

The 2023-24 California State Budget

Key Implications for California's Children

Monica Saucedo, PhD , Senior Policy Analyst
Laura Pryor, PhD, Senior Policy Fellow

 @MLSaucedo // @L_Pryor

June 22, 2023



Introductions



Monica Saucedo
Senior Policy Analyst



Laura Pryor
Senior Policy Fellow



Presentation Goals

- Share key context for interpreting the 2023-24 California State Budget, including the state's fiscal outlook
- Compare key points and missed opportunities in the governor's May Revision and Legislative Budget Agreement that impact the well-being of California's children and youth
- Highlight what is next with the 2023-24 Budget Agreement
- Q&A



Key Context for 2023-24 Budget



California Budget
& Policy Center

The 2023-24 Budget Process

Key Actions To-Date

January 2023: Governor Newsom released the draft budget

May 2023: Governor Newsom released the revision to the January budget.

June 15, 2023: The California Senate and Assembly passed their Budget Agreement, containing several suggested changes to the Governor's May Revision.

The Governor has until June 27 to respond to the Legislative Budget Agreement



Governor's Revised May Budget Projected \$31.5 Billion

Shortfall Estimate Is Up from \$22.5 Billion in January

- Estimated shortfall reflects downgraded revenue estimates due to **lower-than-expected current-year tax collections** and economic conditions, including higher interest rates and a weaker stock market
- May Revision projection **does not assume a recession**
- Legislative Analyst's Office estimates the shortfall is likely to be **\$6 billion higher** than the administration's estimate



Governor Would Address Budget Problem By:

- **Reducing or delaying** previously committed spending
 - Some funding may be restored if sufficient resources are available in January 2024
- **Shifting costs** between funds
- **Increasing federal support** for Medi-Cal and free up state General Fund dollars by renewing the Managed Care Organization (MCO) tax
- **Withdrawing half (\$450 million)** of the Safety Net Reserve balance;
Legislative plan fully protects the Social Safety Net Reserve.

The Governor rejected the Senate's plan to raise revenues via an increased corporate tax for businesses that make \$1.5 million or more in profits, which would generate several billion dollars in investments each year (SB 220)



Implications for California's Children & Youth

In the areas of: Child Well-Being, Juvenile Justice, Homelessness, K-12 Education, Early Learning & Care, and Healthcare



California Budget
& Policy Center

No Major Investments in Child Well-Being

The Legislative Agreement Proposes Significant Changes

- \$163.7 million (\$83.4 million General Fund) for the **CWS-CARES Project**.
- Legislative proposal includes funding for:
 - higher education **financial aid programs** for foster youth
 - a **one-time increase** to the **current rates paid** to foster family agencies
 - a **housing supplement** for foster youth in Supervised Independent Living Programs
 - **Opportunities for Youth** program serving undocumented unaccompanied minors
 - increasing CalFresh **minimum** and reimagining **CalWORKs**



Phase out of Division of Juvenile Justice Underway

No Investments in Child-Serving Courts and Systems

- Decreases of \$92.1 million in 2023-24, and \$95.8 million beginning in 2025-26 associated with the **closure of DJJ**
- No proposal to re-invest funds in youth impacted by system
- Provides \$80 million in ongoing funding for COEs serving **students in juvenile court.**
- Legislative proposal adopts TBL to improve **transparency and accountability** in the juvenile justice system



No New Housing or Homelessness Funding Proposed

Proposal Keeps Previous Homelessness Commitments but Lacks Ongoing Funding

- Provides \$1 billion one-time funding for **Homeless Housing, Assistance and Prevention (HHAP)** grant program to reduce and prevent homelessness.
*Legislative budget agreement includes **additional year of HHAP funding***
- **CalAIM Transitional Rent Waiver Amendment** for eligible unhoused individuals or those at risk of homelessness
- \$400 million General Fund for **encampments resolution grants** for local jurisdictions.
- \$500 million one-time Mental Health Services Fund for the **Behavioral Health Bridge Program**



Education's Minimum Funding Level Drops Due to Lower Revenue Estimates

Revised Budget Funds a Large Cost-of-Living Adjustment for TK-12 Education

- **8.22% COLA** for the Local Control Funding Formula (LCFF).
- Provides \$300 million in additional support to meet the demand for the **Universal School Meals** program
- \$20 million to reinstitute the **Bilingual Teacher PD Program**.
- **Cuts to one-time spending** provided to block grants in the 2022-23 budget agreement, including:
 - \$2.5 billion from the Learning Recovery Emergency Block Grant (*only \$494.5 million in the Legislative proposal*).
 - \$600 million from the Arts, Music, and Instructional Materials Discretionary Block Grant (*only \$200 million in the Legislative proposal*).



State Leaders Extended Child Care Family Fee Waiver

No Ongoing Provider Rate Increase

- Governor signed bills to **extend family fee waivers** through September (child care and state preschool); *Legislative proposal will waive family fees for all families under 75% SMI and cap fees at 1% of a family's income.*
- No ongoing increase for **child care provider rates**; *Legislative proposal includes \$1 billion for provider rate reform.*
- Maintains January proposal to fund 20,000 new child care slots in 2024-25 but **no new slots in 2023-24**; *Legislative proposal funds 20,000 new slots for 2023-24.*



Ongoing Investments in Children's Behavioral Health & Reproductive Health

- Expands access to **Medi-Cal behavioral health services** (\$6.1 billion over five years), with a focus (in part) on children & youth.
- Continues funding across various departments (\$8 billion total) for the **Children and Youth Behavioral Health Initiative**.
- Funds **a research initiative to address health disparities**, including disparities in maternal and infant mortality.
- Supports access to **reproductive health services** through \$200 million (\$15 million General Fund) in 2024-25.

Item to watch: the governor's proposal to modernize the state's behavioral health system.



What's Next for the State Budget?



California Budget
& Policy Center

What's Next for the State Budget?

Timeline Is Very Tight for State Leaders to Finalize Budget

- Legislature passed Budget Act on **June 15**
- Governor has until **June 27** to sign Budget Act
- Additional **budget bills** and **budget trailer bills** can be enacted throughout the 2023-24 fiscal year



What Can Advocates Do?

- Advocate for amendments to the 23-24 budget package
- Look ahead to the proposed 24-25 state budget
- Make the case for new revenues



Questions?



California Budget
& Policy Center

Thank you!

msaucedo@calbudgetcenter.org

lprior@calbudgetcenter.org



California Budget
& Policy Center