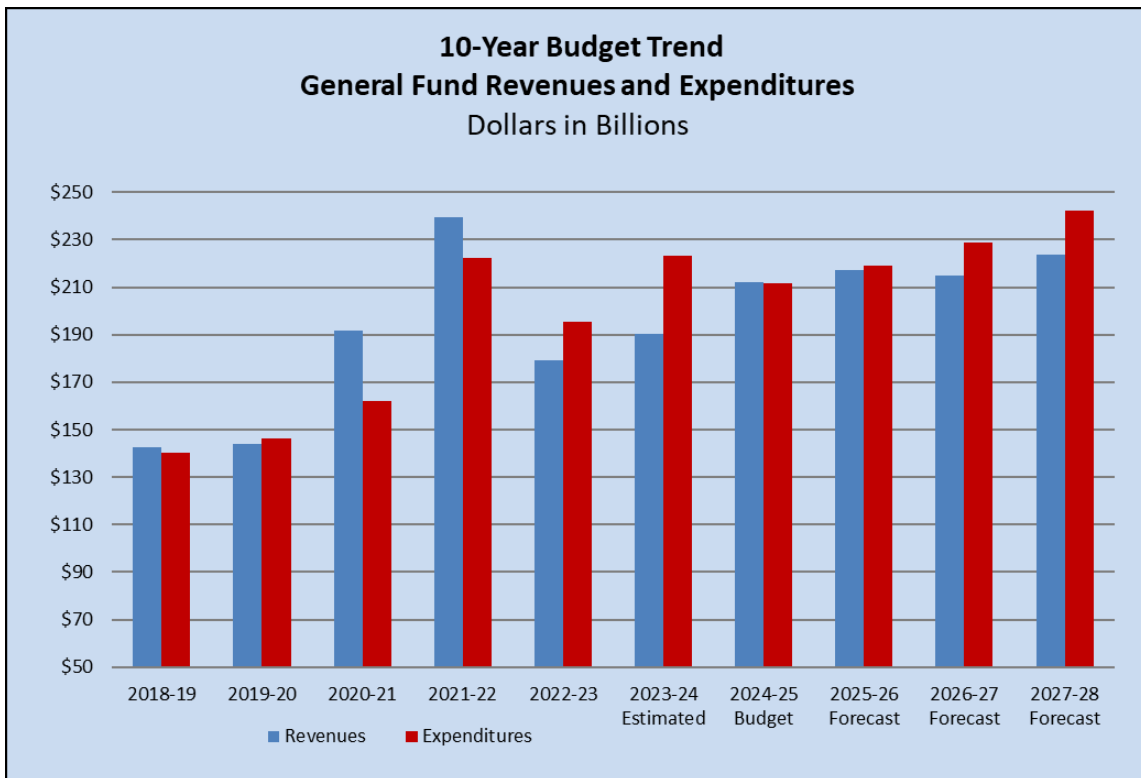




2024-25 Enacted Budget: Quick Summary

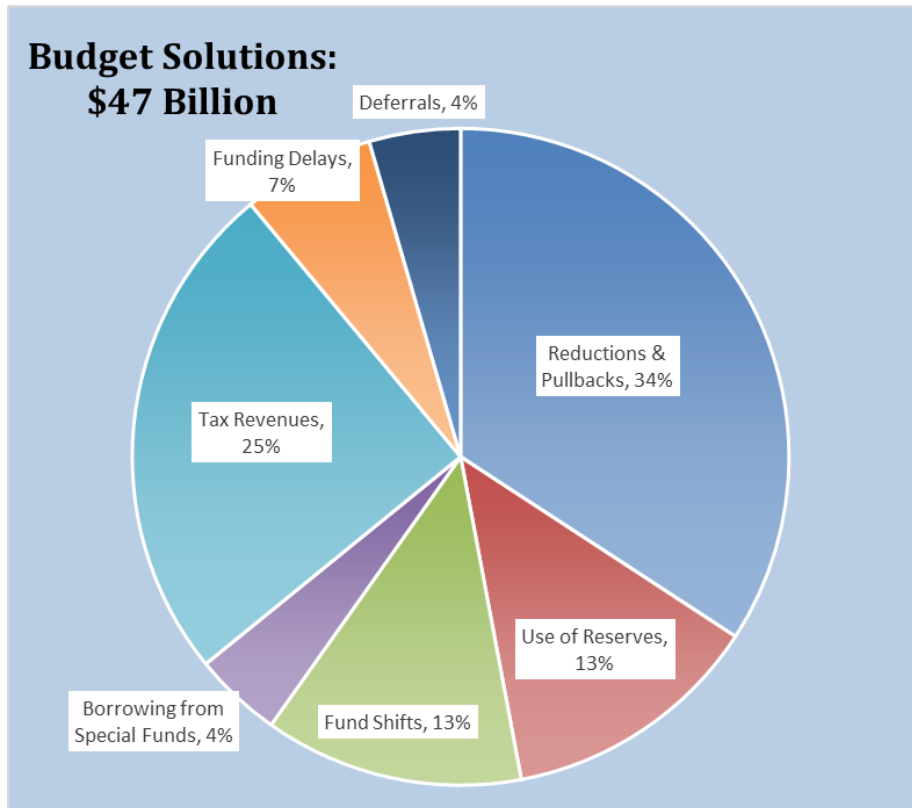
Overall Budget

Enacted Budget Continues Long-Term Trend of Spending Growth and Deficits. The newly enacted budget would spend nearly \$212 billion General Fund in 2024-25, a decline of about \$12 billion from the prior year. Despite the deficit, the budget would still spend \$16 billion General Fund more than the level seen just two years ago in 2022-23. The three future years included in the forecast would continue that long-term growth trend in spending, which would exceed revenues throughout that timeframe and likely longer. The budget is precariously balanced through 2025-26, but only on paper while using the Governor’s more optimistic tax revenue assumptions and ignoring billions in spending that is likely to occur. The enacted spending path is on pace to create operating deficits of \$14 billion in 2026-27 and \$18 billion in 2027-28, even without a decline in revenue or further increase in spending.



Budget Solutions Mix Largely Short-Term. The deficit solutions in the enacted budget total nearly \$47 billion according to the Governor’s estimate. Overall, the mix of solutions has improved since the Governor’s initial January budget proposal, which left a sizable deficit in place for 2025-26. That deficit

is mostly addressed, at least on paper, but two-thirds of the solutions are still one-time or short-term in nature. Only 34 percent of the solutions are characterized as spending reductions, though some of these are recoveries of previously approved funds that went unspent for various reasons and would have been recovered anyway. The \$47 billion solutions package includes the components summarized in the charts below. The largest individual items include use of reserves (\$6 billion), tax increases on businesses (\$6 billion), tax increases on managed care plans (\$5.6 billion), and an across-the-board reduction to state operations (\$2.2 billion).



Budget Solutions (Dollars in Billions)	% of Total	
	\$	Total
Reductions & Pullbacks	\$ 16.0	34%
Use of Reserves	6.0	13%
Fund Shifts	6.0	13%
Borrowing from Special Funds	2.0	4%
Tax Revenues	11.6	25%
Funding Delays	3.1	7%
Funding Deferrals	2.1	4%
Total	\$ 46.8	100%

Governor’s Deficit Differs from Nonpartisan Estimate and Is Likely Understated. Defining the deficit has proven unexpectedly difficult. The Governor’s January deficit estimate of \$38 billion was markedly lower than the \$68 billion projection offered by the nonpartisan Legislative Analyst’s Office (LAO) at that time. In February, the LAO updated its deficit estimate to \$73 billion, following weaker-than-expected tax revenue receipts in December and January. The enacted budget purportedly solves a deficit of \$47 billion, though the LAO estimated that the Governor’s May Revision addressed a \$55 billion deficit under more typical accounting methods. In turn, the LAO updated its own deficit forecast, which indicates the new deficit total is about \$62 billion.

The primary differences between the Governor’s and LAO’s estimates are that (1) the Governor assumes revenues would be \$6 billion higher than the LAO, before accounting for the tax policy changes, and (2) the Governor preemptively removed some solution proposals from the deficit calculation, even though those solutions were not part of the budget “baseline.” This unusual accounting included pre-counting an eventual \$6 billion education borrowing scheme. The Governor’s atypical accounting approach arguably reduces the size of the deficit artificially.

In addition to the unusual accounting, the Governor’s view of the deficit likely undercounts spending for the healthcare minimum wage mandate by potentially \$2 billion (see *Health* section for discussion). The budget also does not include potential spending under bond measures for education (AB 247) and climate (SB 867) that the Governor is likely to sign into law to be placed on the November 2024 ballot. Spending under those bonds could total several hundred millions dollars per bond per year, depending on the timing of actual bond sales.

Reserve Use Spread Out Over Two Years. The enacted budget would use \$6 billion from General Fund reserves in 2024-25, including a withdrawal of \$4.9 billion from the Rainy Day Fund authorized by Proposition 2 (2014). The budget also withdraws the entire \$900 million balance from the Safety Net Reserve. The state’s remaining reserve balances at the end of 2024-25 would total nearly \$18 billion in the Rainy Day Fund and a discretionary reserve of \$3.5 billion (Special Fund for Economic Uncertainty). The 2025-26 budget would withdraw \$7 billion from the Rainy Day Fund, helping to avoid a deficit in the forecast for that year. The enacted budget package also uses all of the public school reserve of \$8.4 billion to cover the suspension of the Proposition 98 education spending guarantee in the 2023-24 fiscal year.

Tax Policy

Raising Billions in New Taxes. Despite Governor Newsom’s claim that he is not raising taxes, the budget raises taxes by \$6 billion in 2024-25, and by nearly \$16 billion over a multiyear period, through business tax increases that could also drive consumer prices higher. Specifically, the budget suspends the use of Net Operating Losses (NOL) for medium and large businesses and also limits business tax credit use to \$5 million per year for tax years 2024, 2025, and 2026. The budget also includes a statutory trigger to rescind these tax changes if revenues are determined to be sufficient in 2025 and 2026, and also authorizes refundability of tax credits for all businesses impacted by the tax credit limitation. The budget assumes revenue of \$850 million in 2023-24, \$6 billion in 2024-25, and \$5.5 billion in 2025-26, and \$3.4 billion in 2026-27 as a result of both the suspension and credit limitation.

Low-Income Housing Tax Credit. The budget provides \$500 million for the Low-Income Housing Tax Credit Program to support low-income housing development, thus maintaining one tool that developers of “affordable housing” use.

Health

Another Managed Care Organization (MCO) Tax Bill. Adding to our dependency on Washington DC, the enacted budget added another MCO Tax trailer bill in order to generate more federal funds to balance the budget. This action produces \$1.8 billion in additional General Fund relief in 2024-25 and an additional \$3.3 billion in later years. Overall, the MCO tax will raise \$26 billion in tax revenue over multiple years.

Democrats Play Games with MCO Tax. While this budget does include some Medi-Cal provider reimbursement rate increases funded by the MCO tax, the budget also includes language to make these increases inoperable if the Medi-Cal provider backed ballot measure is approved by the voters in November 2024. That ballot measure would permanently use all of the MCO tax for provider reimbursement rate increases. This maneuver by the Governor and legislative Democrats makes the public choose between two lists of provider reimbursement rate increases, pitting some Medi-Cal providers against others politically to retain their piece of the MCO tax pie.

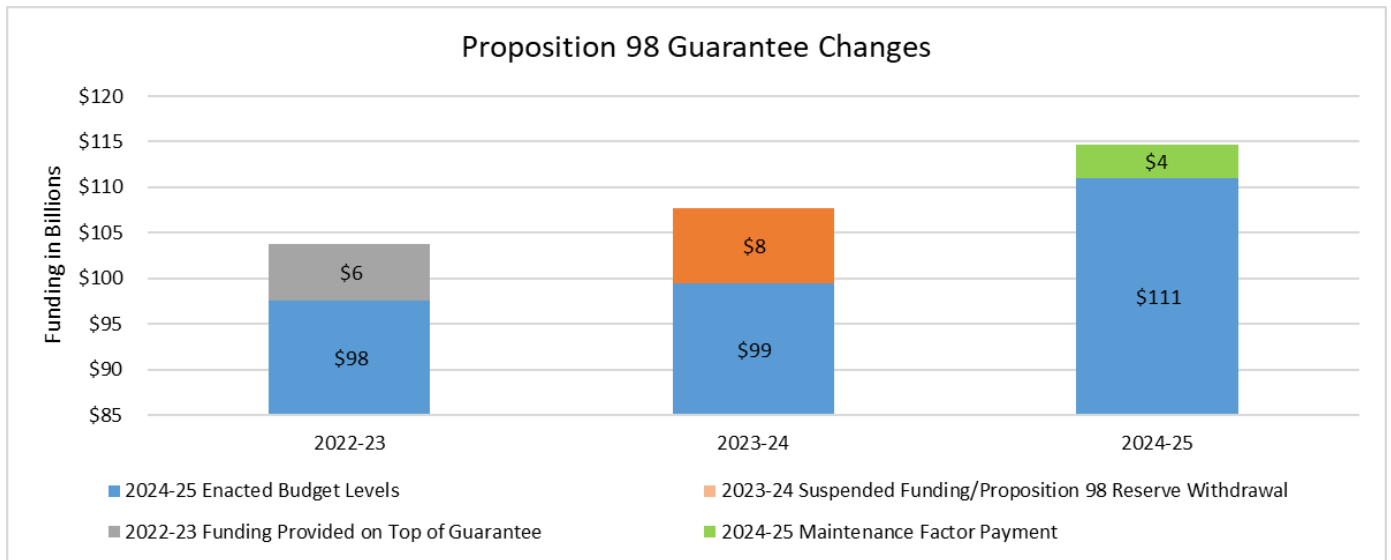
To make matters worse, the budget sweeps over \$6 billion of MCO tax funds away from possible Medi-Cal provider reimbursement rate increases and uses it to close the deficit. All of these hijinks signal to the public that Democrats aren't really serious about actually improving Medi-Cal.

Healthcare Minimum Wage Mandate Delayed. The final budget fails to eliminate the costly healthcare minimum wage mandate in SB 525 (Durazo, 2023), but instead delays the bill's implementation to either October 2024 or January 2025, depending on the state's revenue collections. The Department of Finance projected in 2023 that the mandate could cost up to \$2 billion in General Fund annually. The budget fails to include the realistic costs of the bill, which means the budget is not truly balanced in all likelihood.

No Cuts to Undocumented Medi-Cal Eligibility. The budget fully funds the previously authorized full-scope Medi-Cal eligibility, including In Home Supportive Services eligibility, to an estimated 1.3 million undocumented individuals at a cost of \$5.4 billion General Fund in 2024-25. The final piece of the expansion, covering childless adults ages 26 through 49, launched January 1, 2024, without any delay, despite the massive deficit.

K-12 and Early Education

Education Spending Grows Through Many Moving Pieces. The Proposition 98 TK-14 education guarantee for the 2024-25 budget year is \$115 billion, nearly \$16 billion over the 2023-24 guarantee of \$99 billion. The education budget package includes several moving pieces, as summarized in the chart on the next page and described below.



- **Unprecedented Borrowing Scheme.** The enacted budget includes a reduced version of the Governor’s unprecedented scheme to keep schools whole for 2022-23 by “borrowing” \$6.2 billion from cash reserves and paying it back in future years outside the normal Proposition 98 mechanisms. The budget would repay these funds to the state from non-Proposition 98 General Fund over a ten-year period from 2026-27 through 2035-36. The nonpartisan Legislative Analyst’s Office criticized this scheme and described it as setting a bad precedent.
- **Suspending the Guarantee.** The overall budget package suspends the 2023-24 Proposition 98 guarantee by \$8.3 billion, which creates a “maintenance factor,” or debt to schools, for the same amount. Maintenance factor payments will be made over time to build the guarantee back-up to what it would have been absent the suspension. The 2024-25 budget makes a maintenance factor payment of \$4.1 billion in the guarantee for 2024-25, leaving another \$4.6 billion owed to schools for future years. This mechanism is part of the constitutionally approved funding approach, unlike the borrowing scheme described in the previous paragraph.
- **School Reserve Withdrawal.** The overall education package withdraws the full Public School System Stabilization Account (Proposition 98 Reserve) balance of \$8.4 billion in 2023-24 to cover costs related to the suspension. The 2024-25 budget deposits \$1 billion back into the Proposition 98 Reserve.

Per Pupil Spending Rises Again. After all of these shifts, ongoing TK-12 Proposition 98 per pupil expenditures would reach \$18,339 in 2024-25, and \$24,314 per pupil when accounting for all TK-12 funds.

Eliminated Planned Investments in School Facility Programs. The budget eliminates a planned \$550 million one-time General Fund investment in the Preschool, Transitional Kindergarten, and Full Day Kindergarten Facility Grant (FDK) program, and another \$875 million one-time General Fund investment in the School Facility Program. Both amounts were planned for the 2024-25 fiscal year. These eliminations were made in anticipation of the Legislature passing AB 247 (Muratsuchi), a November 2024 School Facility Bond initiative. Voters rejected the most recent school bond, Proposition 13 in 2020, and the last school bond passed by voters was Proposition 51 in 2016. The State Allocation Board has noted that if project processing continues at the current processing rate, currently authorized funding for New Construction and Modernization projects (after Unfunded Approvals) may be exhausted by January 2025.

Cuts Funding and Expanded Inclusivity for Disabled Children. The 2024-25 budget repeals the requirement that, starting July 2025, at least 7.5 percent of funded enrollment slots in California state preschool programs be reserved for students with disabilities. The required percentage would have increased to 10 percent in July 2026. By repealing the planned expansions, the budget indefinitely extends the current 5 percent requirement. The budget also sweeps \$150 million in Inclusive Early Education Expansion Program (IEEEP) grant funding. The IEEEP funding is intended to increase inclusion for children with disabilities and exceptional needs, including children with severe disabilities, in early care and education settings. These actions show a lack of prioritization for children in the disabled community.

Higher Education

University Base Funding Maintained. The enacted budget rejects the Governor’s January proposal to defer the previously approved base funding increases of 5 percent for the University of California (UC) and the California State University (CSU). Instead, the budget provides these base increases in 2024-25 but states intent to defer the schedule 2025-26 increases by a year. The UC and CSU systems would still be subject to the broader budget’s across-the-board operations reduction of 7.95 percent in 2024-25, resulting in cuts of \$125 million for UC and \$75 million for CSU. It is not clear how the two systems will achieve those savings, and both systems already have tuition increases scheduled.

Student Financial Aid Protected. The budget rejects the Governor’s May Revision proposal to cut Middle Class Scholarship by \$510 million and instead maintains this funding. Also, the budget would implement a scaled-down version of the Cal Grant reform effort that previously depended on a “trigger” mechanism to implement.

Student Housing and Campus Infrastructure Shift to Bond Funding. Previous budgets approved billions of dollars in General Fund grants and loans to universities and community colleges for student housing projects and other campus facilities. This included \$1.4 billion for various student housing projects and over \$1 billion for other facilities. The 2023-24 budget clawed back the funds and shifted those projects from cash to lease-revenue bonds. The University of California and California State University systems are accustomed to issuing such bonds, but the clawback is a challenge for community colleges, some of whom had begun to spend funds on their projects. The 2024-25 budget package develops the financing structure for the community college student housing statewide lease revenue bond for 13 campuses.

Community College Nursing Expansion. The higher education trailer bill, SB 155, establishes the Rebuilding Nursing Infrastructure grant program for community college districts to expand educational opportunities in the nursing field. To support this program \$60 million Proposition 98 General Fund will be provided annually for five years, starting in 2024-25.

Campus “Climate Action Plan” for Protests and Free Speech. The budget bill (AB 107) requires each UC and CSU campus to prepare a campus “climate action plan” regarding on-campus protests by October 1, 2024, as a condition of receiving \$50 million of state funding. The plan must include each campus’s “Time, Place, and Manner” policy, which identifies the allowable parameters of free speech activities, and the Student Code of Conduct, which determines acceptable student behavior.

Housing and Homelessness

Reduces \$1 billion in Funding for Several Housing Programs. The budget includes a reduction of more than \$1 billion from various housing programs, including the elimination of all remaining program

funding for the Foreclosure Intervention, Housing Preservation Program (\$484 million), the Infill Infrastructure Grant program (\$235 million), the CalHome program (\$153 million), the Adaptive Reuse program (\$128 million), and the Veteran's Housing and Homelessness Prevention Program (\$77 million).

Maintains \$575 Million For Affordable Housing and Local Planning Grants. The budget continues to provide \$315 million for the Multi-Family Housing Program, originally appropriated for the program in the 2023-24 budget, and also maintains \$260 million (of the \$300 million available for expenditure) for the Regional Early Action Planning Grants program appropriated as part of the 2021-22 budget.

Homeless Housing Assistance and Prevention Program. The budget provides \$1 billion General Fund for Round 6 of the Homeless Housing Assistance and Prevention (HHAP) Program. A budget trailer bill, AB 166, includes additional implementation and reporting requirements for this new round of flexible funding available to local and tribal entities. These new requirements are apparently a response to the severe criticism leveled by a recent State Auditor report regarding the lack of accountability for homelessness programs. The new steps may be a small improvement, but do not go far enough to ensure that billions spent to combat homelessness actually accomplish anything meaningful. The budget also includes a reversion of \$260 million in supplemental funding that remains from Rounds 3 and 4 of the HHAP program.

Encampment Resolution Grant Program. The budget provides \$150 million General Fund in 2024-25 for the Encampment Resolution Grant Program, and would include an additional \$100 million for the program in 2025-26. Combined with new legal tools available following the U.S. Supreme Court's recent *Grants Pass* ruling (a decision supported by Governor Newsom despite his hyperbolic criticism of the Supreme Court), hopefully these funds will prove to be more effective going forward.

Natural Resources and Environment

Cap and Trade Fund Shifts. The budget redirects \$5.2 billion over five years from the General Fund to the Greenhouse Gas Reduction Fund to help close the deficit. However, Cap and Trade funds continue to provide over \$1 billion per year to pay for the failing High Speed Rail project, which likely will never offer any real net reduction in greenhouse gases.

Vulnerable Community Clean-Up. The budget provides \$554 million (General Fund) over three fiscal years for the discovery, cleanup, and investigation of contaminated properties in vulnerable communities.

CalFire Investments: The budget also continues to support the statewide wildfire mitigation and response investments from prior years while looking ahead at the growing need for resources in this area by providing \$50 million (\$42 million General Fund and \$8.3 million special funds) for a variety of investments to bolster CalFire's ability to prevent and respond to wildfires, as detailed below:

- **New CalFire Training Facility:** \$31.6 million General Fund for the acquisition phase of establishing a new, additional CalFire training facility, with a total estimated project cost of \$631.5 million.
- **ALERTCalifornia Fire Camera Mapping System:** \$10.4 million General Fund appropriated to CalFire for providing funding to the University of California, San Diego's ALERTCalifornia for digital imagery to support its fire camera mapping system.

- **CalFire Deferred Maintenance, Ecological Monitoring, and Special Repairs:** \$8.34 million appropriated for various CalFire initiatives, including \$2.6 million for deferred maintenance and special repair projects, \$5.74 million for Ecological Monitoring, Research, and Adaptive Management.

Watershed Protection and Climate Resiliency Funding: The budget provides \$37 million (General Fund) to the Wildlife Conservation Board for improving watershed protection and climate resiliency, including \$18.5 million for the Cascades and High Sierra Upper Watersheds Program and \$18.5 million for the Land Acquisition and Habitat Enhancement Program.

Energy and Utilities

Clean Energy Programs. The budget includes \$117 million for various clean energy programs. This is part of a multi-year energy package that originally included \$9 billion in spending over five years, but was modified last year to \$8 billion over six years. As a result of the most recent budget negotiations, the package is further reduced by \$1.5 billion to \$6.5 billion over seven years.

Clean Energy Reliable Investment Plan. The budget delayed planned expenditures of \$100 million from 2024-25 to future years, and shifted planned future spending of \$900 million for this program from the General Fund to the Greenhouse Gas Reduction Fund (cap and trade revenues). Notably, the entire \$1 billion planned for this program is retained.

Middle Mile Broadband Initiative. The budget provides \$250 million General Fund within the California Department of Technology for the Middle Mile Broadband Initiative, and requires prioritization of unserved and underserved areas. Additionally, the budget provides authority for an additional \$250 million augmentation if certain reporting requirements are completed.

Broadband Grant Programs. This budget reduces the Broadband Loan Loss Reserve program by \$125 million. The budget also reflects a delay of \$200 million in Last-Mile Broadband funding from 2024-25 to 2027-28. As a result of these actions, the Last-Mile Broadband funding remains whole at \$2 billion over the long term while the Loan Loss Reserve would be reduced from \$750 million to \$50 million.

Transportation

Gasoline Taxes Increase Again. The automatic annual gas tax increase raised the price of gas by 1.7 cents per gallon, effective July 1, 2024. These increases will generate about \$262 million in tax revenues, bringing total gas and diesel tax revenue to an estimated \$9.5 billion for 2024-25.

Transit Bailout. The budget includes \$3.4 billion to bail out failing transit systems. Additionally, \$1.7 billion is promised, but not guaranteed, in future years, as part of the \$5.1 billion multi-year package. Between 2014 and 2018, California lost over 165 million annual transit boardings. Given these types of statistics and the massive budget deficit that had to be addressed in this budget, prioritizing such a large amount of money for a failing industry is mindboggling.

Zero-Emission Vehicle and Infrastructure Subsidies. The budget includes \$350 million for zero emission vehicle (ZEV) subsidies, infrastructure, and equity projects. In prior budgets, the Governor committed \$10 billion over five years to transition Californians to ZEVs, aligning with state regulations to ban the sale of gasoline cars by 2035. This budget reduces that commitment by about \$900 million, maintaining \$9.2 billion over seven years.

High-Speed Rail. The 2022-23 budget included \$4.2 billion in remaining Proposition 1A (2008) bond funds for the High-Speed Rail Authority to continue the construction of the Merced to Bakersfield high-speed rail line. While previously appropriated, these funds are spent over several years. For context, \$1.6 billion in Prop 1A funds were spent in 2022-23, and updated projections reflect \$1.7 billion spent in 2023-24. In addition to spending previously appropriated bond funds, the budget includes \$928 million in 2024-25 from Cap and Trade funds. Given the nearly \$100 billion shortfall that High-Speed Rail faces to ever be completed as promised, the budget could have redirected Cap and Trade funds from High-Speed Rail to generate General Fund savings in other areas of the budget.

Public Safety and the Judiciary

Closing Housing Units Better Than Closing Whole Prisons. The 2024-25 Budget Act reflects the Governor's plan to deactivate 46 individual housing units across 13 prisons, totaling approximately 4,600 beds. The prison population continues to trend downward, which allows the administration to deactivate some capacity. However, the trend continues not because fewer felonies are being committed, but largely because of the Governor's massive expansion of sentence credits in response to the broad authority provided by Proposition 57 (2016).

In contrast to the shrinking prison population, violent crime has increased dramatically over the past decade. Fueled by diminished sanctions for criminal behavior provided by Propositions 47 (2014) and 57, violent crime overall has increased by 32 percent since 2013 (the last full year before Proposition 47 was enacted). Over that same period, homicides increased more than eight percent, rapes increased a shocking 84 percent, and aggravated assaults went up by 52 percent (including aggravated assaults with a firearm, which are up 87 percent, despite the ruling party's zeal in enacting ever-stricter gun control laws). It is entirely predictable that crime will continue to increase until these policies are changed.

Meanwhile, state prisons have about 15,000 empty prison beds. While advocates and legislative Democrats are pushing hard for additional permanent prison closures, the Governor has opted to instead deactivate individual housing units throughout the system, which still provides some savings while preserving bed capacity that could be reactivated if the prison population should grow. Reopening a mothballed prison is much more difficult and costly than reactivating a few housing units. Given the possible reversal of the downward population trend if violent crime continues to increase, deactivating housing units is far preferable to closing entire prisons.

Across-the-Board Cuts to Trial Courts are Shortsighted. The enacted budget includes a \$97 million unallocated reduction to the trial courts, mirroring the administration's 7.95 percent across-the-board reduction to nearly every state department. However, the trial courts are not funded on a workload basis like most state departments. Their budget is based more on "throughput" and funds a set number of judges and courtrooms, plus necessary support resources. They address caseloads within budgeted resources by adjusting court calendars to accommodate criminal caseloads, which have statutory timelines to ensure each defendant's right to a speedy trial is upheld, and civil caseloads, which generally have no statutory timeline requirements. Thus, while the Governor's blind application of an arbitrary 7.95 percent unallocated reduction to the trial courts saves some money in the short term, it will lead to further delays to civil cases, many of which already take more than a year to be resolved.

Attorney General's Battle with Big Oil Will Hurt Struggling Californians. The enacted budget includes \$5 million from the Unfair Competition Law Fund per year for the next three years to fund the Attorney General's social justice litigation against oil companies. These misguided lawsuits will simply

drive up the cost of oil and petroleum-based products and are more likely to hurt Californians who are already paying too much for fuel and energy than actually help the environment.

General Government

State Operations Savings. The budget reduces nearly all departments' operating budgets by up to 7.95 percent in 2024-25, including personnel, operating costs, and contracting costs. The budget requires the Department of Finance (DOF) to notify the Joint Legislative Budget Committee of the necessary adjustments, and also requires DOF to provide, as part of the Governor's January budget proposal for the 2025–26 fiscal year, how the reduction in state operations expenditures was achieved. The action would generate savings of \$2.2 billion in 2024-25 and \$2.7 billion annually.

Vacant Position Sweep. The budget permanently eliminates about 10,000 vacant positions from state departments beginning in 2024-25, yielding estimated savings of \$763 million General Fund annually. Over the past three years, the number of state employees has grown significantly, from 384,000 in 2020-21 to 426,000 in 2024-25, including higher education. With the influx of new revenue in the past few budgets, a frenzy of new spending led to a huge number of new programs, which in turn led to increases in the number of state employees. As revenues have declined, it is appropriate to reconsider the level of state employees to ensure equitable distribution and appropriate staffing given the size of programs going forward.

State Capitol Building Annex Project. The budget appropriates \$300 million General Fund in 2024-25, and commits an additional \$250 million in 2025-26 and \$150 million in 2026-27 to continue the acquisition, design, and construction of the State Capitol Building Annex. The budget also provides the Annex Project with an exemption from the California Environmental Quality Act through the end of the project. Since the environmental impact report is already completed, this action serves to prevent current and future potential CEQA lawsuits against the project.

New Name for Governor's Office of Planning and Research. The budget includes a reorganization of the Governor's Office of Planning and Research (OPR), including a new name, the Governor's Office of Climate and Land Use Innovation. The budget also shifts a number of programs from OPR to the Governor's Office of Business and Economic Development and the Health and Human Services Agency, and establishes a new Governor's Office of Service and Community Engagement (GO-Serve) encompassing what is currently California Volunteers, the Office of Community Partnerships and Strategic Engagement, and the Youth Empowerment Commission. This grandiose renaming accompanies massive growth of OPR under Governor Newsom, from a research group of \$54 million in 2016-17 to over \$1 billion in various programs administered for 2024-25.

College Corps, Youth Jobs Corp, Climate Action Corps Programs Prioritized. Even though the budget includes billions in cuts and delays for critical priorities, such as developmental services rate increases, the Governor's recently established volunteer programs mysteriously remain a priority. The 2024 budget includes more than \$170 million for these programs, leaving the full base funding intact.

Department of Real Estate (DRE) Fee Increases. The budget increases the DRE's current fees, and increases the statutory fee cap by 30 percent, allowing the department to increase fees in the future via regulations rather than through statutory changes. A budget trailer bill requires DRE, in the course of requesting a regulatory fee increase proposal, to report on the financial status of the department.

Labor and Employment

Unemployment Insurance (UI) Debt Interest Payment. The state is responsible for interest due on money borrowed from the federal government for UI benefit payments. The outstanding loan is currently \$19.1 billion. The budget includes an annual interest payment for 2024-25 of \$484 million. As an early action, \$100 million of the interest payment was shifted from General Fund to the Employment Training Fund. California and New York were the only two states that chose *not* to pay off their UI debts following the pandemic, which means private job providers in the state will be subject to annual tax increases of \$21 per employee to pay off the principal of the debt. This will take years to accomplish, during which the state budget will continue to be on the hook for the hundreds of millions of dollars in interest costs.

Human Services and Child Care

Cut to the Developmentally Disabled. The enacted budget delays the long-awaited final rate increase to developmentally disabled providers, thereby saving \$306 million in one-time General Fund. This cut emphasizes that the Democrats are willing to balance the budget with cuts to this specific vulnerable population, all while spending billions on other priorities, including new expansions elsewhere.

Establishes Permanent Foster Care Rate Reform. The budget initiates the implementation of a new permanent foster care rate structure that will begin in 2027. For now, the budget includes \$14.5 million one-time General Fund for automation costs, though the new rates would likely cost \$1 billion total funds (\$900 million General Fund) per year once fully implemented. The new rates would be based on the needs of a child or youth, rather than their placement type. Under the rate structure, a child will be assessed and placed into a tier based on their needs and strengths. The rates include three components: care and supervision, strengths building, and immediate needs. There is also an administrative rate component for foster care providers. The strengths building funding is for an array of support activities including, but not limited to, sports, clubs, drama classes, and transportation to religious, spiritual, or other cultural activities. Providing this specified funding will help support positive social connections, and allow the foster child or youth to engage in activities that have previously been deprioritized or restricted.

Sets Schedule for Child Care Slot Expansion and Continues Push For Alternative Rate Model. The budget sets in law the timeline for the full expansion of 200,000 child care slots, first initiated in the 2021-22 budget. To date, approximately 119,000 new child care slots have been added, with an additional 11,000 being funded in the 2024-25 budget and ongoing. The codified expansion would roll out all 200,000 slots by 2027-28. While the increase in child care opportunities is laudable, General Fund spending on child care has doubled since 2020-21. State costs will continue to grow as slots are rolled out, and the eventual implementation of an alternative rate methodology may potentially cost over ten billion per year.

Appendix: Trailer Bills

Bill	Subject (Date Enrolled or Chaptered)
SB 136	Medi-Cal: Managed Care Organization Provider Tax. (Ch. March 25, 2024)
SB 106	Budget Acts of 2022 and 2023. (Chaptered April 15, 2024)
AB 107	Budget Act of 2024. (Chaptered June 26, 2024)
SB 108	Budget Act Of 2024 (Junior). (Chaptered June 29, 2024)
SB 109	Budget Act Of 2023 (Junior). (Chaptered June 29, 2024)
SB 153	Education Finance. (Chaptered June 29, 2024)
SB 154	Prop. 98: Suspension (Chaptered June 26, 2024)
SB 155	Higher Education. (Chaptered July 2, 2024)
SB 156	Public Resources. (Chaptered July 2, 2024)
SB 159	Health. (Chaptered June 29, 2024)
AB 160	Medi-Cal: Managed Care Organization Provider Tax. (Ch. June 29, 2024)
AB 161	Human Services. (Chaptered July 2, 2024)
AB 162	Developmental Services. (Chaptered July 2, 2024)
SB 163	Childcare. (Chaptered July 2, 2024)
SB 164	State Government. (Chaptered June 29, 2024)
AB 166	Housing. (Chaptered July 2, 2024)
AB 168	Public Safety. (Chaptered July 2, 2024)
AB 169	Juvenile Justice. (Chaptered July 2, 2024)
AB 170	Courts. (Chaptered July 2, 2024)

AB 171	Labor. (Chaptered July 2, 2024)
AB 173	Transportation. (Chaptered July 2, 2024)
SB 174	CEQA: Capitol Annex. (Chaptered July 2, 2024)
SB 175	Taxation. (Chaptered June 29, 2024)