

Overview of Governor’s Fiscal Year 2024-2025 Proposed Budget

County Administrative Office January 31, 2024

On January 10, 2024, Governor Newsom released a \$291.5 billion budget proposal, a 1.9% decrease from last year, that maintains core services and some of the significant multiyear program investments from recent budgets despite a projected \$37.9 billion deficit stemming from a correction to revenue that results from a combination of a progressive State tax structure and a stock market decline in response to aggressive Federal Reserve interest rate increases. The Governor’s Proposal delivers a balanced budget without major service funding reductions by withdrawing \$12.2 billion from the Budget Stabilization Account (Rainy Day Fund), representing 52% of the total available balance of \$23.3 billion. In addition, the State also leverages one-time solutions by utilizing \$900 million from the Safety Net Reserve, reducing \$11.9 billion in spending or identifying other sources of funding, delaying or deferring \$7.2 billion in capital projects, and borrowing \$5.7 billion from special funds. The budget pays down \$2.1 billion in retirement liabilities and reflects remaining reserves of \$11.1 billion in the Budget Stabilization Account (Rainy Day Fund), \$3.9 billion in the Public School System Stabilization Account, and \$3.4 billion in the Special Fund for Economic Uncertainties. Given the uncertain economic outlook, this preserves California’s ability to respond in the event of a recession.

A summary of potential impacts of the Governor’s Fiscal Year 2024-2025 (FY25) Proposed Budget on Monterey County follows and includes departmental input. Though time for initial review is limited, state lawmakers’ response will continue to be monitored for relevant local impacts to incorporate throughout the budget process, culminating in the State’s May Revise and our Recommended Budget.

Health and Human Services

Healthcare Infrastructure: The proposal delays \$329.5 million in investments to strengthen and expand the health workforce, including nurses, social workers, and psychiatry fellowships. Funding for Behavioral Health Continuum infrastructure in the amount of \$140.4 million is delayed to FY26. The budget proposes to shift \$265 million from the Mental Health Services Fund due to lower revenues to the General Fund for Behavioral Health Bridge Housing. NMC and the Health Department both noted these impacts in preliminary discussions last year. If the State’s budget situation continues to deteriorate over the next couple of fiscal years, look for similar type of revenue redirection to occur which may impact the County’s resources.

CalWORKS & IHSS: The monthly CalWORKS program caseload is estimated to be 354,117 families with expenditures of \$7 billion and a 0.8% increase to Maximum Aid Payment levels at a cost of \$27 million from the 1991 Local Revenue Fund Child Poverty and Family Supplemental Support Subaccount. The proposal estimates an IHSS budget of \$24.3 billion with a caseload of 691,075.

DSS Reversions: Among the Governor’s reversions and reductions are some with an impact on human services, including a \$336 million reversion from unexpended CalWORKS Single Allocation augmentation funds in FY23, and \$40.8 million ongoing, a reversion of \$55 million in FY24 and \$71 million ongoing for family stabilization, a reversion of \$134.1 million in FY24 and ongoing for expanded subsidized employment, and a \$47 million reduction beginning in FY25 and ongoing for intensive employment services case management.

Public Safety

Public Defender: The budget eliminates the final year grant amount of \$40 million for the Board of State and Community Corrections (BSCC) pilot grant program for indigent defense.

Community Corrections Partnership: The budget reduces funding for plans and implementation by \$8 million, which translates to \$150,000 in Monterey for the CCP that will not immediately impact FY25 but will draw down reserves, potentially affecting future years.

Inmate Intake and Release: Proposition 47 is estimated to produce savings of \$87.8 million due to reclassification of crimes and termination of contracts with prisons, and the existing formula allocates 65% to mental health and substance abuse programs, 25% to truancy dropout prevention, and 10% to victim services.

Family Justice Centers and Victim Services: The proposal maintains \$10 million for victim services at Family Justice Centers, \$51 million over five years to expand trafficking survivor support, and \$6.7 million for local law enforcement reimbursements to medical professionals for evidentiary sexual assault exams.

Integrated Substance Use Disorder Treatment (ISUDT): This program receives \$270 million in the Governor’s budget proposal and supports Medication-Assisted Treatment for incarcerated individuals.

Community Probation and Juvenile Justice: The proposal provides \$225 million for the Juvenile Justice Realignment Block Grant in FY25 as established by SB 823, an increase of \$16.2 million to adjust to the Juvenile Justice Growth Special Account rate. Probation notes the nominal increase of 1.7% in realignment revenues. Other continued funding at similar levels includes \$113.6 million in statewide incentive grants allocated under SB 678 revocation rate performance metrics and \$4.4 million for Post Release Community Supervision.

Cannabis Proposition 64: The Governor’s Budget Proposal estimates \$568.9 million will be available to fund youth education and treatment (60%), environmental enforcement and clean up from illegal cultivation (20%) and public safety activities (20%) according to an existing formula.

Infrastructure and Other County Services

In past budgets, Governor Newsom proposed a broad vision for pandemic economic recovery centered around multifaceted infrastructure investments that support climate goals, housing, and workforce development. Most of the solutions to balance the budget target these areas. Approximately \$11 billion in reductions, deferrals and loans fall under climate and transportation programs.

Housing and Homelessness: The Governor maintains his commitment to affordable housing and homelessness solutions, with \$3.4 billion dedicated to these efforts in the budget proposal, including \$1.1 billion for a fifth round of Homeless Housing, Assistance and Prevention (HHAP) and \$400 million for encampment resolution grants. There is a delay of \$260 million in HHAP funding to FY26 and a reversion of \$100.6 million for administrative set asides. To further address the deficit, \$152.5 million previously planned for CalHome grants through local

agencies is removed, as well as \$300 million in Regional Early Action Planning grants, \$250 million for Multifamily Housing, and \$200 million for infill infrastructure grants. Finally, \$50 million for Veteran Housing and Homelessness Prevention funding is eliminated and various other delays, reductions and reversion of housing programs for foster youth, child welfare, disabled and vulnerable adults remove over \$220 million in related funding.

Library: To balance the budget, the Governor proposes eliminating the grants intended for local library infrastructure projects. Monterey County Free Libraries had planned to apply for funding of projects in Pajaro and Bradley, which would now require alternate sources.

Road Fund: The Highway User’s Tax Account (HUTA) is expected to grow 1.5% in gasoline excise tax and 3.2% in diesel excise tax revenue, while Transportation Improvement Fee revenues are anticipated to increase 6%. Despite a \$200 million reduction to Active Transportation, Public Works Facilities and Parks does not anticipate local impacts as its project is already funded.

Climate Change Mitigation: Though the proposal makes reductions in drought, water recycling and watershed programs, it maintains \$7.3 billion of the original \$8.6 billion amount and offers \$159.1 million in new funding to address levee flood risks. Other deficit measures include slashing \$452 million from coastal resilience programs and a reversion of \$40.1 million from community resilience to extreme heat efforts.

Smart Agriculture: While the proposal eliminates \$79.1 million from various funding programs that aid farmers and ranchers in transitioning to more efficient practices by replacing equipment or implementing irrigation systems, soil carbon sequestration, livestock methane reduction and pollinator habitats, nearly 90% of the original commitment is maintained. The budget includes legislation to increase the mill assessment and \$33.3 million in additional funding for accelerated pesticide evaluation, cross-jurisdictional enforcement, and county training and compliance support.

Environment: The proposal maintains \$53 million for PFAS clean-up of soil and water after a reversion and reduction of \$101.6 million. It also reduces the SB 1383 compost facility permitting pilot program by \$6.7 million, leaving only \$800,000 in funding.

This overview serves to briefly highlight significant areas of potential impact to Monterey County from the Governor’s FY25 Proposed Budget and is not an exhaustive analysis. A more thorough summary from the California State Association of Counties (CSAC) is attached. Departments can also provide more detailed insight of potential impacts to their corresponding programmatic areas.