

RCRC
***THE RURAL
RUNDOWN***
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**GOVERNOR'S 2024-25
PROPOSED BUDGET**

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RCRC'S SUMMARY OF GOVERNOR NEWSOM'S 2024-25 PROPOSED BUDGET

Earlier today, Governor Newsom released his Administration's 2024-25 [Proposed Budget](#). *The Rural Rundown* captures highlights of the proposal as it relates to RCRC member counties. This proposal is the first step in the State's budget negotiations with lawmakers, who must pass a budget by June 15 for the July 1 start of the 2024-2025 fiscal year.

This year's \$291 billion proposed budget reflects a roughly \$38 billion budget shortfall, based largely on stock market declines and a delay in income tax reporting. This \$38 billion deficit is far lower than the \$68 billion previously projected by the state Legislative Analyst's Office. The projected deficit closely approximates the \$38 billion in reserves the state previously set aside. The Department of Finance estimates that 2022-23 state revenues were still 23% higher than pre-pandemic levels but noted that personal income and corporation tax receipts were nearly \$26 billion lower than projected in the 2023-24 budget. Governor Newsom acknowledged that this is a preliminary budget and could change significantly in the May Revise based on updated fiscal information. He also noted that the state has made significant investments in rural California over the last few years.

The Governor's 2024-25 Proposed Budget addresses the shortfall through a variety of measures, including: drawing upon reserves; cutting spending on existing and proposed programs; shifting funding from General Fund to various special funds; delaying funding for a host of projects; borrowing from various special funds; and adopting accounting mechanisms to defer one month of payroll until the next fiscal year.

Overview. At \$291 billion, the Governor's 2023-2024 Proposed Budget includes a proposed \$222 billion General Fund, which includes \$114 billion in personal income tax, \$35 billion in sales and use tax, and \$38 billion in corporation tax revenues.

Sales and Use Tax Forecast. The Governor's 2024-25 Proposed Budget includes the following observations pertaining to the anticipated revenues from sales and use tax:

- The three largest sources of revenue—personal income tax, corporation tax, and sales tax—are estimated to have declined 20 percent (\$43 billion) from 2021-22 to 2022-23.
- General Fund revenue is projected to be approximately \$44 billion lower than assumed in the 2023 Budget Act over the budget window.
- Sales tax is projected to generate General Fund revenue of just \$34.3 billion in 2023-24 and \$35.1 billion in 2024-25. Compared to the 2022 Budget Act, these figures reflect a decrease of \$1.1 billion in 2022-23 and \$1.5 billion in 2023-24.
- The sales tax forecast is higher by \$2.1 billion in the budget window, as cash receipts through November are tracking close to the forecast and taxable consumer spending and private investment growth are revised higher in the budget window.
- Consumer spending growth has been revised from an average of 1% to 2.3%.

Budget Solutions. The Governor's plan to close the \$38 billion budget gap includes:

- Drawing on \$13.1 billion in from three primary reserve funds.

- Reducing \$8.5 billion in spending, including:
 - \$2.9 billion in climate-related programs.
 - \$1.2 billion in housing programs.
 - \$762 million by sweeping funding for vacant positions across state government.
 - \$500 million in school facilities aid.
 - \$494 million from the student housing revolving loan fund program.
 - \$350 million in various legislative requests.
 - \$300 million from a UCLA Institute of Immunology and Immunotherapy.
 - \$289 million from the middle-class scholarship program.
 - \$131 million (or roughly 30%) of funding for local library infrastructure grants.
- \$5.7 billion related to increased revenue and internal borrowing from special funds, including:
 - \$3.8 billion from increasing the Managed Care Organization Tax Support for Medi-Cal.
 - \$300 million from conforming tax cuts and net operating loss limitations.
 - Loans of
 - \$150 million from the Underground Storage Tank Cleanup Fund;
 - \$125 million from the Beverage Container Recycling Fund; and
 - \$100 million from the Board of State and Community Correction's Cannabis Tax Fund.
- Delaying \$5.1 billion in various program expenditures, including:
 - \$1 billion for Transit and Intercity Rail Capital Program.
 - \$613 million for DDS Service Provider Rate Reform.
 - \$550 million related to preschool, TK, and Kindergarten Facilities Grants.
 - \$400 million on clean energy reliability investments.
 - \$235 million on behavioral health bridge housing.
 - \$175 million on cleaning up contamination in communities across the state.
- Shifting \$3.4 billion in expenditures from the General Fund to other funds.
- Deferring \$2.1 billion to the 2025-26 Budget, including scoring \$1.6 billion in June 2025 state payroll to the 2025-26 budget.

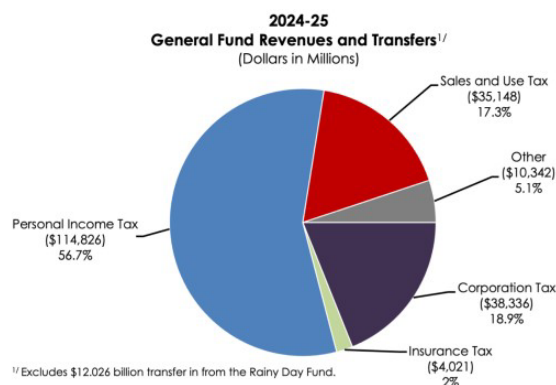
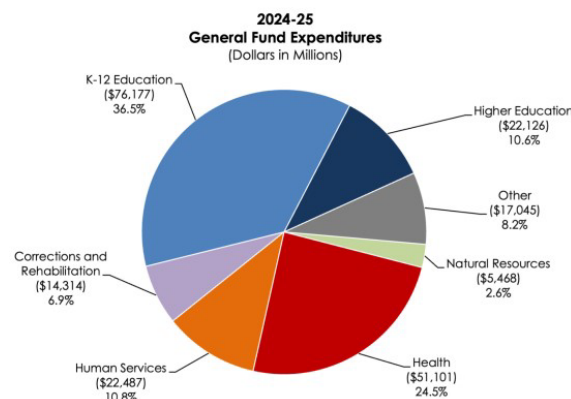
Other Significant Highlights include:

- Providing \$1.5 billion to complete the state's middle mile infrastructure, and decreasing \$250 million from the Loan Loss Reserve program that provides last mile funding.
- Reducing and delaying funding for water recycling and groundwater cleanup, and reducing funding for regional climate resilience; sea level rise; and coastal protection and resiliency.
- Reverting \$12 million in funding for the home hardening pilot program and \$43 million for a biomass to hydrogen/biofuels pilot program.
- Reducing funding for dam safety improvements by \$50 million.
- Reducing and delaying funding for livestock methane reductions and enteric methane incentives.
- Reverting \$200 million in funding for the Infill Infrastructure Grant Program; \$152 million for the CalHome Program; and \$50 million for veteran housing and homelessness prevention.

- Increasing the mill assessment imposed on pesticides to address the Department of Pesticide Regulation's (DPR) structural budget imbalance, and adding 117 new DPR staff.
- Providing \$22 million in new funding for fruit fly containment.
- Providing \$8.3 million annually, for three years, to educate rural workers on workplace rights.
- Seeking early action to add "triggers" to make health care minimum wage increases subject to General Fund revenue availability.
- Suggesting legal changes to allow the state to save more money during flush economic times.
- Noting that the Administration will negotiate with the Legislature on an educational facilities bond proposal for the November 2024 ballot (the Proposed Budget does not include similar statements regarding climate, resources, or other bond proposals).

Despite the significant projected revenue shortfall, the Governor's 2024-25 Proposed Budget reflects the Governor's commitment to sustaining key investments in recent budgets to continue advancing the shared priorities of the Administration and the Legislature. These priorities include investments in homelessness, housing, infrastructure, workforce development, and reducing the impacts of climate change, including forest resilience and wildfire mitigation.

For additional detail about the Governor's 2024-25 Proposed Budget, [see here](#) for analysis by RCRC's advocacy partners, *Hurst Brooks Espinoza, LLC*.



Agriculture

The Governor's 2024-25 Proposed Budget retains nearly \$1 billion for various sustainable agriculture investments from previous budget years and reduces proposed spending by nearly \$100 million. These reductions include:

- A reversion of \$33.2 million General Fund for the California Nutrition Incentive Program.
- A shift of \$24 million General Fund to the Greenhouse Gas Reduction Fund (Cap & Trade) for the Livestock Methane Reduction Program. Funding being shifted for the program is delayed to 2024-25.
- A reversion of \$23 million General Fund for the Enteric Methane Incentives Program. The Budget maintains \$2 million previously allocated to this program.
- A reversion of \$14.4 million General Fund for the Farm to Community Food Hubs Program. The Budget maintains \$600,000 previously allocated to this program.
- A reversion of \$8.5 million General Fund for the Healthy Refrigeration Grant Program. The Budget maintains \$12 million previously allocated to this program.
- A reversion of \$18.8 million General Fund for the Food Production Investment Program at California Energy Commission. The Budget maintains \$46.2 million for this program.
- Increasing funding to accelerate pesticide evaluation and registration and support pesticide enforcement, monitoring, and risk mitigation.
- Providing \$6.1 million for additional training and compliance support for County Agricultural Commissioners and local engagement.

As with previous State Budgets, no funding—other than the nominal amount required to maintain the budget item—was proposed for the Open Space Subvention Program (Williamson Act).

Community & Economic Development

Housing. The Governor's 2024-25 Proposed Budget reverts \$200 million General Fund for the Infill Infrastructure Grant Program, leaving \$225 million General Fund over two years for this program (\$25 million of that is available in FY 2023-24).

Other cuts made to housing related programs include:

- \$300 million General Fund for Regional Early Action Planning Grants 2.0 (REAP 2.0) program.
- \$250 million General Fund for the Multifamily Housing Program, which leaves \$75 million in 2023-24 for this purpose.
- \$247.5 million General Fund for the Foreclosure Intervention Housing Preservation Program over the next three years (\$85 million in 2024-25, \$100 million in 2025-26, and \$62.5 million in 2026-27).

- \$152.5 million General Fund for the CalHome Program.
- \$50 million General Fund for the Veteran Housing and Homelessness Prevention Program.
- \$13.7 million General Fund ongoing for Housing Navigators.

Homelessness. The Governor’s 2024-25 Proposed Budget delays from FY 2023-24 to FY 2025-26, \$260 million General Fund Homeless Housing, Assistance, and Prevention (HHAP) funding for the fifth round of HHAP grants. The Budget maintains a total of \$1.1 billion General Fund for HHAP 5 across FY 2023-24 and FY 2024-25. Additionally, the proposal reverts \$100.6 million General Fund in HHAP administrative set asides as General Fund savings, leaving \$51.1 million for program administration.

The Governor made a commitment to working with the Legislature on additional funding to address local homelessness efforts *if* local governments deliver on the performance commitments made under HHAP 3 and HHAP 4, and on the regional planning and coordination requirements of HHAP 5.

Telecommunications. The Governor’s 2024-25 Proposed Budget includes an additional \$1.5 billion funding over two years (\$250 million in 2024-25 and \$1.25 billion in 2025-26) to complete the development of the statewide middle-mile network. This is in addition to \$3.9 billion (\$2.5 billion State Fiscal Recovery Funds from the American Rescue Plan Act of 2021 and \$1.4 billion General Fund) appropriated to complete the more than 10,000 miles needed for the network.

The Governor’s 2024-25 Proposed Budget continues funding deferral for last mile broadband funding programs and includes additional cuts to funding. Specifically, the proposal modifies:

- *Last Mile Infrastructure Grants*—A delay of \$100 million General Fund from FY 2024-25 to FY 2026-27 for last-mile infrastructure grants at the CPUC. This maintains the previously appropriated \$1.45 billion and reflects future investments of \$550 million General Fund over three years (\$100 million in 2024-25, \$200 million in FY 2025-26, and \$250 million in FY 2026-27), for a program total of \$2 billion.
- *Broadband Loan Loss Reserve (BLLR) Fund*—A reduction of \$250 million General Fund (\$150 million in FY 2024-25 and \$100 million in FY 2025-26) for the BLLR. The Budget maintains \$500 million for the program, with \$175 million General Fund in FY 2023-24, \$150 million in FY 2024-25, and \$175 million in FY 2025-26.

Economic Development. The Governor’s 2024-25 Proposed Budget delays \$300 million General Fund for the California Jobs First (Formerly the Community Economic Resilience Fund) program that was created to support resilient, equitable, and sustainable regional economies. Specifically, the proposal includes \$100 million General Fund annually in 2024-25 through 2026-27 for this program.

County Operations

Cannabis. The Governor’s 2024-25 Proposed Budget estimates \$568.9 million for Prop 64’s “Allocation 3” continuously appropriated programs shown below. This reflects a reduction of

\$100 million to the required \$670 million baseline funding amount in order to provide a budgetary loan from the Board of State and Community Correction's Cannabis Tax Fund subaccount to the General Fund.

- Education, prevention, and treatment of youth substance use disorders and school retention—60 percent (\$341.3 million);
- Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation—20 percent (\$113.8 million); and
- Public safety-related activities—20 percent (\$113.8 million).

Energy

The Governor's 2024-25 Proposed Budget cuts \$944 million (\$419 million General Fund) to the planned 2022 energy investments (of \$7.9 billion total funding) to address the state's clean energy transition, grid reliability, and affordability issues.

- A \$200 million delay from the California Public Utilities Commission (CPUC) Residential Solar and Storage program for incentives for low-income utility customers.
- A \$56.9 million shift from the Long Duration Energy Storage Program at the California Energy Commission (CEC) to the General Fund.
- A \$40 million reversion for the CEC's Carbon Removal Program.
- A \$283 million reduction and \$87 million shift to Greenhouse Gas Reduction Fund (GGRF) for the CEC's Equitable Building Decarbonization Program that reduces greenhouse gas emissions in homes and advances energy equity.
- A delay of \$400 million to the Clean Energy Reliability Investment Plan.
- A delay of \$150 million General Fund for Land Conservation and Economic Development near Diablo Canyon. The Governor's 2024-25 Proposed Budget includes \$50 million for this program annually for three years beginning in 2025-26.

Forest and Public Lands Stewardship

California Department of Forestry and Fire Protection (CAL FIRE). Rather than shift, delay, or cut funds from CAL FIRE, the Governor's 2024-25 Proposed Budget augments the department's budget to reflect changes in workforce requirements and upgrade wildfire suppression activities, including:

- A \$198.9 million increase, mostly from the General Fund and \$770.4 million phased in over five years to reflect the 2022 memorandum of understanding that commits to reducing the 72-hour workweek for firefighters to 66 hours.
- \$18.7 million in General Fund for an additional CAL FIRE training center to help implement the 66-hour workweek.
- \$12 million one-time General Fund to reconfigure the fire retardant pits at Ramona Air Attack Base.
- \$5.8 million one-time General Fund for critical upgrades to three strategically positioned air attack bases.

- \$87.8 million to relocate various unit headquarters and fire stations, including the Humboldt Del Norte Unit, Sonoma Lake Napa Unit, Butte Fire Station and Hayfork Fire Station.
- \$11 million one-time General Fund to repay the interim loan for the Ishi Conservation Camp kitchen replacement project.

Wildfire and Forest Resilience. The Governor's 2024-25 Proposed Budget maintains \$2.7 billion of the \$2.8 billion allocated to forest resilience and wildfire mitigation in the 2021 and 2022 state budget packages. However, those funds will be stretched out over five years, instead of four as previously intended, and will necessitate the immediate removal of funds for such programs as CAL FIRE's home hardening pilot program. The Governor's 2024-25 Proposed Budget maintains the \$200 million allocation from the Greenhouse Gas Reduction Fund (GGRF) mandated by Chapter 626, Statutes of 2018 (SB 901) and Chapter 258, Statutes of 2021 (SB 155). There are several proposed fund shifts to alleviate the General Fund shortfall, which will largely be backfilled from the GGRF.

Notable shifts and cuts in the Governor's Forest Resilience proposal include a \$100.7 million reversion to the General Fund for a number of programs related to fuels treatment and wildfire mitigation, including:

- \$12 million from CAL FIRE's home hardening pilot program, reducing the program's total funding to \$13 million.
- \$43.5 million from the Department of Conservation's biomass to hydrogen pilot project.
- \$27.7 million from state conservancies for project implementation in high-risk regions.
- \$5.7 million from monitoring and research programs.
- \$5.3 million from prescribed fire and hand crews.
- \$2.9 million from the Interagency Forest Data Hub.
- A \$162.5 million shift of General Fund to the Greenhouse Gas Reduction Fund (GGRF) across 2023-24 and 2024-25 for crucial fuels treatment and wildfire mitigation programs, including:
 - \$82 million for fire prevention grants within the 2023-24 budget year.
 - \$34.5 million for stewardship of state-owned land shifted to 2024-25.
 - \$26 million in CAL FIRE fire prevention grants shifted to 2024-25.
 - \$20 million for the Regional Forest and Fire Capacity program shifted to 2024-25.

Nature-Based Solutions. The 2023-24 State Budget Package contained broad allocations to the state's Nature-Based Solutions program. The Governor's 2024-25 Proposed Budget reverts \$15 million back to the General Fund from resource conservation investment strategies and Redondo Beach wetlands restoration.

State Parks. The Governor's 2024-25 Proposed Budget includes \$200.5 million from various funds for continuing projects, including the future California Indian Heritage Center and R.H.

Meyer Memorial State Beach. The proposal also includes \$1 million for acquisition of property within or adjacent to the state park system with an emphasis on properties that protect habitat.

Health Care and Social Services

The Governor's 2024-25 Proposed Budget includes \$253.4 billion for all health and human services programs in 2024-25, maintaining core investments made in recent years. General Fund dollars account for \$73.9 billion of that allocation, with \$179.5 billion from other funds. The proposal includes numerous General Fund solutions to address the projected budget shortfall. Highlights include:

- Maintains \$1.4 billion (\$1.2 billion General Fund) in 2023-24; \$3.4 billion (\$2.9 billion General Fund) in 2024-25; and approximately \$3.7 billion (\$3.2 billion General Fund) ongoing, inclusive of In-Home Supportive Services (IHSS) costs, to expand full-scope Medi-Cal eligibility to income-eligible adults aged 26 to 49 regardless of immigration status as January 1, 2024.
- Maintains over \$8 billion total funds across various Health and Human Services departments to expand the continuum of behavioral health treatment and infrastructure capacity.
- Maintains approximately \$2.4 billion (\$811.1 million General Fund) in 2024-25 to continue transforming the health care delivery system through California Advancing and Innovating Medi-Cal (CalAIM) at the Department of Health Care Services.
- Includes a Healthcare Workforce delay of \$140.1 million General Fund to 2025-26 for the nursing and social work initiatives administered by the Department of Health Care Access and Information. Given lower-than-projected Mental Health Services Act revenue, the Budget also delays \$189.4 million Mental Health Services Fund to 2025-26 for the social work initiative; addiction psychiatry fellowships; university and college grants for behavioral health professionals; expanding Master of Social Work slots; and the local psychiatry behavioral health program.
- Includes a withdrawal of \$900 million in the Safety Net Reserve to maintain existing program benefits and services for the Medi-Cal and California Work Opportunity and Responsibility to Kids (CalWORKs) programs.

Managed Care Organization (MCO) Tax. In December 2023, the federal government approved California's MCO Tax, effective April 1, 2023, through December 31, 2026. Given the projected \$37.9 billion budget shortfall, the Administration may need early action by the Legislature to request the federal government approve an amendment to increase the tax to achieve \$20.9 billion in total funding to the state, an increase of \$1.5 billion compared to the approved MCO Tax. The Budget proposes \$12.9 billion to support the Medi-Cal program and maintain a balanced budget, and \$8 billion for targeted rate increases and investments from this MCO Tax. As proposed, the MCO Tax helps maintain existing services in the Medi-Cal program and minimizes the need for reductions in the program.

Behavioral Health. The Governor's 2024-25 Proposed Budget makes several adjustments to address the projected budget shortfall and to prioritize preserving behavioral health investments.

- ***Behavioral Health Bridge Housing Program.*** The Governor's 2024-25 Proposed Budget delays \$235 million General Fund of the total \$1.5 billion General Fund allocation to 2025-26 for the Behavioral Health Bridge Housing Program. Due to lower-than-projected Mental Health Services Act revenues, the Budget proposes to shift \$265 million from Mental Health Services Fund appropriated in the 2023 Budget Act to General Fund in 2024-25.
- ***Behavioral Health Continuum Infrastructure Program (BHCIP).*** The Governor's 2024-25 Proposed Budget delays \$140.4 million General Fund from 2024-25 to 2025-26, for a total of \$380.7 million for the final round of grants in 2025-26. The Budget maintains \$300 million General Fund in 2023-24 and \$239.6 million General Fund in 2024-25.

Medi-Cal. The Governor's 2024-25 Proposed Budget reflects a Medi-Cal budget that includes \$157.5 billion (\$37.3 billion General Fund) in 2023-24 and \$156.6 billion (\$35.9 billion General Fund) in 2024-25. The proposal assumes a Medi-Cal caseload of 14.8 million in 2023-24, an increase of 583,000 individuals compared to the 2023 Budget Act. The increase is primarily due to a higher number of individuals remaining eligible for Medi-Cal after eligibility redeterminations, which results in increased costs of \$2.3 billion (\$499 million General Fund) in 2023-24 compared to the 2023 Budget Act.

Social Services. The Governor's 2024-25 Proposed Budget projects a 0.8 percent increase to California Work Opportunity and Responsibility to Kids (CalWORKs) Maximum Aid Payment levels, with an estimated cost of \$26 million, beginning October 1, 2024. These projected increased costs would be funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the 1991 Local Revenue Fund, and would be in addition to the 3.6-percent statutory increase in 2023-24. The average monthly CalWORKs caseload is estimated to be 360,000 families in 2023-24.

To address the projected budget shortfall, the Budget proposes numerous reversions and reductions in Social Services to achieve a balanced budget including Single Allocation, Family Stabilization, Employment Services Intensive Case Management and Expanded Subsidized Employment. The budget also includes delays in the following programs:

- Delays \$80 million General Fund for the Bringing Families Home to 2025-26.
- Delays \$65 million General Fund for the Home Safe Program to 2025-26.
- Delays \$50 million General Fund for the Housing and Disability Advocacy Program to 2025-26.

The Governor's 2024-25 Proposed Budget also includes \$24.3 billion (\$9 billion General Fund) for the In-Home Supportive Services (IHSS) program in 2024-25. Average monthly caseload in this program is estimated to be 691,075 recipients in 2024-25.

Children's Programs. The Governor's 2024-25 Proposed Budget includes \$690.3 million General Fund in 2024-25 for services to children and families in these programs. When federal

and 1991 and 2011 Realignment funds are included, total funding for children's programs of over \$9.4 billion in 2024-25.

Foster Care Rate Reform. The Governor's 2024-25 Proposed Budget includes \$12 million General Fund in 2024-25 to make automation changes for a reformed foster care payment structure, with full implementation anticipated as early as 2026-27. The proposal also includes a reduction of \$195,000 in 2024-25 and \$25.5 million (\$18.8 million General Fund) in 2025-26 and ongoing for the housing supplement for foster youth in supervised independent living placements.

Public Safety, Emergency Management, and Criminal Justice

Post Release Community Supervision. The Post Release Community Supervision Act of 2011 authorized the California Department of Corrections and Rehabilitation (CDCR) to release certain incarcerated individuals to county supervision. The state provides funding to those counties. The Governor's 2024-25 Proposed Budget estimates \$4.4 million General Fund will be allocated to counties for this purpose.

Board of State and Community Corrections. The Governor's 2024-25 Proposed Budget includes a \$40 million one-time General Fund reduction to the Public Defender Pilot program in 2024-25, due to declining General Fund revenues. This still allows funding for two full years of the grant program and funding for the program evaluation, as planned. A budgetary loan of \$100 million from the Cannabis Tax Fund to the General Fund is proposed from resources not currently projected to be used for operational or programmatic purposes.

Community Corrections Performance Incentive Grant. The Community Corrections Performance Incentive Grant, Chapter 608, Statutes of 2009 (SB 678) was created to provide incentives for counties to reduce the number of felony probationers sent to state prison. The Governor's 2024-25 Proposed Budget contains a \$113.6 million one-time General Fund to support the incentive program.

Extreme Heat and Community Resilience. The Governor's 2024-25 Proposed Budget reduces funding for the Extreme Heat and Community Resilience Program by \$40.1 million and shifts \$70 million of current-year funding from the General Fund to the Greenhouse Gas Reduction Fund (GGRF). The funds shifted to the GGRF will be delayed to 2024-25.

Juvenile Justice Realignment. The Governor's 2024-25 Proposed Budget provides Juvenile Justice Realignment including:

- \$208.8 million one-time General Fund in 2024-25 for the Juvenile Justice Realignment Block Grant (JJRBG) established by Chapter 337, Statutes of 2020 (SB 823), which is available to support counties in providing rehabilitative housing and supervision services to the youth population realigned pursuant to SB 823.
- Reflects an estimated increase of \$16.2 million General Fund to meet the requirement to adjust JJRBG funding annually by a rate commensurate with growth in the Juvenile Justice Growth Special Account, bringing the total amount available to an estimated \$225 million in 2024-25.

Post-Release Community Supervision. The Governor's 2024-25 Proposed Budget includes a \$4.4 million one-time General Fund allocation for county probation departments to supervise individuals on Post Release Community Supervision (PRCS) as a result of the implementation of Proposition 57.

Proposition 47. Approved by California voters in 2014, Proposition 47 reduces penalties for a variety of specified offenses and dedicates the 'savings' from prosecuting and housing these offenders into programs that support K-12 truancy and dropout prevention, victim services, and recidivism reduction programs primarily focused on mental health and drug treatment. The Governor's 2024-25 Proposed Budget estimates a net savings of \$87.8 million. The final 2024-25 savings amount will be determined in late summer 2024.

Transportation

The Governor's 2024-25 Proposed Budget includes a net \$200 million General Fund reduction and \$3.1 billion in delays across various programs: notably a \$1 billion delay of Local Transit and Rail Project Formula Grants (from 2024-25 to 2025-26), and a \$529.7 million shift of the Competitive Grant to GGFR. Investments into achieving the state's Zero Emission Vehicle (ZEV) goals have been extended over seven years. As a result, various ZEV infrastructure grant programs will experience funding shifts and delays in the Governor's 2024-25 Proposed Budget.

The Governor's 2024-25 Proposed Budget maintains \$4.2 billion Prop 1A funds for High-Speed Rail, and \$350 million for grade separation projects. The proposal also increases General Fund revenues by \$22 million in 2024-25 (and \$17 million annually thereafter) by eliminating oil and gas subsidies, such as deductions for intangible drilling costs, cost-depletion rules, and enhanced oil recovery cost credits.

Water

The Governor's 2024-25 Proposed Budget retains a little more than \$7 billion of the nearly \$9 billion originally committed to state and local drought response and water conservation programs over three years, starting with the FY 2021-2022 Budget. However, the proposed budget includes almost a billion dollars in cuts and delays, on top of the \$200 million cut from last year's budget. Interestingly, the Governor's 2024-25 Proposed Budget also includes \$159 million in new spending, including for flood protection, levee repair, and Salton Sea restoration.

The proposed budget reductions include:

- A shift of \$20.6 million General Fund to the Greenhouse Gas Reduction Fund (GGRF) for the State Water Efficiency and Enhancement Program. Funding being shifted for the Program is delayed to 2024-25.
- A reversion of \$12.9 million California Emergency Relief Fund for drought relief to small farms. The proposal maintains \$17 million previously allocated to this program.
- A reversion of \$6 million California Emergency Relief for on-farm water use and agriculture technical assistance. The proposal maintains \$9 million previously allocated to this program.

- A reversion of \$88.4 million General Fund and a reduction of \$350 million over the next two years for various watershed climate resilience programs within Department of Water Resources and the Wildlife Conservation Board.
- A reversion of \$174.4 million General Fund and a delay of \$100 million until 2025-26 for water recycling and groundwater cleanup.
- A reversion of \$71.6 million General Fund and reduction of \$30 million in 2024-25 for Per-and Polyfluoroalkyl support.
- A reversion of \$50 million General Fund for dam safety investments. The proposal maintains \$50 million previously allocated to this program.
- A reduction of \$6.75 million General Fund ongoing for Forecast Informed Reservoir Operations for runoff forecasting.

New budget proposals include:

- \$33 million General Fund to support the state cost share of continuing U.S. Army Corps of Engineers projects and Urban Flood Risk Reduction projects that address flood risk reduction, as well as the associated state operations costs to implement the projects.
- \$31.3 million General Fund to support the continuation of existing multi-benefit flood risk reduction projects in the Central Valley.
- \$29.6 million General Fund to address storm damage at State Plan of Flood Control facilities and State-owned Delta lands for critical repairs associated with the 2023 storms.

Wildlife & Habitat Conservation

The Governor's 2024-25 Proposed Budget includes just over \$4 million over five years for ongoing work and one new project focused on habitat restoration and remediation in the Lake Tahoe Basin, pursuant to the state's responsibilities under the 1997 Environmental Improvement Program. Of the \$4 million, the Budget includes \$2.3 million for the Sunset Stables Reach 6: Upper Truckee River Restoration Project.