2024 Budget Agreement

The 2024 Budget agreement between the Governor, the Senate, and the Assembly puts the state on a more fiscally responsible long-term path that protects vital programs assisting millions of Californians.

The agreement maintains the multi-year fiscal structure of the May Revision, solving for budget deficits not only for the budget year—but also for the fiscal year that follows, 2025-26.

The agreement includes commitments to support further budget resilience. Part of the agreement proposes additional legislation requiring the state to set aside a portion of anticipated surplus funds to be allocated in a subsequent budget act—adding further fiscal protection so that the state does not commit certain amounts of future anticipated revenues until those revenues have been realized.

The agreement also includes a trigger to implement the healthcare worker minimum wage increases pursuant to Senate Bill 525 and statutory changes to exempt state facilities and other implementation clarifications.

Topline Numbers:

**Expenditures**—The agreement includes total expenditures of $297.9 billion all funds, of which $211.5 billion is General Fund.

**Special Fund for Economic Uncertainties (SFEU)**—The SFEU is balanced over the next two fiscal years with positive balances of $3.5 billion in 2024-25 and $1.5 billion in 2025-26.

**Reserves**—The agreement assumes withdrawals from the Budget Stabilization Account (Rainy Day Fund) over the next two fiscal years, using $5.1 billion in 2024-25 and $7.1 billion in 2025-26, preserving budget resilience by maintaining $22.2 billion in total reserves at the end of the 2024-25 fiscal year.

**Proposition 98**—Funds the minimum guarantee at $115.3 billion ($82.6 billion General Fund) for the budget year for Pre-K-12 schools and community colleges—maintaining education programs and mitigating reductions in the classroom.

- 2024-25 per pupil spending: $18,399 Proposition 98 / $24,313 all funds
Solutions:

The agreement solves a $46.8 billion deficit for the budget year through a mix of broad-based solutions.

Reductions—$16.0 billion. The agreement reduces funding for various items. Significant solutions in this category include:

- **Ongoing Reductions to State Operations**—A reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. The reduction involves all categories, including personnel, operating costs and contracting for savings of $2.17 billion General Fund.

- **Vacant Position Sweep**—Permanently reduce $1.5 billion ($762.5 million General Fund) in 2024-25 by reducing departments’ budgets for vacant positions.

- **California Department of Corrections and Rehabilitation**—A reduction of $358 million above the statewide reductions (state operations and vacant positions), for a total of $750 million in the budget window.

- **California Student Housing Revolving Loan Program**—A reduction of $500 million.

- **Learning Aligned Employment Program**—A reduction of $485 million one-time, which reflects the balance of unspent one-time Learning-Aligned Employment Program resources.

- **Middle Class Scholarship Program**—A reduction of $110 million ongoing beginning in 2025-26.

- **Housing**—A reduction of $1.1 billion to various affordable housing programs.

- **Healthcare Workforce**—A reduction of $746.1 million for various healthcare workforce programs.

- **Reductions of State and Local Public Health**—Reverts $41.5 million one time in the current year and ongoing savings of $8 million State Public Health and $15.9 million Local Public Health, which aligns with all other state 7.95-percent efficiency reductions.

- **Revenue/Internal Borrowing**—$13.6 billion. The agreement includes additional revenue sources and borrows internally from special funds. Significant solutions in this category include:
- **Net Operating Loss (NOL) Suspension/Credit Limitation**—Suspends NOL for companies with over $1 million in taxable income and limits business tax credits to $5 million in 2024, 2025, and 2026 which increases revenues $5.95 billion, $5.5 billion, and $3.4 billion, in fiscal years 2024-25, 2025-26 and 2026-27 respectively. The proposal includes a refundability component to ensure taxpayers subject to the temporary credit limitation can fully utilize their credits after the limitation period ends.

- **Additional Managed Care Organization (MCO) Tax Amendment (Medicare Revenue)**—Increases the MCO Tax to achieve additional net state benefit of nearly $1.8 billion in 2024-25, $1.9 billion in 2025-26, and $1.4 billion in 2026-27 by including health plan Medicare revenue in the total revenue limit calculation, which increases the allowable size of the tax.

**Reserves—$6.0 billion.** The agreement withdraws $12.2 billion from the Budget Stabilization Account (Rainy Day Fund) over the next two fiscal years—$5.1 billion in 2024-25 and $7.1 billion in 2025-26 and $900 million from the Safety Net Reserve in 2024-25.

**Fund Shifts—$6.0 billion.** The agreement shifts certain expenditures from the General Fund to other funds. Significant solutions in this category include:

- **Proposition 2 Supplemental Payment**—Applies a prior CalPERS Supplemental Pension Payment to the state’s overall pension liability to reduce the required employer contributions in 2024-25 by $1.7 billion ($1.3 billion General Fund).

- **Formula and Competitive Transit and Intercity Rail Capital Program**—Shifts $958 million General Fund from current year and budget year to Greenhouse Gas Reduction Fund.

- **Clean Energy and Other Climate Programs**—Shifts $3 billion from current year and budget year General Fund to the Greenhouse Gas Reduction Fund.

**Delays and Pauses—$3.1 billion.** The agreement minimizes the use of delays to avoid both increased future obligations and potential shortfalls. These include:

- **California Food Assistance Program Expansion**—Delays for two years the California Food Assistance Program expansion automation to begin in 2026-27 with benefits beginning in 2027-28.
- **Department of Developmental Services Provider Pay Delay**—Delays implementation of increased provider pay by six months to January 1, 2025.

- **Child Care Slots**—Funds approximately 11,000 new slots that received tentative awards and pauses additional expansion slots by two years (2026-27). After two years, additional slots are subject to Budget Act appropriation.

- **Broadband Last Mile**—Delays $550 million to 2027-28.

**Deferrals**—$2.1 billion. The agreement defers certain payments to later years. These include:

- **Payroll Deferral**—Defers $3.2 billion ($1.6 billion General Fund) for one month of state employees’ payroll costs.

- **UC/CSU Compact Deferral**—Defers $524 million from 2025-26 to 2026-27 and from 2026-27 to 2027-28.

**Maintains Core Programs:**

The agreement maintains core programs serving millions of California’s most vulnerable populations.

- **Proposition 98**—Protects education now and in the future. Funds the minimum guarantee at $115.3 billion ($82.6 billion General Fund) for the budget year for Pre-K-12 schools and community colleges.

- **Medi-Cal**—Maintains funding for the expansion of health care to all income eligible Californians regardless of immigration status, inclusive of In-Home Supportive Services.

- **Behavioral Health**—Largely preserves funding across multiple programs supporting the expansion of the continuum of behavioral health treatment and infrastructure capacity for providing behavioral health services to children and youth ($7.1 billion total funds).

- **Supplemental Security Income/State Supplemental Payment (SSI/SSP) base grants**— Maintains a 3.2-percent federal SSI cost-of-living adjustment and maintains the 9.2-percent SSP increase, which took effect on January 1, 2024. These adjustments raise the maximum SSI/SSP grant levels to $1,183 per month for individuals and $2,023 per month for couples.
**CalWORKs base grants**—Maintains a cumulative 31.3-percent increase in CalWORKs Maximum Aid Payment levels since 2021.

**In-Home Supportive Services**—Maintains benefits levels, including those provided to individuals regardless of their immigration status.

**Broadband Middle and Last Mile**—Preserves $250 million for the Middle Mile Broadband Initiative in 2024-25 and allows the Director of Finance to augment the budget for an additional $250 million with concurrence from the Legislature. Additionally, preserves $2 billion for Last Mile projects over the multiyear in order to connect unserved and underserved communities to broadband service.

**Continuing Priorities:**

The agreement includes continued investments in vital programs.

**Homeless Housing Assistance and Prevention Program**—$1 billion one time to provide local governments funding to combat the homelessness crisis—tied to increased accountability measures.

**Encampment Grants**—$250 million ($150 million in 2024-25 and $100 million in 2025-26).

**Managed Care Tax Investments**—Includes $133 million in 2024-25, $728 million in 2025-26, and $1.2 billion in 2026-27 for increases and investments in the Medi-Cal program.

**SUN Bucks (Formerly Summer EBT)**—$146.8 million ($73.4 million General Fund) for outreach, automation, and administration to allow California to provide an estimated $1 billion in 2024-25 in federal food assistance. SUN Bucks provides $40 per month for food in June, July and August ($120 total).

**Victims Assistance Grants/backfill of federal VOCA funds**—$103 million one time.

**Nonprofit Security Grants**—$80 million annually for two years.

**Foster Care Rates**—$20.5 million ($13.3 million General Fund) to begin automation for updated foster care rates. Implementation of the new foster care rates will begin in 2027-28.