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From: Sharon Gonsalves
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RE: RPPG Analysis of Governor Newsom's State Budget Proposal for Fiscal Year 2024-2025

INTRODUCTION

The following is a topline summary of Governor Gavin Newsom's proposal of the fiscal year 2024-25 (FY 24-25) State Budget highlighting specific areas of interest to the City of Rancho Palos Verdes. In addition to the summary below, you will also see occasional line items that have an **"RPPG Note"**. These are specific line items that we have identified based on both our "Deep Dive" process and/or ongoing conversations with agency staff. These notes indicate where there may be fiscal or policy opportunities which align with the Administration's proposal. If there are other areas or line items of interest expressed by Council or department heads, please do not hesitate to reach out to our team to ask questions or to request additional information. A copy of the Governor's budget proposal can be found [here](#).

ADMINISTRATIONS BUDGET NARRATIVE

Governor Newsom unveiled his proposed Budget Plan with an introductory narrative as "a story of correction, a story of normalization, after a period of tremendous amount of distortion." The theme of his presentation was one of meeting promises, stretching tax dollars, and corrective action to close the gap while also inserting a new narrative regarding how big that gap really is.

The Governor stated that the [Legislative Analyst's Office \(LAO\) reports](#) of a \$68 billion deficit were in error, with the real number of \$37.9 billion, and the state was simply experiencing "normalization" of state revenues following the massive surpluses in 2021 and 2022. Contributing factors to the state's budget challenges – beyond the state's overreliance on the top one percent of taxpayers to supply half of all income tax revenue – were stock market declines in 2022, and income tax collection delays in 2023. The Governor proposes to close the gap with \$18.8 billion in from internal borrowing and pulling from state reserves, \$11.9 billion in spending reductions and fund shifts, and \$7.2 billion in delays and deferrals, all while "keeping promises" to important state policy priorities.

"I don't live in a bubble. I live in reality. I've been out there, as you know, making a case for this economy," the Governor said, "We're just a little more optimistic than all the naysayers."

BUDGET DEFICIT: WHAT'S THE RIGHT NUMBER?

The large discrepancy between the Newsom Administration's projected deficit (\$37.9 billion) and the Legislative Analyst's Office (LAO)'s projected deficit (\$68 billion) is front and center. Since budget deficits are calculated based on the state's future revenue projections, one reason for the \$30 billion gap between the Administration and LAO may be the use of different projected numbers in their respective calculations.

To this point, the Governor’s team seems to be assuming \$15 billion more in projected revenues than the LAO. A contributing factor to the difference in forecasted revenues is the [tax delay of 2023](#), where the IRS granted Californians affected by the 2022 winter storm disasters an extension until November 16, 2023 to file their taxes, as opposed to the typical April deadline. This delay significantly impacted the state’s tax income for FY 22-23. Both the Department of Finance (DOF) and the LAO acknowledge that the numbers are subject to significant change, as the projections are based on volatile numbers, making the forecast highly uncertain. The LAO brief states, “It is entirely possible that revenues could end up \$15 billion higher or lower than our forecast for 2023-24.”

Clarification surrounding the budget deficit is expected to be made during the Governor’s May Budget Revise. The Governor himself stated in his press conference that the “May Revise is the prime time,” this January proposal seems poised as a warmup to calculations that will be predicated on more real numbers at a later date. RPPG will continue to monitor and provide updates as this process unfolds.

STATE DEFICITS AND LOCAL GOVERNMENTS: HISTORICAL CONTEXT

Some historical perspective is warranted for local governments. While delays, deferrals or cuts to state programs are never pleasant, it is beneficial to local agencies that the state has significant reserves and other cash available for internal borrowing. State budget deficits used to mean dangerous times for local governments. Prior to the constitutional establishment of a state reserve fund—based on efforts by former governors Arnold Schwarzenegger¹ and Jerry Brown² -- the state typically faced deficits with no reserves. Reluctant to cut programs or raise revenue, legislators often turned to local government to try to balance their budget. The state archives are littered with actions that affected local agencies: shifting or borrowing local property taxes, eliminating vehicle license fees, attempting to take local sales taxes and transportation revenues, enacting unpaid mandates, and eliminating redevelopment and enterprise zones. Now, local governments at least have additional constitutional protections for their revenues, thanks to voter approval of Prop. 1A of 2004 and Prop. 22 of 2010. The state also has a required reserve fund to help balance its budget deficits.

FY 2024-25 JANUARY BUDGET PROPOSAL: TOPLINE SUMMARY

At a brief glance, the \$291.5 billion Budget (a 1.9% decrease from 2023-24) continues to support major projects and programs in the homelessness, public safety, and economic development realms. However, major reductions, delays, or shifts to climate change, housing, workforce and sustainable infrastructure programs have been proposed in order to balance the Budget. Additionally, the proposal includes a \$350 million reduction to Legislative Requests – which is the funding that lawmakers are able to draw on to provide dedicated funding for district projects.

RPPG Note: It is unclear if this will apply to previously approved projects or if additional funding will be placed in the budget at a later date, however it emphasizes a reality that it will be difficult to secure (legislative) “district-specific” special funding requests.

General Obligation Bonds

During his budget presentation, the Governor alluded to his support for Proposition 1 on the March ballot, the Behavioral Health Infrastructure Act of 2024. This measure proposes \$6.38 billion in bond funding to support the development of new treatment beds for those suffering from homelessness, mental health and substance use issues, and also includes reforms to the Mental Health Services Act. The passage of this

¹ Prop. 58 of 2004.

² Prop. 2 of 2014.

measure will be a top priority this Spring. In addition, here is the status of several other possible bonds for the November ballot:

- **School Bond:** The Governor discussed support for a school bond for the November ballot, and acknowledged that the details and potential size of the bond was still be discussed with the Legislature and stakeholders.
- **Climate Bond:** As we advised our clients, the Governor made no mention of a climate bond, nor did his budget document. This stood in contrast, however, with his 2023 presentation where he expressed his support for a climate bond, one which would include several allocations to offset several proposed budgetary reductions in the FY 2023-24 budget to climate programs. However, later in a budget briefing by Administration's agency secretaries, it was conveyed that the Administration was tracing several legislative climate bond proposals and was "open" to discussion with the legislature. Stakeholders anticipate legislative action and Administrative engagement later in the year.
- **Housing Bond:** Despite the Budget cutting or deferring over \$1.2 billion in housing funding, the Governor did not mention the housing bond proposals.

FY 2024-25 SNAPSHOT: BY THE NUMBERS

Total Budget: \$291.5 billion	<ul style="list-style-type: none"> • \$208.7 billion general fund <ul style="list-style-type: none"> ◦ Decrease of about \$22 billion from FY 23-24 • \$18.4 billion in reserves • \$900 million in safety net reserve withdrawal • \$11.1 billion in rainy day fund
Total Deficit: \$37.9 billion	<ul style="list-style-type: none"> • Increase of \$6.4 billion in deficit from FY 23-24
Measures Taken to Address Shortfall:	<ul style="list-style-type: none"> • Reserves withdrawn: \$13.1 billion • Reductions: \$8.5 billion • Borrowing: \$5.7 billion • Delays: \$5.1 billion • Shifts: \$3.4 billion • Deferrals: \$2.1 billion
(LAO Total Deficit Projection: \$68 billion)	<ul style="list-style-type: none"> • \$58 billion: Revenue outlook below budget act assumptions across 2022-23 through 2024-25 • \$30 billion: Identified as an annual state operating deficit per year

Budgeting Mechanisms

The Governor proposed the following mechanisms to address the projected deficit:

- **Reserves – \$13.1 billion:** Draws upon funds from the state's reserves.
 - **RPPG Note:** *The Governor has stopped short of declaring a fiscal emergency at this time, which is constitutionally required for the State to access its reserve funds. Given that we are in an election year, it will be interesting to see if the Governor will make the formal declaration in order to access these funds or look to other funding sources/ cuts to close the gap.*
- **Reductions – \$8.5 billion:** Reduces funding for various items. Significant solutions in this category that impact local government include:
 - Climate infrastructure Investments (Reductions \$2.9 billion)

- Affordable Housing Programs (Reductions \$1.2 billion)
- Student Housing Revolving Loan Fund Program (Reduction \$494 million)
- **Revenue/Internal Borrowing – \$5.7 billion:** The Budget includes support from revenue sources and borrows internally from special funds.
- **Delays – \$5.1 billion:** Delays funding for multiple items and spreads it across the three-year period, beginning in 2025-26, without reducing the total amount of funding through this period. Significant solutions of potential impact to local government in this category include:
 - Transit and Intercity Rail Capital Program (\$1 billion)
 - Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program (\$550 million)
 - Clean Energy Reliability Investment Plan (\$400 million)
 - Behavioral Health Bridge Housing Program (\$235 million)
 - Vulnerable Community Toxic Clean Up (\$175 million)
- **Fund Shifts – \$3.4 billion:** Shifts certain expenditures from the General Fund to other funds. Significant solutions of interest in this category include:
 - Various shifts to the Greenhouse Gas Reduction Fund (\$1.8 billion)
 - Unemployment Insurance Interest Payment (\$100 million)
- **Deferrals – \$2.1 billion:** Defers specific obligations to the 2025-26 fiscal year. Significant solutions in this category include:
 - June to July Payroll Deferral (\$1.6 billion)

PRIMARY AREAS OF INTEREST TO LOCAL GOVERNMENT

The proposed 2024-25 Budget reflects \$291 billion spending, which is down from the \$306 billion proposed in 2023-24. Although the estimated shortfall of \$37.9 billion is lower than expected, the Governor reiterated caution regarding future spending on state and local levels. This could have impacts on various pieces of legislation and discretionary programs. For local government this has the potential of cutting both ways. On the one hand, policies that have an adverse impact on local governments' operations or their legal or legislative authority may be vetoed based on budgetary constraints that come with mandating a new duty or local program. On the other hand, this means less potential funding for local earmarks as well as the potential that the Legislature will try to create mandated programs which are unfunded. With this in mind, RPPG has identified the following areas of general interest to local agencies in the following categories:

1. **Housing and Land Use**
2. **Homelessness and Mental Health**
3. **Resources and Environment**
4. **Energy**
5. **Transportation**
6. **Economic Development**
7. **Public Safety**

Housing and Land Use

For local agencies looking for affordable housing resources, this is a major disappointment. Unlike other areas of the budget where funding is proposed to be delayed or deferred, the budget proposes \$1.2 billion in cuts to popular housing development and planning programs, leaving the total General Fund investment in affordable housing and homeownership programs at approximately \$4 billion.

Reversions/Reductions

- \$200 million from the Infill Infrastructure Grant Program, leaving \$25 million.
- \$250 million from the Multifamily Housing Program, leaving \$75 million.
- \$152.5 million from the CalHome Program.
 - **RPPG Note:** *This reduction builds upon a prior \$50 million reduction approved as part of the 2023-24 budget, meaning a total of \$202.5 million will be removed from this program from the original \$350 million.*
- \$300 million from the Regional Early Action Planning Grants 2.0 (REAP 2.0).
- \$247.5 million from the Foreclosure Intervention Housing Preservation Program over the next three years (\$85 million in 2024-25, \$100 million in 2025-26, and \$62.5 million in 2026-27).
 - **RPPG Note:** *These same amounts were included as “deferrals” in the final FY 2023-24 Budget.*
- \$300 million from the California Student Housing Revolving Loan Fund Program previously intended to be appropriated for the program for each year, and \$194 million that was appropriated in 2023–24.
- \$50 million, out of \$125 million allocated, from the Veteran Housing and Homelessness Prevention Program.
- \$15 million from the Seismic Retrofitting Program for Soft Story Multifamily Housing authorized in Chapter 48, Statutes of 2022 (SB 189).
- \$13.7 million ongoing from foster youth housing navigators, thus eliminating all funding.

RPPG Note: *Not much can be discerned in the language accompanying these cuts. There is no reference to a potential housing bond, and there are only high-level references to the following tactics the Administration may be working on:*

- identifying opportunities to pursue additional federal funding that supports housing development.
- identifying opportunities to streamline and rationalize the process by which the state and local governments plan for housing.
- advancing and developing strategies to facilitate housing construction and adaptive reuse in infill areas, as well as strategies to reduce the cost of housing construction overall.
 - **RPPG Note:** *There have been recent legislative attempts to require local agencies to prioritize all infill development prior to approving suburban developments.*
- continuing to engage with tribal partners and the Legislature to help address tribal housing needs.

Homelessness and Mental Health

Homelessness

Despite several proposed delays and shifts, the Governor’s budget at least maintains previous allocations for the Homeless Housing, Assistance and Prevention (HHAP) program. All discussions of additional discretionary spending in the FY 2024-25 budget have been deferred to discussions with the Legislature and the May Revise, based on revised revenue forecasts.

Language in the budget document states that “addressing the homelessness crisis remains a top priority of the Administration,” and that it “will commit to working closely with the Legislature on additional funding to support local governments’ response to the homeless crisis—assuming local governments deliver on the performance commitments made under HHAP 3 and HHAP 4, and on the regional planning and coordination requirements of HHAP 5. “

RPPG Note: Planning and Coordination requirements under Round 5 refers to recent statutory changes which state that a City or County must have a “Compliant” housing element. This is both for HHAP and any Homekey Set-Aside funding.

When questioned by the press, the Governor maintained that he continued to want to see more “accountability, focus, and a collaborative spirit” from local agencies. “It’s still the same issues,” he said. “I want to see these encampments cleaned up.” While reluctant to offer additional details, he mentioned desiring to see “one simple plan” like those required in Proposition 1 the Behavioral Health Infrastructure Act of 2024, on the March ballot. He also touted the enforcement successes of the “Housing Accountability Unit.”

RPPG Note: Should Prop. 1 be approved by voters in March, it will influence discussions of homeless funding in May. We are providing the Prop 1 analysis distributed in October as a separate attachment for reference.

For homeless programs, the budget:

Maintains

- \$1.1 billion in Homeless Housing, Assistance and Prevention Program (HHAP) 5 across 2023-24 and 2024-25, however, \$260 million will be delayed until 2025-26 to align with when those funds will be available to eligible applicants. An additional \$100.6 million in HHAP administrative set asides will be reverted as General Fund savings, leaving \$51.1 million for program administration. The Administration’s final FY-2023-24 budget document states that the first half of these funds will be released in mid-2024, after regional plans have been submitted and approved, and second half released in early 2026, after the regions report on their progress in carrying out the respective actions outlined in their regional plans.

Shifts

- \$265 million from the Mental Health Services Fund to the General Fund for Behavioral Health Bridge Housing, and delays \$235 million General Fund originally planned for 2024-25 to 2025-26.

Delays

- \$140.4 million for the Behavioral Health Continuum Infrastructure Program from 2024-25 to 2025-26, for a total of \$380.7 million for the final round of grants in 2025-26.
- \$80 million for the Bringing Families Home Program to 2025-26.
- \$65 million for the Home Safe Program to 2025-26.
- \$50 million for the Housing and Disability Advocacy Program to 2025-26.

Other

- Increases by \$1.5 million support for Homeless Education Technical Assistance Centers established through the American Rescue Plan Act’s, Homeless Children and Youth Program.
- Continues the transition of specified homelessness grant programs from the California Interagency Council on Homelessness to the Department of Housing and Community Development (AB 129 of 2023).

Mental Health

The January proposed Budget maintains most of the recent investments in mental health programs from previous years. The Mental Health Services Fund (funded by sources such as Proposition 63 and personal income tax) is forecasted to have annual reserves of \$2.6 billion for 2022-23, \$2.4 billion for 2023-24, and \$2.6 billion for 2024-25. The Governor’s Budget includes \$253.4 billion (\$73.9 billion General Fund) for

overall health and human services programs in 2024-25, with specific funding for mental health programs such as:

- \$8 billion maintained across various Health and Human Services departments to expand the continuum of behavioral health treatment and infrastructure capacity.
- \$9.5 million (\$4.1 million General Fund) in 2024-25 increasing annually to \$78 million (\$33.8 million General Fund) in 2027-28 for Children and Behavioral Health Initiative Wellness Coaches.

Significant proposed Budget solutions regarding mental health resources and programs:

Shifts

- \$265 million shift from the Mental Health Services Fund appropriated in the 2023 Budget Act to the General Fund in 2024-25.

Delays

- \$140.4 million delay to the Behavioral Health Continuum Infrastructure Program from 2024-25 to 2025-26. The Budget maintains \$300 million General Fund in 2023-24 and \$239.6 million General Fund in 2024-25. The final round of the program will have \$380.7 million available in grants for FY 2025-26.

Resources and Environment

Climate

One of the areas most impacted by the proposed Budget is climate. The proposed Budget maintains \$48.3 billion (about 89%) of the original \$54 billion in climate funding from previous fiscal years. Most climate funding has been frontloaded, with \$36 billion already out the door to California communities. The Budget:

Maintains

- \$1.4 billion for nature-based solutions
- \$1.2 billion for community resilience investments
- \$660 million for coastal resilience projects
- \$346 million for extreme heat projects
- \$20 million for the first-round of funding for the Extreme Heat and Climate Resilience Grant Program. The NOFO is anticipated to be released in February 2024.

Shifts

- \$23.8 million from the General Fund to the Greenhouse Gas Reduction Fund (GGRF) for the Urban Greening Program. This shift maintains \$75 million over four years and is delayed to 2024-25.
- \$15.6 million from the General Fund for Enhanced Protections for Vulnerable Populations to the Labor and Workforce Development Fund, which maintains \$16 million over three years.

Delays

- \$175 million delay for the Department of Toxic Substances Control's Cleanup in Vulnerable Communities Initiative Program. The Budget includes \$85 million in funding for the program in 2025-26 and \$90 million in 2026-27.

Reversions/Reductions

- \$475 million of the planned investment for the Climate Innovation Program beginning in 2024-25.
- \$220.9 million reversion for Sea Level Rise activities. The Budget maintains \$333.6 million previously allocated for this program.
- \$171.1 million reversion for Coastal Protection and Adaptation activities. The Budget maintains \$154.9 million previously allocated for this program.

- \$40.1 million reduction for the Extreme Heat and Community Resilience Program, which includes a reversion of \$40.1 million and a shift of \$70 million General Fund to the GGRF. Funding being shifted for the Program is delayed to 2024-25. The Budget maintains \$95 million previously allocated to this program.
- \$25 million reduction to the Outdoor Equity Grants Program. The Budget maintains \$90 million General Fund previously allocated for this program.
- \$25 million reversion and a \$50 million reduction for the Regional Climate Resilience Program at the Office of Planning and Research. The Budget maintains \$25 million previously allocated to this program.
- \$25 million reversion and \$36.8 million shift to the GGRF in 2024-25 for SB 1 implementation. The Budget maintains \$77 million previously allocated for this program.
- \$15 million reduction to the Low Carbon Economy Program at the California Workforce Development Board. The Budget maintains \$30 million (\$15 million General Fund and \$15 million GGRF) over two years for this program.
- \$9.8 million reversion for Regional Climate Collaboratives Program at the Strategic Growth Council within the Office of Planning and Research. The Budget maintains \$10 million previously allocated to this program.
- \$6.7 million reversion for the Compost Permitting Pilot Program at the Department of Resources Recycling and Recovery. The Budget maintains \$800,000 previously allocated to this program.
- \$6.4 million reduction to the California Electric Homes Program by the CEC.
- \$5 million reversion for Climate Adaptation and Resilience Planning Grants at the Office of Planning and Research. The Budget maintains \$20 million previously allocated to this program.
- \$5 million reversion for Resource Conservation Investment Strategies

Fire and Forest Health

The 2021 and 2022 Budget Acts committed \$2.8 billion over four years to continue strengthening forest and wildfire resilience statewide. The proposed Budget maintains \$2.7 billion of these investments over the next five years. However, like other climate related programs, proposals to reduce fire resilience funding are found rather heavily in the Budget:

Shifts

- \$162.5 million to the GGRF across 2023-24 and 2024-25 to maintain critical investments in direct fuels treatment programs that restore forest health, build wildfire resilience, and reduce Greenhouse Gas emissions from catastrophic wildfires, including:
 - Fire Prevention Grants (\$82 million shift within 2023-24)
 - Department of Forestry and Fire Protection Unit Fire Prevention Projects (\$26 million shift to 2024-25)
 - Regional Forest and Fire Capacity (\$20 million shift to 2024-25)

Reversions

- \$100.7 million reversion for various programs with indirect benefits to fuels treatment or limited-term projects, including:
 - Biomass to Hydrogen/Biofuels pilot (\$43.5 million)
 - Conservancy Project Implementation in High-Risk Regions (\$27.7 million)
 - Home Hardening Pilot (\$12 million)
 - Monitoring and Research (\$5.7 million)
 - Prescribed Fire and Hand Crews (\$5.3 million)
 - Forest Legacy (\$3.6 million)

- Interagency Forest Data Hub (\$2.9 million)

Water

The 2021 and 2022 Budget Acts committed \$8.7 billion over multiple years to support drought resilience and response programs to help communities, agriculture, and fish and wildlife avoid immediate impacts from extreme drought. The Budget maintains \$7.3 billion of these investments, but over multiple years. The Newsom Administration specified that state water revolving funds will remain in place and additionally allocates \$93.9 million one-time funding for critical flood safety efforts.

To balance the Budget, various programs have been proposed for funding shifts, reductions, and delays:

Shifts

- \$20.6 million from the General Fund to the Greenhouse Gas Reduction Fund (GGRF) for the State Water Efficiency and Enhancement Program. Funding being shifted for the Program is delayed to 2024-25.

Delays

- \$100 million delay until 2025-26 for Water Recycling and Groundwater Cleanup. The Budget maintains \$348 million previously allocated to this program.

Reversion/Reductions

- \$174.4 million reversion for the Water Recycling and Groundwater Cleanup program. The Budget maintains \$348 million previously allocated to this program.
- \$88.4 million reversion and a reduction of \$350 million over the next two years for various Watershed Climate Resilience Programs within the DWR and the Wildlife Conservation Board. The Budget maintains \$56 million previously allocated to these programs.
- \$71.6 million reversion and \$30 million reduction for Per- and Polyfluoroalkyl (PFAS) support. The Budget maintains \$53 million previously allocated to this program.
- \$50 million reversion for Dam Safety Investments. The Budget maintains \$50 million previously allocated to this program.
- \$6.75 million reduction to the Forecast Informed Reservoir Operations for runoff forecasting. The Budget maintains \$10 million ongoing in baseline support for the program.

Energy

The 2022 Budget Act provided a total of \$7.9 billion in energy investments to expedite the state's transition to clean energy, fund critical grid reliability programs, and address energy affordability challenges. The proposed Budget maintains approximately \$6.6 billion of the planned 2022 energy investments. A particular highlight includes \$1 billion over the next three years beginning in 2023-24 to fund initiatives under the Clean Energy Reliability Investment Plan, subject to future appropriation.

Shifts

- \$56.9 million to the Greenhouse Gas Reduction Fund (GGRF) in 2024-25 for the Long Duration Storage Program at the CEC. The Budget maintains \$330 million for the program with this shift.
- \$50 million to the Greenhouse Gas Reduction Fund (GGRF) for the Oil and Gas Well Capping program at the Department of Conservation. Funding being shifted for the program is delayed to 2024-25.

Delays

- \$400 million in 2024-25 and \$400 million delay in 2025-26 for the Clean Energy Reliability Investment Plan (CERIP).

- \$200 million (\$75 million in 2024-25 and \$125 million in 2025-26) for the Residential Solar and Storage Program. Instead, \$100 million in 2026-27 and \$100 million in 2027-28 would be available. The Budget maintains the \$630 million to the CPUC for this program.
- \$55 million for the Distributed Electricity Backup Assets Program at the California Energy Commission (CEC), with \$25 million delayed until 2025-26 and \$25 million delayed to 2026-27. The Budget maintains \$595 million, with \$495 million in 2023-24, \$25 million in 2024-25, \$50 million in 2025-26, and \$25 million in 2026-27 for the program and \$100 million for DWR for this program through 2027-28.

Reversions/Reductions

- \$283 million reduction and a shift of \$87 million to the GGRF for the Equitable Building Decarbonization Program at the CEC. The Budget maintains \$639 million to the CEC for this program.
- \$40 million reversion for the Carbon Removal Innovation Program at the CEC. The Budget maintains \$35 million to the CEC for this program.
- \$35 million reversion for the Hydrogen Grant Program at the CEC. The Budget maintains \$65 million to the CEC for this program.
- \$22 million reversion for the Industrial Decarbonization Program at the CEC. The Budget maintains \$68 million to the CEC for this program.
- \$20 million reversion for the Capacity Building Grants Program at the California Public Utilities Commission (CPUC). The Budget maintains \$10 million for this program.
- \$10 million reversion for the Displaced Oil and Gas Worker Pilot Fund at the Employment Development Department. The Budget maintains \$30 million General Fund for this program.
- \$6.4 million reduction to the California Electric Homes Program by the CEC.

Transportation

The 2024-25 Budget maintains \$13.6 billion for transportation investments that align with the state's climate goals, which is similar to allocations in recent years:

- \$7.7 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.
- \$4.2 billion to Proposition 1A for the High-Speed Rail Authority to continue building the 119-mile Central Valley Segment from Madera to just north of Bakersfield.
- \$1.4 billion for Active Transportation Program projects, the Highways to Boulevards Pilot, and climate adaptation projects.
- \$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.
- \$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.

The Budget makes reductions, shifts, and delays in funding across various transportation programs to help address the shortfall, totaling \$200 million in General Fund reductions, \$791 million in shifts, and \$3.1 billion in delays.

Reductions

- \$200 million to the Active Transportation Program.

- ***RPPG Note: This leaves the Active Transportation Program with \$850 million in one-time funding. To ensure no impact on previously awarded projects, the \$200 million reduction will be backfilled from ATP funding that was anticipated to be available for allocation in future cycles. This, however, means that future awards may be considerably more competitive.***

Shifts

- \$529.7 million from transit and rail project competitive grants to the Greenhouse Gas Reduction Fund.
- \$261.4 million of the remaining \$1 billion to the Greenhouse Gas Reduction Fund.

Delays

- \$2.1 billion to the Competitive Transit and Intercity Rail Capital Program from 2021-22 to as late as 2027-28 to align the budget with expenditure schedules. This will not have a programmatic impact.
- \$1 billion of transit and rail project formula grants from 2024-25 to 2025-26, leaving \$1 billion remaining in 2024-25.

ZEV Infrastructure

The 2021 and 2022 Budgets committed \$10 billion over five years in investments to the state's zero-emission vehicles (ZEV) agenda. The 2024-25 Budget maintains the \$10 billion in investments, with specific focus on disadvantaged and low-income communities. Particular highlights include:

- \$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.
- \$1.1 billion for the Zero Emission Transit Capital Program.

Reductions

- \$38 million in total reductions in the General Fund for various programs including:
 - \$23.5 million reduction in Drayage Trucks and Infrastructure Pilot Project.
 - \$7.3 million reduction in ZEV Manufacturing Grants.
 - \$7.3 million reduction in Emerging Opportunities.

Shifts

- \$475.3 million in total shifts from the General Fund to the Greenhouse Gas Reduction Fund for various programs including:
 - \$218 million shift to ZEV Fueling Infrastructure Grants.
 - \$157 million shift to Drayage Trucks and Infrastructure.
 - \$28.5 million shift to Transit Buses and Infrastructure.
 - \$71.3 million shift to Clean Trucks, Buses and Off-Road Equipment.

Delays

- \$600 million in total delays from the General Fund to the Greenhouse Gas Reduction Fund across 2024-25 to 2027-28 for various programs including:
 - \$45 million delay in Clean Cars 4 All and Other Equity Projects.
 - \$120 million delay in ZEV Fueling Infrastructure Grants.
 - \$80 million delay in Equitable At-home Charging.
 - \$98 million delay in Drayage Trucks and Infrastructure.
 - \$137 million delay in Clean Trucks, Buses and Off-Road Equipment.
 - \$100 million delay in Community-Based Plans, Projects and Support/Sustainable Community Strategies.

- **RPPG Note:** As the Agency continues to meet its obligations under the Clean Fleet regulations these funding sources will be important for conversion. Delays in funding run counter to the policy goals set by the Administration.

Economic Development

RPPG Note: For major economic development programs tracked by local agencies, the Governor's budget proposal is a "glass half-full." Compared to cuts made in housing and other policy areas, these programs were relatively spared, and some even augmented. CERF is funded at \$100 million annually over three years, and having \$300 million in funding "delayed," is better than having it permanently "reduced or reverted." An additional \$60 million is proposed for California Competes grants, and \$50 million to recapitalize the IBank's Infrastructure State Revolving Fund.

In brief, the Budget:

Allocates

- \$60 million to extend the California Competes grant program for one additional year.
- \$50 million to recapitalize the IBank's Infrastructure State Revolving Fund.

Delays

- \$300 million (out of the original \$600 million appropriated) to the Community Economic Resilience Fund (CERF), now called California Jobs First, while still including \$100 million General Fund annually in 2024-25 through 2026-27 for this program to support resilient, equitable, and sustainable regional economies.

Reductions

- \$10 million reduction to the Emergency Medical Technician training program at EDD. The Budget maintains \$30 million General Fund for this program over two years.

Public Safety

During the January 10 press conference, the Governor mentioned "creating a safer California" as one of his top priorities and said that as part of his public safety plan, the state would be hiring 1,000 new California Highway Patrol officers. He also touted the county and city partnerships that his Administration has made to fund grant programs to address organized retail theft. He further stated that, "A state's vision and commitment is realized at the local level."

Maintains

- The Budget maintains \$1.1 billion in recent public safety investments to keep Californians safe, including:
 - \$373.5 million in General Fund over four years to combat organized retail theft and to bolster local law enforcement efforts to address retail theft and other crimes.
 - \$200 million in General Fund over three years for the California Violence Intervention and Prevention (Cal VIP) Grant Program.
 - \$15 million in one-time General Fund across 2021-22 and 2023-24 on raising awareness on gun violence restraining orders.
 - \$75 million in one-time General Fund over three years to increase support for local law enforcement mutual aid, including support during disasters and emergencies.
 - **RPPG Note:** This is important to note given the heightened risks of landslides for the City.

- \$15 million in one-time General Fund over three years for the California Internet Crimes Against Children Task Force.
- \$65 million in one-time General Fund for officer wellness and training, including research and grants to support peace officers' physical, mental, and emotional wellness. Additionally, a Use of Force and De-escalation Training pilot program was added to fortify positive policing strategies.
- \$10.7 million over three years in General Fund to the California Highway Patrol for the Highway Violence Task Force.
- \$5.5 million in one-time General Fund to the California Highway Patrol for the Sideshow Task Force, which is meant to combat illegal street racing and sideshow activities.
- \$30 million in General Fund over two years to further expand the Military Department's existing drug interdiction efforts to prevent drug trafficking by transnational criminal organizations throughout the state, with a particular focus on assisting federal, state, local, and tribal law enforcement agencies in combatting fentanyl.
- \$87.8 million in net General Fund savings from Proposition 47. These funds are allocated according to the formula specified in the ballot measure, which requires 65 percent be allocated for grants to public agencies to support various recidivism reduction programs (such as mental health and substance use treatment services).

Reductions

- \$21 million in the Office of Emergency Services Gun Buyback Program.
- \$20 million in the Judicial Council Firearm Relinquishment Grant Program.
- \$835,000 reduction in the Proud Parenting Grant Program.

Loans

- A Budgetary loan of \$100 million from the Cannabis Tax Fund to the General Fund is proposed from resources not currently projected to be used for operational or programmatic purposes.

TIMELINE: STATE BUDGET ADOPTION

Budget Hearings Begin: Budget committees in each house of the Legislature will meet and confer over specific items germane to their respective policy areas. Each house will move to adopt its version of the state Budget leading into final negotiations with the Governor.

Mid-May: The Governor will release an updated fiscal forecast with potential revisions of the number shown above in mid-May, known as the "May revise".

June 15: The Legislature must vote on a balanced Budget package, the main Budget bill, to send to the Governor by June 15th to adhere to the constitutional deadline.

Budget Deal: Prior to the Democratic supermajority in both houses, the Assembly and Senate would convene a Budget conference committee to resolve differences in their respective spending plans. However, it is now more commonplace that the Administration and legislative leadership negotiate a deal privately.

June 30: The Governor then has a deadline of June 30 to sign the balanced Budget package and the Budget deal. For both, the Governor may line-item veto specific appropriations. July 1 marks the start of the new fiscal year.

It is important to note that the June 30 constitutional deadline does not apply to Budget Trailer Bills (BTBs), which are bills that ‘trail’ behind the main Budget bill for purposes of augmentation. BTBs are typically germane to one specific policy category. However, it is commonplace that a general BTB, also referred to as a “Budget Bill Jr,” is introduced which amends many sections of the adopted balanced Budget. There can be several iterations of a Budget Bill Jr in any given Budget year.

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