



**GOVERNOR'S PROPOSED BUDGET FOR 2023-24
MAY 12, 2023**

TO: CSAC Board of Directors
County Administrative Officers

FROM: Graham Knaus, CSAC Chief Executive Officer
Jacqueline Wong-Hernandez, Chief Policy Officer

RE: Governor's May Revision for 2023-24

Governor Gavin Newsom released his May Revision to the 2023-24 budget this morning, noting that it “holds the line” without making significant reductions over his initial January budget proposal. The May Revision outlines Governor Newsom’s proposal to ameliorate a \$31.5 billion estimated deficit. As expected, this deficit is much larger than the \$22.5 billion projected by the Administration in January. As California, and the nation, face considerable economic headwinds – ranging from increasing interest rates to inflationary pressures to recent bank failures, and capped by a federal debt limit stalemate – we are in a much different place than only a year ago when the Administration announced a jaw-dropping \$97.5 billion surplus.

The Administration’s deficit projection assumes that \$42 billion in additional revenue receipts will materialize by October – that this revenue was delayed after California issued an extension for state tax returns for those affected by the onslaught of atmospheric river storms in early 2023. Anything less than \$42 billion in new revenue receipts will add to the \$31.5 billion shortfall.

Governor Newsom also suggested that he would announce a California Environmental Quality Act (CEQA) reform proposal next week – though he used every word but “CEQA” in his teasing of a permitting reform proposal that’s “not just for housing or stadiums.”

Despite the deficit and uncertainty, Governor Newsom has pledged to make the following multiyear investments:

- **Climate** – maintaining \$2.7 billion in a multiyear wildfire and forest and resilience package and adding \$290 million for a flood risk package. The May Revision also includes an additional \$1.1 billion in General Fund shifts across climate resilience programs that would be bond eligible.
- **K-12 Education and Higher Education** – fully funding an 8.22 percent cost-of-living adjustment with an equity multiplier to help accelerate learning gains and close opportunity gaps. Continues to fully fund the first and second years of expanded

eligibility for Transitional Kindergarten and fully funds the Universal School Meals program, which provides two meals to students each day.

- **Healthcare** – maintaining funding to expand full-scope Medi-Cal eligibility to all income-eligible Californians, regardless of citizenship status. Also maintains \$8 billion in behavioral health investments and implements the California Food Assistance Program expansion for income-eligible individuals aged 55-years or older by October 2025.
- **Housing and Homelessness** – continued investment in the Administration’s emphasis on local accountability for all jurisdictions to build their fair share of housing units. The May Revision also maintains \$3.4 billion in funding proposed for homelessness programs.
- **Infrastructure** – includes proposals to streamline project approval and completion to maximize federal infrastructure spending authority and expedite the implementation of projects.

Several revisions and proposals warrant close attention from counties, including:

- Increasing funding to implement the Community Assistance, Recovery, and Empowerment (CARE) Act – a total of \$291 million General Fund for ongoing costs, including \$150 million to county behavioral health agencies and \$15 million one-time to Los Angeles County for early implementation.
- \$150 million in General Fund support to the Distressed Hospital Loan Program to support public and not-for-profit hospitals in significant financial distress.
- Restoration of \$49.8 million General Fund proposed for reduction in the Governor’s Budget to public health workforce training and development programs.
- Increasing funding of \$159.5 million General Fund for county administration costs for CalFresh, reflecting a multiyear effort to revise this budgeting methodology.
- Maintaining \$1 billion for Homeless Housing, Assistance and Prevention Program in 2023-24 and restates commitment to develop accountability framework with the Legislature.
- \$150 million one-time General Fund augmentation for the Rapid Response Program to continue humanitarian efforts at the border in partnership with local providers.
- Addition of \$290 million in flood protection investments for a total of \$492 million.
- An additional \$1.1 billion in “General Fund shifts” across climate resilience programs that could be included in a future bond.

The May Revision provided several updates on Federal investments. The Infrastructure Investment and Jobs Act (IIJA) provides funding for airports, bridges, broadband, clean energy, public transportation, roads, etc. As of May 2023, California has received about \$48.6 billion from the IIJA in formula and competitive funding. Similarly, the Inflation Reduction Act (IRA) provides funding for pollutant reduction investments, clean energy equipment upgrades, disaster response and resilience, and agriculture sustainability projects. As of May 2023,

California has received \$465 million through the IRA in formula and competitive funding to the state, local governments, tribes, and households.

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.

The old Yogi Berra-ism is especially true this year, “It’s tough to make predictions, especially about the future.” The one prediction we can accurately make is that CSAC will continue to make sure the Governor, his Administration, and the Legislature understand the importance of counties. Supporting [county priorities](#) and protecting county investments serves California communities.

Negotiations will now begin in earnest on the Budget Bill and first wave of budget trailer bills, which will be passed by June 15. It should be noted that trailer bills typically follow the main budget bill and provide technical language for the implementation of fiscal allocations, allocating the state’s dollars.

If you would like to receive the Budget Action Bulletin electronically, please e-mail Brian Cote at bcote@counties.org.

2023-24 May Revision
General Fund Budget Summary*
(\$ in millions)

	2022-23	2023-24
Prior Year Balance	\$55,462	\$24,119
Revenues and Transfers	205,129	209,054
Total Resources Available	\$260,591	\$233,173
Non-Proposition 98 Expenditures	158,357	145,733
Proposition 98 Expenditures	78,115	78,368
Total Expenditures	\$236,472	\$224,101
Fund Balance	\$24,119	\$9,072
Reserve for Liquidation of Encumbrances	5,272	5,272
Special Fund for Economic Uncertainties	18,847	3,800
Public School System Stabilization Account	9,936	10,684
Safety Net Reserve	900	450
Budget Stabilization Account/Rainy Day Fund	22,252	22,252

2023-24 May Revision
General Fund Expenditures by Agency*
(\$ in Millions)

	2022-23	2023-24	\$ Change	% Change
Legislative, Judicial, Executive	\$18,407	\$9,630	-\$8,777	-47.7%
Business, Consumer Services & Housing	3,740	1,448	-2,292	-61.3%
Transportation	1,986	1,190	-796	-40.1%
Natural Resources	15,943	7,512	-8,431	-52.9%
Environmental Protection	3,892	339	-3,553	-91.3%
Health and Human Services	62,644	73,244	10,600	16.9%
Corrections and Rehabilitation	15,695	14,676	-1,019	-6.5%
K-12 Education	77,019	78,871	1,852	2.4%
Higher Education	22,659	22,598	-61	-0.3%
Labor and Workforce Development	1,274	856	-418	-32.8%
Government Operations	6,892	4,439	-2,453	-35.6%
General Government:				
Non-Agency Departments	2,557	2,443	-114	-4.5%
Tax Relief/Local Government	668	559	-109	-16.3%
Statewide Expenditures	3,096	6,295	3,199	103.3%
Total	\$236,472	\$224,101	-\$12,372	-5.2%

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2023-24 May Revision
Total State Expenditures by Agency*
(\$ in millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$9,630	\$3,978	\$262	\$13,870
Business, Consumer Services & Housing	1,448	1,215	536	3,199
Transportation	1,190	16,125	82	17,397
Natural Resources	7,512	2,741	714	10,967
Environmental Protection	339	4,779	12	5,130
Health and Human Services	73,244	38,648	-	111,892
Corrections and Rehabilitation	14,676	3,793	-	18,469
K-12 Education	78,871	470	629	79,970
Higher Education	22,598	139	634	23,371
Labor and Workforce Development	856	1,055	-	1,911
Government Operations	4,439	196	7	4,642
General Government:				
Non-Agency Departments	2,443	1,903	2	4,348
Tax Relief/Local Government	559	3,453	-	4,012
Statewide Expenditures	6,295	1,020	-	7,315
Total	\$224,101	\$79,516	\$2,878	\$306,494

**2022-23 May Revision
General Fund Revenue Sources***
(\$ in millions)

	2021-22	2022-23	\$ Change	% Change
Personal Income Tax	\$122,769	\$118,166	-\$4,603	-3.7%
Sales and Use Tax	33,072	33,366	294	0.9%
Corporation Tax	42,091	42,081	-10	0.0%
Insurance Tax	3,673	3,881	208	5.7%
Alcoholic Beverage Taxes and Fees	433	438	5	1.2%
Cigarette Tax	47	43	-4	-8.5%
Motor Vehicle Fees	37	37	0	0.0%
Other	3,551	11,042	7,491	211.0%
Subtotal	\$205,673	\$209,054	\$3,381	1.6%
Transfer to the Budget Stabilization Account/Rainy Day Fund	-544	-	544	-100.0%
Total	\$205,129	\$209,054	\$3,925	1.9%

**2022-23 May Revision
Revenue Sources***
(\$ in millions)

	General Fund	Special Funds	Total	Change From 2021-22
Personal Income Tax	\$118,166	\$2,741	\$120,907	-\$5,066
Sales and Use Tax	33,366	15,458	48,824	214
Corporation Tax	42,081	-	42,081	-10
Highway Users Taxes	-	9,370	9,370	669
Insurance Tax	3,881	-	3,881	208
Alcoholic Beverage Taxes and Fees	438	-	438	5
Cigarette Tax	43	1,449	1,492	-147
Motor Vehicle Fees	37	11,741	11,778	502
Other	11,042	32,229	43,271	13,475
Subtotal	\$209,054	\$72,988	\$282,042	\$9,850
Transfer to the Budget Stabilization Account/Rainy Day Fund	-	-	-	-
Total	\$209,054	\$72,988	\$282,042	\$9,850

*Note: Numbers may not add due to rounding.

Agriculture, Environment and Natural Resources

The Governor’s Budget Proposal included many reductions in climate programs within the Agriculture, Environment, and Natural Resources portfolio, many of which took the form of “trigger cuts” which will be enacted or reversed depending on the status of the General Fund in 2024. The May Revision maintains most of the \$3.9 billion in trigger cuts from the January proposal which is detailed in [CSAC’s January 2023 Budget Action Bulletin](#).

As a result of lower revenue projections, in part due to delayed tax receipts in response to disaster declarations, the May Revision includes an additional \$1.1 billion in “General Fund shifts” across climate resilience programs that could be included in a future bond. The current budget language is scant in detail, but CSAC staff will continue to monitor and share information as it becomes available.

Flood Response, Groundwater, and Disaster Relief

Counties are facing weather whiplash, moving quickly from extreme dry years to record rainfall and snowpack. CSAC has devoted significant efforts this year to support flood and snow disaster preparedness and relief, and to promote the increased capture of water for all purposes from the rain and snow events statewide.

Flood Disaster Funding and Floodplain Restoration

The May Revision provides a \$25 million increase for disaster relief and response costs in the 2022 budget year to cover local and regional impacts. The budget also taps into the drought contingency fund to shift \$125 million to flood response, recovery, and preparedness as the state prepares for record snowpack runoff. The May Revision restores \$40 million for San Joaquin Floodplain restoration that would have been eliminated in an earlier proposal.

Kings County Levees and Tulare Lake Region

The state has committed to supporting the long-term request by a local flood control district to raise the Corcoran Levee at the Tulare basin. This levee protects the city of Corcoran and other unincorporated areas of Kings County from floodwaters in the Tulare Lake region. Costs are estimated at \$17 million and will be initially funded through the California Disaster Assistance Act but may also be eligible for federal disaster aid. This is in addition to current disaster funding efforts underway in Tulare and other impacted counties around the Tulare Basin to expedite levee repairs, floodwater diversion, and emergency response.

Farms and Business Relief

The May Revision includes \$25 million to expand the current California Small Agriculture Business Drought Relief Grant Program. This program provides direct assistance to farmers and farm businesses that have been affected by the recent storms. By expanding the program’s

reach and continuing to support the ability of agricultural businesses to remain open and add or restore jobs, the proposal also aims to advance support for workers of impacted businesses.

Groundwater Recharge Legislation

CSAC has been working with the Department of Water Resources and State Water Resources Control Board on long-term efforts to increase groundwater recharge in wet years, to increase the effectiveness of recharge efforts, and cut lengthy and costly permit processes. The Governor proposes to codify a recent Executive Order that would allow for the safe diversion of flood flows for groundwater recharge during high water events. The legislation focuses on capturing water for recharge by setting clear conditions for diverting floodwater without affecting water rights or permits. This legislation complements ongoing efforts to provide counties with a pathway to be “ready for recharge” for groundwater actions.

Sustainable Groundwater Management Program (SGMA)

The May Revision includes \$4.8 million General Fund over two years to support the State Water Resources Control Board’s continued oversight role for groundwater basins deemed inadequate under the SGMA process.

Flood Control Subventions

The May Revision includes \$75 million General Fund, in one-time time funding, for the Flood Control Subventions Program. This program supports local flood control projects, including in communities impacted by recent storms such as the Pajaro River Flood Risk Management Project.

Forestry and Fire Protection

The May Revision maintains a \$2.7 billion proposal for wildfire and forest resilience with minor changes including a restoration of \$25 million General Fund for the Climate Catalyst Fund. This fund was established to bridge financial gaps to advance climate solution technologies from scaling to marketplace.

Replacement of CalFIRE Facilities and Helitack Bases

The May Revision includes \$37 million (\$30.4 million General Fund, \$6.5 million Public Buildings Construction Fund) for continuation of construction on CalFire stations, unit headquarters, a new training center, replacement of helitack bases and improvements to air attack bases to accommodate the new CalFIRE helicopter fleet and C-130 aircraft. This is part of a multiyear proposal to improve fire infrastructure and working conditions for firefighters statewide.

Farming and Agriculture

CSU University Farms

The May Revision proposes to shift \$75 million General Fund to the California State University (CSU) to maintain support for improvements at CSU's university farming operations. These funds were originally proposed to be CSU-issued bond funds but were determined to be ineligible for this funding source.

Cuts to Local LandFlex Programs

The May Revision includes a reduction of \$25 million to the LandFlex Program. This program provides block grants to local government agencies to incentivize farmers to limit agricultural groundwater use near drought-stricken communities whose drinking water wells have gone dry or are close to going dry. The Department of Water Resources awarded \$25 million in the first round of grants in 2022.

University of California (UC) Agriculture

The May Revision includes a shift of \$4.8 million to the University of California general appropriation to provide continued support for UC Agriculture and Natural Resources programs. This is roughly equivalent to five percent of the base increase provided at Governor's Budget less resources provided for enrollment growth.

Reduction to Multi-Benefit Land Repurposing

The May Revision proposes a decrease of \$1 million General Fund to the Multi-Benefit Land Repurposing Program. This program was established to assist local agencies and landowners in converting higher groundwater use farming and range lands to lower water usage in order to meet the goals of the Sustainable Groundwater Management Act.

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 budget shortfall has led the Administration to propose reductions to the programs.

The May Revision includes \$444 million (32 percent reduction) for extreme heat funding and \$1.6 billion (15 percent reduction) for 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 \$160 million in funding for Community Resilience Centers has been shifted to be included in a potential bond proposal, which is further discussed in the "Bonds" section of this document (see below).

Energy

The May Revision proposes to revert a total of nearly \$600 million in California Emergency Relief Funds in 2022-23 to the General Fund. This number results from savings within 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.

Waste and Recycling

The Governor's Budget Proposal includes very little detail on the Administration's plan with regard to waste and recycling. However, the Administration plans to leverage the Beverage Container Recycling Fund (BCRF) to help close budget shortfalls. The proposal would provide a loan of \$100 million from the BCRF to the General Fund and an additional \$40 million from the BCRF to the Hazardous Waste Control Account. This funding is intended to come from resources not currently projected to be used for operational or programmatic purposes. These loans are expected to be repaid over a three-year period and may be repaid sooner based on programmatic needs. These loans will not impact the Administration's ability to meet its commitments under SB 1013 (Chapter No. 610, Statutes of 2022) and will not result in proportional reductions in the Beverage Container Recycling Program.

Cannabis

Proposition 64 specifies how the Cannabis Tax Fund resources are allocated and prioritizes expenditures. Once initial statutory priorities have been met, the remaining funds are directed to what is known as Allocation 3 programs, as listed below. AB 195 requires that Allocation 3 programs are funded at a baseline of approximately \$670 million, to the extent available, and included a \$150 million General Fund appropriation to backfill revenues to help meet that baseline. The May Revision estimates \$567.4 million will be available for these purposes in 2023-24, which includes \$150 million General Fund to backfill the estimated decline in revenues:

- Education, prevention, and treatment of youth substance use disorders and school retention— \$340.4 million
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—\$113.5 million
- Public safety-related activities—\$113.5 million

Climate Bonds are Back!

When asked if he intends to pass both a climate bond and school bond, the Governor responded 'yes.' This aligns with a trend in this year's May Revision of shifting funding – the Budget proposes to shift several current General Fund proposals to a climate bond negotiated with the Legislature over the coming weeks and months. With no less than five separate environmental, flood, and climate bonds moving through the Senate and Assembly, the various

proposals will likely become one comprehensive piece of legislation to put forth to the voters on the November 2024 ballot.

The following shifts from the Budget to a potential bond measure include:

- Community Resilience Centers—\$160 million
- Water Recycling—\$270 million
- Salton Sea Restoration—\$169 million
- Transformative Climate Communities—\$100 million
- Regional Resilience Program—\$100 million
- Urban Greening—\$100 million
- Statewide Parks Program—\$86.6 million
- Sustainable Groundwater Management Act Implementation—\$60 million
- Dam Safety and Flood Management—\$50 million
- Multi-Benefit Land Repurposing—\$20 million

In the Assembly and the Senate, bonds to finance flood protection projects, programs related to agricultural lands, climate resilience, wildfire prevention, drought preparation, flood protection, extreme heat mitigation, organic waste, and workforce development programs are moving through the process. We expect to see a fully negotiated bill by Fall.

Administration of Justice

Local Public Safety

Overall, the May Revision maintains local investments from recent years. Those investments focus on policing strategies, support for peace officer wellness and training, and programs to reduce organized retail theft, gun violence, and drug trafficking.

Proposition 47 Savings Estimate

The May Revision includes an estimated total state savings of \$112.9 million in 2023-24, which is an increase of \$11.9 million General Fund in savings from January. 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 May Revision includes an estimated \$9.3 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. This is an increase of \$1.1 million from the Governor's Budget Proposal.

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Opioid and Fentanyl Response

The May Revision builds upon the Governor’s Budget Proposal by including an additional \$141.3 million in Opioid Settlements Fund over four years for the Department of Health Care Services to support the Naloxone Distribution Project, for a total of \$220.3 million over four years. Additionally, the May Revision includes \$30 million one-time Opioid Settlements Fund in 2023-24 to support the development of a lower cost, generic version of a naloxone nasal spray accessible statewide.

Board of State and Community Corrections (BSCC)

The May Revision includes a \$50 million one-time General Fund reduction, as proposed in the Governor’s Budget Proposal, to the Public Defender Pilot program administered by the BSCC in 2023-24 due to declining General Fund revenues. This program will be implemented for two full years, but the proposed cut will end the program a year in advance.

The May Revision also includes the following adjustments:

Transitional Housing for Division of Juvenile Justice (DJJ) Youth – adds budget bill language to allow \$3 million General Fund appropriated in the 2022 Budget Act to be used for transitional housing services for youth returned to local custody following the closure of DJJ, who are subsequently released by the juvenile court.

Nonprofit Security Grant Program—\$10 million General Fund to provide security assistance to nonprofit organizations at risk of hate-motivated violence.

Gun Buyback Program – The 2022 Budget Act established the Local Law Enforcement Gun Buyback Grant Program at the BSCC. The Governor’s January Budget proposal allocated \$25 million General Fund to this program to support competitive gun buyback grant programs structured to reduce firearm violence. Given recent mass shootings, the May Revision proposes reallocating the funding to the Office of Emergency Services to work directly with local law enforcement agencies to expedite targeted, coordinated gun buybacks.

Grants for Missing and Murdered Indigenous Persons – An additional investment of \$12 million General Fund over three years for the BSCC to establish a competitive grant program for tribal police and prosecutors, counseling services, education, and other activities to help California tribes identify, collect case-level data, publicize, and investigate and solve cases involving missing Indigenous persons.

Cannabis Enforcement – Proposition 64 specifies the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated. This includes allocations for public safety related activities. The May Revision estimates a total of \$113.5 million for public safety.

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 now estimates roughly 150 youth will remain at the time of closure and will be transferred to the probation department within their county of commitment. This is far lower than the Governor's Budget Proposal projection of 360 youth. The May Revision reflects an updated decrease of \$92.1 million (\$89.3 million General Fund and \$2.8 million various funds) in 2023-24, and \$95.8 million beginning in 2025-26, compared to January's projected \$95.8 million decrease, associated with the closure of DJJ.

CDCR Adult Institutions

The May Revision includes total funding of \$14.4 billion (\$14 billion General Fund and \$374.6 million other funds) for CDCR in 2023-24, which is a slight reduction from January figures. The average daily adult incarcerated population for 2022-23 is now projected to be 95,560, a decrease from 96,157 in January, and a decrease of roughly seven percent since spring 2022 projections. May projections indicate the adult incarcerated population will trend downward, decreasing by 2,678 individuals between 2022-23 and 2023-24, from 95,560 to 92,882, 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 89,946 in 2025-26, which is higher than the January projection of 87,295. The overall average daily population for individuals on parole is projected to be 37,222, which is lower than the January projection of 41,345 in 2023-24. The parole population is projected to decline to 36,061 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 updated, estimated \$144.1 million in annual ongoing savings.

On December 6, 2022, CDCR announced its plan to close Chuckawalla Valley State Prison in Blythe by March 2025 and terminate the lease of the California City Correctional Facility, its last privately-owned prison facility by March 2024, which is expected to achieve an estimated \$155.7 million in annual ongoing savings. CDCR also announced a plan to deactivate specified facilities within six prisons by the end of 2023 to meet the needs of the incarcerated population and save state General Fund costs totaling approximately \$170 million ongoing. The facilities are located within the California Rehabilitation Center, the California Institution for Men, the California Correctional Institution, Pelican Bay State Prison, the California Men's Colony, and the Folsom Women's Facility within Folsom State Prison.

San Quentin Rehabilitation Center

In March 2023, the Administration announced the state’s plan to transform San Quentin State Prison from a maximum-security prison into a one-of-a-kind facility focused on rehabilitation and education. Recently the Governor announced a multidisciplinary Advisory Council that will lead the transformation of San Quentin and help develop the “California Model” which promotes a more effective justice system that reduces recidivism. The May Revision proposes funding for two capital projects: \$360.6 million Public Buildings Construction Fund for the demolition and construction of a new educational and vocational center; and \$20 million General Fund for various improvement projects both with a planned completion date of 2025.

Judicial Branch

The May Revision includes a total of \$5 billion (\$3.1 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 May Revision includes additional investments to support the implementation of the CARE Act, which totals \$32.7 million in 2023-24, \$55.3 million in 2024-25, and \$68.5 million ongoing for the Judicial Branch. The May Revision also includes an additional \$16.8 million in 2023-24, \$29.8 million in 2024-25, and \$32.9 million ongoing for legal services from 20 hours to 40 hours. In total, the Budget provides \$22.9 million in 2023-24, \$51.6 million in 2024-25, and \$64.4 million ongoing to support public defender and legal services organizations that will provide legal counsel to CARE participants. Counties continue to seek additional clarity around this funding mechanism, as well as funding for county counsel costs in these proceedings. For county behavioral health funding, see the Health section of this document.

The May Revision includes the additional adjustments:

Trial Court Trust Fund Backfill—\$105.1 million General Fund ongoing to continue backfilling the Trial Court Trust Fund for revenue declines expected in 2023-24.

Federal Byrne State Crisis Intervention Program Grant—Reimbursement authority totaling \$5.9 million in 2023-24, and \$5.7 million in 2024-25 and 2025-26, to support an interagency agreement with the BSCC to implement federal funds from the Byrne State Crisis Intervention Program. The Judicial Council will implement a statewide project that improves execution of firearm relinquishment orders, and expands and enhances collaborative courts by providing funding, training, and technical assistance.

Department of State Hospitals (DSH)

The May Revision includes \$3.5 billion (\$3.3 billion General Fund) in 2023-24 to support the

Department. The patient population is expected to reach 9,379 by the end of 2023-24, including patients receiving competency treatment in jail-based settings and community-based settings. Compared to the Governor’s Budget Proposal, the May Revision reflects a decrease of \$35.7 million General Fund in 2022-23 and \$33.2 million General Fund 2023-24, which does not include reappropriations.

Incompetent to Stand Trial (IST) Waitlist

The IST waitlist for beds continues to decline to 992 as of May, with 200 of those receiving early stabilization services.

Department of Justice (DOJ)

The May Revision includes total funding of approximately \$1.3 billion, including \$491.6 million General Fund, to support DOJ.

Adjustments for implementation of recent legislation:

Criminal Records Relief SB 731 (Chapter No. 814, Statutes of 2022) – \$1.8 million Special Fund in 2023-24 and \$1.5 million in 2024-25 to make information technology modifications to existing systems to provide criminal record relief for eligible individuals. This adjustment also includes statutory changes to provide the DOJ with sufficient time to implement system modifications.

Sex Offender Registration SB 384 (Chapter No. 541, Statutes of 2017) – \$1.7 million ongoing General Fund to process workload and provide system support and maintenance for a tiered system for sexual offenders.

Government Finance and Administration

Basic Aid Wildfire Property Tax Backfill

The May Revision includes an increase of \$632,000 one-time Proposition 98 General Fund to backfill reduced property tax revenues for certain school districts that were impacted by the Kincade Fire.

Local Government Budget Sustainability Fund

The Local Government Budget Sustainability Fund was originally adopted in last year’s budget and was intended to be spent over three years to supplement the Community Economic Resilience Fund to support county governments who are committed to advancing climate resilience projects that bolster local revenues and contribute to long-term budget stability. The May Revision reallocates \$250 million in funding for counties to support the City of Fresno’s

Public Infrastructure Plan to invest in the downtown area. This plan includes projects to build parking structures, develop green space, improve walkability, and for water infrastructure.

Employee Compensation and Collective Bargaining

The May Revision increases employee compensation by a net total of \$22.2 million in 2023-24 and ongoing, relative to the Governor's Budget, to reflect increased employee compensation costs resulting from updated payroll information, updated health and dental rates, increased enrollment in health and dental plans, and a change in the health plan enrollment composition. This is in addition to the \$487.5 million (\$130.6 million General Fund) originally proposed in the 2023-24 Governor's Budget.

Collective bargaining negotiations are ongoing with 15 of the state's 21 bargaining units, whose contracts are expired or will expire in summer 2023, including Service Employees' International Union, Local 1000 (the largest public sector union in California); California Correctional Peace Officers' Association; California Statewide Law Enforcement Association; California Associations of Professional Scientists; International Union of Operating Engineers (craft and maintenance employees in bargaining unit 12); Union of American Physicians and Dentists; and American Federation of State, County and Municipal Employees. These contracts are being highlighted given that collectively bargained contracts at the state level may influence local negotiations.

Sales and Property Tax Projections

The sales tax forecast is \$112 million higher in 2021-22, \$222 million higher in 2022-23, and \$233 million lower in 2023-24. The increase in sales tax revenues attributed to 2021-22 is the result of an upward revision to total taxable sales in the second quarter of 2022.

Preliminary data suggests statewide property tax revenues increased around 7.4 percent in 2022-23, which is 1.4 percentage points higher than the six percent growth rate anticipated in the Governor's Budget forecast. Property tax revenues are expected to grow 4.5 percent in 2023-24, which is 0.5 percentage point lower than the five percent growth expected in the Governor's Proposed Budget. Strong growth in 2022-23 is likely due to home price increases that took place in 2021. A more moderate growth is expected in 2023-24, due to higher interest rates that led to lower property transfers and price declines in 2022.

Educational Revenue Augmentation Fund (ERAF)

Unfortunately, the May Revision did not include an appropriation to backfill the insufficient ERAF amounts in the Counties of Alpine, Mono, and San Mateo that total \$36,371,543. If the 2023-24 state budget gets finalized without these amounts, it will be the first to fail to include a backfill of these revenues since the passage of Proposition 1A (2004); the lack of backfill will significantly impact local programs and services. CSAC will continue to advocate for the Legislature and Governor to appropriate funds for this purpose.

Broadband Deferral

The 2021-22 and 2022-23 budgets made investments to expand access to broadband and close the digital divide across the state. The Governor’s Budget proposed to defer \$550 million designated to the California Public Utilities Commission (CPUC) for last-mile infrastructure grants in 2023-24, \$200 million in 2024-25, \$200 million in 2025-26, \$150 million in 2026-27, as well as \$175 million from 2022-23 and \$400 million from 2023-24 for the Loan Loss Reserve Fund administered by the CPUC to future years (\$300 million in 2024-25 and \$275 million in 2025-26). Unfortunately, the May Revision does not plan to remedy the deferral. CSAC will continue to oppose all efforts to divert broadband funding or reduce its scope.

Revenue Estimates and Economic Outlook

The state’s revenue estimates are an essential ingredient in the budget process and predict how much it can spend. If these assumptions are inaccurate, it has significant downstream impacts on future budgets. Following a recent boom cycle, revenues have fallen short of monthly estimates since the beginning of the 2022-23 fiscal year last June. Personal income tax withholdings have underperformed. Combined with high inflation and rising interest rates, this has led the \$22.5 billion shortfall projected in January to increase to a \$31.5 billion shortfall in the May Revision.

The May Revision does not project a recession, but recognizes the significant economic risks in the short term that could impact the state’s fiscal health. These risks include the economic fallout from a debt limit impasse, higher interest rates, uncertainty in financial institutions attributable to recent regional bank failures, and delayed tax receipts from the extension of filing deadlines. One clear caveat is even a mild recession could significantly reduce revenue declines below the May Revision forecast. The degree of revenue loss would depend on the length and severity of the recession, as well as its impact on higher-income individuals. A mild recession could reduce General Fund revenue by an additional \$20 billion over the \$31.5 billion estimated deficit forecast in the May Revision.

The United States and California have seen continued deceleration of inflation and steady yet slowing job growth within a tight labor market. The May Revision posits that California and the nation are now in a post-pandemic and recovery period given that all the jobs lost during the COVID-19 Pandemic have been recovered. Inflation has decelerated more rapidly than projected in the Governor’s Budget, California inflation was at 5.4 percent year-over-year in February 2023 (the latest available data) compared to a projection of 7.1 percent and a peak of 8.3 percent in June 2022. However, headline inflation remains elevated even as the Federal Reserve has increased target interest rates by five percentage points since March 2022. The May Revision forecast projects the U.S. economy to grow slowly through the third quarter of 2023, with U.S. Real GDP growth averaging 0.5 percent in the second and third quarters amidst tighter financial conditions.

State Appropriations Limit Calculations

Pursuant to Article XIII B of the California Constitution, the 2023-24 limit is estimated to be \$141.5 billion. The revised limit is the result of applying the growth factor of 4.09 percent to the prior year limit. The revised 2023-24 limit is \$2.6 billion above the \$138.9 billion estimated in January. These increases are primarily attributable to changes in the following factors:

- Per Capita Personal Income
 - January Percentage Growth: 2.76 percent
 - May Revision Percentage Growth: 4.443 percent
- State Civilian Population
 - January Percentage Growth: -0.02 percent
 - May Revision Percentage Growth: -0.34 percent
- K-14 Average Daily Attendance
 - January Percentage Growth: -0.68 percent
 - May Revision Percentage Growth: -0.30 percent

Health and Human Services

The May Revision includes \$245.7 billion (\$73.3 billion General Fund – nearly 33 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 May Revision maintains those health and human services investments, restores a proposed reduction in one-time investments in workforce development, and reverses a proposed delay in Behavioral Health Bridge Housing Program funding.

Notably, the May Revision does not include any large-scale proposals related to the Governor’s announcement earlier this year regarding the modernization of California’s behavioral health system, including future reforms to the Mental Health Services Act.

REALIGNMENT

The May Revision includes updated revenue assumptions for 1991 Realignment and 2011 Realignment. The updated projections for 2022-23 and 2023-24 indicate that Realignment revenues will continue to grow overall but at different rates than what was projected in January. The May Revision estimates revenues will grow by 3.1 percent in 2022-23 over 2021-22 levels and by 0.1 percent in 2023-24 over 2022-23 levels. Of particular note for the 2023-24

projections, the May Revision estimates that for 1991 Realignment, there would be no sales tax growth, including caseload growth, available in that year. The Realignment revenue tables, including specific projections by subaccount, are included in the appendix at the end of this document.

HEALTH

Community Assistance, Recovery and Empowerment (CARE) Act

The May Revision proposes additional funding to support the implementation of the CARE Act. In total, General Fund support for state and county activities consists of \$128.9 million in 2023-24, \$234 million in 2024-25, \$290.6 million in 2025-26, nearly \$291 million in 2026-27 and annually thereafter.

Of this amount, \$67.3 million in 2023-24, \$121 million in 2024-25, and \$151.5 million in 2025-26 and annually thereafter is included for estimated county behavioral health department costs for the CARE Act. Compared to the Governor's Budget, this reflects an annual increase of between \$43 million and \$54.5 million to account for refined county behavioral health cost assumptions based on engagement with county stakeholders. It also includes \$15 million General Fund one-time for Los Angeles County's planning activities to implement the program on an accelerated schedule by December 1, 2023.

The May Revision also includes an additional \$16.8 million in 2023-24, \$29.8 million in 2024-25, and \$32.9 million ongoing to increase the estimated number of hours per participant for legal services, from 20 hours to 40 hours. In total, the May Revision provides \$22.9 million in 2023-24, \$51.6 million in 2024-25, and \$64.4 million ongoing to support public defender and legal services organizations that will provide legal counsel to CARE participants.

CSAC acknowledges the updated funding levels proposed for CARE Act requirements are a positive step toward meeting the significant needs of counties as they move toward implementation. CSAC and county partners will continue to engage with the Administration on refining these fiscal estimates.

California Advancing and Innovating Medi-Cal (CalAIM)

The May Revision maintains the approximately \$10 billion (total funds) commitment to continue transforming the healthcare delivery system through CalAIM as proposed in the Governor's Budget Proposal.

Behavioral Health Community-Based Continuum Demonstration Renamed "BH-CONNECT"

The May Revision largely maintains the \$6.1 billion (\$185 million General Fund, \$87.5 million Mental Health Services Fund, \$2.1 billion Medi-Cal County Behavioral Health Fund, and \$3.6

billion federal funds) over five years for the Department of Health Care Services (DHCS) and the Department of Social Services to implement the now renamed BH-CONNECT Demonstration proposal.

DHCS plans to submit the BH-CONNECT Demonstration proposal for federal approval in the Summer of 2023 with implementation beginning no sooner than 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 May Revision includes an update to the BH-CONNECT Demonstration to include a new Workforce Initiative. BH-CONNECT will make targeted long- and short-term investments in the behavioral health workforce. New investments will be directed toward strengthening the pipeline of behavioral health professionals needed to staff existing and new behavioral health treatment settings as well as toward improving short-term recruitment and retention efforts. DHCS anticipates the workforce initiative would include \$480 million in funding for each year of the five-year demonstration period (\$2.4 billion total funding).

Behavioral Health Payment Reform Funding

The Governor's revised budget proposal maintains the \$375 million General Fund in one-time funding for behavioral health payment reform activities in 2023-24 to support the counties' non-federal share of costs of this transition. Associated budget trailer bill language with this initiative is also pending consideration by the Legislature.

Behavioral Health Continuum Infrastructure Program (BHCIP) Funding

The May Revision sustains the proposed delay of 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. The May Revision maintains \$480 million General Fund for crisis and behavioral health continuum grant funding to be awarded in 2022-23.

Behavioral Health Bridge Housing Program (BHBH) Funding Delays Reversed

The May Revision rescinds the proposed delay of the last round of BHBH grant funding of \$250 million General Fund to 2024-25 and maintains the full \$1.5 billion in funding for the BHBH Program. The May Revision proposes to shift \$500 million of that cost to the Mental Health Services Fund (MHSF) in 2023-24. DHCS has indicated the MHSF will be paid from the state's

administration portion of revenue. Additionally, the May Revision shifts \$817 million General Fund from 2022-23 to the next three fiscal years to reflect updated programmatic timelines.

988 Suicide and Crisis Lifeline (AB 988 (Chapter No. 747, Statutes of 2022))

The May Revision includes \$15 million one-time 988 State Suicide and Behavioral Health Crisis Services Fund in 2023-24 to support eligible 988 call center behavioral health crisis services, for a total of \$19 million in 2023-24 and \$12.5 million in 2024-25 and ongoing.

Medi-Cal

The Medi-Cal budget includes \$135.4 billion (\$30.9 billion General Fund) in 2022-23 and \$151.2 billion (\$37.6 billion General Fund) in 2023-24. Medi-Cal is projected to cover approximately 15.3 million Californians in 2022-23 and 14.2 million in 2023-24—more than one-third of the state’s population.

The May Revision reflects lower Medi-Cal expenditures of approximately \$1.4 billion General Fund in 2022-23 compared to the Governor’s Budget. The decrease is due primarily to revised implementation updates to various programs.

Managed Care Organization (MCO) Provider Tax

The May Revision proposes the renewal of the MCO Provider Tax effective April 1, 2023, through December 31, 2026, resulting in \$19.4 billion in funding to maintain the Medi-Cal program and support increased investments. DHCS released an updated MCO Provider Tax proposal in advance of the formal release of the May Revision that outlines the proposal via trailer bill language (TBL) effective April 1, 2023, nine months earlier than planned in the proposed 2023-24 Governor’s Budget. This earlier start results in approximately \$3.7 billion in additional General Fund revenue that was not accounted for in the proposed Governor’s Budget.

Medi-Cal Provider Rate Increases

As part of the MCO Provider Tax proposal, effective January 1, 2024, DHCS proposes to increase provider rates to at least 87.5 percent of Medicare for primary care, maternity care, and non-specialty mental health services. Budget trailer bill language will be proposed to effectuate this increase.

Public Health

Public Health Workforce Development Reductions Restored

The May Revision rescinds the Governor’s Budget proposal to reduce funding for various public health workforce training and development programs by \$49.8 million General Fund. The public health workforce development and training programs approved in the 2022 Budget Act

represented the few initiatives dedicated to supporting the public health workforce pipeline in California. The proposed \$49.8 million cut would have impacted all or some of the following programs: Public Health Workforce Career Ladder Education and Development, California Public Health Pathways Training Corps, California Microbiologist Training, Public Health Lab Aspire, and the California Epidemiologic Investigation Service.

Local Public Health Infrastructure Investment Maintained

The May Revision 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.

Emergency Response

The May Revision reduces resources for COVID-19 response by \$50 million General Fund. The decrease is driven in part by a ramp down of emergency response activities across the state, consistent with the end of the state of emergencies at the federal and state level.

Distressed Hospital Loan Program

The May Revision includes up to \$150 million General Fund over 2022-23 and 2023-24 for the Distressed Hospital Loan Program to provide interest-free cashflow loans to not-for-profit hospitals and public hospitals in significant financial distress or to governmental entities representing a closed hospital, for purposes of preventing the closure of, or facilitating the reopening of those hospitals. The statutory provisions related to this program were approved by the Legislature through AB 112 (Committee on Budget, 2023), which is pending action on the Governor's desk. The funding for this program is from statewide General Fund savings at the May Revision and will not require new spending above the Governor's Budget Proposal.

HUMAN SERVICES

Safety Net Reserve

The May Revision proposes to utilize \$450 million from the Safety Net Reserve, which currently has a balance of \$900 million. This funding is proposed to be used to support health and social services programs in 2023-24.

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.

CalFresh County Administration

The May Revision reflects a revised budgeting methodology for county administration costs for CalFresh. To fund the new methodology, an additional \$406.5 million (\$159.5 million General Fund) is proposed. This new budgeting methodology is needed to replace the outdated methodology that does not reflect actual county costs or keep up with the increase in demand. It is the result of several years of engagement between counties, the County Welfare Directors Association of California (CWDA), and the Administration. CSAC actively engaged in efforts in support of developing this new methodology.

Summer EBT Program

The May Revision includes funding to support a new federal Summer Electronic Benefit Transfer (EBT) Program in summer 2024 for children who qualify for free or reduced-price school meals. The \$47 million (\$23.5 million General Fund) would be used for outreach and automation costs.

In-Home Supportive Services

The In-Home Supportive Services (IHSS) program provides assistance and services to eligible older or disabled individuals to help them remain safely in their homes. For 2023-24, the May Revision includes \$22.4 billion for IHSS (\$8.4 billion General Fund). The May Revision estimates that average monthly caseload will be 645,000 recipients in 2023-24.

IHSS Minor Recipient Provider Eligibility

The May Revision includes a proposal for \$60.7 million (\$27.9 million General Fund) to increase access to services for minor recipients within the IHSS program.

Home and Community-Based Services Extension

The May Revision proposes to extend the Home and Community-Based Services (HCBS) spending plan by six months to September 30, 2024. This will allow certain programs, such as the IHSS Career Pathways Program and Senior Nutrition Infrastructure Program, to fully expend allocated funding.

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 May Revision includes \$908.3 million General Fund for these programs. Total funding for children's programs is more than \$9.5 billion when federal funding and 1991 and 2011 Realignment revenues are included.

CWS-CARES Project

The Child Welfare Services – California Automated Response and Engagement System (CWS-CARES) Project will replace the existing case management system, align with state and federal requirements, and provide improvements for all entities involved with the child welfare system.

The May Revision includes \$163.7 million (\$83.4 million General Fund) to support ongoing project development costs along with authority to access additional funding should project activities accelerate.

CalWORKs

The California Work Opportunity and Responsibility to Kids 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 May Revision includes \$7.2 billion for CalWORKs program expenditures. For 2023-24, the average monthly caseload is estimated to be 340,000 families.

CalWORKs Single Allocation Reversion

The May Revision proposes to revert General Fund from 2021-22 that is anticipated to go unspent in the CalWORKs Single Allocation. The amount is estimated at \$280 million General Fund.

CalWORKs Grant Increase

The Governor's May Revision continues his January proposal of a 3.6 percent increase for the CalWORKs Maximum Aid Payment levels effective October 1, 2023. This grant increase would cost \$111.2 million and be funded by the Child Poverty and Family Support Subaccount within 1991 Realignment.

Aging Programs

The May Revision includes \$50 million General Fund over the next three years to support several programs at the Department of Aging. This includes the Older Adult Friendship Line and competitive grants to local jurisdictions to increase capacity to serve older adults with behavioral health and substance use disorder needs.

Child Support

The May Revision projects that the implementation date for child support pass-through to formerly assisted families will now be April 2024, due to the complexity of the system change required. This delay results in roughly \$70 million in revenues being available in the May Revision.

Child Care

The May Revision includes \$6.6 billion (\$3 billion General Fund) for the various childcare programs that are administered by the California Department of Social Services.

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 a 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. The May Revision includes \$3.6 billion General Fund for SSI/SSP programs in 2023-24. The May Revision estimates that average monthly caseload will be 1.1 million recipients in 2023-24.

Southern Border Humanitarian Support

In 2019, California began funding respite sheltering services for migrants released from federal immigration custody near the border. These services were expanded in 2021 in response to public health needs related to the COVID-19 pandemic. The May Revision includes one-time \$150 million General Fund in the Rapid Response program for continued humanitarian efforts in partnership with local providers.

Homelessness

The May Revision maintains \$3.7 billion in funding for homelessness programs, as committed in previous budgets.

Homeless Housing, Assistance and Prevention (HHAP) Program

The May Revision preserves \$1 billion one-time General Fund in the Governor's Budget Proposal for the fifth round of HHAP grants in 2023-24. The May Revision continues the call for additional accountability, with a focus on prioritizing spending on permanent supportive housing, Homekey operating subsidies, and CARE Act housing supports. However, the May Revision does not include additional details for an accountability framework, and instead commits to continuing discussions with the Legislature on enhancing regional coordination and local accountability.

CSAC shares the goals of enhancing accountability and collaboration and has been actively engaged with the Administration and the Legislature in support of doing so through AT HOME, the county plan to create a comprehensive homelessness response system. Most recently, CSAC has drafted and shared trailer bill language for the Accountability pillar. This language would implement all aspects of the Accountability policy recommendations including a required countywide or regional plan, defined county and city responsibilities, and ongoing funding distributed commensurate with the level of roles and responsibilities that each entity has within the required plan.

Housing, Land Use, and Transportation

HOUSING AND LAND USE

The May Revision includes \$17.5 million in General Fund reductions and \$345 million in deferrals related to housing programs. Building on the \$350 million proposed reductions in the Governor's Budget, there is a total of \$367.5 million in proposed housing reduction. The May Revision proposes to retain the trigger restorations of \$350 million that were outlined in the Governor's Budget that could be restored in January 2024.

Foreclosure Intervention Housing Prevention Program

The 2021 Budget Act provided \$500 million General Fund for the Foreclosure Intervention Housing Prevention Program. The program, administered by the Department of Housing and Community Development (HCD), provides funds to various non-profit organizations to acquire foreclosed property and operate as affordable housing. The 2023-24 May Revision proposes to defer \$345 million of the \$500 million one-time General Fund over four fiscal years—for a revised allocation of \$50 million in 2023-24, \$100 million in 2024-25, \$100 million in 2025-26, and \$95 million in 2026-27.

Downtown Rebound Program, AB 2870 (Chapter No. 83, Statutes of 2000)

The 2000 Budget Act included \$25 million General Fund for HCD to provide funding for adaptive reuse of commercial and industrial structures to residential housing. The May Revision proposes to revert \$17.5 million in unexpended funding that remained in this program after the Notice of Funding Availability. HCD has not returned these funds to the General Fund for 23 years.

TRANSPORTATION

The May Revision maintains the \$2.7 billion in General Fund reductions proposed in the Governor's Budget. These reductions are offset by shifting \$500 million from the General Fund to state transportation funds, maintaining a total of \$12.8 billion for transportation.

The May Revision continues to reflect the transportation infrastructure package included in the 2022 Budget Act and the Governor's Budget Proposal, with proposed adjustments included to account for a reduction in forecasted General Fund revenue. The May Revision includes the reduction of \$2.85 billion General Fund proposed in the Governor's Budget Proposal, partially offset by \$650 million of new state transportation funds for a net reduction of \$2.2 billion. This also reflects an additional fund shift of \$150 million from General Fund resources to State Highway Account resources as compared to the Governor's Budget Proposal. This shift will support a total of \$1.2 billion for projects that support state ports and goods movement. The

May Revision provides a total of \$12.8 billion in continuing new transportation infrastructure investments. These funds support the following relevant programs:

- High-Priority Transit and Rail Infrastructure – Provides \$5.65 billion for high-priority transit and rail infrastructure projects that will improve rail and transit connectivity between state and local/regional services that are designed to reduce traffic congestion and greenhouse gas production.
- Active Transportation Program – Provides \$1.4 billion for Active Transportation Program projects, the Highways to Boulevards Pilot, and bicycle and pedestrian safety projects.
- Goods Movement and Ports – Provides \$1.2 billion for projects that improve goods movement on rail and roadways at port terminals, including railyard expansions, new bridges, and zero-emission modernization projects.
- Rail Grade Separation Projects – Provides \$350 million for grade separation projects that support critical safety improvements and expedite the movement of traffic and rail by separating the vehicle roadway from the rail tracks.
- SHOPP and STIP Update - The California Department of Transportation (Caltrans) will continue delivering over \$20 billion worth of planned state highway repair and rehabilitation projects in the State Highway Operations and Protection Program (SHOPP) over the next five years. Additionally, Caltrans will allocate almost \$12 billion of local assistance direct funding. Caltrans and local partners will invest over \$3 billion in State Transportation and Improvement Program (STIP) projects through the plan period. This program supports the implementation of regional Sustainable Community Strategies, as well as interregional travel. Lastly, over \$3.5 billion will be available for congested corridors, state/local partnerships, and trade corridor enhancement projects through 2027-28.

Formula Funding for Local Streets and Roads

The May Revision provided updated estimates which show a year-over-year increases of seven percent in gasoline excise tax revenue and nine percent 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 percent of county Road Maintenance and Rehabilitation Account (RMRA) allocations. Transportation Improvement Fee revenues, which fund approximately 30 percent of county RMRA allocations, are estimated to grow by approximately eight percent. CSAC will provide counties detailed revenue estimates for the current year and the budget year later next week.

Petroleum Fuels Price Gouging Legislation Implementation

The May Revision supports the implementation of SBX 1-2 (Chapter No. 1, Statutes of 2023-24 First Extraordinary Session), the special session bill that allows California greater oversight of the pricing, contracting, and marketing practices of the transportation fuel industry. The May

Revision proposes a total of approximately \$7 million from special funds to support workload at the California Energy Commission, the California Air Resources Board, and the Department of Industrial relations to perform the oversight required by SBX1-2.

Transit Fiscal Cliff

The May Revision provides no additional fiscal resources to address the operational shortfalls that a variety of local transit agencies are facing. Although the state's transit agencies have benefitted from large infusions of capital dollars, both state and federal post-pandemic ridership trends have resulted in significant operating challenges for many of the state's transit agencies, particularly as federal relief dollars begin to run out. The Administration has indicated they are open to discussions with the Legislature on potential near-and long-term solutions to support the viability of transit across the state.

1991 Realignment Estimate at 2023 May Revision

(Dollars in Thousands)

2021-22 State Fiscal Year (Actual)							
Amount	CalWORKs MOE	Health	Social Services	Mental Health	Family Support	Child Poverty	Total
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	1,970
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:	\$-	\$6,672	\$66,200	\$13,534	\$-	\$15,949	\$102,355
Caseload Subaccount	-	-	(66,200)	-	-	-	(66,200)
General Growth Subaccount	-	(6,672)	-	(13,534)	-	(15,949)	(36,155)
Vehicle License Fee Growth Account	-	23,553	-	47,774	-	56,298	127,625
Subtotal Growth	\$-	\$30,225	\$66,200	\$61,309	\$-	\$72,247	\$229,981
Total Realignment 2022-23^{1/}	\$1,120,551	\$1,250,659	\$2,762,459	\$503,918	\$651,875	\$1,005,447	\$7,294,910
2023-24 State Fiscal Year (Projected)							
Base Funding							
Sales Tax Account	\$752,888	\$-	\$2,537,092	\$346,700	\$619,636	\$527,021	\$4,783,337
Vehicle License Fee Account	367,663	1,210,828	216,223	153,255	69,837	476,527	2,494,333
Subtotal Base	\$1,120,551	\$1,210,828	\$2,753,315	\$499,955	\$689,473	\$1,003,548	\$7,277,670
Growth Funding							
Sales Tax Growth Account:	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Caseload Subaccount	-	-	--	-	-	-	--
General Growth Subaccount	-	-	-	-	-	-	-
Vehicle License Fee Growth Account	-	3,989	-	8,092	-	9,536	21,618
Subtotal Growth	\$-	\$3,989	\$-	\$8,092	\$-	\$9,536	\$21,618
Total Realignment 2022-23^{1/}	\$1,120,551	\$1,214,818	\$2,753,315	\$508,047	\$689,473	\$1,013,084	\$7,299,288

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

**FY23/24 Interim
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	\$ 62,681.95	\$ 121,091.76	\$ 21,465.00	\$ 123,143.23	\$ 13,150.00	\$ 109,993.23	\$ 13,150.00
Amador	\$ 954,814.34	\$ 1,676,669.27	\$ 278,460.00	\$ 1,745,966.17	\$ 620,264.00	\$ 1,125,702.17	\$ 620,264.00
Butte	\$ 6,990,574.75	\$ 11,312,024.23	\$ 724,304.00	\$ 11,416,141.79	\$ 5,950,593.00	\$ 5,465,548.79	\$ 5,950,593.00
Calaveras	\$ 1,079,359.57	\$ 1,791,467.42	\$ -	\$ 1,722,496.19	\$ 913,959.00	\$ 808,537.19	\$ 913,959.00
Colusa	\$ 877,354.05	\$ 1,437,767.07	\$ 237,754.00	\$ 1,531,725.07	\$ 799,988.00	\$ 731,737.07	\$ 799,988.00
Del Norte	\$ 982,900.40	\$ 1,661,086.74	\$ 44,324.00	\$ 1,612,986.68	\$ 781,358.00	\$ 831,628.68	\$ 781,358.00
El Dorado	\$ 3,991,752.04	\$ 6,553,651.83	\$ 704,192.00	\$ 6,749,757.52	\$ 3,535,288.00	\$ 3,214,469.52	\$ 3,535,288.00
Glenn	\$ 956,664.93	\$ 1,602,211.28	\$ 58,501.00	\$ 1,570,426.33	\$ 787,933.00	\$ 782,493.33	\$ 787,933.00
Humboldt	\$ 7,214,261.38	\$ 11,584,969.56	\$ 589,711.00	\$ 11,633,365.16	\$ 6,883,182.00	\$ 4,750,183.16	\$ 6,883,182.00
Imperial	\$ 7,093,113.79	\$ 11,389,011.60	\$ 772,088.00	\$ 11,552,528.03	\$ 6,394,422.00	\$ 5,158,106.03	\$ 6,394,422.00
Inyo	\$ 1,309,908.77	\$ 2,185,966.31	\$ 561,262.00	\$ 2,434,282.25	\$ 1,100,257.00	\$ 1,334,025.25	\$ 1,100,257.00
Kings	\$ 3,436,071.14	\$ 5,593,826.68	\$ 466,273.00	\$ 5,697,702.49	\$ 2,832,833.00	\$ 2,864,869.49	\$ 2,832,833.00
Lake	\$ 1,443,879.43	\$ 2,407,016.24	\$ 118,222.00	\$ 2,381,470.60	\$ 1,022,963.00	\$ 1,358,507.60	\$ 1,022,963.00
Lassen	\$ 985,353.42	\$ 1,709,509.85	\$ 119,938.00	\$ 1,688,880.76	\$ 687,113.00	\$ 1,001,767.76	\$ 687,113.00
Madera	\$ 3,437,600.19	\$ 5,536,223.05	\$ 81,788.00	\$ 5,433,366.74	\$ 2,882,147.00	\$ 2,551,219.74	\$ 2,882,147.00
Marin	\$ 8,178,366.13	\$ 13,291,800.62	\$ 1,196,515.00	\$ 13,600,009.05	\$ 7,725,909.00	\$ 5,874,100.05	\$ 7,725,909.00
Mariposa	\$ 548,893.16	\$ 927,498.63	\$ -	\$ 885,835.07	\$ 435,062.00	\$ 450,773.07	\$ 435,062.00
Mendocino	\$ 2,138,772.07	\$ 3,522,069.60	\$ 347,945.00	\$ 3,605,272.00	\$ 1,654,999.00	\$ 1,950,273.00	\$ 1,654,999.00
Modoc	\$ 603,020.18	\$ 1,020,286.53	\$ 70,462.00	\$ 1,016,261.23	\$ 469,034.00	\$ 547,227.23	\$ 469,034.00
Mono	\$ 759,227.09	\$ 1,384,306.96	\$ 409,928.00	\$ 1,532,077.23	\$ 369,309.00	\$ 1,162,768.23	\$ 369,309.00
Napa	\$ 3,404,900.15	\$ 5,560,060.62	\$ 546,957.00	\$ 5,707,150.66	\$ 3,062,967.00	\$ 2,644,183.66	\$ 3,062,967.00
Nevada	\$ 2,145,714.71	\$ 3,508,382.07	\$ 96,375.00	\$ 3,450,283.07	\$ 1,860,793.00	\$ 1,589,490.07	\$ 1,860,793.00
Plumas	\$ 946,868.15	\$ 1,515,016.79	\$ 66,295.00	\$ 1,516,907.96	\$ 905,192.00	\$ 611,715.96	\$ 905,192.00
San Benito	\$ 1,268,569.25	\$ 2,111,331.48	\$ -	\$ 2,027,940.44	\$ 1,086,011.00	\$ 941,929.44	\$ 1,086,011.00
Shasta	\$ 6,105,032.57	\$ 9,763,211.64	\$ 184,049.00	\$ 9,631,375.93	\$ 5,361,013.00	\$ 4,270,362.93	\$ 5,361,013.00
Sierra	\$ 194,421.74	\$ 333,002.97	\$ 7,330.00	\$ 320,852.83	\$ 135,888.00	\$ 184,964.83	\$ 135,888.00
Siskiyou	\$ 1,638,210.27	\$ 2,720,156.45	\$ 287,627.00	\$ 2,787,596.23	\$ 1,372,034.00	\$ 1,415,562.23	\$ 1,372,034.00
Solano	\$ 8,483,487.98	\$ 13,733,284.08	\$ 115,800.00	\$ 13,399,543.24	\$ 6,871,127.00	\$ 6,528,416.24	\$ 6,871,127.00
Sonoma	\$ 14,198,839.86	\$ 22,686,191.74	\$ 438,234.00	\$ 22,393,959.36	\$ 13,183,359.00	\$ 9,210,600.36	\$ 13,183,359.00
Sutter	\$ 3,306,044.96	\$ 5,432,485.53	\$ 674,240.00	\$ 5,647,662.29	\$ 2,996,118.00	\$ 2,651,544.29	\$ 2,996,118.00
Tehama	\$ 2,198,467.30	\$ 3,634,419.53	\$ 446,992.00	\$ 3,767,927.30	\$ 1,912,299.00	\$ 1,855,628.30	\$ 1,912,299.00
Trinity	\$ 864,026.62	\$ 1,489,418.51	\$ 292,662.00	\$ 1,587,664.28	\$ 611,497.00	\$ 976,167.28	\$ 611,497.00
Tuolumne	\$ 1,688,466.12	\$ 2,808,283.14	\$ 305,830.00	\$ 2,881,547.56	\$ 1,455,320.00	\$ 1,426,227.56	\$ 1,455,320.00
Yuba	\$ 2,773,610.72	\$ 4,434,007.72	\$ 187,701.00	\$ 4,437,191.66	\$ 2,395,580.00	\$ 2,041,611.66	\$ 2,395,580.00
Yolo	\$ 1,993,631.56	\$ 3,931,288.18	\$ 1,081,388.00	\$ 4,203,784.64	\$ 943,110.00	\$ 3,260,674.64	\$ 943,110.00
CMSP Board	\$ 60,683,454.21	\$ 185,797,900.54	\$ -	\$ 147,888,812.85	NA	NA	\$ 246,481,354.75
SUBTOTAL	\$ 164,938,314.95	\$ 356,166,896.22	\$ 11,534,612.00	\$ 319,583,893.90	\$ 90,012,071.00	\$ 81,683,010.05	\$ 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		Sales Tax	VLF		
Placer	\$ 2,007,257.96	\$ 3,789,192.10	\$ 368,490.00	\$ 1,223,351.24	\$ 3,475,002.90	\$ 368,490.00	\$ 3,698,964.04
Sacramento	\$ 18,339,852.47	\$ 35,314,195.16	\$ 7,128,508.00	\$ 11,073,547.81	\$ 32,428,453.58	\$ 6,351,292.20	\$ 36,003,203.90
Santa Barbara	\$ 4,554,654.49	\$ 9,130,570.15	\$ 3,794,166.00	\$ 2,695,565.51	\$ 8,405,681.53	\$ 1,620,782.07	\$ 9,183,604.02
Stanislaus	\$ 6,243,277.00	\$ 12,116,583.04	\$ 3,510,803.00	\$ 3,756,009.76	\$ 11,132,596.16	\$ 2,173,736.46	\$ 12,320,157.90
SUBTOTAL	\$ 31,145,041.92	\$ 60,350,540.45	\$ 14,801,967.00	\$ 18,748,474.32	\$ 55,441,734.17	\$ 10,514,300.74	\$ 61,205,929.86

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*	\$ 13,658,034.69	\$ 26,778,323.13	44.38%				\$ 17,945,655.60
Merced*	\$ 3,286,478.71	\$ 6,065,341.34	43.41%				\$ 4,059,625.08
Orange*	\$ 33,047,579.66	\$ 58,553,574.88	52.02%				\$ 47,650,920.59
San Diego*	\$ 39,088,182.63	\$ 65,388,825.63	49.33%				\$ 51,538,508.17
San Luis Obispo*	\$ 2,485,712.70	\$ 4,954,654.44	44.45%				\$ 3,307,243.19
Santa Cruz*	\$ 3,044,507.10	\$ 6,186,687.38	46.61%				\$ 4,302,659.75
Tulare	\$ 5,855,052.80	\$ 10,825,096.56	47.88%	\$ 9,939,786.15	\$ 839,244.41	\$ 9,100,541.74	\$ 7,280,433.39
SUBTOTAL	\$ 100,465,548.29	\$ 178,752,503.36		\$ 9,939,786.15	\$ 839,244.41	\$ 9,100,541.74	\$ 136,085,045.78

*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	\$ 21,331,614.39	\$ 43,105,004.67	81.68%	\$ 726,319,400.84	\$ 609,040,318.68	\$ 117,279,082.17	\$ 52,631,830.45
Contra Costa	\$ 10,927,287.17	\$ 21,898,535.54	80.50%	\$ 546,623,174.76	\$ 662,259,750.78	\$ (115,636,576.02)	\$ -
Kern	\$ 9,258,082.63	\$ 18,232,841.35	66.26%	\$ 383,783,112.66	\$ 285,305,543.42	\$ 98,477,569.23	\$ 18,215,486.23
Los Angeles	\$ 169,788,861.59	\$ 345,017,504.92	83.00%	\$ 5,856,124,133.67	\$ 6,493,617,000.00	\$ (637,492,866.33)	\$ -
Monterey	\$ 4,414,707.89	\$ 8,872,497.49	51.19%	\$ 252,581,343.85	\$ 228,179,022.80	\$ 24,402,321.05	\$ 6,801,720.43
Riverside	\$ 17,570,768.53	\$ 34,090,046.28	84.44%	\$ 721,682,288.38	\$ 517,895,635.16	\$ 203,786,653.22	\$ 43,622,392.03
San Bernardino	\$ 20,777,432.05	\$ 38,014,913.95	58.54%	\$ 545,742,737.23	\$ 395,539,196.19	\$ 150,203,541.04	\$ 34,417,039.35
San Francisco	\$ 32,388,032.68	\$ 65,802,696.97	57.36%	\$ 660,918,951.54	\$ 896,182,991.63	\$ (235,264,040.09)	\$ -
San Joaquin	\$ 8,017,404.81	\$ 14,945,689.81	96.74%	\$ 288,056,671.82	\$ 289,977,476.77	\$ (1,920,804.95)	\$ -
San Mateo	\$ 7,601,258.15	\$ 15,282,846.40	80.82%	\$ 238,377,478.72	\$ 283,147,043.97	\$ (44,769,565.25)	\$ -
Santa Clara	\$ 18,386,708.99	\$ 36,750,132.69	85.00%	\$ 1,393,994,723.68	\$ 1,440,348,205.14	\$ (46,353,481.46)	\$ -
Ventura	\$ 7,202,827.40	\$ 14,281,786.00	80.62%	\$ 327,467,302.69	\$ 329,422,949.00	\$ (1,955,646.31)	\$ -
SUBTOTAL	\$ 327,664,986.28	\$ 656,294,496.07		\$ 11,941,671,319.84	\$ 12,430,915,133.54	\$ (489,243,813.70)	\$ 155,688,468.49

23-24 Interim Redirection \$ 689,472,869.88

2011 Realignment Estimate at 2023 May Revision

(Dollars in 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		\$3,422.8	
Trial Court Security Subaccount	597.3	40.0	637.3	8.6	645.9	1.0
Enhancing Law Enforcement Activities Subaccount ^{1/}	489.9	258.1	489.9	347.3	489.9	336.8
Community Corrections Subaccount	1,593.0	300.3	1,893.2	64.5	1,957.7	7.5
District Attorney and Public Defender Subaccount	56.7	20.0	76.7	4.3	81.0	0.5
Juvenile Justice Subaccount	199.6	40.0	239.7	8.6	248.3	1.0
Youthful Offender Block Grant Special Account	(188.6)		(226.4)		(234.6)	
Juvenile Reentry Grant Special Account	(11.0)		(13.2)		(13.7)	
Growth, Law Enforcement Services		658.5		433.3		346.8
Mental Health ^{2/}	1,120.6	37.2	1,120.6	8.0	1,120.6	0.9
Support Services	4,419.5		5,125.9		5,277.5	
Protective Services Subaccount	2,650.1	334.6	2,984.7	71.8	3,056.5	8.4
Behavioral Health Subaccount	1,769.4	371.7	2,141.1	79.8	2,221.0	9.3
Women & Children's Residential Treatment Services	(5.1)		(5.1)		(5.1)	
County Intervention Support Services Subaccount ^{3/}	-		(3.7)		-	
Growth, Support Services		743.5		159.6		18.6
Account Total and Growth	\$9,878.5		\$10,176.1		\$10,186.3	
Revenue						
1.0625% Sales Tax	9,117.5		9,319.1		9,338.8	
General Fund Backfill ^{4/}	13.0		19.8		20.7	
Motor Vehicle License Fee	748.0		837.2		826.7	
Revenue Total	\$9,878.5		\$10,176.1		\$10,186.3	

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/} This chart reflects a fiscal year 2022-23 transfer of \$3.7 million from Behavioral Health Subaccount Fund 3217 to the County Intervention Support Services Subaccount Fund 3325 pursuant to Government Code section 30027.10.

^{4/} 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.