Governor Gavin Newsom's Proposed Budget for 2023-2024

Introduction

On January 10, 2023, Governor Gavin Newsom presented his $297 billion budget proposal for the 2023-2024 fiscal year. This document highlights elements of the proposal that may be of interest to advocates and organizations working to foster more equitable, safe, and healthy community conditions. In this document, we highlight aspects of the budget pertinent to PI's three policy areas:

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

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

Budget Overview

The $297 billion budget proposal is a significant reduction from last year's $308 billion budget and reflects the state's ongoing efforts to grapple with inflation. Due to negative economic trends catalyzed by inflation, including dips in the stock market and capital gains reductions, the state is facing a retracted budget for the next fiscal year. In the last three years, California experienced historic surpluses, largely because of a booming pandemic economy that benefited the richest Californians and, in effect, the state's progressive, top-heavy tax structure. Because California is seeing a dramatic dip in tax revenues, in part because of a less lucrative year for California's richest thanks to inflation, this year's budget proposal faces a deficit of $22.5 billion.

To close the deficit, the Newsom Administration is proposing a swath of budget cuts and delays to previously planned investments. This year's budget includes funding delays of $7.4 billion, which spreads funding in the 2021-22 and 2023-24 fiscal years across multiple years. The Administration is also implementing "trigger reductions" of $3.9 billion, which reduces funding for certain items and would restore these reductions if sufficient funding is available in 2024. The funding triggers are primarily targeted towards climate and transportation, but also include housing, parks, and workforce training. Notably, the Budget protects funding for K-12 education, including a cost-of-living adjustment to provide more funding for schools, and Medi-Cal expansion to all undocumented immigrants.

Operationalizing Equity in State Government

- **California Youth Empowerment Commission (CYEC)**—$2.3 million General Fund in 2023-24 and to establish the CYEC, a 13-member commission comprised of youth ages 14-25. The CYEC provides an opportunity for California's youth to participate in civic engagement and will meet at least once a month and make recommendations to the Legislature, Superintendent of Public Instruction, and Governor on specific legislative and fiscal issues. The commission will be staffed by the Office of Planning and Research and will launch by the end of 2023.
- **Racial Equity Commission**–Of the $3.8 million allocated for the CEYC above, $1.5 million will support the state's first Racial Equity Commission established by Executive Order N-16-22. The Racial Equity Commission is an advisory body that will develop a Racial Equity Framework for the state. The commission will also be staffed by the Office of Planning and Research and will launch by the end of 2023, sunsetting in 2029.

New Government Strategies to Address Homelessness and Mental Health

- **Community Assistance, Recovery, and Empowerment (CARE) Act—**The 2022 Budget Act included $6.1 million in 2022-23 and $37.7 million ongoing for the Judicial Branch to implement the CARE Act, a new law that allows county behavioral health professionals, first responders, and family members to petition county intervention for an individual with severe mental illness. The new CARE Court system can order a clinical evaluation and, if they meet certain criteria, mandate they work with county behavioral health officers on a treatment, medication, and housing plan. The Budget reduces this funding by $13.9 million General Fund in 2023-24 and increases funding by $12.9 million in 2024-25, and $30.9 million ongoing. The Budget also includes $6.1 million General Fund in 2023-24, increasing to $31.5 million annually beginning in 2025-26, to support public defender and legal services organizations who will provide legal counsel to CARE participants.

Fostering Equitable Housing and Community Development

- **Budget Trigger for Housing**—Investments in housing are included in the trigger reductions set by the budget proposal to close this year's budget deficit. In total, housing is receiving a $600 million budget reduction, with the possibility that this funding will be restored given sufficient funding in 2024.

- **Reductions in Housing Programs**—Maintains all but three of the housing investments seen in the 2022 Budget Act. Reductions include $350 million General Fund.
    - **Dream For All**—For 2023-24, reverts $200 million from the 2022 Budget Act's $500 million one-time General Fund investment to the California Housing Finance Agency's Dream for All program. This program provides shared-appreciation loans to help low- and moderate-income first-time homebuyers achieve homeownership.
    - **CalHome**—Removes $100 million one-time General Fund in 2023-24 from the 2022 Budget Act's $350 million one-time General Fund investment ($250 million in the 2022 Budget Act and $100 million committed for 2023-24) for the Department of Housing and Community Development's CalHome program. The program provides local agencies and nonprofits grants to assist low- and very-low-income first-time homebuyers with housing assistance, counseling and technical assistance.
    - **Accessory Dwelling Unit Program**—Reverts $59 million in 2022-23 from the original $50 million one-time General Fund allocation for the California Housing Finance Agency's Accessory Dwelling Unit program.
- **Statewide Housing Goal**—Includes a new legally binding statewide housing goal of building 2.5 million new units, of which 1 million units will be affordable to low-income people by the year 2030.
- **Significant Budget Adjustments**—$3.4 billion in 2023-24 to maintain the state's efforts to address homelessness, as committed to in prior budgets. This includes:
    - $400 million for a third round of encampment resolution grants, a program that funds local demonstration projects that provide services to address the immediate crisis of experiencing unsheltered homelessness in encampments and to support people living in encampments onto paths to safe and stable housing.
    - $1 billion for a fifth round of Homeless Housing, Assistance, and Prevention (HHAP) grants, conditional on proposed statutory changes requiring greater accountability from counties and municipalities in the planning and expenditure of critical homelessness resources.
    - Funding to allow up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness and maintains funding for the Behavioral Health Bridge Housing Program.

> Housing California, a statewide housing justice organization, determined that the state will need to invest $8 billion to make progress on its affordable housing goals. The non-profit urges Governor Newsom to invest boldly in housing, including $2 billion for the HHAP program and $1 billion for the Community Anti-Displacement and Preservation Program.

- **Local Homelessness Action Plans and Accountability**—To apply more pressure on local jurisdictions to take more ambitious steps towards reducing homelessness, the Newsom Administration intends to pursue statutory changes to the HHAP program to prioritize spending on activities such as encampment resolution, Homekey operating sustainability, and Community Assistance, Recovery and Empowerment (CARE) Act housing supports. Jurisdictions that are not compliant with their legal responsibilities will be disqualified from receiving specified homelessness funding, and instead, other overlapping jurisdictions, such as cities, counties, or administrative entities, such as Continuums of Care, will be eligible to receive those funds and provide services in the respective community.

Advancing Park Equity and Increasing Access to the Outdoors

- **Budget Trigger for Parks**—Investments in parks are included in the trigger reductions set by the budget proposal to close this year's budget deficit. In total, parks items are receiving a $106 million budget reduction, with the possibility that this funding will be restored given sufficient funding in 2024.
- **Natural Resources and Parks Preservation Fund**—A reversion of $110 million from the Natural Resources and Parks Perseveration Fund to the General Fund. This reversion includes $95 million for future phases of the California Indian Heritage Center project and $15 million for unspecified future capital outlay projects.
- **Statewide Parks Program**—A reduction of $150 million for the Statewide Parks Program across 2022-23, 2023-24, and 2024-25. A total of $230 million allocated to this program in previous budget acts will remain. If there is sufficient General Funding in January 2024, this reduction will be restored.

Investing in Active Transportation and Zero-Emission Infrastructure

- **Emerging Opportunities and Federal Programs**—$1.3 billion to invest in demonstration and pilot projects in high carbon-emitting sectors, such as maritime, aviation, rail, and other off-road applications, as well as support for hydrogen infrastructure, and vehicle grid integration at scale.
- **Active Transportation Program**—$850 million of the original $1.05 billion of additional funds for projects that increase the proportion of trips accomplished by walking or biking and increase the safety and mobility of non-motorized users.
- **Safety Grade Separations**—Delays $350 million instead to be made available 2025-2026. Deliver the same number of originally planned projects that improve safety for people walking, biking, and driving at rail crossings.
- **Zero-Emission Mobility**—$180 million for sustainable community-based transportation equity projects that increase access to zero-emission mobility in low-income communities.
- **Zero-Emission Vehicles (ZEV) Acceleration**—$8.9 billion of ZEV investments with a focus on communities that are the most affected. This includes targeted investments in disadvantaged and low-income communities by increasing access to the benefits of clean transportation and by continuing to decarbonize California's transportation sector and improve public health.
- **Equitable Zero-Emission Vehicles and Infrastructure**—$2.1 billion for programs that expand affordable and convenient ZEV infrastructure access in low-income neighborhoods.

Addressing Climate Change and Advancing Environmental Justice

- **Significant Reductions:**
    - **Extreme Heat and Community Resilience Program**—Reduction of $25 million General Fund in 2022-23 and $50 million in 2023-24. This maintains approximately $100 million (57%) for this program.

- **Community Resilience Centers**—Delay of $85 million General Fund to 2024-25. This program remains fully funded, but the funds will be provided later than initially allocated.
- **Regional Climate Resilience**—Reduction of $25 million General Fund in 2022-23 and $100 million in 2023-24. This maintains approximately $125 million (50%) for this program.
- **Transformative Climate Communities Program**—Reduction of $65 million General Fund in 2022-23 and $40 million in 2023-24. This maintains approximately $315 million (75%) for this program.
- **Community Air Protection Program**- Reduction of $50 million in 2023-24 for this program, which includes a shift of $250 million to the Greenhouse Gas Reduction Fund. This maintains approximately $560 million (92%) for this program.
- **Healthy, Resilient, and Equitable Food Systems Investment**—Reduction of $20.6 million General Fund in 2021-22 and $8.9 million in 2022-23 across the Urban Agriculture Program, Healthy Refrigeration Grant Program, and Farm to Community Food Hubs Program. This maintains approximately $98 million (77%) for healthy, resilient, and equitable food system programs.
- **Climate Smart Agriculture Programs**—Reduction of $8.5 million General Fund in 2021-22 and $85.7 million in 2022-23 across various programs including Healthy Soils Program, Sustainable Cannabis Pilot Program, Pollinator Habitat Program, Conservation Agriculture Planning Grant Program, greenhouse gas reduction research, Invasive Species Council, and Climate Catalyst Fund. This maintains approximately $867 million (90%) for climate smart agriculture programs.
- **Climate and Health Resilience Planning**—Reduction of $25 million General Fund in 2022-23 for Climate and Health Resilience Planning Grants, which eliminates funding for this purpose.

- **Protecting Communities from Impacts of Oil Drilling (SB 1137)**—$14.6 million Oil, Gas, and Geothermal Administrative Fund in 2023-24, $20 million in 2024-25 and $19.6 million ongoing across several departments to implement this legislation. Protects communities and the environment from the harmful impacts of oil and gas production by establishing a setback distance of 3,200 feet between any new oil wells and homes, schools, parks or businesses open to the public and provides comprehensive pollution controls for existing oil wells within 3,200 feet of these facilities.
- **Residential Solar and Storage**—$630 million for solar and storage incentives for low-income utility customers.
- **Urban Flood Risk Reduction**—$135.5 million General Fund over two years to support local agencies working to reduce urban flood risk.
- **Urban Water Use Objective**—$7 million General Fund over four years to implement Chapter 679, Statutes of 2022, (SB 1157), which established a new foundation for long-term improvements in water conservation and drought planning to adapt to climate change and the resulting longer and more intense droughts. This approach is based on water use efficiency standards for certain categories of water use, including indoor residential water use.

NextGen Policy expressed grave concern over the $6 billion reduction in climate funding, stating that the short term budget reductions will "unquestionably [hurt] the state more in the long term." In a budget analysis, NextGen Policy highlighted shifts of $2.2 billion from the General Fund to special funds like the Greenhouse Gas Reduction Fund and the State Highway Account: "These shifts may be characterized as cuts, in a sense: shifting planned General Fund expenditures to these funds displaces other new climate investments."

Ensuring Equity for Children and Youth in Educational Settings

- **Equity Multiplier**—$300 million to establish an equity multiplier that will augment resources to support the highest-needs schools in the state and promote equitable allocation of resources by local educational agencies.
- **Transitional Kindergarten**—Revises estimates for the first-year investment from $614 million to approximately $604 million to expand access to all children turning five-years-old between September 2 and February 2 and revises the first-year investment to add one additional certificated or classified staff person to every transitional kindergarten class from $383 million to approximately $337 million. The 2022 Budget Act provided $614 million to support the first year of expanded eligibility for transitional kindergarten, which covers the shift from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2. The budget also proposes $690 million to implement the second year of transitional kindergarten expansion, which will increase access to the program to all children turning five-years-old between September 2 and April 2 (approximately 46,000 children) and $165 million to support the addition of one additional certificated or classified staff person in transitional kindergarten classrooms serving these students. Full implementation of universal transitional kindergarten is expected in 2025-26.
- **Universal School Meals**—Protects funding for universal access to subsidized school meals and the additional enhanced meal rate. California will spend over $1.4 billion to reimburse school meals and ensure all students who want a meal will have access to two free meals each day.
- **Community Schools**—$4.1 billion to provide high-poverty communities access to community schools that enable family and community engagement in the provision of a wide range of academic, health, and social services that support students' learning.

Strengthening Economic Supports to Families and Vulnerable Residents

- **Assistance For California's Most Vulnerable**—$1 billion General Fund annually to provide increased cash assistance to individuals with disabilities and older adults in the Supplemental Security Income/State Supplementary Payment program, and low-income children and families in the CalWORKs program.
- **CalWORKs**—Increases CalWORKs maximum aid payment levels by 2.9%. This is on top of legislative wins that advocates secured last year including funding for AB 2277 (Reyes), which provides program waivers to survivors of domestic abuse.

- **Supplemental Security Income/State Supplementary Payment (SSI/SSP)**— 8.6% increase in funding for the SSI/SSP and Cash Assistance for Immigrants (CAPI) program providing a $3.5 billion from the General Fund.
- **Child Care Availability and Affordability**—Sustains $2 billion annualized to expand subsidized child care slot availability.
- **California Food Assistance Program (CFAP) Expansion Timing (Food4All)**—Lacks new investments to remove exclusions to the California Food Assistance Program (CFAP) for Californians ages 54 and under, regardless of immigration status, and delays the implementation date for the historic expansion of CFAP for all Californians ages 55 and older by four years (benefit distribution is estimated to begin January 1, 2027).
- **Community Support for Temporary Rent/Housing**– Adds an additional $17.9 million in 2025-26 increasing to $116.6 million per year at full implementation to improve the well-being and health outcomes of Medi-Cal members during critical transitions. DHCS will seek an amendment to the CalAIM waiver to authorize an additional Community Support for use by Medi-Cal Managed Care Plans. The new Community Support would allow the provision of up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness and transitioning out of institutional levels of care, a correctional facility, or the foster care system and who are at risk of incurring other Medicaid state plan services, such as inpatient hospitalizations or emergency department visits.

> The California Immigrant Policy Center and Nourish California expressed their disappointment in the delay to CFAP expansion, the failure of the budget to expand access to undocumented adults under the age of 55, and the exclusion of funding to expand unemployment insurance protections to undocumented workers.

Supporting Healthy Youth Development and Wellbeing

- **Education, Prevention, and Treatment of Youth Substance Use Disorders and School Retention**— $401.8 million to maintain a variety of grant programs including Elevate Youth California—Dept. of Health Care Services' youth substance use disorder prevention program—and Natural Resources Agency's Youth Community Access grant program which invests in youth access to natural or cultural resources with a focus on low-income and disadvantaged communities. Both programs are funded through cannabis tax revenues along with General Fund contributions in 2023-24 to backfill the estimated decline in cannabis revenues; both programs aim to be a resource to address and repair the multi-generational community impacts of the War on Drugs.
- **Apprenticeship Innovation Fund**—The 2022 Budget Act committed $175 million General Fund over three years ($55 million in 2022-23 and $60 million in each 2023-24 and 2024-25) at the Department of Industrial Relations to invest in and expand non-traditional apprenticeships. The Budget proposes to withdraw $40 million ($20 million in each 2023-24 and 2024-25)—reducing the total three-year investment to $135 million. If there is sufficient General Fund in January 2024, this reduction will be restored.

- **California Youth Leadership Program**—The 2022 Budget Act committed $60 million General Fund over three years ($20 million in each 2022-23, 2023-24, and 2024-25) to the California Workforce Development Board to invest in career pathway programs at community colleges. The Budget proposes to withdraw $20 million ($10 million in each 2023-24 and 2024-25)—reducing the total three-year investment to $40 million. If there is sufficient General Fund in January 2024, this reduction will be restored.

Strengthening California's Public Health Infrastructure

- **Community Health Workers Program**—Delays $130 million General Fund in 2023-24 for the California 25x25 Initiative into out years. This program remains fully funded, but the funds would be provided later than initially anticipated including $65 million in both 2024-25 and 2025-26.
- **Governmental Public Health Infrastructure**—Maintains $300 million ongoing General Fund to strengthen and modernize state and local public health infrastructure. Of this amount, $100 million General Fund supports state public health capacity; the remaining $200 million General Fund is for local health jurisdictions (LHJs) to expand public health staffing and reduce health disparities. The 2022-23 budget outlined the allowed use of LHJ funds:
    - Requires each local health jurisdiction by December 2023, and by July 1 every three years thereafter, to submit a public health plan to CDPH.
    - Requires an annual certification by the local health jurisdiction that funds will supplement and not supplant other county funds, including realignment and county general fund.
    - Requires the local health jurisdiction to certify that 70% of the funds will be used to support staff, including benefits and training, and that remaining funds, not to exceed 30%, may be used for equipment, supplies, and other administrative purposes, such as facility space, furnishings, travel, and similar activities.
    - Allows jurisdictions to use funds allocated in FY 2022-23 fiscal year to be used by local health jurisdictions to develop the public health plan and allows for contracting services to support the development of the public health plan, community health assessments, community health improvement plans, and strategic plans.
- **Public Health Workforce**—Reduces funding for various public health workforce training and development programs by $49.8 million General Fund over four years. Maintains $47.7 million General Fund over four years for community-based clinical education rotations for dental students and public health incumbent workforce upskilling and training.

> The Alliance for Boys and Men of Color and the California Partnership to End Domestic Violence tweeted their disappointment in the budget's exclusion of new sexual violence and domestic violence (SV and DV) prevention funding. Both organizations are leading a budget request to provide $50 million in SV and DV prevention funding.