

- **Department of Public Health Budget**—For 2024-25, the Governor's Budget provides \$5 billion for the support of CDPH's programs and services, a decrease of 10.2 percent from the 2023-24 Enacted Budget.
- **Education, Prevention, and Treatment of Youth Substance Use Disorders and School Retention**—\$341.3 million will be available for programs from the California Cannabis Tax Fund dedicated to youth programs. These include Elevate Youth California, a Department of Health Care Services' youth substance use disorder and prevention program, and Natural Resources Agency's Youth Community Access grant program which invests in youth access to natural or cultural resources with a focus on low-income and disadvantaged communities.

Youth Forward, a leading non-profit organization that advocates for equitable uses of Proposition 64 Cannabis tax dollars submitted a joint letter to state leaders urging the state to maintain funding streams for youth leadership development, environmental justice, and childcare made available by cannabis tax dollars. After a revision to the cannabis cultivation tax structure in 2022, funding for these initiatives have declined. A coalition of youth advocates across the state plan to hold the Administration and the Legislature accountable to the funding commitments they made when cannabis was legalized.

- **Managed Care Organization (MCO) Tax**—In December 2023, the federal government approved California's Managed Care Organization Provider Tax (MCO Tax), effective April 1, 2023, through December 31, 2026. Given the budget shortfall, the Administration is seeking early action by the Legislature to request the federal government approve an amendment to increase the tax to achieve \$20.9 billion in total funding to the state, an increase of \$1.5 billion compared to the approved MCO Tax.
  - The Budget proposes \$12.9 billion to support the Medi-Cal program and \$8 billion for targeted rate increases and investments from this MCO Tax. As proposed, the MCO Tax helps maintain existing services in the Medi-Cal program and minimizes the need for reductions in the program. The Budget proposes \$2.8 billion (\$1.2 billion Medi-Cal Provider Payment Reserve Fund) in 2024-25 and \$6.5 billion in 2025-26 for targeted rate increases and investments consistent with the 2023 Budget Act, of which \$727 million annually is for Medi-Cal provider rate increases effective January 1, 2024.

The County Health Executives Association of California (CHEAC), a statewide organization of county and city health department and agency directors, applauded the Governor for maintaining investments in governmental public health workforce infrastructure, training, and development programs. This includes \$200 million ongoing General Fund for local health departments (LHDs) and the Public HERO Initiative that was established in the 2022 Budget Act. These funds have supported LHDs in rebuilding their workforce and infrastructure, which is essential in promoting community health and resilience.