

# 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.