

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

### May Revision

County Administrative Office

May 22, 2024

On May 14, 2024, Governor Newsom released a revised \$288.1 billion budget proposal, a 7.3% decrease from the current year, that maintains most local county core services while impacting educational initiatives, eliminating ambitious multiyear program investments from recent budgets, and requiring an across the board 7.95% reduction in State department operations to balance a projected \$44.9 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 withdraws \$3.3 billion from the Budget Stabilization Account (Rainy Day Fund) and \$900 million from the Safety Net Reserve in addition to reducing \$19.2 billion in spending, delaying or deferring \$7.7 billion in capital projects, borrowing \$7.7 billion from special funds, and shifting \$7.3 billion to other funds. The budget reflects remaining reserves of \$19.4 billion in the Budget Stabilization Account (Rainy Day Fund) 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 brief summary of potential impacts from the May Revision of the Governor’s Fiscal Year 2024-2025 (FY25) Proposed Budget on the 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, culminating in the passage of the Budget Bill on June 15.

## Health and Human Services

The May Revision provides \$256.2 billion for all health and human services programs, or \$3.4 billion less than the January proposal.

**Healthcare Infrastructure:** The May Revision entirely eliminates ongoing proposed investments to strengthen and expand the public health workforce, including nurses, social workers, and psychiatry fellowships, with a \$200 million annual impact on counties. The Health Department indicates a local impact of \$2.6 million that currently funds 13 FTEs across its bureaus. It also eliminates funding for Behavioral Health Continuum infrastructure in the amount of \$450.7 million that was previously in the January proposal. The revision reduces Behavioral Health Bridge Housing by half to \$132.5 million. Finally, Medi-Cal eligibility county administration funding levels are frozen, resulting in a reduction of \$20.4 million and the Health Enrollment Navigators initiative funding of \$26 million is eliminated.

**CalWORKS and IHSS:** The January proposal estimated monthly CalWORKS program caseload at 354,117 families with expenditures of \$7 billion and a 0.3% increase to Maximum Aid Payment levels from the 1991 Local Revenue Fund Child Poverty and Family Supplemental Support Subaccount and an IHSS budget of \$24.3 billion with a caseload of 691,075. Compared to the proposal, the revision reduces CalWORKS ongoing funding as follows: Single Allocation by \$272 million partially offset by an increase in caseloads for a net reduction of \$162 million (local impact of around \$3 million), Mental Health and Substance Abuse Services by \$126.6 million (local impact \$1.4 million), and Home Visiting by \$47.1 million (local impact \$420,840). It

also delays the expansion of undocumented food assistance and eliminates the IHSS expansion to individuals of all ages, amounting to another \$125.9 million. Overall, DSS notes impacts for all State eliminated or reduced funding for programs at \$11.9 million locally endangering two CalWORKS positions and the First 5 contract.

**Community Assistance, Recovery and Empowerment Act:** The May Revision reflects funding of \$71.3 million in FY24 projected to rise to \$107.7 million annually at full implementation for CARE by county behavioral health departments, a decrease that accounts for the most recent utilization and caseload assumptions for mental health, treatment and housing support for individuals with psychotic disorders that render them unable to live independently.

**Reversions:** Among the Governor’s surplus clawbacks in an attempt to prevent further cuts to ongoing programs are previously proposed initiatives for Medi-Cal share of cost reform, child support pass thru for CalWORKS families, and victim compensation.

## Public Safety

**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 \$94.8 million due to reclassification of crimes and termination of contracts with prisons, an increase of \$7 million from the January proposal, 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.

**Jail Initiatives:** The May Revision reflects reductions of \$118.3 million in FY24 and \$49.9 million in FY25 for an updated implementation timeline for various Jail Based Competency Training (JBCT), Incompetent to Stand Trial (IST), and community based restoration programs and reduces county competitive grants for substance use Medication-Assisted Treatment efforts by \$10.5 million. Meanwhile, it proposes an increase of \$3.2 million in FY25 and \$7.6 million ongoing for the BSCC to implement in-custody death reviews pursuant to SB 519.

**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. Other continued funding at similar levels includes \$113.6 million in statewide incentive grants allocated under SB 678 revocation rate performance metrics. The revision eliminates \$4.4 million for Post Release Community Supervision increased workloads pursuant to Proposition 57, with a \$112,500 local impact to Probation.

**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.

***Lanterman-Petris Involuntary Hold Data Reporting:*** Counties will be required to report data from local entities to DHCS pertaining to involuntary detentions pursuant to SB 43.

## **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 fell under climate and transportation programs in the January proposal.

***Housing and Homelessness:*** The Governor continues his commitment to affordable housing and homelessness solutions, with \$2.9 billion dedicated to these efforts, including nearly \$850 million for a fifth round of Homeless Housing, Assistance and Prevention (HHAP) and \$400 million for encampment resolution grants. A proposed delay of \$260 million in HHAP funding from prior rounds is now an outright reduction and administrative set asides have also been reverted. 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, and \$200 million for infill infrastructure grants. The May Revision eliminates the \$325 million Multifamily Housing and reverts the remaining \$127.5 million adaptive reuse programs. 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. In addition, MCFL notes the State will no longer support shared online resource availability for residents, estimated to have a \$50,000 impact locally or the lunch program that served 14,000 meals per summer countywide.

***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 \$300 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 January 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. However, the May Revision does add \$2.1 million for SB 272, which mandates local governments incorporate sea level rise into plans approved by the Coastal Commission by 2034.

**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 revision maintains \$23 million for PFAS clean up of soil and water after a combined reversion and reduction of \$130.7 million. The SB 1383 compost facility permitting pilot program remains reduced by \$6.7 million as in the January proposal, leaving only \$800,000 in funding. The May Revision also reduces the Zero Emission Vehicle (ZEV) Fueling Infrastructure grant program by \$143.9 million, which provides county support for replacement of fleet vehicles with ZEVs and the associated infrastructure.

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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.