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.