



# GOVERNOR NEWSOM'S MAY REVISION

**WHAT TO KNOW:** Over the last several years, Governor Newsom and the Legislature invested hundreds of billions of dollars in the things Californians care about most: education, health care, public safety, housing and homelessness, and climate action. This year, amid global economic uncertainty, the Governor's balanced budget proposal protects those core investments while closing a \$32 billion shortfall and maintains robust financial reserves amid ongoing economic unpredictability.

Building on the balanced plan put forward in January to bridge the budget deficit, the May Revision acknowledges the national economic risks and closes the shortfall while sustaining core programs like education, health care and climate action.

Short-term fluctuations in revenues will not hinder the deep investments we have made in California and its future. With unprecedented investments over the past two state budgets, in addition to funding from the federal Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA), California will invest more than \$180 billion over the next decade in clean energy, roads, bridges, public transit, water storage and conveyance, and affordable high-speed internet.

This budget outlines the priorities, policies and long-term investments that will guide the state's continued work to expand economic opportunity and build a safer, fairer and brighter future for all Californians.

## STRONG FISCAL FOUNDATION

*Managing national economic risks with smart fiscal action.*

**GROWING ECONOMIC RISKS.** Increased risks to the budget have arisen since January, risks that could significantly change the state's fiscal trajectory in the near term, including:

- **FALLOUT FROM A DEBT LIMIT IMPASSE:** With Republicans threatening to default on the nation's debt to make massive cuts to essential programs that every American depends on, this creates a significant and immediate risk to the state and the global economy.
- **HIGHER INTEREST RATES:** Interest rates were raised by a quarter point to 5.25 percent (the tenth rate hike in the past year), which could affect the budget.



- **DELAYED TAX RECEIPTS FROM FALL FILING DEADLINES:** Roughly \$42 billion in scheduled tax receipts will be delayed until October 2023, adding uncertainty and risk to budget projections.

**CALIFORNIA HAS BEEN PLANNING FOR THIS.** California has been prudent with previous-year surpluses, building budget reserves and limiting expansion of expensive ongoing programs:

- **BUILDING RESERVES & BUDGET RESILIENCE:** With a focus on maintaining the ability to respond to an economic downturn, the May Revision maintains \$37.2 billion in budgetary reserves.
- **ONE-TIME SPENDING:** Previous budgets focused primarily on one-time instead of implementing costly long-term obligations.
- **PAYING DOWN DEBTS:** Previous budgets dedicated one-time windfalls to pay down billions in debt obligations, other debts and long-term liabilities.

## TRANSFORMING EDUCATION

*California is building an education system to match the changing needs of our students and parents, from cradle to career.*

**FREE MEALS FOR EVERY STUDENT.** California is investing \$1.6 billion for all students, regardless of income, to access two free school meals per day – up to 12 million meals per day statewide.

**A BRAND NEW GRADE: IMPLEMENTING UNIVERSAL TRANSITIONAL KINDERGARTEN.** Continues to fully fund the first and second years of expanded eligibility for TK, creating a whole new grade.

**MORE AFFORDABLE CHILD CARE.** Invests over \$2 billion to support subsidized child care slot availability, providing thousands more slots that are more affordable for parents.

**BETTER, MORE AFFORDABLE HIGHER EDUCATION.** Continues historic reinvestment into public universities through the higher education compacts that Gov. Newsom brokered with the UC, CSU, and the Community College systems – increasing seats, closing equity gaps, creating debt-free pathways, and improving job pipelines. The Budget proposed 5% increases to higher education systems – \$216 million for the UC and \$227 million for the CSU systems, ongoing.

**MOVING TOWARD DEBT-FREE COLLEGE.** Continues advancing programs like College Corps, Cal Grant, Middle Class Scholarships, and college savings accounts to cut costs of higher education.



**MORE MONEY FOR SCHOOLS & TEACHERS.** Fully funding the 2023-24 cost-of-living adjustment of 8.22%, providing additional resources for schools, teachers, and staff as costs have increased.

**LCFF ACCOUNTABILITY & EQUITY MULTIPLIER.** Leveraging all \$80 billion in Local Control Funding Formula money, California is improving the accountability system to better address low-performing student groups and school-level equity gaps, and adding an Equity Multiplier – a \$300 million investment in schools with the greatest need.

**EXPANDING BEFORE & AFTER SCHOOL PROGRAMS. MORE COUNSELORS ON CAMPUS.** California continues to expand programs for kids before and after school. The state is also working to get more teachers and guidance counselors in the classroom.

## TACKLING HOMELESSNESS & HOUSING SUPPLY

*California is expanding our efforts to fight homelessness, clean up encampments and create more housing.*

**PROTECTING FUNDING TO FIGHT HOMELESSNESS.** Governor Newsom has invested \$15.3 billion to address homelessness – up from \$500 million when he took office and more than ever before in state history. The May Revision maintains billions of dollars for aid to local governments, encampment resolution grants, and more. With this funding will come new accountability – no more status quo.

**INCREASING HOUSING SUPPLY.** In the last four years, *California invested more to increase housing supply than ever before in state history* while holding local governments accountable. The state continues to deploy a comprehensive set of strategies – improving state financing, targeting housing investments, providing technical assistance, eliminating regulations, and leveraging land use tools. The state adopted a legally binding goal that local governments must plan to build approximately 2.5 million new units by 2030, and 1 million of these units must be affordable.

## PROTECTING HEALTH CARE ACCESS

*California is expanding access to health care for all, increasing investments in reproductive health care and behavioral health services, and fighting the fentanyl epidemic.*



**AFFORDABLE HEALTH CARE.** Following Governor Newsom's actions to expand health care access and reduce costs, the May Revision maintains billions to continue implementing these measures – programs like CalAIM to transform Medi-Cal, extending health care to low-income Californians of all ages regardless of immigration status, making insulin more affordable through CalRx, and more.

**MORE FAMILY PLANNING & PROTECTING THE RIGHT TO ABORTION.** Maintaining over \$200 million for reproductive health care and adding an additional \$200 million for family planning services.

**MORE MENTAL HEALTH SERVICES.** Sustaining over \$8 billion to continue expanding behavioral health services, especially for children and youth – including the Master Plan for Kids' Mental Health.

**CARE COURT.** A \$291 million investment for ongoing costs to fully implement the CARE Act, Governor Newsom's nation-leading approach to get those dealing with untreated and severe mental health disorders – who too often suffer in homelessness or incarceration – the help they need.

**INCREASING ACCESS TO NALOXONE.** Investing an additional \$172 million in the state's Naloxone distribution efforts over four years to ensure Californians continue to have the resources, outreach, and support they need as the state fights the ongoing opioid epidemic.

**SUPPORTING PUBLIC & NONPROFIT HOSPITALS.** Creating a new Distressed Hospital Loan Program to provide \$150 million in zero-interest loans to help public and not-for-profit hospitals at risk of closure due to extreme financial distress stay open, particularly in rural and disadvantaged communities.

## **FIGHTING CLIMATE CHANGE**

*California is leading the world in transitioning away from big polluters and toward clean energy, while protecting Californians from extreme weather like flooding and wildfires.*

**CALIFORNIA'S CLIMATE COMMITMENT.** California is advancing a \$48 billion multi-year commitment to implement its world-leading agenda to achieve carbon neutrality by 2045, protect communities from harmful oil drilling, deliver 90% clean electricity by 2035, and more. It also proposes the development of a Climate Resilience Bond to increase and sustain investments in our climate initiatives.

**ACCELERATING THE TRANSITION TO CLEAN ENERGY & CUTTING POLLUTION.** The May Revision invests tens of billions of dollars to get more Californians into zero-emission vehicles, build more clean energy capacity, and dramatically cut pollution by reducing our dependence on dirty fossil fuels.



**PROTECTING CALIFORNIANS FROM EXTREME WEATHER LIKE FLOODING & WILDFIRES.** California continues to face extreme weather conditions, and the May Revision prioritizes keeping people safe from wildfires, drought, extreme heat, and flooding. The May Revision includes \$290 million in new investments focused on urban flood risk reduction, Central Valley flood protection, and floodplain restoration. It also maintains \$2.7 billion for wildfire and forest resilience.

## KEEPING CALIFORNIANS SAFE

*More resources to support law enforcement, get guns off the streets, and combat the fentanyl crisis.*

**PUBLIC SAFETY PLAN.** The May Revision sustains over \$800 million in record-level public safety investments, including supports for victims' services, officer wellness and training, non-profit security grants, efforts to combat fentanyl, and more.

**CRACKING DOWN ON FENTANYL, ORGANIZED RETAIL THEFT & OTHER CRIMES.** Sustains investments to bolster law enforcement efforts to address retail theft and other crimes, helping local agencies:

- Implement and expand anti-theft, anti-crime, and retail theft task forces
- Provide body cameras for CHP officers
- Combat fentanyl and expand drug interdiction
- Improve prosecution efforts
- Combat human trafficking and child sexual exploitation
- Get guns off the street

## ECONOMIC DEVELOPMENT

*Supporting businesses and workers throughout California with billions in continued investments to continue growing the economy and provide more opportunities to thrive.*

**RURAL & INDUSTRIAL ECONOMIC AGENDA.** Investing in rural communities and industrial economies, the May Revision will maintain hundreds of millions of dollars for development, local government projects, business and workforce development grants, and more. This includes \$250 million for Fresno's Infrastructure Plan and \$100 million for agricultural business grants.

**ADVANCING WORKFORCE DEVELOPMENT PROGRAMS.** Invests \$2.1 billion to create new workforce development programs and expand existing programs throughout the state.



## REBUILDING CALIFORNIA

*Unprecedented investments over the past two state budgets, in addition to funding from the federal Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA).*

**INVESTMENTS IN INFRASTRUCTURE.** More than \$180 billion over the next ten years in clean energy, roads, bridges, public transit, water storage and conveyance, and faster internet for all Californians.

**CREATING JOBS.** Hundreds of thousands of new jobs building the infrastructure to make Californians more mobile, better connected, safer and more prepared for our future.

**STREAMLINING REGULATIONS.** Build more, build faster, train more workers, build the projects we need to reach our ambitious climate goals, ensure availability of clean water, improve mobility and transportation, and increase access to fast internet for all Californians.