

2022-2023
District Budget Advisory Committee (DBAC)

Meeting Agenda - January 24, 2023

Location: Via Zoom

<https://fhda-edu.zoom.us/j/95327624115?pwd=Um8zRU5NWkpUL2RDWVNQlBCOTgzUT09>

Time: 1:30-3:00 p.m.

Note Taker: Trena O'Connor

	Agenda Topic	Discussion Leader
1:30-2:15	FTES Planning Framework	Khanna
2:15-2:45	Governor's Proposed Budget for FY 2023-2024	Cheu
2:45-2:55	Santa Clara County Assessor's Annual Report 2022	Cheu
2:55-3:00	Other	Cheu
Handouts:	Governor's Budget Summary 2023-24 Joint Analysis Governor's Budget Summary 2023-24 ACCCA/ACBO Budget Book 2023-24 Santa Clara County Assessor's Annual Report 2022	

GOVERNOR'S BUDGET SUMMARY

Gavin Newsom, Governor
State of California



2023-24

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GOVERNOR
Gavin Newsom

January 10, 2023

To the members of the Senate and the Assembly of the California Legislature:

Over the last four years, we have come together to pass state budgets that reflect California's values and invest in California's future, expanding childcare, universal transitional kindergarten for all four-year-olds and making healthcare affordable and accessible to all, regardless of immigration status. At the same time, these budgets recognized the need to ensure that our state would be well-positioned to withstand annual fluctuations in state revenues.

Revenues for the coming fiscal year are significantly lower than previously anticipated—mainly due to declines in withholding and capital gains taxes, which are inherently volatile. But with careful planning and your partnership, we find ourselves in a strong position to withstand this dip in revenues while maintaining funding for programs and services that are relied on by millions of Californians.

I am so proud of what we have accomplished together—keeping our state safe during a deadly pandemic, passing the largest economic relief and recovery package in the nation, providing short-term support to millions of Californians and making billions in longer-term investments that will benefit workers, businesses and families decades into the future.

We made historic investments to protect against the escalating impacts of a changed climate, preparing for extreme weather, the more severe droughts, floods and wildfires that come with it, while increasing support for first responders on the front lines. All while ensuring our state was prepared for a downturn in revenues by building historic reserves and limiting state spending obligations in future years.

The resilience we have built into previous budgets will help us weather the current storm, and continue to make progress on our most-stubborn challenges: addressing homelessness, building more housing and driving down costs for the nearly 40 million people who call California home.

In addition to the tens of billions in the state rainy day fund, we set aside billions in early debt repayments and multi-year investments that can easily be delayed or preempted to address this year's shortfall without dramatic cuts in the services and programs Californians value most.

I am confident that with our continued partnership, we will continue our work together to build a better California.

With respect,

/s/ Gavin Newsom

Gavin Newsom

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INTRODUCTION

Investments over the last few budgets reflect California's values and priorities. Together with the Legislature, the Administration is making healthcare affordable and accessible to all, regardless of immigration status; expanding child care and universal transitional kindergarten for all 4-year-olds; and enabling more people to graduate from college without crippling debt. The state has also made historic investments to protect Californians against the impacts of climate change and keep them safe during the COVID-19 Pandemic. These investments over the past four years are continuing to improve both the quality of life and the long-term outlook for all Californians.

At the same time, California has recognized the importance of being able to withstand annual fluctuations in state revenues. As 2023 begins, risks to the state's economic and revenue outlook highlighted in the 2022 Budget have been realized—continued high inflation, multiple federal reserve bank interest rate increases, and further stock market declines. This last risk is particularly important to California, as market-based compensation—including stock options and bonus payments—greatly influences the incomes of high-income Californians. Combined with a progressive income tax structure, this can have an outsized effect, both good and bad, on state revenues.

Given these developments, the revenue outlook is substantially different than seen in the last two years. Prior to accounting for solutions, the Governor's Budget forecasts General Fund revenues will be \$29.5 billion lower than at the 2022 Budget Act projections, and California now faces an estimated budget gap of \$22.5 billion in the 2023-24 fiscal year.

INTRODUCTION

Fortunately, through prudent planning and budget resilience built into previous budgets, the state is in its best fiscal position in recent memory to address this slowdown. By using the bulk of the recent surplus to boost the state's budget reserves and pay down prior debts, by focusing on one-time and near-term spending instead of costly long-term obligations, and by tying or "triggering" a handful of new ongoing programs to sufficient revenue availability in 2024-25, the state does not have to propose the kind of deep reductions to priority programs that marked the budget shortfalls over the past two decades. It will, however, require the state to delay or forego some spending in the near term.

Part of the state's planning has included building up the state's budget reserves. To offset the significant swings in revenue caused in large part by market volatility, voters in 2014 passed Proposition 2, which created new requirements for deposits into the Budget Stabilization Account or "Rainy Day Fund." In order to make a withdrawal from this account, the Governor must first declare a fiscal emergency, and no more than 50 percent of the balance can be withdrawn in any single fiscal year.

The Budget reflects \$35.6 billion in total budgetary reserves. These reserves include \$22.4 billion in the Budget Stabilization Account, which fulfills the constitutional maximum mandatory deposit limit of 10 percent of General Fund tax proceeds. The reserve total also includes:

- \$8.5 billion in the Public School System Stabilization Account,
- \$900 million in the Safety Net Reserve, and
- \$3.8 billion in the state's operating reserve – the Special Fund for Economic Uncertainties.

As the Budget Stabilization Account balance is at its constitutional maximum amount, a total of \$951 million is required to be dedicated for infrastructure investments in 2023-24.

The Budget accelerates the paydown of state retirement liabilities as required by Proposition 2, with \$1.9 billion in additional payments in 2023-24 and approximately \$5.3 billion projected to be paid over the next three years.

A BALANCED PLAN TO CLOSE THE BUDGET GAP

Because of the multiple uncertainties regarding the overall economic and revenue outlook in the near term, the Governor's Budget reflects a balanced plan of funding

delays, reductions and pullbacks, fund shifts, trigger reductions, and limited revenue generation and borrowing to address the budget problem. To preserve the state's ability to respond to any potentially significant negative changes to the outlook in early 2023, the Governor's Budget does not propose to draw from the state's reserve accounts to close the budget gap.

The Governor's Budget economic forecast does not project a recession. If economic and revenue conditions deteriorate in the spring, then the Administration may propose withdrawals from reserve accounts, as well as additional program reductions. Conversely, if conditions improve, then the Administration would not have to propose reserve withdrawals, and would also reconsider proposed spending delays and reductions.

The balanced plan reflected in the Governor's Budget to close the projected shortfall includes:

- **Funding Delays—\$7.4 billion.** The Budget delays funding for multiple items across the 2021-22 through 2023-24 fiscal years, and spreads it across the multi-year without reducing the total amount of funding through the multi-year.
- **Reductions/Pullbacks—\$5.7 billion.** The Budget reduces spending for various items across the 2021-22 through 2023-24 fiscal years, and pulls back certain items that were included in the 2022 Budget Act to provide additional budget resilience. Significant items in this category include the \$3 billion included in the 2022 Budget as an inflationary adjustment, and a \$750 million Unemployment Trust Fund payment in the 2023-24 fiscal year.
- **Fund Shifts—\$4.3 billion.** The Budget shifts certain expenditures in the 2022-23 and 2023-24 fiscal years from the General Fund to other funds. These include (1) shifting various California State University (CSU) capital outlay projects to CSU issued debt with the state providing support for the underlying debt service, (2) reverting certain bonds to cash projects from the 2022 Budget Act back to bonds, and (3) shifting certain Zero Emission Vehicle commitments to the Greenhouse Gas Reduction Fund.
- **Trigger Reductions—\$3.9 billion.** The Budget reduces funding for certain items in the 2020-21 through 2023-24 fiscal years and places them in a “trigger” that would restore the reductions at the 2024 Governor's Budget if it is determined that sufficient funds will be available to cover certain commitments. These commitments include: baseline adjustments, enrollment, caseload, and population adjustments, constitutional obligations, as well as the cost of funding all of the items included in the trigger. These items are primarily in the areas of Climate and Transportation

(\$3.1 billion), Housing (\$600 million), Parks (\$106 million) and Workforce Training (\$55 million).

- **Limited Revenue Generation and Borrowing—\$1.2 billion.** The Budget augments General Fund resources in the 2023-24 fiscal year. The majority of the funds in this category are derived from loans from special funds and from the renewal of the Managed Care Organization Tax.

In addition to solving the \$22.5 billion shortfall, the Budget utilizes a number of the resiliency measures in the 2022 Budget Act to close shortfalls projected in the coming years. These include:

- **Future Inflationary Adjustments Withdrawn**—In addition to the \$3 billion referenced above for the 2023-24 fiscal year, \$7 billion to address inflationary adjustments, which were scheduled over 2024-25 and 2025-26, are now withdrawn.
- **General Obligation Bond Liability**—\$1.7 billion in General Fund, which had been scheduled in 2024-25 to reduce General Obligation bond liability through the redemption of callable bonds, is now withdrawn.
- **Lease Revenue Bonds Liability**—\$2.1 billion in General Fund had been scheduled to reduce lease revenue bond liability in 2022-23 through 2025-26. This amount is reverted back to lease revenue bond funds to pay for capital projects.
- **Supplemental Deposits to Budget Stabilization Account**—\$4 billion in supplemental deposits to this reserve account had been scheduled over 2024-25 and 2025-26. These are now withdrawn.
- **Additional Safety Net Reserve Deposits**—\$4 billion in additional deposits to the Safety Net Reserve had been scheduled in 2024-25 and 2025-26. These are now withdrawn.

SUSTAINING KEY INVESTMENTS WHILE CLOSING THE BUDGET GAP

Even with the decisions necessary to close the budget gap in 2023-24, the Governor's Budget sustains key investments in recent budgets to advance the shared priorities of the Governor and the Legislature.

- **Implementing Transitional Kindergarten**—The 2022 Budget Act included funds for the first year of expanded eligibility for transitional kindergarten, which covers the shift from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2. Building upon

these first-year investments, the Budget includes \$690 million to implement the second year of transitional kindergarten expansion, which will increase access to the program to all children turning five-years-old between September 2 and April 2 (approximately 46,000 children) and \$165 million to support the addition of one additional certificated or classified staff person in transitional kindergarten classrooms serving these students. Full implementation of universal transitional kindergarten is expected in 2025-26.

- **Child Care Availability and Affordability**—The Budget sustains over \$2 billion annualized to expand subsidized child care slot availability.
- **Universal School Meals**—In 2020, the U.S. Department of Agriculture allowed states to apply for a waiver of certain requirements connected to the National School Lunch Program and School Breakfast Program. The Budget protects the funding for universal access to subsidized school meals and the additional enhanced meal rate. California will spend over \$1.4 billion to reimburse school meals and ensure all students who want a meal will have access to two free meals each day.
- **Maintaining Higher Education Compacts and Roadmap**—The Budget sustains the second year of the multi-year compacts with the University of California (UC) and the California State University (CSU), and a multi-year roadmap with the California Community Colleges (CCCs). Despite the state's fiscal climate, the Administration remains committed to the shared goals of increasing access to the UC and CSU, improving student success while advancing equity, increasing the affordability of higher education, increasing intersegmental collaboration to benefit students, and supporting workforce preparedness and high-demand career pipelines.
- **Advancing the Climate Agenda**—The 2021 and 2022 Budget Acts allocated approximately \$54 billion over five years to advance the state's climate agenda. The Budget maintains 89 percent of these investments (approximately \$48 billion) and continues to prioritize equity and investments in populations facing disproportionate harm from pollution and the climate crisis. Given the projected decline in General Fund revenues, the Budget includes reductions across several climate programs, which are partially offset by shifts to other fund sources. Additionally, the state will pursue additional federal funding through the Inflation Reduction Act and the Infrastructure Investment and Jobs Act. Most of the climate reductions are included in the trigger so if there is sufficient General Fund in January 2024, these reductions will be restored.
- **Expanding Health Care Access and Health Care Delivery Transformation**—The Budget maintains continued funding to expand full-scope Medi-Cal eligibility to all

income-eligible Californians, regardless of immigration status. Additionally, the Budget sustains approximately \$10 billion in total funds commitment to continue transforming the state's health care delivery system through California Advancing and innovating Medi-Cal.

- **Greater Assistance For California's Most Vulnerable**—The Budget includes over \$1 billion General Fund annually to provide increased cash assistance to individuals with disabilities and older adults in the Supplemental Security Income/State Supplementary Payment program, and low-income children and families in the CalWORKs program.
- **Expanding the Behavioral Health Continuum**—The Budget sustains over \$8 billion total funds across various multiple Health and Human Services departments to expand the continuum of behavioral health treatment and infrastructure capacity and transform the system for providing behavioral health services to children and youth.
- **Improving Services for the Developmentally Disabled**—The Budget sustains an estimated annual \$1.2 billion General Fund by 2024-25 to fully implement service provider rate reform with a focus on improving outcomes and quality of services.
- **Reproductive Health Services**—The Budget maintains the over \$200 million investments to protect the right to safe and accessible reproductive health care, including grants to health care providers to offset the cost of care to uninsured or underinsured individuals, for clinical infrastructure, and to provide scholarships and loan repayments to providers that commit to providing reproductive health care services. Further, the Budget adds \$200 million (\$15 million General Fund) in 2024-25 for a grant program focused on supporting access to family planning and related services, system transformation, capacity, and sustainability of California's safety net.
- **Investments in Infrastructure**—The Budget sustains a multi-year commitment of \$44 billion in state funds for various statewide infrastructure investments. This includes funding to accelerate the transition to zero-emission vehicles, modernize the state's transportation system, promote energy innovation and reliability, provide greater access to broadband connectivity, advance the state's housing goals, reduce wildfire risk to communities, and to support drought resiliency and response.
- **Investments in Housing**—Given the scale of California's housing backlog and need, the state has invested billions in the past two years for housing production incentives, with 2021 and 2022 Budget Act housing packages totaling \$21.5 billion combined. Importantly, the state has continued to deploy a comprehensive set of

strategies, including improving existing state financing programs, targeting housing investments, providing technical assistance to rural, tribal, and urban areas, and leveraging land use tools. The Budget includes \$350 million in General Fund reductions related to housing programs that were included as part of the 2022 Budget Act. Even with these reductions, funding for these housing programs would remain at approximately 88 percent of the allocations made in 2022-23 and 2023-24 (\$2.85 billion). These reductions are included in the trigger, so if there is sufficient General Fund in January 2024, these reductions will be restored.

- **Investments in Homelessness**—The 2022 Budget Act allocated \$10.2 billion, in addition to the \$7.3 billion provided in 2021, signifying a continued priority in providing investments to support the state's comprehensive homelessness strategy, including resources to provide long-term permanent housing options, services, and supports for individuals experiencing homelessness, or who are at risk of experiencing homelessness. The Budget maintains these investments.
- **Continuing Workforce Development**—The 2022 Budget invested approximately \$2.2 billion General Fund to create additional apprenticeships; provide training to mitigate the effects of climate change; provide job training and other assistance to the justice-involved population; and create more innovative and accessible opportunities to recruit, train, hire, and advance an ethnically and culturally inclusive health and human services workforce. The Budget reduces \$55 million of these investments. However, these reductions are included in the trigger, so if there is sufficient General Fund in January 2024, they will be restored.
- **Combatting Organized Retail Theft and Other Crimes**—The Budget sustains \$564.4 million General Fund over three years to bolster local law enforcement efforts to address retail theft and other crimes. These investments help local law enforcement agencies implement anti-theft task forces, improve prosecution, expand Department of Justice and California Highway Patrol anti-crime and retail theft taskforces, expand drug interdiction and combat fentanyl prevalence, improve emergency response times, combat human trafficking and child sexual exploitation, support programs to remove and dispose of firearms and provides resources to research to inform policies that address the ever-evolving firearms market.

CONCLUSION

Through strong fiscal planning, California's Budget can protect core programs and still build a California for today and the future. Due to the work that the Governor and the Legislature have done to plan for a revenue shortfall such as this one, the Budget is able to maintain the majority of recent commitments, including continuing to build upon programs and services that the most vulnerable populations rely even more heavily upon during economic downturns.

However, considerable risks to the economy remain. In particular, if the economy slips into a recession in the coming months, there will be more difficult decisions ahead. The Administration has taken steps in this Budget, such as not using the state's reserves, to ensure there is additional capacity to protect the programs and services that California residents rely upon, AND build a California for the future that continues to be a national and world leader in combating the effects of climate change, elevating diversity and inclusion, improving innovation, and protecting the rights of all of our residents. That is the California way.

SUMMARY CHARTS

This section provides various statewide budget charts and tables.

2023-24 Governor's Budget
General Fund Budget Summary
(Dollars in Millions)

	2022-23	2023-24
Prior Year Balance	\$52,713	\$21,521
Revenues and Transfers	\$208,884	\$210,174
Total Resources Available	\$261,597	\$231,695
Non-Proposition 98 Expenditures	\$160,973	\$143,060
Proposition 98 Expenditures	\$79,103	\$80,554
Total Expenditures	\$240,076	\$223,614
Fund Balance	\$21,521	\$8,081
Reserve for Liquidation of Encumbrances	\$4,276	\$4,276
Special Fund for Economic Uncertainties	\$17,245	\$3,805
Public School System Stabilization Account	\$8,108	\$8,473
Safety Net Reserve	\$900	\$900
Budget Stabilization Account/Rainy Day Fund	\$21,487	\$22,398

Note: Numbers may not add due to rounding.

General Fund Expenditures by Agency

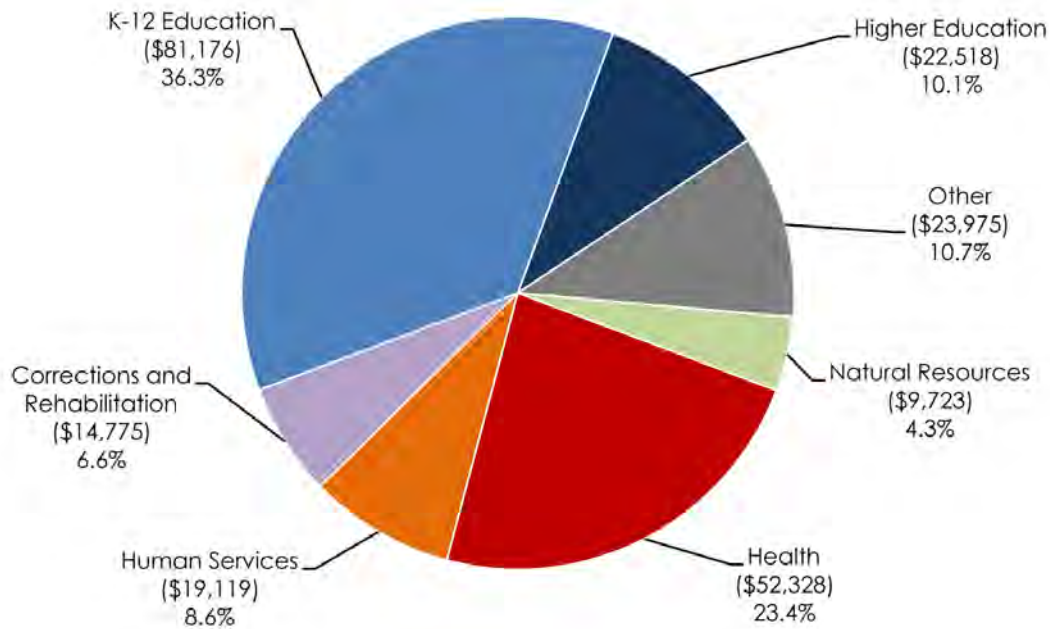
(Dollars in Millions)

	2022-23	2023-24	Change from 2022-23	
			Dollar Change	Percent Change
Legislative, Judicial, Executive	\$19,636	\$11,852	-\$7,784	-39.6%
Business, Consumer Services & Housing	4,062	1,472	-2,590	-63.8%
Transportation	1,725	2,191	466	27.0%
Natural Resources	15,437	9,723	-5,714	-37.0%
Environmental Protection	2,133	1,989	-144	-6.8%
Health and Human Services	64,790	71,447	6,657	10.3%
Corrections and Rehabilitation	15,822	14,775	-1,047	-6.6%
K-12 Education	78,505	81,176	2,671	3.4%
Higher Education	23,043	22,518	-525	-2.3%
Labor and Workforce Development	1,234	1,638	404	32.7%
Government Operations	6,795	3,847	-2,948	-43.4%
General Government:				
Non-Agency Departments	2,791	3,562	771	27.6%
Tax Relief/Local Government	678	558	-120	-17.7%
Statewide Expenditures	3,425	-3,134	-6,559	-191.5%
Total	\$240,076	\$223,614	-\$16,462	-6.9%

Note: Numbers may not add due to rounding.

2023-24 General Fund Expenditures

(Dollars in Millions)

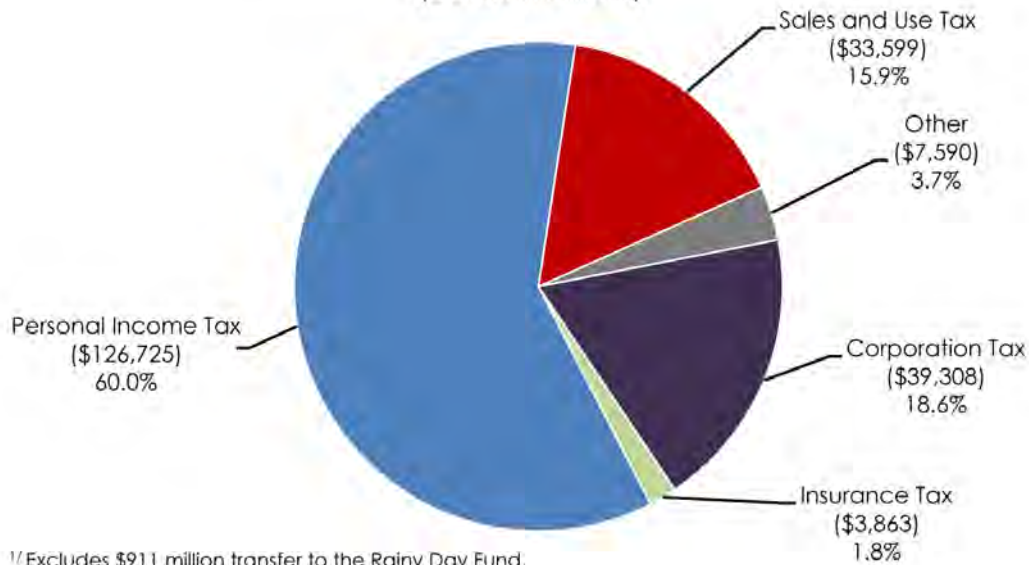


General Fund Revenue Sources
(Dollars in Millions)

	2022-23	2023-24	Change from 2022-23	
			Dollar Change	Percent Change
Personal Income Tax	\$128,905	\$126,725	-\$2,180	-1.7%
Sales and Use Tax	32,851	33,599	748	2.3%
Corporation Tax	38,482	39,308	826	2.1%
Insurance Tax	3,641	3,863	222	6.1%
Alcoholic Beverage Taxes and Fees	436	441	5	1.1%
Cigarette Tax	49	45	-4	-8.2%
Motor Vehicle Fees	37	37	0	0.0%
Other	6,102	7,067	965	15.8%
Subtotal	\$210,503	\$211,085	\$582	0.3%
Transfer to the Budget Stabilization Account/Rainy Day Fund	-1,620	-911	709	-43.8%
Total	\$208,883	\$210,174	\$1,291	0.6%

Note: Numbers may not add due to rounding.

2023-24
General Fund Revenues and Transfers^{1/}
(Dollars in Millions)



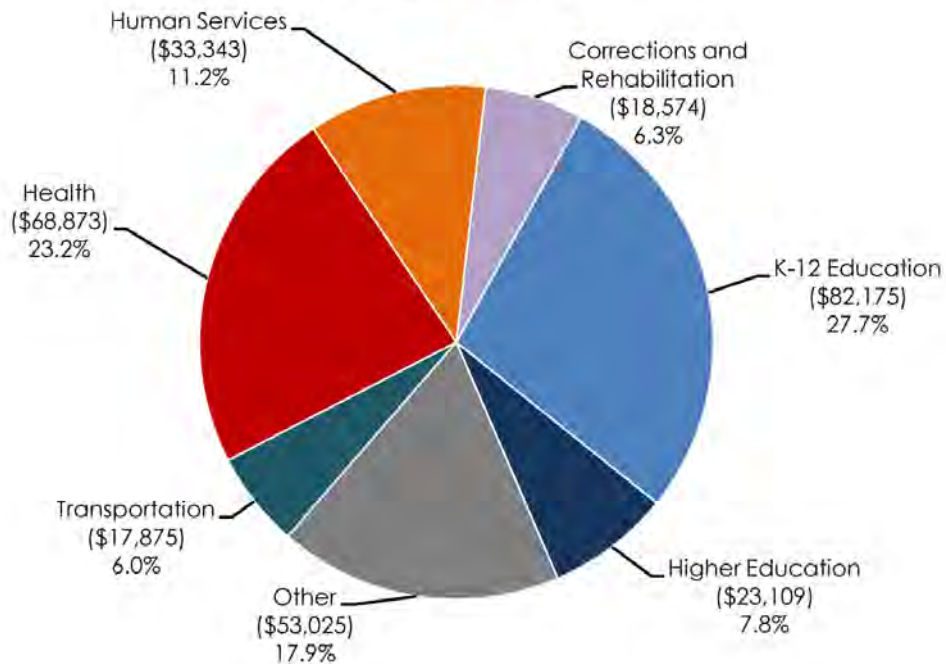
2023-24 Total State Expenditures by Agency

(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$11,852	\$3,678	\$262	\$15,792
Business, Consumer Services & Housing	1,472	1,217	936	3,625
Transportation	2,191	15,602	82	17,875
Natural Resources	9,723	2,019	585	12,327
Environmental Protection	1,989	3,935	14	5,938
Health and Human Services	71,447	30,769	-	102,216
Corrections and Rehabilitation	14,775	3,799	-	18,574
K-12 Education	81,176	370	629	82,175
Higher Education	22,518	133	458	23,109
Labor and Workforce Development	1,638	1,056	-	2,694
Government Operations	3,847	251	7	4,105
General Government:				
Non-Agency Departments	3,562	1,837	2	5,401
Tax Relief/Local Government	558	3,523	-	4,081
Statewide Expenditures	-3,134	2,196	-	-938
Total	\$223,614	\$70,385	\$2,975	\$296,974

Note: Numbers may not add due to rounding.

**2023-24
Total State Expenditures
(Including Selected Bond Funds)**
(Dollars in Millions)



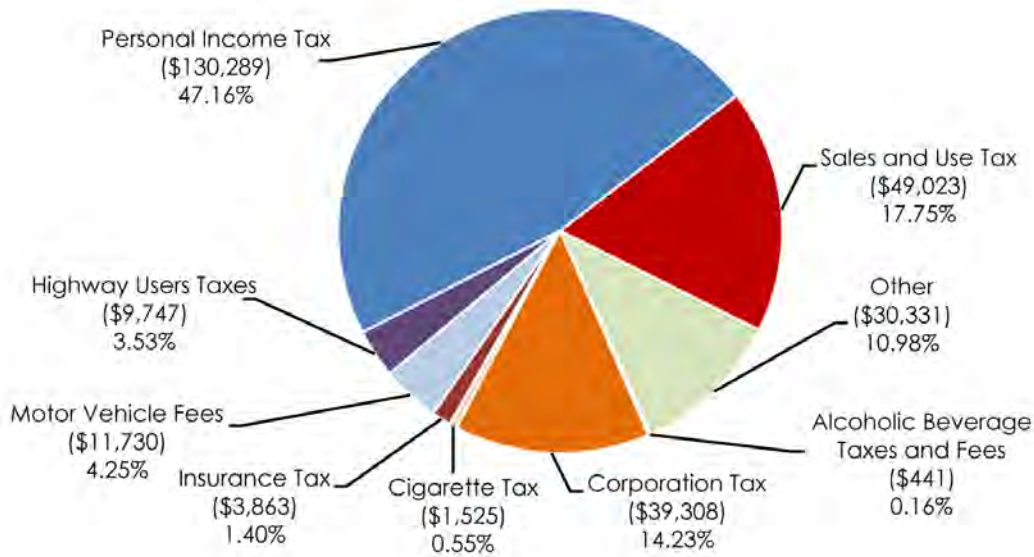
2023-24 Revenue Sources

(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2022-23
Personal Income Tax	\$126,725	\$3,564	\$130,289	-\$2,247
Sales and Use Tax	33,599	15,424	49,023	847
Corporation Tax	39,308	-	39,308	826
Highway Users Taxes	-	9,747	9,747	788
Insurance Tax	3,863	-	3,863	222
Alcoholic Beverage Taxes and Fees	441	-	441	5
Cigarette Tax	45	1,480	1,525	-143
Motor Vehicle Fees	37	11,693	11,730	481
Other	7,067	23,264	30,331	-1,745
Subtotal	\$211,085	\$65,172	\$276,257	-\$966
Transfer to the Budget Stabilization Account/Rainy Day Fund	-911	911	-	-
Total	\$210,174	\$66,083	\$276,257	-\$966

Note: Numbers may not add due to rounding.

**2023-24
Total Revenues and Transfers**
(Dollars in Millions)



K-12 EDUCATION

California provides academic instruction and support services to nearly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, approximately 1,000 local school districts, and more than 1,200 charter schools provide instruction in English, mathematics, history, science, and other core competencies to provide students with the skills they will need upon graduation to either enter the workforce or pursue higher education.

MAINTAINING STRONG SUPPORT FOR SCHOOLS

The fiscally prudent approaches of the past two K-12 education budgets, combined with a modest adjustment in the funding for the Arts, Music, and Instructional Materials Block Grant, will enable the state to support and maintain critical education investments without requiring a discretionary withdrawal from the Public School System Stabilization Account (PSSSA). This stability is critical to the ongoing implementation of the California for All Kids plan—a whole child framework to close opportunity gaps by accelerating learning and investing in the educator workforce while providing universal access to early learning, before and after school care, and comprehensive nutrition services. The plan also provides for high-poverty communities having access to community schools that enable family and community engagement in the provision of a wide range of academic, health, and social services that support students' learning.

Recent comprehensive student data from the 2022 California School Dashboard underscores the importance of this commitment to equitable opportunities. English language arts and math achievement data from the Dashboard, as well as non-academic factors such as chronic absenteeism rates, reflect the COVID-19 Pandemic's significant impacts on students, while also providing early indicators of where California's early and intensive efforts to address student needs are starting to make an impact. The Budget reflects the Administration's continued focus on providing equitable pre-K-12 educational opportunities by including ongoing support for a Local Control Funding Formula Equity Multiplier and further investment to support literacy coaches in high-need elementary schools.

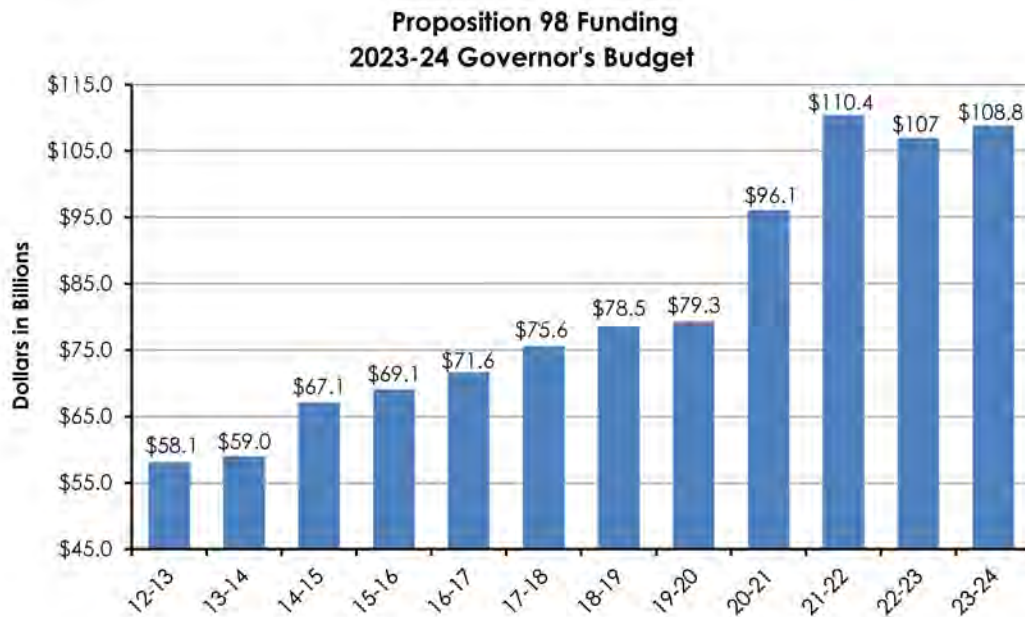
PROPOSITION 98

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges (collectively referred to as K-14 schools). The Guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The LCFF is the primary mechanism for distributing these funds to support all students attending K-12 public schools in California.

The revised estimates of General Fund revenues modestly reduce the Proposition 98 Guarantee. Proposition 98 funding for K-12 schools and community colleges for 2023-24 is \$108.8 billion. This represents a decrease of approximately \$1.5 billion relative to the 2022 Budget Act.

The Guarantee continues to be in a Test 1 for all years 2021-22 through 2023-24. This means that the funding level of the Guarantee is equal to roughly 38 percent of General Fund revenues, plus local property tax revenues. Pursuant to the Proposition 98 formula, this percentage of General Fund revenues is not reduced to reflect declining enrollment, which further increases per pupil funding. The Proposition 98 minimum Guarantee is "rebenched" to reflect the continued implementation of Universal Transitional Kindergarten. To accommodate enrollment increases related to the continued expansion of transitional kindergarten, the Test 1 percentage is "rebenched" to increase the percentage of General Fund revenues due to the Guarantee, from 38.3 percent to 38.6 percent. Additionally, commencing in 2024-25, the Proposition 98 Guarantee will be "rebenched" pursuant to the requirements of the Arts and Music in Schools—Funding Guarantee and Accountability Act.

The decrease in the Proposition 98 Guarantee, when combined with other base adjustments, formula-driven reductions in deposits to the Proposition 98 Rainy Day Fund, inclusion of funds available for reappropriation or from the reversion account, one-time solutions, and availability of other one-time funds, results in available Proposition 98 resources of approximately \$5.9 billion. Proposition 98 is estimated to be \$110.4 billion in 2021-22, \$106.9 billion in 2022-23, and \$108.8 billion in 2023-24, representing a three-year decrease in the minimum Guarantee of \$4.7 billion over the level funded in the 2022 Budget Act.



The Budget includes total funding of \$128.5 billion (\$78.7 billion General Fund and \$49.8 billion other funds) for all K-12 education programs. K-12 per-pupil funding totals \$17,519 Proposition 98 General Fund—its highest level ever—and \$23,723 per pupil when accounting for all funding sources.

PROPOSITION 98 RAINY DAY FUND

The 2022 Budget Act projected a total balance of \$9.5 billion in the Public School System Stabilization Account (PSSSA). The Budget reflects revised 2021-22 and 2022-23 payments, and a 2023-24 payment of \$3.7 billion, \$1.1 billion, and \$365 million, respectively, into the PSSSA, for a total revised account balance of more than \$8.5 billion at the end of 2022-23. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the PSSSA is equal to or greater than 3 percent of the total K-12 share of the

Proposition 98 Guarantee. The balance of \$8.1 billion in 2022-23 continues to trigger school district reserve caps in 2023-24.

LOCAL CONTROL FUNDING FORMULA (LCFF)

The Budget includes a LCFF cost-of-living adjustment of 8.13 percent, the highest cost-of-living adjustment in recent memory. When combined with growth adjustments, this increase will result in \$4.2 billion in additional discretionary funds for local educational agencies. To fully fund this increase and to maintain the level of current year LCFF apportionments, the Budget provides approximately \$613 million in one-time resources to support the ongoing cost of LCFF in 2022-23 and approximately \$1.4 billion in one-time resources to support the ongoing cost of LCFF in 2023-24.

LOCAL CONTROL FUNDING FORMULA EQUITY MULTIPLIER AND ACCOUNTABILITY IMPROVEMENTS

While California has made significant investments in equitable funding models over the past decade, student outcome data underscore why it is imperative to take further steps to address the needs of all students, and in particular, the demonstrated needs of youth in foster care, homeless students, low-income students, English language learners, students with disabilities, students of color, and student groups with persistent disparities in educational outcomes. For example, while in 2021-22, 47 percent of all students met or exceeded standards in English language arts (ELA) and 33.4 percent met or exceeded standards in mathematics, for African American students only 30.3 percent met or exceeded standards in ELA and 15.9 percent met or exceeded standards in mathematics; and for youth in foster care, only 20.6 percent met or exceeded standards in ELA and 10.3 percent met or exceeded standards in mathematics.

To accelerate learning gains and close opportunity gaps, the Budget includes \$300 million ongoing Proposition 98 General Fund to establish an equity multiplier as an add-on to the LCFF. These funds will be allocated to local educational agencies based on school-site eligibility, using a more targeted methodology than the existing supplemental grant eligibility. The funds are intended to augment resources to support the highest-needs schools in the state, and highlight the importance of equitable allocation of resources by local educational agencies.

In conjunction with the proposed equity multiplier, the Budget proposes a comprehensive package of amendments to the K-12 accountability and continuous

improvement system intended to ensure significant student group or school-level equity gaps within a local educational agency are identified and addressed effectively through the Local Control and Accountability Plan and Differentiated Assistance processes. The proposed amendments draw from formal evaluations, research studies and experience during the first ten years of implementation of these LCFF-based systems, seeking to build on its successful foundation.

EARLY EDUCATION

TRANSITIONAL KINDERGARTEN (TK)

Access to high-quality, evidence-based early education can support and accelerate the learning of young children and provide pre-elementary students with the skills and tools needed to succeed in school. To this end, the 2022 Budget Act provided \$614 million to support the first year of expanded eligibility for transitional kindergarten, which covers the shift from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2. Additionally, the 2022 Budget provided \$383 million to add one additional certificated or classified staff person to every transitional kindergarten class, reducing student-to-adult ratios to more closely align with the California State Preschool Program.

The Budget revises estimates for the first-year investment from \$614 million to approximately \$604 million to expand access to all children turning five-years-old between September 2 and February 2 and revises the first-year investment to add one additional certificated or classified staff person to every transitional kindergarten class from \$383 million to approximately \$337 million. These revisions reflect updated enrollment and attendance data. Building upon these first-year investments, the Budget includes \$690 million to implement the second year of transitional kindergarten expansion, which will increase access to the program to all children turning five-years-old between September 2 and April 2 (approximately 46,000 children) and \$165 million to support the addition of one additional certificated or classified staff person in transitional kindergarten classrooms serving these students. Full implementation of universal transitional kindergarten is expected in 2025-26.

CALIFORNIA STATE PRESCHOOL PROGRAM

The California State Preschool Program provides access to subsidized preschool for the state's income-eligible three- and four-year-olds. As part of the state's Universal Pre-Kindergarten initiative, families of four-year-old children may choose to access one year of high-quality, subsidized preschool through either the State Preschool Program, Head Start, or another state- or federally-subsidized program (if they are income-eligible), or through transitional kindergarten.

The 2022 Budget Act included \$312.7 million Proposition 98 General Fund and \$172.3 million General Fund to increase State Preschool Program adjustment factors for students with disabilities, dual language learners, and childhood mental health and added an adjustment factor for three-year-olds. These increases were coupled with requirements for State Preschool providers to: (1) incrementally ramp up to serving at least 10 percent students with disabilities by July 1, 2024, and (2) provide additional supportive services for dual language learners.

Consistent with the 2022 Budget Act, the Budget includes \$64.5 million Proposition 98 General Fund and \$51.8 million General Fund to continue a multi-year plan to ramp up the inclusivity adjustments for the State Preschool Program. The 2023-24 year will be the second year of the three-year ramp up process, and students with disabilities will be required to make up at least 7.5 percent of State Preschool Program providers' enrollment.

To support reimbursement rate increases previously supported by available one-time federal stimulus funding, the Budget includes \$152.7 million General Fund. These resources are in addition to approximately \$63.3 million General Fund and \$112 million Proposition 98 General Fund to support an 8.13 percent statutory cost-of-living adjustment. The Budget also includes an increase of \$763,000 Proposition 98 General Fund to support the preschool Classroom Assessment Scoring System.

CALIFORNIA PRESCHOOL, TRANSITIONAL KINDERGARTEN AND FULL-DAY KINDERGARTEN FACILITIES GRANT PROGRAM (FDK PROGRAM)

The 2022 Budget Act included \$100 million one-time General Fund and reflected an additional \$550 million in 2023-24 to support the FDK Program. The FDK program supports the construction of new school facilities or retrofitting existing school facilities for the purpose of providing transitional kindergarten, full-day kindergarten, or preschool

classrooms. The Budget delays the 2023-24 planned \$550 million FDK Program investment to 2024-25.

LITERACY

To improve achievement in literacy, California has built a cohesive structure of support for educators and students that reflects a focus on equity, inclusion, and high-quality professional learning in support of evidence-based instruction. Since 2019, this has included significant resources and targeted policy changes to improve student literacy outcomes. Recent investments to improve literacy achievement include:

- \$7.9 billion one-time for the Learning Recovery Emergency Block Grant, which supports, among other things, closing learning gaps through the implementation, expansion, or enhancement of learning supports, such as expanded instructional time, tutoring or other one-on-one or small group learning supports, and learning recovery programs.
- \$1.5 billion one-time for the Educator Effectiveness Block Grant to train classified, certificated, and administrative school staff in high-need topics, including literacy.
- \$250 million one-time for literacy coaches and reading specialists.
- \$50 million one-time for professional development for educators on learning acceleration in mathematics, literacy and language development.
- \$15.2 million General Fund for dyslexia research and screening tool pilot projects through the University of California.
- \$15 million one-time to support 6,000 teachers to receive their supplementary state certification in reading and literacy.
- \$10 million one-time to train educators in evidence-based literacy instruction, literacy interventions, and executive functioning skills.
- \$10 million one-time General Fund to support the University of California (UC) San Francisco Dyslexia Center.
- \$4 million to fund the California Dyslexia Initiative to support the piloting of the UC San Francisco dyslexia screener and provide professional learning to educators to support the instructional needs of students with specific learning disabilities, including dyslexia.

K-12 EDUCATION

- \$3.5 million for a dyslexia early intervention pilot program operated by UC San Francisco.

Skillful use of proven instructional strategies is the key factor in student academic success. To further strengthen educator practice in core subjects in the highest-need schools (where student needs are acute and teachers are often new to the profession and/or underprepared), the Budget includes an additional \$250 million one-time Proposition 98 General Fund to build upon the existing Literacy Coaches and Reading Specialists Grant Program. This program funds high-poverty schools to train, using evidence-based practices, and hire literacy coaches and reading specialists for one-on-one and small group intervention for struggling readers. This allocation will allow several hundred more schools in high-poverty areas to hire these coaches and specialists and improve the quality of reading instruction for thousands of additional students.

Using the array of available resources, guidance, and supports, school leaders should be able to select and implement effective models of practice that reflect the needs of the school community. Accordingly, the Budget includes \$1 million one-time General Fund to create a Literacy Roadmap to help educators navigate these resources and effectively and efficiently use them in their classrooms.

SPECIAL EDUCATION

It is an Administration priority to address the significant achievement gap for children with disabilities—about one in eight students, with a range of mild to severe disabilities. Children receiving special education services are disproportionately English learners, come from low-income families, and/or are served by the foster care system, compounding equity challenges that have been exacerbated by the COVID-19 Pandemic. Over the last four years, the Administration has worked with the Legislature to augment special education funding by more than \$3.6 billion, including nearly \$2 billion in ongoing Proposition 98 General Fund. Beyond additional budgetary investments, the Administration has supported special education programmatic improvements that: (1) better enable schools to grow their educator workforce, (2) increase budgetary transparency, (3) improve services provided to students and parents, and (4) support inclusive local planning and cohesion between special education and general education. Nevertheless, the state's special education system remains administratively complex and would benefit from continued programmatic reforms.

To further recent reform efforts, the Budget reflects the following programmatic changes:

- Limiting the amount of additional funding that Special Education Local Plan Areas (SELPA) are allowed to retain for non-direct student services before allocating special education base funding to their member local educational agencies.
- Stabilizing current SELPA membership by extending the moratorium on the creation of new single-district SELPAs by two years from June 30, 2024, to June 30, 2026.
- Increasing fiscal transparency by requiring the California Department of Education to post each SELPA's annual local plan, including their governance, budget and services plans, on its website.

EDUCATOR WORKFORCE

Educator shortages across the state undermine efforts to accelerate learning. It is critical that the state maintain and continue to implement recent investments in increasing the number of well-prepared teachers, administrators, and classified staff. To this end, the 2021 and 2022 Budget Acts included several multi-year investments to better prepare, train, recruit, and retain a diverse, expert workforce of administrative, credentialed, and classified staff in California's K-12 schools. These investments have begun to increase the number of fully prepared teachers graduating from California teacher education programs and entering the state educator workforce, and to reduce the number of teachers who are hired on substandard credentials. Specifically, the key multi-year investments reflected in the 2021 and 2022 Budget Acts included:

- \$1.5 billion one-time Proposition 98 General Fund over five years to provide local educational agencies with training resources for classified, certificated, paraprofessional, and administrative school staff in specified high-need topics, including accelerated learning, re-engaging students, restorative practices, and implicit bias training through the Educator Effectiveness Block Grant. Funds were fully apportioned in the 2021-22 school year and are available for expenditure until June 30, 2026.
- \$500 million one-time General Fund over five years for the Golden State Teacher Grant Program to support teacher credential candidates who commit to teach at a priority school, in a high-need subject matter area, for four years. Funds are available for expenditure until the 2025-26 fiscal year.

K-12 EDUCATION

- \$125 million one-time Proposition 98 General Fund over five years for the Classified School Employee Teacher Credential Program to expand the capacity of the existing program, which funds efforts to recruit and support current classified staff who already hold an associate or higher degree to complete a bachelor's degree and earn a teaching credential. Funds are available for expenditure until the 2025-26 fiscal year.
- A total of \$600 million one-time Proposition 98 General Fund over five years to establish new school counselor residency programs or add them to existing teacher residency programs to support the preparation of teachers and school counselors. Funds are available for expenditure until the 2025-26 fiscal year.
- \$250 million one-time General Fund over five years for the National Board Certification Incentive Program to provide grants to school districts for the purpose of providing incentives to teachers who have attained certification from the National Board for Professional Teaching Standards and agree to teach at a high-priority school for at least five years.
- \$24 million one-time General Fund to waive certain teacher examination fees in the 2023-24 fiscal year.

The Administration remains committed to the thoughtful implementation and administration of these programs in the coming year.

ARTS AND CULTURAL ENRICHMENT

Beginning in 2023-24, the Arts and Music in Schools—Funding Guarantee and Accountability Act (approved by voters in November 2022 as Proposition 28), requires an amount equal to one percent of the Proposition 98 Guarantee to be allocated to schools to increase arts instruction and/or arts programs in public education. As a result, the Budget includes approximately \$941 million to fund Proposition 28. Given this investment and the need for one-time funds to cover the costs of the LCFF in 2022-23 and 2023-24, the Budget reflects a reduction of approximately \$1.2 billion Proposition 98 General Fund from the Arts, Music, and Instructional Materials Discretionary Block Grant included in the 2022 Budget Act, taking this one-time allocation from approximately \$3.5 billion Proposition 98 General Fund to approximately \$2.3 billion Proposition 98 General Fund.

To further increase students' engagement with cultural arts and museums in a way that directly benefits students, cultural arts institutions and museums, the Budget includes

\$100 million one-time Proposition 98 General Fund—or roughly \$200 per 12th grade student enrolled in California public schools—to enable local educational agencies to provide high school seniors with access to cultural enrichment experiences across the state by facilitating museum visits, access to theatrical performances, or other participation in extracurricular art enrichment activities.

OTHER K-12 BUDGET ADJUSTMENTS

Other significant adjustments include:

- **Local Property Tax Adjustments**—A decrease of \$153 million Proposition 98 General Fund for school districts and county offices of education in 2022-23, and a decrease of \$1.3 billion ongoing Proposition 98 General Fund for school districts and county offices of education in 2023-24, as a result of increased offsetting property taxes.
- **Cost-of-Living Adjustments**—An increase of \$669 million ongoing Proposition 98 General Fund to reflect an 8.13 percent cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- **School Facility Program**—A decrease of \$100 million General Fund in planned support for the School Facility Program, taking the planned allocation in 2023-24 from approximately \$2.1 billion to approximately \$2.0 billion.
- **County Offices of Education**—An increase of \$51.7 million ongoing Proposition 98 General Fund to reflect an 8.13 percent cost-of-living adjustment and ADA changes applicable to the LCFF.
- **Charter School Facility Grant Program**—Consistent with the 2022 Budget Act agreement, a one-time investment of \$30 million Proposition 98 General Fund.
- **Commercial Dishwasher Grants**—The Budget proposes to set-aside \$15 million of the \$600 million one-time Proposition 98 General Fund appropriated in the 2022 Budget Act to support school kitchen infrastructure related investments to specifically support a local educational agency's acquisition and installation of a commercial dishwasher.

K-12 EDUCATION

- **Student Friendly Services**—An increase of \$3.9 million ongoing Proposition 98 General Fund to support the California College Guidance Initiative.
- **K-12 High Speed Network**—An increase of \$3.8 million ongoing Proposition 98 General Fund to support the K-12 High Speed Network program.
- **Reversing Opioid Overdoses**—An increase of \$3.5 million ongoing Proposition 98 General Fund for all middle and high school sites to maintain at least two doses of naloxone hydrochloride or another medication to reverse an opioid overdose on campus for emergency aid.
- **Data Support**—An increase of \$2.5 million non-Proposition 98 General Fund and 15 positions for the California Department of Education to meet state and federal data and accountability reporting requirements, support data exchanges with other agencies, and to quickly respond to emergent needs for data both internally and externally.
- **Fiscal Crisis and Management Assistance Team**—An increase of \$750,000 ongoing Proposition 98 General Fund to support the professional development of local educational agencies' Chief Budget Officers through mentorship programming by the Fiscal Crisis and Management Assistance Team.

HIGHER EDUCATION

The Budget reflects the second year of the multi-year compacts with the University of California (UC) and the California State University (CSU), and a multi-year roadmap with the California Community Colleges (CCCs), that focus on shared priorities benefitting students. Despite the state's fiscal condition, the Administration remains committed to the shared goals of increasing access to the UC and CSU, improving student success while advancing equity, increasing the affordability of higher education, increasing intersegmental collaboration, and supporting workforce preparedness and high-demand career pipelines.

The Budget proposes total funding of \$40.3 billion (\$27.3 billion General Fund and local property tax and \$13 billion other funds) for the three higher education segments and the California Student Aid Commission. The figure on Higher Education Expenditures displays additional detail about funding for higher education.

Higher Education Expenditures

(Dollars in Millions)

	2021-22 ³	2022-23	2023-24	Change from 2022-23	
				Dollars	Percent
University of California					
Total Funds ^{1/}	\$10,418.6	\$10,455.7	\$10,352.9	-\$102.7	-1.0%
Ongoing General Fund	4,010.8	4,373.6	4,629.7	\$256.0	5.9%
One-Time General Fund	1,131.0	653.9	100.9	-	-
California State University					
Total Funds ^{1/}	\$9,186.9	\$8,523.4	\$8,476.8	-\$46.6	-0.5%
Ongoing General Fund	4,606.1	5,049.8	5,341.0	\$291.2	5.8%
One-Time General Fund	1,267.5	347.7	10.0	-	-
California Community Colleges					
Total Funds	\$17,481.9	\$17,962.7	\$17,431.6	-\$531.1	-3.0%
General Fund & Property Taxes	12,927.6	13,554.8	13,668.7	\$113.9	0.8%
California Student Aid Commission					
Total Funds	\$2,750.3	\$3,411.5	\$3,235.8	-\$175.7	-5.2%
General Fund ^{2/}	2,328.1	2,990.9	2,815.2	-\$175.7	-5.9%
Total Funds	\$39,837.7	\$40,353.3	\$39,497.2	-\$856.2	-2.1%
General Fund	\$26,271.1	\$26,970.7	\$26,565.5	-\$405.2	-1.5%

^{1/} These totals include tuition and fee revenues and other funds the universities report as discretionary.

^{2/} General Fund expenditures for the Cal Grant program are offset by reimbursements, including approximately \$400 million in federal Temporary Assistance for Needy Families (TANF) funds received through an agreement with the Department of Social Services.

^{3/} 2021-22 Total Funds may include federal American Rescue Plan Act of 2021 funding provided directly to colleges and universities.

UNIVERSITY OF CALIFORNIA

The UC offers formal undergraduate and graduate education, is the public segment authorized to independently award doctoral degrees, and is designated as the state's primary academic agency for research. Its ten campuses enroll nearly 290,000 students and the UC extension centers register an additional 500,000 participants in continuing education programs. In 2020-21, the UC awarded more than 84,000 degrees, including roughly 63,000 undergraduate degrees.

The Budget maintains the multi-year compact that includes substantial and sustained funding increases for the UC, in exchange for clear commitments to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities. The UC recently submitted its required annual report describing its plans to advance the goals of the compacts. The Administration will continue to monitor the UC's actions toward meeting the goals.

NOTABLE ONGOING INVESTMENTS FOR THE UC INCLUDE:

- **Base Growth**—An increase of approximately \$215.5 million ongoing General Fund for operating costs, representing a five-percent base increase in ongoing General Fund resources. This will also support one-percent growth in undergraduate enrollment.
- **Resident Undergraduate Enrollment Growth**—Consistent with the 2021-22 Budget and section 68 of Chapter 68 of the Statutes of 2021, an increase of \$30 million ongoing General Fund to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three campuses with an equivalent number of California resident undergraduate students at these campuses in 2023-24. This investment builds on the previous \$31 million ongoing General Fund provided in the 2022 Budget Act that supported a shift of 902 nonresident students for California residents.
- **Graduate Medical Education Backfill**—An increase of \$4 million ongoing General Fund to offset declining Proposition 56 revenue for a statewide grant program and maintain \$40 million in total ongoing for graduate medical residency slots.
- **Medical School Project at UC Riverside**—Consistent with the 2019 Budget, an increase of \$6.5 million ongoing General Fund to support the Medical School Project at UC Riverside. Consistent with the 2019 Budget, the Administration's fiscal plan also includes an additional \$14.5 million ongoing General Fund to support the Medical School Project at UC Merced beginning in 2024-25.

NOTABLE ONE-TIME INVESTMENTS FOR THE UC INCLUDE:

- **Delayed Capital Outlay Support**—The Budget proposal delays support for three projects in the 2022 Budget Act as follows: (1) delay \$200 million (\$100 million in 2022-23 and \$100 million in 2023-24) of the support for the construction of an Institute for Immunology and Immunotherapy at the University of California, Los Angeles (UCLA) to fiscal year 2024-25; (2) delay \$83 million to support the UC Berkeley Clean Energy Campus project currently planned for fiscal year 2023-24 to 2024-25, and (3) delay \$83 million to support campus expansion projects at UC Riverside and UC Merced currently planned for fiscal year 2023-24 to 2024-25.

UNIVERSITY OF CALIFORNIA, LOS ANGELES

- **Transfer Admissions Guarantee**—As a condition of receiving a specified amount of state General Fund through the UC campus allocation model, the Budget proposes requiring UCLA to participate in the UC Transfer Admissions Guarantee Program to further facilitate students' ability to transfer to UCLA.
- **Associate Degree for Transfer**—As a condition of receiving a specified amount of state General Fund through the UC campus allocation model, the Budget proposes requiring UCLA to offer Associate Degree for Transfer program pathways to students seeking to transfer from a California Community College to UCLA.

CALIFORNIA STATE UNIVERSITY

The CSU provides undergraduate and graduate instruction generally up to the master's degree. Its 23 campuses enroll more than 468,000 students. In 2021-22, the CSU awarded more than 132,000 degrees. The CSU also provides opportunities for residents to enroll in professional and continuing education programs. The CSU strives to further fulfill its mission through the Graduation Initiative 2025, which aims to increase four-year graduation rates, increase two-year transfer graduation rates, and eliminate equity gaps. The CSU is an important institution for providing four-year education in some of the most underserved regions of the state, including the Far North, the Central Valley, and the Inland Empire.

The Budget maintains the multi-year compact reflecting substantial and sustained funding increases for the CSU, in exchange for clear commitments to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities. The CSU recently submitted its required annual report providing baseline data to inform future goal-setting efforts and progress reports toward meeting the goals of the compacts.

NOTABLE ONGOING INVESTMENTS FOR THE CSU INCLUDE:

- **Base Growth**—An increase of \$227.3 million ongoing General Fund to support a 5-percent base increase as part of the second year of the multi-year compact agreement for CSU's continuing commitment towards student access, equity, and affordability, and creating pathways to high-demand career pathways.

- **Shift in Capital Support Funding**—The Budget proposes shifting \$404.8 million appropriated for the upfront support of various capital projects on CSU campuses to being supported by CSU-issued bonds. The Budget includes \$27 million ongoing General Fund to support the underlying debt service on those bonds.

CALIFORNIA COMMUNITY COLLEGES

The CCCs are the largest system of higher education in the country, serving roughly one out of every four of the nation's community college students, or approximately 1.8 million students. The CCCs provide basic skills, vocational, and undergraduate transfer education with 73 districts, 116 campuses, and 78 educational centers. In 2021-22, the CCCs awarded over 110,000 certificates and 198,000 degrees and transferred over 107,000 students to four-year institutions.

The Budget reflects a continued focus on the CCC multi-year roadmap, which focuses on equity, student success, and enhancing the system's ability to prepare students for California's future.

MONITORING COMMUNITY COLLEGE ENROLLMENT

Enrollment at the CCCs has dropped by over 16 percent in headcount enrollment since the beginning of the COVID-19 Pandemic, mirroring a national trend of declining enrollment for higher education institutions, which has been particularly acute for the nation's community colleges. Local community colleges must continue outreach, recruitment, reengagement, and retention efforts. To address recent enrollment declines, the Budget includes an additional \$200 million one-time Proposition 98 General Fund to continue to support community college efforts and focused strategies to increase student retention rates and enrollment.

In addition to responding to enrollment declines in recent years, the Administration has provided significant financial support to the community colleges, including for student financial aid and basic needs, as well as for community college operations. This includes providing a funding floor for the Student-Centered Funding Formula's hold harmless provision beginning in fiscal year 2025-26. To this end, the Administration will be monitoring district-level enrollment trends as we move past the COVID-19 Pandemic. It is imperative that districts begin to regain some of the enrollment lost during the COVID-19 pandemic. As such, the Administration will work with stakeholders to consider

options to adjust district budgets should a district not display that they are regaining enrollment lost during the COVID-19 Pandemic entering the 2024-25 academic year.

PROVIDING FLEXIBILITY FOR DISTRICTS MEETING CCC ROADMAP GOALS

To support a continued focus toward the goals of the multi-year roadmap, the Administration intends to introduce a mechanism as part of the May Revision to provide community college districts that are making progress toward the CCC roadmap goals with additional categorical program spending flexibilities and the ability to consolidate reporting requirements across specified and to be determined categorical programs, provided the goals of the categorical programs and overall progress toward the roadmap goals continue to be met. Under the proposal, districts making progress would have the opportunity to submit a streamlined report for the specified programs, as well as spend funds more flexibly across the programs.

PROVIDING SERVICE-LEARNING OPPORTUNITIES THROUGH DUAL ENROLLMENT

In furtherance of the CCC roadmap and compacts with the UC and CSU, the Administration requests community colleges establish dual enrollment agreements with all applicable local educational agencies within their community college districts' service area, if they have not done so already. Further, the Administration requests that all community colleges develop and offer a one-unit service-learning course that all high school students would have the ability to access through dual enrollment opportunities. These service-learning opportunities would serve to encourage and enable high school students to volunteer in their local communities and to participate in civic engagement.

NOTABLE INVESTMENTS AND ADJUSTMENTS FOR THE CCCs INCLUDE:

- **CCC Apportionments**—An increase of \$652.6 million ongoing Proposition 98 General Fund to provide an 8.13-percent cost-of-living adjustment (COLA) for Student Centered Funding Formula apportionments and \$28.8 million ongoing Proposition 98 General Fund for 0.5-percent enrollment growth.
- **CCC Categorical Program COLA**—An increase of \$92.5 million ongoing Proposition 98 General Fund to provide an 8.13-percent COLA for select categorical programs and the Adult Education Program.

- **Student Enrollment and Retention**—An increase of \$200 million one-time Proposition 98 General Fund to continue to support community college efforts and focused strategies to increase student retention rates and enrollment, building on an investment of \$150 million one-time Proposition 98 General Fund and \$120 million one-time Proposition 98 General Fund for student enrollment and retention in the 2022 and 2021 Budget Acts, respectively.
- **Workforce Training Grants**—An increase of \$14 million one-time Proposition 98 General Fund to support the administration of workforce training grants in collaboration with the California Department of Forestry and Fire Protection.
- **Chief Business Officer Mentorship Program**—An increase of \$275,000 Proposition 98 General Fund, of which \$200,000 is ongoing, to develop a community college chief business officer professional learning program run through the Fiscal Crisis and Management Assistance Team to improve community college district leadership capacity and fiscal accountability.
- **Deferred Maintenance**—A decrease of approximately \$213 million one-time Proposition 98 General Fund for deferred maintenance needs.

STUDENT HOUSING

The 2021 Budget Act established the Higher Education Student Housing Grant Program to provide grants for the CCCs, CSU, and UC to construct student housing or to acquire and renovate commercial properties into student housing for low-income students. In addition to \$2 billion one-time General Fund set-aside by the 2021 Budget (\$500 million in 2021-22, \$750 million in 2022-23, and \$750 million in 2023-24), the 2022 Budget Act provided \$200 million one-time General Fund for this program, bringing the total allotment to \$2.2 billion for student housing grants over the three-year period. The Budget proposes delaying \$250 million of the anticipated 2023-24 support for affordable student housing projects to the 2024-25 fiscal year.

The 2022 Budget Act also included intent language to provide \$1.8 billion one-time General Fund over a two-year period in 2023-24 and 2024-25, to establish a student housing revolving loan program for the UC, the CSU, and the CCCs. The Budget proposes delaying \$900 million planned in 2023-24 to the 2025-26 fiscal year and delaying \$250 million from the 2024-25 fiscal year to the 2025-26 fiscal year. This delay would result in \$650 million in 2024-25 and \$1.15 billion in 2025-26 being available for the program.

CALIFORNIA STUDENT AID COMMISSION

Administered by the California Student Aid Commission, the state's primary financial aid program is the Cal Grant Program. This entitlement program provides financial aid awards to students who meet specified eligibility criteria, and who attend one of the state's qualifying public institutions or independent and private institutions. Students who are ineligible for the Cal Grant entitlement program can compete for financial aid awards available through the Cal Grant competitive program.

The Budget assumes total financial aid expenditures of \$3.3 billion, of which \$2.3 billion supports the Cal Grant Program, and \$859 million supports the Middle Class Scholarship program. In 2021-22, approximately 174,000 students received new Cal Grant awards, and approximately 221,000 students received renewal awards. Funding provided to students through the Middle Class Scholarship Program and through programs that support the construction of affordable student housing are intended to help facilitate students' access toward a debt free college pathway.

The state's Cal Grant entitlement program is estimated to provide over 377,000 financial aid awards to students who meet specified eligibility criteria in 2023-24. Students who demonstrate financial need, but do not meet all of the criteria for entitlement awards, may qualify for one of 13,000 proposed competitive Cal Grant awards. The majority of these awards provide a stipend to cover some living expenses, such as housing, food, and transportation.

CAL GRANT REFORM

The Administration remains attentive to the 2022 Budget Act's provisions regarding the fiscal conditions upon which the Cal Grant Reform Act may be implemented and will continue to work closely with the Legislature, the Commission, and others as that time draws closer. The Cal Grant Reform Act would make significant changes to the state's largest financial aid program, replacing the existing Cal Grant program with a new version of the program that provides a Cal Grant 2 for eligible CCC students with financial need, and provides a Cal Grant 4 for eligible four-year university students with financial need.

DETAILED BUDGET INVESTMENTS

- **Middle Class Scholarship**—Pursuant to the 2022 Budget, an increase of \$227 million one-time General Fund to support a modified version of the Middle Class Scholarship that will focus resources toward reducing a student's total cost of attendance.
- **Cybersecurity**—An increase of \$1.4 million one-time General Fund, \$469,000 of which is ongoing, to assess the California Student Aid Commission's current information technology system, address cybersecurity issues, and support 2 positions.
- **Financial Aid Programs**—A increase of \$241,000 ongoing for 1 position at the Commission to support human resources and to distribute toolkits to high schools to help students complete their financial aid applications.
- **Golden State Education and Training Grant Program Expenditure Shift**—The Budget proposal assumes, consistent with estimated program expenditures, that \$100 million General Fund provided for this program that was previously assumed to be spent in 2021-22 will be spent in 2024-25 and that \$200 million, \$100 million, and \$100 million would be expended in fiscal years 2024-25, 2025-26, and 2026-27, respectively.

SCHOLARSHARE INVESTMENT BOARD

The ScholarShare Investment Board administers the Golden State ScholarShare College Savings Trust Program (ScholarShare 529), the California Memorial Scholarship Program (CMS), and the California Kids Investment and Development Savings Program (CalKIDS).

CHILD SAVINGS ACCOUNTS

CalKIDS funds college savings accounts targeted to low-income and underrepresented public-school students, in addition to establishing college savings accounts for all newborns. The Budget utilizes available resources within the CalKIDS program, created by reduced cost estimates in the program, to increase incentive payments to parents choosing to open accounts for their newborn child from \$25 to \$100.

DETAILED BUDGET INVESTMENTS

- **CalKIDS Program Marketing**—An increase of \$1 million one-time General Fund to support marketing efforts to increase participation in the CalKIDS child savings accounts program, which seeks to help more California students afford higher education.

COLLEGE OF THE LAW, SAN FRANCISCO

College of the Law, San Francisco is affiliated with the UC system, but is governed by its own Board of Directors. Located in San Francisco, it primarily serves students seeking a Juris Doctor degree, but also offers programs leading to Master of Laws; Master of Studies in Law; and Master of Science, Health Policy and Law degrees. In 2021-22, UC College of the Law, San Francisco enrolled 1,101 full-time equivalent students. Of these, 1,065 were Juris Doctor students.

DETAILED BUDGET INVESTMENTS

- **Base Growth**—An increase of \$2.2 million ongoing General Fund to support operating costs. This represents a 3-percent increase base augmentation.
- **Safety Program, Urban Alchemy**—An increase of \$3 million, available over three years, to continue supporting a campus safety program that employs formerly incarcerated individuals and/or those who have experienced homelessness.

CALIFORNIA STATE LIBRARY

The California State Library serves as the central reference and research library for the Governor and the Legislature. The Library collects, preserves, generates, and disseminates information, and provides critical assistance to libraries across the state. The Library administers programs funded by state and federal funds to support local and public library programs.

DETAILED BUDGET INVESTMENTS

- **Support for Local Library Infrastructure**—The 2021 Budget Act provided \$439 million one-time General Fund to support local library infrastructure projects. The 2022 Budget Act provided an additional \$50 million and assumed an additional

\$100 million in 2023-24 to support local library infrastructure projects. The Budget proposes delaying the \$100 million to the 2024-25 (\$33 million), 2025-26 (\$33 million), and 2026-27 (\$34 million) fiscal years.

- **Support for Law Library**—An increase of \$462,000 ongoing General Fund to support and expand the Witkin State Law Library and its personnel.
- **California History Room**—An increase of \$597,000 General Fund, \$357,000 of which is ongoing, to expand the California History Room Special Collections and provide personnel support.
- **Internal Audit**—An increase of \$168,000 ongoing General Fund to support a State Library Audit Program.

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CLIMATE CHANGE

California is on the frontline of the global climate crisis with record-breaking heat, historic drought, extreme flooding, and devastating wildfires impacting communities across the state. In 2022, California enacted world-leading, aggressive measures to cut carbon pollution, accelerate the state's efforts on clean energy and clean transportation, and protect Californians from harmful oil drilling.

The 2022 Budget Act delivered a climate and opportunity agenda to fully integrate climate solutions with equity and economic opportunity. With critical investments in health, education and jobs, the state's climate agenda is simultaneously confronting the crisis while building a more resilient, just, and equitable future for all Californians.

The 2021 and 2022 Budget Acts allocated approximately \$54 billion over five years to advance the state's climate agenda. The Budget maintains approximately \$48 billion (89 percent) of these investments and continues to prioritize equity and investments in priority populations, which face disproportionate harm from pollution and the climate crisis. Given the projected decline in General Fund revenues, the Budget includes reductions across several climate programs, which are partially offset by shifts to other fund sources. If there is sufficient General Fund in January 2024, most of these reductions will be restored. See the Introduction Chapter for further information on this trigger.

Further, the Administration will continue to pursue available federal funding, including the Inflation Reduction Act (IRA) and the Infrastructure Investment and Jobs Act (IIJA), to offset the decrease of state funds for these climate-related programs. The

Administration will also engage the Legislature to explore a bond. The Budget includes additional resources to continue to advance the climate and opportunity agenda.

CLIMATE PILLAR LEGISLATION IMPLEMENTATION

In 2022, California enacted landmark climate legislation to advance the Administration's climate goals of cutting pollution, advancing carbon neutrality, protecting Californians from polluters, developing a carbon removal target date for natural and working lands, and accelerating the state's transition to clean energy. The Administration has begun these initiatives and the Budget includes resources to continue implementation.

- **Protecting Communities from Impacts of Oil Drilling**—Chapter 365, Statutes of 2022 (SB 1137) protects communities and the environment from the harmful impacts of oil and gas production by establishing a setback distance of 3,200 feet between any new oil wells and homes, schools, parks or businesses open to the public and provides comprehensive pollution controls for existing oil wells within 3,200 feet of these facilities. The Budget includes \$14.6 million Oil, Gas, and Geothermal Administrative Fund in 2023-24, \$20 million in 2024-25 and \$19.6 million ongoing across several departments to implement this legislation.
- **Nature-Based Solutions**—Chapter 341, Statutes of 2022 (AB 1757) outlined a comprehensive portfolio of new initiatives that include setting targets, quantifying and reporting progress, updating the state strategy, and engaging with experts, to develop an ambitious range of carbon removal targets for natural and working lands. The Budget includes \$7.6 million General Fund and Cost of Implementation Account in 2023-24 and \$5 million ongoing to support implementation.
- **Clean Electric Grid**—Chapter 361, Statutes of 2022 (SB 1020) advances new interim clean energy targets for California while increasing community engagement. The bill requires eligible renewable energy resources and zero-carbon resources supply 90 percent of all retail sales of electricity to California end-use customers by December 31, 2035; 95 percent of all retail sales of electricity to California end-use customers by December 31, 2040; and 100 percent of electricity procured to serve all state agencies by December 31, 2035. SB 1020 accelerates Chapter 312, Statutes of 2018 (SB 100) requirements for state agencies by ten years. The Budget includes \$4 million from various funds (General Fund, Cost of Implementation Account, Greenhouse Gas Reduction Fund, and Public Utilities Commission Utilities

Reimbursement Account) in 2023-24, and additional ongoing funds, across multiple agencies to support implementation.

The Administration is continuing to assess the implementation needs of Chapter 359, Statutes of 2022 (SB 905), which establishes a regulatory framework for carbon removal and carbon capture, utilization, and sequestration, and bans the practice of injecting carbon dioxide for the purpose of enhanced oil recovery and intends to submit a proposal in the Spring. The Administration also continues to evaluate the implementation needs of Chapter, 337 Statutes of 2022 (AB 1279), which codifies the statewide carbon neutrality goal to dramatically reduce climate pollution.

KLAMATH DAMS REMOVAL: LARGEST RIVER RESTORATION PROJECT IN AMERICAN HISTORY

This spring, work begins to remove dams, improve river health, address declines in fish populations and support communities in the Klamath Basin. Removal of the four hydroelectric dams in California and Oregon will restore access to hundreds of miles of habitat unreachable for salmon and steelhead for more than a century and revitalize tribal communities and lifeways for generations to come.

The Klamath Hydroelectric Settlement Agreement, signed by both Oregon and California governors in 2010 and amended in 2016, contemplated dam removal to achieve free-flowing conditions for fish passage, restoration, and transfer of project lands for recreation, restoration, and further Tribal partnerships. In November 2022, the Federal Energy Commission gave final approval for a plan to remove the dams in California and Oregon.

The Budget includes \$2 million General Fund in 2023-24 and \$1.3 million ongoing and five permanent positions for the Department of Fish and Wildlife to establish two new programs to support the protection and management of fish and wildlife, recreational opportunities, and collaborative Tribal partnerships before, during, and after dam removal.

CLIMATE INVESTMENTS

TRANSPORTATION AND CLIMATE

Responsible for more than half of the state's climate emissions, the transportation sector generates air pollution, with a disproportionate impact to low-income and underrepresented communities. Climate investments in this area will deliver opportunities for affected communities, accelerating job-creating clean technologies, advancing environmental justice, and reducing emissions from the transportation system.

ZERO-EMISSION VEHICLES (ZEV) ACCELERATION

With nearly half of the nation's ZEVs and clear mandates for moving to clean trucks and buses, California is leading the world towards a zero-emission transportation future. The 2021 and 2022 Budget Acts committed \$10 billion over five years in investments to the state's ZEV agenda—ranging from cleaning up drayage trucks and school buses to accelerating equitable electrification of passenger vehicles—coupled with infrastructure and incentives for in-state manufacturing.

The Budget maintains \$8.9 billion (89 percent) of ZEV investments with a focus on communities that are the most affected. This includes targeted investments in disadvantaged and low-income communities by increasing access to the benefits of clean transportation and by continuing to decarbonize California's transportation sector and improve public health.

The Budget includes \$2.5 billion of General Fund reductions across various ZEV programs, which are partially offset by approximately \$1.4 billion in fund shifts to Cap and Trade funds. Further, the Administration will pursue additional federal funding to help offset the decrease in state funds. For example, the federal IRA includes \$100 billion to states for clean energy and climate investments. The Administration will continue to aggressively pursue this federal funding. The Budget also includes a mechanism to allocate any additional discretionary Cap and Trade auction proceeds towards ZEV programs. Additionally, the Administration will work with the Legislature to reauthorize Chapter 401, Statutes of 2013 (AB 8) to provide continued funding for clean transportation programs.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Equitable Zero-Emission Vehicles and Infrastructure**—A reduction of \$745 million General Fund, which is partially offset by a shift of \$535 million to the Greenhouse Gas Reduction Fund. This maintains approximately \$2.1 billion (91 percent) for programs that expand affordable and convenient ZEV infrastructure access in low-income neighborhoods.
- **Heavy-Duty Zero-Emission Vehicles and Supporting Infrastructure**—A reduction of \$1.5 billion General Fund, which is partially offset by a shift of \$839 million to the Greenhouse Gas Reduction Fund. This maintains approximately \$5.3 billion (89 percent) for programs that support drayage, transit and school busses, and port ZEVs and infrastructure.
- **Zero-Emission Mobility**—A reduction of \$184 million General Fund, which is partially offset by a shift of \$25 million to the Greenhouse Gas Reduction Fund. This maintains approximately \$180 million (53 percent) for sustainable community-based transportation equity projects that increase access to zero-emission mobility in low-income communities.
- **Emerging Opportunities and Federal Programs**—A reduction of \$133 million General Fund, which is partially offset by a shift of \$40 million to the Greenhouse Gas Reduction Fund. This maintains approximately \$1.3 billion (93 percent) to invest in demonstration and pilot projects in high carbon-emitting sectors, such as maritime, aviation, rail, and other off-road applications, as well as support for hydrogen infrastructure, and vehicle grid integration at scale.

TRANSPORTATION

The Budget demonstrates a continued commitment to address transportation-related climate issues. As the largest contributor of California's greenhouse gas emissions, the transportation sector must align project delivery with climate change solutions. The state must continue to move toward a multi-modal, zero-emission transportation future to reduce carbon emissions and improve health benefits, while supporting safety, equity, and economic growth.

Through the implementation of the Climate Action Plan for Transportation Infrastructure (CAPTI), California is making significant progress toward these goals, prioritizing state and federal funding for sustainable transportation projects, and

leveraging billions of dollars for transportation infrastructure to reduce greenhouse gas emissions.

More specifically, state investments are:

- Reducing millions of metric tons of carbon dioxide from the environment.
- Advancing projects statewide to improve rail and transit connectivity between state and local/regional services—including advancement of the nation's first truly high-speed rail project.
- Enhancing safety and access for bicyclists and pedestrians, and targeting critical highway/rail grade separations and grade crossing improvements on key corridors throughout the state to reduce fatalities and injuries on the transportation system.
- Supporting climate resiliency and reducing risks from climate impacts.
- Removing historic barriers and connecting disadvantaged communities, increasing access to opportunity.
- Delivering transportation projects that support the development of compact or infill housing to help California meet its housing goals and reducing vehicle miles traveled.
- Moving the state away from fossil fuel-based technologies and toward cleaner transportation technologies, including zero-emission vehicles and clean infrastructure.

The 2022 Budget Act included \$13.8 billion for transportation programs and projects that align with the state's climate goals. Given the projected decline in General Fund revenues, the Budget includes \$2.7 billion in General Fund reductions, partially mitigated by an additional \$500 million from state transportation funds, to maintain \$11.6 billion (84 percent) of these investments. This considerable level of investment will position the state to continue pursuing significant federal funding through the IIJA and other federal programs by leveraging funding from both state and local sources. To date, California has secured \$38 billion in IIJA formula funding for highway and transit programs and could receive billions more in additional competitive federal transportation grants over the five years of IIJA implementation.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Transit Intercity Rail Capital Program**—A reduction of planned funding in 2023 and 2024 from \$2 billion each year to \$1 billion in 2023-24 and \$500 million in each of 2024-25 and 2025-26. These funds are set to be allocated proportionally, by region, based on population. This maintains approximately \$5.7 billion (74 percent) of the original \$7.7 billion planned additional funds for local transit capital infrastructure projects. If there is sufficient General Fund in January 2024, this reduction will be restored. See the Introduction Chapter for further information on this trigger.
- **Active Transportation Program**—A reduction of \$500 million General Fund, with \$300 million of the reduction being restored from State Highway Account funds, for a net reduction of \$200 million. This will allow the program to sustain all of the programming capacity approved in the 2023 programming cycle. This maintains approximately \$850 million (81 percent) of the original \$1.05 billion of additional funds for projects that increase the proportion of trips accomplished by walking or biking and increase the safety and mobility of non-motorized users.
- **Climate Adaptation Program**—A shift of \$200 million General Fund with \$200 million State Highway Account funding, leaving unaffected the project funding that supports climate resiliency and reduces infrastructure risk.
- **Safety Grade Separations**—A delay of \$350 million of funding originally planned to be available in 2023-24, which will instead be made available in 2025-26. Given the multi-year nature of these types of projects, this shift should not significantly impact the ability to deliver the same number of originally planned projects that improve safety for people walking, biking, and driving at rail crossings.

ENERGY

California is building the clean, reliable, affordable and safe energy system of the future to provide reliable power to the public, and combat climate change and the stresses it poses to the grid. The 2022 Budget Act provided a total of \$7.9 billion in energy budget investments and legislative actions to expedite the state's transition to clean energy and funded important reliability programs that provided critical support to the grid during a record-breaking September 2022 heat event. In addition, Chapter 239, Statutes of 2022 (SB 846) proposed \$1 billion over three years beginning in 2023-24 for a Clean Energy Reliability Investment Plan, subject to later appropriation.

The Budget maintains \$7 billion (89 percent) of last year's investments, and proposes an initial allocation of the \$100 million in 2023-24 from SB 846 Clean Energy Reliability Investment Plan funds for reliability and enabling investments that will accelerate the clean energy transition.

Now and in the future, the state will continue to prioritize affordability, reliability and safety as the state encourages efforts to decarbonize the grid and scale deployment of clean energy generation and storage. The state stepped up support for these energy priorities with the financial assistance and investments in 2022, using General Fund to support reliability, development and deployment of critical technologies. The Administration continues to evaluate actions while considering ratepayer impacts and has tasked the state's energy agencies with focusing both General Fund and ratepayer dollars on the most critical investments to achieve the state's energy and climate goals.

SIGNIFICANT BUDGET ADJUSTMENTS

The 2023-24 Governor's Budget proposes \$897 million General Fund in reductions and \$370 million General Fund in delays to future years. If there is sufficient General Fund in January 2024, up to \$410 million of these reductions will be restored. See the Introduction Chapter for further information on this trigger.

- **California Arrearage Payment Program**—The Budget reverts \$400 million in California Emergency Relief Funds in 2022-23 to the General Fund, for savings from the California Arrearage Payment Program, based on actual applications received and approved for funding. This program addressed residential utility arrearages accrued during the COVID-19 Pandemic.
- **Residential Solar and Storage**—A reduction of \$270 million in 2023-24 from the Residential Solar and Storage program at the Public Utilities Commission. This maintains approximately \$630 million (70 percent) for solar and storage incentives for low-income utility customers.
- **Long Duration Energy Storage**—A reduction of \$50 million in 2023-24 from the Long Duration Energy Storage Program at the California Energy Commission (CEC). This maintains approximately \$330 million (87 percent) for support of long duration energy storage projects that will help with the state's energy transition.
- **Carbon Removal**—A reduction of \$25 million in 2023-24 from the Carbon Removal Program at the CEC. This maintains approximately \$75 million (75 percent) for projects that support the removal of carbon.

- **Transmission Financing**—A reduction of \$25 million in 2023-24 from the Transmission Financing Program at the California Infrastructure Bank. This maintains approximately \$225 million (90 percent) for financing support of new energy transmission projects.
- **Accelerating Adoption of Low Global Warming Pollutant Refrigerants**—A reduction of \$20 million in 2023-24 from the Air Resources Board Equitable Building Decarbonization program to Accelerate Adoption of Low Global Warming Pollutant Refrigerants. This maintains approximately \$20 million (50 percent) for support of businesses adopting technologies with low global warming pollutant refrigerants.
- **Food Production Investment Program**—A reduction of \$10 million in 2023-24 from the Food Production Investment Program at the CEC. This maintains approximately \$65 million (87 percent) for support of projects that help with the decarbonization of the food production process.
- **Industrial Grid Support and Decarbonization**—A reduction of \$10 million in 2022-23 from the Industrial Grid Support and Decarbonization at the CEC. This maintains approximately \$90 million (90 percent) for projects that support decarbonization of the industrial sector and provide grid support.
- **Equitable Building Decarbonization**—A delay of \$370 million of funds in the current year and the budget year to future years for the Equitable Building Decarbonization Program at the CEC. In addition, a reduction of \$87 million is planned for 2025-26 for this program. This maintains approximately \$835 million (91 percent) for support of projects reducing greenhouse gas emissions in homes and advancing energy equity.

OTHER ENERGY-RELATED BUDGET ADJUSTMENTS

- **Climate Innovation Program**—A delay of \$150 million of funds in the current year and the budget year to 2026-27 for the Climate Innovation Program at the CEC.

WILDFIRE AND FOREST RESILIENCE

The ongoing impact of climate change on California's wildlands continues to drive critically dry fuel conditions and longer, more severe fire seasons. The 2021 and 2022 Budget Acts committed \$2.8 billion over four years to continue strengthening forest and wildfire resilience statewide.

The Budget maintains \$2.7 billion (97 percent) of funding to advance critical investments in forest health and fire prevention to continue to reduce the risk of catastrophic wildfires, as well as resources for fire protection in the state's wildfire response. The Budget includes \$91 million in General Fund reductions across various programs, which are partially offset by a \$14 million shift to Proposition 98. If there is sufficient General Fund in January 2024, reductions not otherwise offset by other funds will be restored. See the Introduction Chapter for further information on this trigger.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Climate Catalyst Fund**—A reduction of \$10 million General Fund in 2020-21 and \$31 million in 2021-22. This maintains approximately \$8 million (16 percent) to support the Climate Catalyst Fund.
- **Stewardship of State-Owned Lands**—A reduction of \$10 million General Fund in 2022-23 and \$15 million in 2023-24. This maintains approximately \$280 million (92 percent) for resilient forests and landscapes on state-owned lands.
- **Defensible Space Inspections**—A reduction of \$5 million General Fund in 2023-24. This maintains approximately \$20 million (80 percent) to support defensible space inspections.
- **Monitoring and Research**—A reduction of \$5 million General Fund in 2023-24. This maintains approximately \$33 million (87 percent) to support monitoring and research.
- **Workforce Training**—A reduction of \$15 million General Fund in 2023-24, which is partially offset by a shift of \$14 million to Proposition 98 for similar purposes. This maintains approximately \$53 million (98 percent) to support workforce training.

DROUGHT RESPONSE AND WATER RESILIENCE

California is experiencing large swings between drought and flood, and due to climate change, those swings are becoming more severe. Last year, water project operators made only minimal deliveries to farms and cities, and wildlife managers took extraordinary action to protect fish and wildlife.

The three-year period from 2020 to 2022 is now the driest on record going back to 1896. The recent winter storms have provided the best start to California's snowpack in over a decade. However, as seen last winter, a wet December led to above average snowfall but was followed by the driest January, February, and March on record.

In August 2022, Governor Newsom announced "California's Water Supply Strategy, Adapting to a Hotter, Drier Future," which lays out California's strategy and priority actions to adapt and protect water supplies in an era of rising temperatures. It calls for investing in new sources of water supply, accelerating projects, and modernizing how the state manages water through new technology. As California continues to experience weather swings that deliver temporary boosts to the snowpack, there is intensifying flood risk, even during drought. The new normal extreme weather patterns place a heightened importance on flood preparedness and response.

The 2021 and 2022 Budget Acts committed \$8.7 billion over multiple years to support drought resilience and response designed to help communities and fish and wildlife avoid immediate negative impacts as a result of extreme drought, while continuing to advance projects and programs that prepare the state to be more resilient to future droughts and floods.

The Budget maintains \$8.6 billion (98 percent) of previously committed funding to minimize the immediate economic and environmental damage from the current drought and support hundreds of local water projects to prepare for and be more resilient to future droughts. The Budget includes \$194 million in General Fund reductions across various programs. If there is sufficient General Fund in January 2024, reductions not otherwise delayed will be restored. See the Introduction Chapter for further information on this trigger.

In addition, the Budget also includes new strategic investments to continue supporting the state's drought response, accelerate implementation of the state's water supply strategy, and increase flood preparedness and response.

SIGNIFICANT BUDGET ADJUSTMENTS

NEW INVESTMENTS

- **Urban Flood Risk Reduction**—\$135.5 million General Fund over two years to support local agencies working to reduce urban flood risk.
- **Delta Levees**—\$40.6 million General Fund for ongoing Delta projects that reduce risk of levee failure and flooding, provide habitat benefits, and reduce the risk of saltwater intrusion contaminating water supplies.
- **Central Valley Flood Protection**—\$25 million General Fund to support projects that will reduce the risk of flooding for Central Valley communities while contributing to ecosystem restoration and agricultural sustainability.

- **2023 Drought Contingency**—\$125 million General Fund one-time as a drought contingency set-aside to be allocated as part of the spring budget process, when additional water data will be available to inform future drought needs.
- **Planning and Permitting for New Water Supplies**—\$4.7 million Waste Discharge Permit Fund in 2023-24, and \$5.7 million Waste Discharge Permit Fund and \$408,000 Safe Drinking Water Account ongoing to support planning and permitting for projects that produce new water supplies.
- **Modernizing Water Rights**—\$31.5 million General Fund one-time in 2023-24 to continue development of the Updating Water Rights Data for California Project to enhance California's water management capabilities.
- **Urban Water Use Objectives**—\$7 million General Fund over four years to implement Chapter 679, Statutes of 2022, (SB 1157), which established a new foundation for long-term improvements in water conservation and drought planning to adapt to climate change and the resulting longer and more intense droughts. This approach is based on water use efficiency standards for certain categories of water use, including indoor residential water use.
- **San Joaquin River Basin Groundwater Recharge: Water Availability Analysis and Technical Assistance**—\$4.9 million General Fund over five years to continue to provide local water districts methodologies and tools to conduct water availability analyses, which will help facilitate groundwater recharge, one of the core pillars of the Water Supply Strategy.
- **Stream Gages**—\$4.7 million General Fund over two years to begin reactivation of historical stream gages, consistent with the SB 19 Stream Gaging Prioritization Plan and as called for in the Water Supply Strategy.

ADDRESSING THE BUDGET PROBLEM

- **Watershed Resilience Programs**—A reduction of \$24 million General Fund in 2023-24 and a delay of an additional \$270 million General Fund to 2024-25. This maintains approximately \$470 million (95 percent) across various watershed resilience programs.
- **Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) Cleanup**—A reduction of \$70 million General Fund in 2023-24 and a delay of an additional \$30 million General Fund to 2024-25. This maintains approximately \$130 million (65 percent) of PFAS cleanup resources.

- **Water Recycling**—A reduction of \$40 million General Fund in 2023-24. This maintains approximately \$760 million (95 percent) to support water recycling and groundwater clean-up.
- **State Water Efficiency and Enhancement Program**—A reduction of \$40 million General Fund in 2022-23. This maintains approximately \$120 million (75 percent) to support farm water use efficiency projects.
- **Aqueduct Solar Panels**—A reduction of \$15 million General Fund in 2021-22. This maintains approximately \$20 million (57 percent) to support aqueduct solar panel pilot studies.
- **Water Refilling Stations at Schools**—A reduction of \$5 million General Fund in 2022-23, which eliminates funding for this purpose.

EXTREME HEAT AND COMMUNITY RESILIENCE

Communities are at the center of California's climate agenda. The 2021 and 2022 Budget Acts committed \$649 million for extreme heat and \$1.9 billion for community resilience investments over multiple years to advance climate resilience in low-income and underrepresented communities. These include programs that align economic resilience with the state's climate agenda, advance environmental justice, and empower regional, tribal and local communities. These investments are particularly significant in the area of extreme heat, which poses disproportionate consequences for the most vulnerable populations, including tribal nations, low-income neighborhoods, communities of color, and older and disabled adults.

The Budget maintains \$444 million (68 percent) of extreme heat funding and \$1.6 billion (85 percent) of community resilience funding over several years to reduce urgent risks and build long-term climate resilience, including to address the impacts of extreme heat across California. The Budget includes \$735 million of General Fund reductions across various programs, which are partially offset by a \$250 million fund shift to Cap and Trade funds. If there is sufficient General Fund in January 2024, reductions not otherwise delayed will be restored. See the Introduction Chapter for further information on this trigger.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Urban Greening Program**—A reduction of \$100 million General Fund in 2023-24. This maintains approximately \$150 million (60 percent) for this program.

- **Extreme Heat and Community Resilience Program**—A reduction of \$25 million General Fund in 2022-23 and \$50 million in 2023-24. This maintains approximately \$100 million (57 percent) for this program.
- **Urban Forestry Program**—A reduction of \$20 million General Fund in 2022-23 and \$10 million in 2023-24. This maintains approximately \$80 million (73 percent) for this program.
- **Community Resilience Centers**—A delay of \$85 million General Fund to 2024-25. This program remains fully funded, but the funds would be provided later than initially allocated.
- **Regional Climate Resilience**—A reduction of \$25 million General Fund in 2022-23 and \$100 million in 2023-24. This maintains approximately \$125 million (50 percent) for this program.
- **Transformative Climate Communities Program**—A reduction of \$65 million General Fund in 2022-23 and \$40 million in 2023-24. This maintains approximately \$315 million (75 percent) for this program.
- **Community Air Protection Program**—A reduction of \$50 million in 2023-24 for this program, which includes a shift of \$250 million to the Greenhouse Gas Reduction Fund. This maintains approximately \$560 million (92 percent) for this program.

NATURE-BASED SOLUTIONS AND COASTAL RESILIENCE

California's natural and working lands are essential to combating the climate crisis and protecting the state's world-renowned biodiversity. In 2022, over 190 countries joined the 30x30 Initiative, following California's lead in committing to conserve 30 percent of our lands and coastal water by 2030 to protect biodiversity, expand equitable access to nature and its benefits, combat climate change, and build resilience to climate impacts. Additionally, the state's coastal and ocean ecosystems are critical to building resilience to sea level rise and flooding. The 2021 and 2022 Budget Acts committed \$1.6 billion for nature-based solutions and \$1.3 billion for coastal resilience over multiple years.

The Budget maintains \$1.3 billion (86 percent) of nature-based solutions funding and \$734 million (57 percent) of coastal resilience funding. The Budget includes \$779 million in General Fund reductions across various programs. If there is sufficient General Fund in January 2024, reductions not otherwise delayed will be restored. See the Introduction Chapter for further information on this trigger.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Protecting Fish and Wildlife from Changing Climate**—A reduction of \$35 million General Fund in 2023-24. This maintains approximately \$318 million (90 percent) for this purpose.
- **State Conservancy Nature-Based Solutions**—A reduction of \$100 million General Fund in 2023-24. This maintains approximately \$130 million (57 percent) of state conservancy nature-based solutions funding and \$662 million (87 percent) of all state conservancy funding within other areas of the budget.
- **Natural Community Conservation Program Planning and Land Acquisition**—A reduction of \$6 million General Fund in 2022-23. This maintains approximately \$30 million (83 percent) of program funding.
- **Climate Smart Land Management Program**—A reduction of \$4 million General Fund in 2022-23. This maintains approximately \$16 million (80 percent) of program funding.
- **Local and Tribal Nature-Based Solutions Corps**—A reduction of \$12.5 million General Fund in 2022-23 and \$11 million in 2023-24. This maintains approximately \$25.5 million (52 percent) of program funding.
- **San Joaquin Valley Flood Plain Restoration**—A reduction of \$40 million General Fund in 2023-24, which eliminates funding for this purpose.
- **San Francisco Bay Wetlands Support**—A reduction of \$10.4 million General Fund in 2022-23, which eliminates funding for this purpose.
- **Ocean Protection**—A reduction of \$69 million in 2023-24 and \$10 million in 2024-25 across various ocean protection programs administered by the Ocean Protection Council. This maintains approximately \$139 million (64 percent) for this purpose.
- **Coastal Protection and Adaptation**—A reduction of \$175 million in 2022-23, \$297 million in 2023-24 and \$9 million in 2024-25 across various coastal protection and adaptation programs administered by the State Coastal Conservancy. This maintains approximately \$582 million (55 percent) for this purpose.

CLIMATE SMART AGRICULTURE

California's agricultural output is where unrivaled innovation meets world-renowned output. In the face of mounting climate change-driven challenges like drought and extreme heat, California's farmers continue to produce food that improves nutritional

outcomes in historically underserved communities and feeds households across this state and around the world. California agriculture is also on the frontline of fighting climate change by pioneering climate smart agriculture that fosters innovation in carbon sequestration, emissions reduction, and ecosystem resilience improvements. The 2021 and 2022 Budget Acts committed \$1.1 billion over multiple years for climate smart agriculture investments and to help foster a healthy, resilient, and equitable food system.

The Budget maintains \$1 billion (89 percent) of sustainable agriculture investments. The Budget includes \$128 million in General Fund reductions across various programs. If there is sufficient General Fund in January 2024, reductions will be restored. See the Introduction Chapter for further information on this trigger.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Healthy, Resilient, and Equitable Food Systems Investment**—A reduction of \$20.6 million General Fund in 2021-22 and \$8.9 million in 2022-23 across the Urban Agriculture Program, Healthy Refrigeration Grant Program, and Farm to Community Food Hubs Program. This maintains approximately \$98 million (77 percent) for healthy, resilient, and equitable food system programs.
- **Climate Smart Agriculture Programs**—A reduction of \$8.5 million General Fund in 2021-22 and \$85.7 million in 2022-23 across various programs including Healthy Soils Program, Sustainable Cannabis Pilot Program, Pollinator Habitat Program, Conservation Agriculture Planning Grant Program, greenhouse gas reduction research, Invasive Species Council, and Climate Catalyst Fund. This maintains approximately \$867 million (90 percent) for climate smart agriculture programs.
- **Economic Recovery and High-Road Job Growth**—A reduction of \$4.7 million General Fund in 2022-23 for the New and Beginning Farmer Training and Farm Manager Apprenticeships Program. This maintains approximately \$5 million (50 percent) for this program.

CIRCULAR ECONOMY

Building the circular economy will help California combat climate change and move to a carbon neutral future by reducing methane pollution and plastic waste. The 2021 and 2022 Budget Acts included \$468 million over two years for programs support of a circular economy that recognizes waste as a resource, shifting the state's focus to a more resilient and renewable economy in California.

The Budget maintains \$443 million (95 percent) of investments to support implementation of goals to reduce short-lived climate pollutants and advancing organic waste infrastructure. The Budget includes \$24 million in General Fund reductions across several programs. If there is sufficient General Fund in January 2024, reductions will be restored. See the Introduction Chapter for further information on this trigger.

Successfully building California's circular economy will require innovative solutions and approaches to waste. The Budget includes \$2.3 million from various special funds for the Department of Resource Recycling and Recovery to develop a zero waste plan that develops a roadmap for the transition to a true circular economy that reduces use of natural resources, brings new remanufacturing industries and jobs to the state, and enhances the ability of Californians to recycle.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Composting Opportunities**—A reduction of \$4.8 million General Fund in 2021-22. This maintains approximately \$7.8 million (62 percent) for composting programs.
- **Recycling Feasibility Grant**—A reduction of \$2 million General Fund in 2021-22 and \$13 million in 2022-23, eliminating funding for this program.
- **Recycling Market Development Zone Loan Program**—A reduction of \$4.5 million General Fund in 2022-23. This maintains approximately \$45.5 million (91 percent) for this program.

CLIMATE HEALTH

Climate change affects the health of every Californian, but some communities experience disproportionate public health impacts from climate change more than others. The 2022 Budget allocated \$346 million General Fund over multiple years for investments to address the health impacts of climate change.

The Budget maintains \$321 million (93 percent) of these investments in recognition of the continuing statewide goal of mitigating the health impacts of climate change. If there is sufficient General Fund in January 2024, reductions not otherwise offset by other funds or delayed will be restored. See the Introduction Chapter for further information on this trigger.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Community Health Workers Program**—Delays \$130 million General Fund in 2023-24 for the California 25x25 Initiative (Community Health Worker Initiative Grants in Health Care Access and Information) into out years. This program remains fully funded, but the funds would be provided later than initially anticipated including \$65 million in both 2024-25 and 2025-26.
- **Climate and Health Resilience Planning**—A reduction of \$25 million General Fund in 2022-23 for Climate and Health Resilience Planning Grants, which eliminates funding for this purpose.

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency (CalHHS) oversees departments and state entities that provide health and social services to the most vulnerable and at-risk Californians while providing public health services to all Californians. The Governor's Budget includes \$230.5 billion (\$71.5 billion General Fund) for all health and human services programs in 2023-24.

In the last two Budget Acts, unprecedented investments have been made to improve the lives of all Californians, with a focus on the state's most vulnerable communities. This included significant investments to advance health care affordability and the master plan for aging; improve outcomes; expand access to care and benefits; address homelessness; and strengthen the behavioral health continuum, health and human services workforce, and public health infrastructure. Because of past fiscal prudence and planning and despite the decline in General Fund revenues, the Budget continues to advance the health and well-being of all Californians and maintains most of the investments made in recent years.

RECENT SIGNIFICANT INVESTMENTS AND ACTIONS

- **Expanding Health Care Access and Delivery System Transformation**—The Budget maintains \$844.5 million (\$635.3 million General Fund) in 2023-24, \$2.1 billion (\$1.6 billion General Fund) in 2024-25, and approximately \$2.5 billion (\$2 billion General Fund) ongoing, inclusive of In-Home Supportive Services costs, to expand full-scope Medi-Cal eligibility to all income-eligible adults ages 26 to 49 regardless of

immigration status on January 1, 2024. Additionally, the Budget maintains the approximately \$10 billion total funds commitment to continue transforming the health care delivery system through California Advancing and Innovating Medi-Cal (CalAIM).

- **Behavioral Health Continuum**—The Budget maintains over \$8 billion total funds across various Health and Human Services departments to expand the continuum of behavioral health treatment and infrastructure capacity and transform the system for providing behavioral health services to children and youth.
- **Community Assistance, Recovery & Empowerment (CARE) Act**—The Budget maintains \$88.3 million General Fund for county start up and state implementation and proposes additional funding for ongoing costs.
- **Child Care**—The state reached an historic agreement with Child Care Providers United – California to collectively bargain reimbursement rate increases. The Budget maintains over \$2 billion annually to expand subsidized child care slot availability.
- **Developmental Services Provider Rate Reform**—The Budget maintains an estimated annual \$1.2 billion General Fund by 2024-25 to fully implement service provider rate reform with a focus on improving outcomes and quality of services, and to address disparities within the system.
- **Increased Cash Assistance**—The Budget maintains over \$1 billion General Fund annually to provide increased cash assistance to individuals with disabilities and older adults in the Supplemental Security Income/State Supplementary Payment program, and low-income children and families in the CalWORKs program.
- **Incompetent to Stand Trial Waitlist Solutions**—The Budget maintains \$535.5 million General Fund in 2022-23, increasing to \$638 million in 2025-26 and ongoing for the Department of State Hospitals to implement solutions focused on Early Stabilization, Community Care Coordination, and Expanding Diversion and Community-Based Restoration Capacity for the Incompetent to Stand Trial (IST) population. Over four years, this funding will establish 5,000 beds to support felony ISTs. From January to December 2022, the waitlist has declined from a high of 1,953 to 1,473 as a result of these solutions and increased operational efficiencies.
- **Public Health Infrastructure Investment**—The Budget maintains \$300 million ongoing General Fund to modernize state and local public health infrastructure and transition to a resilient public health system. Of this amount, \$100 million General Fund supports increased state public health capacity in foundational public health areas such as emergency preparedness and response and workforce development

and training. The remaining \$200 million General Fund is for local health jurisdictions to expand public health staffing and reduce health disparities.

- **Healthcare Workforce**—The Budget maintains over \$1 billion General Fund to the Department of Health Care Access and Information (HCAI) to strengthen and expand the state's health and human services workforce. These investments include funding for increasing nurses, community health workers and social workers, and supporting new individuals coming into the workforce in behavioral health, primary care and reproductive health. This commitment will be fulfilled, but over more time due to declining General Fund revenues. Please see the General Government and Statewide Issues and Climate Change Chapters for more information.

DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services (DHCS). Medi-Cal is a public health care program that provides comprehensive health care services at no or low cost for low-income individuals. The federal government mandates that a range of basic services be included in the program and the state provides additional optional benefits. The Department also oversees county-operated community mental health and substance use disorder programs, the California Children's Services and the Primary and Rural Health Programs. The Medi-Cal budget includes \$137.7 billion (\$32.3 billion General Fund) in 2022-23 and \$138.9 billion (\$38.7 billion General Fund) in 2023-24. Medi-Cal is projected to cover approximately 15.2 million Californians in 2022-23 and 14.4 million in 2023-24—more than one-third of the state's population.

SIGNIFICANT BUDGET ADJUSTMENTS

- **California's Behavioral Health Community-Based Continuum Demonstration**—The Budget includes \$6.1 billion (\$314 million General Fund, \$175 million Mental Health Services Fund, \$2.1 billion Medi-Cal County Behavioral Health Fund, and \$3.5 billion federal funds) over five years for the Department of Health Care Services and the Department of Social Services to implement the Behavioral Health Community-Based Continuum Demonstration, effective January 1, 2024. A critical part of CalAIM, the Demonstration includes statewide and county opt-in components to expand behavioral health services and strengthen the continuum of mental health services for Medi-Cal beneficiaries living with serious mental illness and serious emotional disturbance, with a focus on children and youth, individuals

experiencing or at risk of homelessness, and justice-involved individuals. The Demonstration will improve integration of medical, behavioral health and social services for foster children and youth, strengthen community-based services, clarify coverage for evidence-based therapies and home-based services for children and families, add critical treatment and supports, and build statewide centers of excellence to support practice transformations. Additionally, the Demonstration will allow counties to cover certain community-based services, such as supportive employment and rent and temporary housing for up to six months for certain high-need beneficiaries.

- **Managed Care Organization Tax**—The Budget proposes the renewal of the Managed Care Organization (MCO) Tax effective January 1, 2024, through December 31, 2026, to help maintain Medi-Cal program funding for the Medi-Cal expansion to all income eligible individuals and minimize the need for reductions to the program. This tax renewal maintains the structure from the prior MCO Tax authorized in Assembly Bill 115 (Chapter 348, Statutes of 2019) as approved by the federal government with minor modifications and data updates. The Budget includes \$1.3 billion (\$317 million in reduced General Fund spending) in 2023-24 and the MCO Tax is estimated to offset \$6.5 billion in General Fund spending over the three years. The Administration will explore opportunities over the next few months to increase the MCO Tax to provide support for the Medi-Cal program.
- **Designated State Health Program and Rate Increases**—The Budget reflects \$40.4 million General Fund savings in 2022-23 and \$161.6 million General Fund savings in 2023-24 through 2026-27, for total General Fund savings of \$646.4 million, from the anticipated federal reauthorization of Designated State Health Program funding to cover the costs of the Providing Access and Transforming Health and CalAIM Justice Initiative. As a condition of approval of Designated State Health Program funding, DHCS is required to demonstrate compliance with minimum reimbursement levels for specific service categories. The Budget includes \$22.7 million (\$8.6 million General Fund) in 2023-24 and \$57.1 million (\$21.7 million General Fund) ongoing for primary care and obstetric care provider increases. The Administration will continue to evaluate the need for additional targeted provider rate increases at the May Revision.
- **Reproductive Health Services 1115 Waiver**—The Budget includes \$200 million (\$15 million General Fund) in 2024-25 for a grant program through an 1115 federal demonstration waiver focused on supporting access to family planning and related services, system transformation, capacity, and sustainability of California's safety net. This funding builds on the 2022 Budget Act investments for reproductive health

services and continues California's progress to provide comprehensive family planning and related services as California grapples with the effects of recent federal actions.

- **CalAIM Transitional Rent Waiver Amendment**—The Budget includes \$17.9 million (\$6.3 million General Fund) in 2025-26 increasing to \$116.6 million (\$40.8 million General Fund) at full implementation to allow up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness and transitioning out of institutional levels of care, a correctional facility, or the foster care system and who are at risk of inpatient hospitalization or emergency department visits.
- **Community Assistance, Recovery & Empowerment (CARE) Act**—The Budget includes \$16.5 million General Fund in 2023-24, \$66.5 million General Fund in 2024-25, \$108.5 million in 2025-26 and annually thereafter to support estimated county behavioral health department costs for the CARE Act (Chapter 319, Statutes of 2022). The Act requires Cohort I counties to implement the CARE program beginning October 2023 and Cohort II counties beginning December 2024. The Administration will continue to work with counties and stakeholders to refine the ongoing program cost estimate. For Judicial Branch and legal services funding, see the Judicial Branch Chapter.
- **Behavioral Health Bridge Housing Program**—The Budget delays \$250 million General Fund of the total \$1.5 billion General Fund to 2024-25 for the Behavioral Health Bridge Housing Program. The Budget maintains \$1 billion General Fund in 2022-23 and \$250 million General Fund in 2023-24 for this program.
- **Behavioral Health Continuum Infrastructure Program**—The Budget delays the last round of behavioral health continuum capacity funding of \$480.7 million General Fund appropriated in the 2022 Budget Act for 2022-23 to \$240.4 million in 2024-25 and \$240.3 million in 2025-26. A total of \$1.2 billion has been awarded to date, and the Budget maintains \$480 million General Fund for crisis and behavioral health continuum grant funding to be awarded in 2022-23.
- **Two-Week Checkwrite Hold Buyback**—The Budget delays the elimination of the two-week checkwrite hold buyback that was planned for 2022-23 to 2024-25, reducing 2022-23 costs by \$1.1 billion (\$377.7 million General Fund).
- **2022-23 Budget Update**—The Budget reflects lower Medi-Cal expenditures of approximately \$4.2 billion General Fund in 2022-23 compared to the 2022 Budget Act. The decrease is due primarily to the shifting of certain repayments to the federal government related to state-only populations into 2023-24, and net savings

from the assumed extension of the federal COVID-19 Public Health Emergency through mid-April 2023.

- **Year-Over-Year Comparison**—The Budget projects Medi-Cal expenditures of \$38.7 billion General Fund in 2023-24, an increase of \$6.4 billion General Fund compared with the revised 2022-23 expenditures. A majority of the increase is attributable to shifting of repayments to the federal government related to state-only populations from 2022-23 and the assumed loss of increased federal funding consistent with the end of the federal Public Health Emergency while costs for caseload persist through the year. These costs are partially offset by one-time expenditures budgeted in 2022-23 that are not continuing into 2023-24.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence. The Department's major programs include CalWORKs, CalFresh, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment (SSI/SSP), Child Welfare Services, Community Care Licensing, Disability Determination Services, and child care and nutrition. The Budget includes \$43.8 billion (\$18.4 billion General Fund) for DSS programs in 2023-24.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS

The CalWORKs program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, provides temporary cash assistance to low-income families with children to meet basic needs. It also provides welfare-to-work services so that families may become self-sufficient. Eligibility requirements and benefit levels are established by the state. Counties have flexibility in program design, services, and funding to meet local needs. Total TANF expenditures are \$9 billion (state, local, and federal funds) in 2023-24. The amount budgeted includes \$7.4 billion for CalWORKs program expenditures and \$1.6 billion for other programs such as Child Welfare Services, Foster Care, Department of Developmental Services programs, the Statewide Automated Welfare System, California Community Colleges Child Care and Education Services, Cal Grants, and the Department of Child Support Services. The average monthly CalWORKs caseload is estimated to be 360,000 families in 2023-24.

SIGNIFICANT ADJUSTMENT

- **CalWORKs Grant Increase**—The Budget projects a 2.9-percent increase to CalWORKs Maximum Aid Payment levels, with an estimated cost of \$87 million in 2023-24. These increased costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the 1991 Local Revenue Fund and will be updated at the May Revision. This increase is on top of an 11-percent statutory increase for 2022-23.

IN-HOME SUPPORTIVE SERVICES

The IHSS program provides domestic and related services such as housework, meal preparation, and personal care services to eligible low-income individuals with disabilities, including children and adults, and low-income individuals who are ages 65 and over. These services are provided to assist individuals to remain safely in their homes and prevent more costly institutionalization. The Budget includes \$20.5 billion (\$7.8 billion General Fund) for the IHSS program in 2023-24. Average monthly caseload in this program is estimated to be 642,000 recipients in 2023-24.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT (SSI/SSP)

The federal SSI program provides a monthly cash benefit to individuals with disabilities, including children and adults, and individuals who are ages 65 and over who meet the program's income and resource requirements. In California, the SSI payment is augmented with an SSP grant. These cash grants help recipients meet their basic needs and living expenses. The federal Social Security Administration administers the SSI/SSP program, making eligibility determinations, computing grants, and issuing combined monthly checks to recipients. The state-only Cash Assistance Program for Immigrants (CAPI) provides monthly cash benefits to aged, blind, and disabled individuals who are ineligible for SSI/SSP due solely to their immigration status.

The Budget includes \$3.5 billion General Fund in 2023-24 for the SSI/SSP program, including CAPI. The average monthly caseload in this program is estimated to be 1.1 million recipients in 2023-24. An 8.7-percent federal SSI cost-of-living adjustment and 10.3-percent SSP increase took effect on January 1, 2023, bringing the maximum SSI/SSP grant levels to \$1,134 per month for individuals and \$1,928 per month for couples. CAPI benefits are equivalent to SSI/SSP benefits.

SIGNIFICANT ADJUSTMENT

- **SSP Increase**—The Budget reflects \$146 million General Fund in 2023-24 and \$292 million ongoing for an additional SSP increase of approximately 8.6 percent, effective January 1, 2024.

CHILDREN'S PROGRAMS

Child Welfare Services include family support and maltreatment prevention services, child protective services, foster care services, and adoptions. California's child welfare system provides a continuum of services to children who are either at risk of or have suffered abuse and neglect. Program success is measured in terms of improving the safety, permanence, and well-being of children and families served. The Budget includes \$884.9 million General Fund in 2023-24 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 is in excess of \$9.2 billion in 2023-24.

CHILD CARE AND DEVELOPMENT

DSS administers child care programs including CalWORKs Stages One, Two, and Three; the Emergency Child Care Bridge Program; Alternative Payment Programs; Migrant Child Care; General Child Care; Child Care for Children with Disabilities; and a variety of local supports for these programs, such as Resource and Referral and Local Child Care Planning Councils, in addition to quality improvement projects and the Child and Adult Care Food Program. Families can access child care subsidies through centers that contract directly with DSS, local educational agencies, or vouchers from county welfare departments and Alternative Payment Programs. The Budget includes \$6.6 billion (\$2.7 billion General Fund) for child care programs.

Consistent with the current memorandum of understanding between the state and Child Care Providers United – California (CCPU) and the requirements of Chapter 116, Statutes of 2021 (AB 131), a Joint Labor Management Committee (JLMC) consisting of the state and CCPU presented a single rate reimbursement structure to the Department of Finance on November 14, 2022. The JLMC's joint presentation was informed by a stakeholder workgroup convened by DSS, in consultation with the California Department of Education, in the summer and fall of 2022. The presented approach toward a future single rate structure consists of (1) an alternative methodology that considers a cost estimation model; (2) base rates; (3) incentives/enhancement

rate-setting metrics; and (4) evaluation of the rate structure. The state will rely on the presented approach as it continues to develop a single rate structure. Additionally, the state will continue to work with CCPU to negotiate a successor agreement to the current agreement expiring June 30, 2023.

SIGNIFICANT ADJUSTMENTS

- **Cost-of-Living Adjustment (COLA)**—The Budget includes \$301.7 million General Fund for Child Care and Development Programs and \$1.5 million for the Child and Adult Care Food Program to reflect an estimated statutory COLA of 8.13 percent.
- **Child Care Slot Expansion Timing**—The Budget maintains the commitment initiated as part of the 2021 Budget Act to continue funding 110,500 new subsidized child care slots added in 2021-22 and another 36,000 new slots added in 2022-23, with the goal of eventually funding over 200,000 expanded slots. However, thousands of newly available slots since 2021-22 have not yet been filled. To accommodate the time necessary to utilize recent slot expansions, the Budget assumes that 20,000 new slots that would have been funded in 2023-24 will instead be funded in 2024-25.

OTHER DEPARTMENT OF SOCIAL SERVICES SIGNIFICANT ADJUSTMENTS

- **California Food Assistance Program (CFAP) Expansion Timing**—The Budget reflects updated timing of the CFAP expansion to all income-eligible noncitizens 55 years of age or older, consistent with the necessary completion of the California Statewide Automated Welfare System migration. Benefit distribution is estimated to begin January 1, 2027.
- **Electronic Benefit Transfer (EBT) Fraud Mitigation**—California, and states across the nation, have seen substantial increases in EBT theft of CalWORKs and CalFresh benefits via electronic means. Cash benefit theft has increased from less than one percent of total cash benefits distributed in 2019-20 to a projected 1.7 percent in 2022-23. To protect clients and prevent theft of EBT benefits, DSS will pursue security upgrades and EBT card technology enhancements. California will be the first state in the nation to use these enhanced security features for EBT to safeguard CalWORKs and CalFresh clients' access to benefits. The Budget includes \$50 million (\$17.1 million General Fund) in 2023-24, \$23 million (\$7.9 million General Fund) in 2024-25, and \$3.5 million (\$1.2 million General Fund) in 2025-26 for this purpose.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services (DDS) provides individuals with intellectual and developmental disabilities a variety of services, as an entitlement, that allow them to live and work independently or in supported environments. The Budget includes \$14.2 billion (\$8.6 billion General Fund) and estimates that approximately 421,000 individuals will receive services in 2023-24.

SIGNIFICANT ADJUSTMENTS

- **Safety Net Plan Update**—The Budget includes \$28.7 million (\$22.1 million General Fund) to expand safety net services to further support individuals with complex needs. The updated Safety Net Plan includes the development of a residential program in the community for adolescents and adults with high-intensity co-occurring developmental disabilities and mental health diagnoses, conversion of two Stabilization Training Assistance Reintegration homes to Intermediate-Care-Facility-licensed homes, adjustments to Crisis Assessment Stabilization Teams staffing, expansion of supports for foster youth who are eligible for regional center services, and establishment of an Autism Services Branch to support a statewide focus on addressing the needs of the growing population of individuals with autism spectrum disorder. These additional resources further support the continuum of safety net services.
- **Preschool Inclusion Grants**—The Budget delays for two years, from 2022-23 to 2024-25, the implementation of an annual \$10 million General Fund grant program to support preschool inclusion efforts such as facility modifications or staff training. The Budget maintains the grant program on an ongoing basis beginning in 2024-25.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health (DPH) is charged with protecting and promoting the health and well-being of the people of California. The Budget includes \$5.5 billion (\$1 billion General Fund) in 2023-24 for the Department.

SIGNIFICANT ADJUSTMENTS

- **Emergency Response and SMARTER Plan Implementation**—The Budget reflects \$176.6 million General Fund in 2023-24 to continue the state's efforts to protect the public's health against COVID-19, consistent with the Administration's SMARTER Plan,

and maintain significant information technology systems, including the California COVID Reporting System for laboratory data management and CalCONNECT for case and outbreak investigation.

- **Current Year 2022-23 COVID-19 Response**—The Budget assumes reduced COVID-19 direct response expenditures of approximately \$614 million California Emergency Relief Fund in 2022-23 compared to the 2022 Budget Act. The decrease is driven in part by reduced response activities since the peak of the COVID-19 Pandemic.
- **Public Health Climate and Health Resilience Planning**—The Budget reduces \$25 million General Fund in 2022-23 for Climate and Health Resilience Planning Grants. If there is sufficient General Fund in January 2024, this reduction will be restored. See the Introduction and Climate Change Chapters for further information.
- **Partial Public Health Workforce Reductions**—The Budget reduces funding for various public health workforce training and development programs by \$49.8 million General Fund over four years to help address the budgetary problem. The Budget maintains \$47.7 million General Fund over four years for community-based clinical education rotations for dental students and public health incumbent workforce upskilling and training.

DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals (DSH) administers the state mental health hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The Budget includes \$3.2 billion (\$3 billion General Fund) in 2023-24 to support the Department. The patient population is expected to reach 9,289 by the end of 2023-24, including patients receiving competency treatment in jail-based settings and community-based settings.

SIGNIFICANT ADJUSTMENTS

- **Electronic Health Records (EHR) Implementation**—The Budget includes \$21.5 million General Fund in 2023-24 and \$22.3 million General Fund ongoing to complete the planning phase and begin implementation of the enterprise Continuum Electronic Health Records project.

- **COVID-19 Impacts**—The Budget includes \$51.3 million General Fund in 2023-24 to protect patients and staff from COVID-19 and other infectious diseases.
- **Fund Shift**—The Budget shifts \$29.4 million one-time from the General Fund to the Mental Health Facilities Fund (reimbursements in 2022-23) from available reserves for state operations.

DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION

The Department of Health Care Access and Information (HCAI) is committed to expanding equitable access to health care for all Californians—improving the health workforce, ensuring health care facilities are safe and reliable, and analyzing health information that can help make care more effective and affordable. The Budget includes \$338 million (\$186 million General Fund) in 2023-24 to support the Department.

SIGNIFICANT ADJUSTMENT

- **Healthcare Workforce Grants**—Funding for some HCAI workforce grants will be released later than originally planned. See the General Government and Statewide Issues and Climate Change Chapters for more information.

COVERED CALIFORNIA

Covered California increases the number of insured Californians, improves health care equity, lowers costs, and reduces health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.

Improving the affordability of and access to health care continues to be a top priority for the Administration. Last year, the Budget provided a contingency in case federal subsidies were not extended. Federal subsidies were extended until 2025, so the contingency was placed in the Health Care Affordability Reserve Fund (HCARF) to ensure that state-only premium subsidies are available again in the future when they are most needed.

SIGNIFICANT ADJUSTMENT

- **Temporarily Use Available Reserves**—Due to declining General Fund revenues, the Budget transfers the available HCARF balance of \$333.4 million to the General Fund. These funds will be returned after federal subsidies end, which is scheduled in 2025-26.

OTHER HEALTH AND HUMAN SERVICES SIGNIFICANT ADJUSTMENTS

- **Opioid and Fentanyl Response**—Building on the 2022 Budget Act opioid response investments, the Budget includes an additional \$93 million in Opioid Settlement Fund over four years beginning in 2023-24 to support youth- and fentanyl-focused investments for the Department of Health Care Services and for the Department of Public Health as follows:
 - \$79 million for the Naloxone Distribution Project to increase distribution to first responders, law enforcement, community-based organizations, and county agencies.
 - \$10 million for fentanyl program grants to increase local efforts in education, testing, recovery, and support services to implement Chapter 783, Statutes of 2022 (AB 2365).
 - \$4 million to support innovative approaches to make fentanyl test strips and naloxone more widely available.

The Administration anticipates receiving additional funds from new settlements with opioid retailers. Once the settlement funds are secured, the Administration will update the spending plan for the settlement funds in the May Revision with a focus on opioid overdose medication distribution such as naloxone.

The Budget also includes \$3.5 million ongoing Proposition 98 General Fund to provide all middle and high school sites at least two doses of naloxone hydrochloride or another medication to reverse an opioid overdose on campus. See the K-12 Education Chapter for more information.

- **Federal Public Health Emergency Extension**—The Budget assumes a two-quarter extension of the federal Public Health Emergency through mid-April 2023 and enhanced federal funding through the end of the 2022-23 fiscal year. The Budget continues to reflect significant fiscal impact related to COVID-19 across various

Health and Human Services departments. Additionally, the Budget does not reflect the impact of the recently signed federal Consolidated Appropriations Act. The May Revision will reflect the impact of required changes related to Health and Human Services programs such as the timing of Medi-Cal eligibility redeterminations and phasing out of enhanced federal funding at the end of the federal COVID-19 Public Health Emergency.

- **Home- and Community-Based Services (HCBS) Spending Plan**—The Budget includes adjustments to the HCBS spending plan based on revised claiming of the enhanced federal funding and expenditure estimates to \$2.8 billion, a \$60 million reduction compared to the 2022 Budget Act. The Budget assumes that all HCBS spending plan funding will be expended by March 2024, and California will not use the additional optional year to spend the enhanced federal funding. The 2021 Budget Act appropriated funding made available pursuant to the American Rescue Plan Act of 2021 to enhance, expand, and strengthen Home and Community-Based Services for 26 initiatives across six Health and Human Services departments.
- **Health and Human Services Innovation Accelerator Initiative**—An important approach to addressing the health of all Californians is to focus research and development on tools that directly address health disparities and ensure innovations are quickly accessible to all. This Initiative will seed a new entity and provide an initial investment so that researchers and developers can create solutions to the greatest health challenges facing Californians, such as targeting diabetes-related morbidity and mortality, addressing disparities in maternal and infant mortality faced by women and their babies, and preventing and mitigating infectious disease. This program will also create a State Innovation Transition Team within government to enhance innovation within safety-net programs. Funding for this initiative will be refined over the next few months and included in the May Revision.
- **Mello-Granlund Older Californians Act Modernization Pilot Program**—The Budget includes \$37.2 million annually across five years starting in 2022-23 for pilot programs supporting community-based services programs, senior nutrition support, family and caregiver supports, senior volunteer development, and/or aging in place. This reflects \$186 million General Fund spent over five years instead of across three years as originally planned in the 2022 Budget Act.

1991 AND 2011 REALIGNMENT

Realignment shifted administrative and fiscal responsibility to counties for a variety of programs, along with a dedicated source of funding. 1991 Realignment provides funding for social and health programs and 2011 Realignment provides funding for local public safety programs. Additionally, both 1991 and 2011 Realignment provide funding for mental health and child welfare programs. The programs for 1991 and 2011 Realignment are funded through two sources: state sales tax and vehicle license fees. These fund sources are projected to increase by 1.3 percent from 2021-22 to 2022-23 and by 1.6 percent from 2022-23 to 2023-24.

MIGRATION AND BORDER COMMUNITIES

Since 2019, California has supported humanitarian services for migrants released from short-term federal custody in the border region. These services were expanded in 2021 given changing federal policies and public health needs related to COVID-19. California's national model of care and community partnership provides screening, support services, temporary shelter and onward travel coordination for migrants so they may safely continue with their immigration proceedings at their destination in the U.S. The California model prioritizes the state's border communities and the well-being of migrants.

No state has invested more than California in these humanitarian efforts. However, California cannot continue to fund these efforts at scale without significant support from Congress. The federal government is responsible for immigration policies and processing, and Congress must invest in policies and sustainable infrastructure that ensures the right to asylum for those fleeing violence and persecution while supporting their safe passage through border regions and onto their destinations within the U.S. Local jurisdictions, including immigrant affairs offices and non-governmental organizations, are important partners in supporting the delivery of services.

In the coming months, the Administration will continue to work with the federal government, including Congress, to leverage additional federal resources and assess operational needs to inform a 2023-24 investment in these humanitarian efforts, which will be included as part of the May Revision.

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HOUSING AND HOMELESSNESS

HOUSING

Rising housing costs and housing supply challenges in California and across the nation limit opportunity, equity, and economic stability for millions of households of all incomes, and disproportionately impact low-income renter households that spend more than half of their income on housing.

California continues to take actions to help limit the effects of these housing challenges while jurisdictions across the state plan for and are held accountable for their fair share of housing. However, to tackle these issues immediately and make lasting change, the state needs each level of government to prioritize housing preservation and production; allocate additional resources; and continue to collaborate across sectors to meet shared housing, transportation, infrastructure, and climate goals. To assist local governments with these goals and the implementation of recently enacted housing laws, the Governor's Budget includes resources for the Office of Planning and Research to update the General Plan guidelines.

Given the scale of California's housing shortfall, the state has invested billions of dollars in the past two years for housing production incentives, with 2021 and 2022 Budget Act housing packages totaling \$21.5 billion combined. Importantly, the state has continued to deploy a comprehensive set of strategies, including improving existing housing financing programs; targeting housing investments; providing technical assistance to rural, tribal, and urban communities; and leveraging land use tools. These efforts will

only be effective when there are corresponding actions at the local level that facilitate housing production that meets the urgency of the need and is reinforced using the state's housing accountability authority. The Administration remains committed to working with the Legislature to develop policies that strengthen state housing law and strategically leverage existing resources and lower per-unit costs. Accordingly, the Administration puts forth the following policy principles of accountability and innovation.

ACCOUNTABILITY

To meet the housing needs of all Californians, cities and counties must plan for more than 2.5 million homes over the next eight years, and continue zoning for and permitting housing to serve all household income levels. Without sustained efforts and resolve from cities and counties, they run the risk of violating state housing laws and failing to deliver housing opportunities across their communities and across our state. To that end, the state will continue providing a range of technical assistance to support local jurisdictions in complying with applicable housing laws.

INNOVATION

Innovation The state remains focused on using new tools and scaling existing efforts that unlock residential and community development in alignment with the state's climate goals. This includes practical innovations in land use, construction, and finance that can lower housing production costs. The Administration will continue identifying administrative or statutory barriers that delay housing production and increase housing costs, with a priority on removing barriers for extremely-low-income housing and permanent supportive housing. The state will continue pursuing federal resources that support housing construction and rental assistance to make units affordable to low-income households, and explore opportunities to increase voucher utilization rates and maximize federal funding for rental assistance.

SIGNIFICANT BUDGET ADJUSTMENTS

The 2022 Budget Act included a housing package of \$11.2 billion over multiple years with a focus on affordable housing production and homeownership opportunities. With interest rates fluctuating and homeownership inventory low, the state is approaching homeownership programs with additional care to safeguard opportunities for first-time homebuyers while not putting them into an untenable and unaffordable situation.

Due to declining General Fund revenues, the Budget includes \$350 million in reductions related to housing programs that were included as part of the 2022 Budget Act. Even with these reductions, funding for these housing programs remains at approximately 88 percent of the allocations made in 2022-23 and proposed for 2023-24 (\$2.85 billion). If there is sufficient General Fund in January 2024, these reductions will be restored. See the Introduction Chapter for further information on this trigger.

- **Dream For All**—The 2022 Budget Act included \$500 million one-time General Fund to the California Housing Finance Agency for the Dream for All program, to provide shared-appreciation loans to help low- and moderate-income first-time homebuyers achieve homeownership. The Budget proposes to revert \$200 million of the \$500 million one-time General Fund in 2023-24. This proposal will not impact the Administration's commitment or timeline for implementing the program.
- **CalHome**—The 2022 Budget Act included \$350 million one-time General Fund (\$250 million in the 2022 Budget Act and \$100 million committed for 2023-24) for the Department of Housing and Community Development's CalHome program, to provide local agencies and nonprofits grants to assist low- and very-low-income first-time homebuyers with housing assistance, counseling and technical assistance. The Budget proposes to remove \$100 million one-time General Fund in 2023-24.
- **Accessory Dwelling Unit Program**—The 2022 Budget Act included \$50 million one-time General Fund for the California Housing Finance Agency's Accessory Dwelling Unit program. The Budget proposes to revert \$50 million one-time General Fund in 2022-23.

HOMELESSNESS

California continues to face the consequences of persistent increases in the number of people experiencing homelessness, particularly unsheltered individuals. The 2022 Budget Act allocated \$10.2 billion, in addition to the \$7.3 billion provided in 2021, for homelessness solutions. This signifies a continued priority in providing investments to support the state's comprehensive homelessness strategy, including resources to provide long-term permanent housing options, services, and supports for individuals experiencing homelessness, or who are at risk of experiencing homelessness.

Despite unprecedented resources from the state and record numbers of people being served by the homelessness response system, the population of unhoused individuals grows faster than the population exiting homelessness. Additionally, homelessness

disproportionately affects people of color, LGBTQ+, individuals with disabilities and other marginalized groups.

To reverse these trends, cities and counties must work together to increase affordable housing options, continue to deliver behavioral health services, resolve encampments, and work across systems to focus on prevention strategies. Given the clear nexus between housing affordability and homelessness, the state's housing efforts—including the focus on accountability—cannot be distinct from the strategies to prevent and end homelessness.

LOCAL HOMELESSNESS ACTION PLANS AND ACCOUNTABILITY

The California Interagency Council on Homelessness (Cal ICH) is charged with advancing California's coordinated response to the homelessness crisis, including holding grantees accountable for effectively expending state homelessness resources. The Administration has provided \$3 billion to local governments through four rounds of the Homeless Housing, Assistance and Prevention (HHAP) Program. A newly enacted requirement within HHAP requires local governments to submit local action plans that reflect outcome goals that grantees commit to achieving over the specified funding period. The first iteration of these plans made clear that more ambition is required—and more direction from the state is necessary. Accordingly, the Administration plans to work with the Legislature this year to advance homeless accountability legislation.

Pending further discussion with the Legislature to meaningfully increase outcomes and accountability on local HHAP spending, the Administration intends to focus HHAP on highest priority needs, especially reducing unsheltered homelessness. As such, the Administration intends to pursue statutory changes to the HHAP program to prioritize spending on activities such as encampment resolution, Homekey operating sustainability, and Community Assistance, Recovery and Empowerment (CARE) Act housing supports. This focus may also be accompanied by expanded housing streamlining provisions.

In addition, the Administration will seek to condition eligibility for any future homeless-related grants and competitive programs through the Business, Consumer Services and Housing Agency and the Health and Human Services Agency, on compliance with state housing law. Jurisdictions that are not compliant with their legal responsibilities will be disqualified from receiving specified homelessness funding, and instead, other overlapping jurisdictions, such as cities, counties, or administrative entities, such as Continuums of Care, will be eligible to receive those funds and provide those

services in the respective community. If local jurisdictions fail to adhere to state housing law, it calls into question whether they have the intention or capacity to address homelessness in a comprehensive and efficient manner.

SIGNIFICANT BUDGET ADJUSTMENTS

The Budget includes \$3.4 billion General Fund in 2023-24 to maintain the state's efforts to address homelessness, as committed to in prior budgets. This includes \$400 million for a third round of encampment resolution grants and \$1 billion for a fifth round of HHAP grants, conditional on proposed statutory changes requiring greater accountability in the planning and expenditure of these critical homelessness resources. The Budget also includes funding to allow up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness and maintains funding for the Behavioral Health Bridge Housing Program (for more information, see the Health and Human Services Chapter).

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JUDICIAL BRANCH

The Judicial Branch consists of the Supreme Court, courts of appeal, trial courts, the Habeas Corpus Resource Center, and the Judicial Council. The Judicial Council is responsible for managing the resources of the Judicial Branch. The trial courts are funded with a combination of General Fund, county maintenance-of-effort requirements, fines, fees, and other charges. Other levels of the Judicial Branch receive most of their funding from the General Fund. The Budget includes total funding of \$5.1 billion (\$3.2 billion General Fund and \$1.9 billion other funds) in 2023-24 for the Judicial Branch, of which \$2.9 billion is provided to support trial court operations.

TRIAL COURT INVESTMENTS TO EXPAND ACCESS TO JUSTICE

In recent years, the state has sought to expand access to justice with a number of key investments. The 2022 Budget Act included \$42.6 million General Fund in 2022-23 and \$42.3 million ongoing for 23 additional superior court judgeships allocated based on the Judicial Council's 2020 Judicial Needs Assessment. With this investment, the Judicial Branch is fully funded to fill all judgeships authorized in statute. There have also been investments in technology innovations to modernize court operations. These investments include the creation of the Judicial Branch Information Security Office to improve cyber security; and modernization of the appellate and Supreme Court information technology systems, including updating electronic filing and case management systems to enable timely and accurate data collection. Technology enhancements have been made to support remote access to courtroom proceedings by providing a publicly accessible audio stream in California trial courts.

REDUCING FINES AND FEES FOR ALL CALIFORNIANS

In recent decades, the state substantially increased fines, fees, assessments, and surcharges levied on individuals convicted of criminal offenses to generate funding for specific state and local programs and services. Recognizing the financial hardship these increased fines and fees have created for Californians, the state has implemented various statutory and budgetary changes in the past few years, which includes developing an Ability-to-Pay program to allow indigent and low-income individuals to apply online to have their fines and fees reduced in accordance with their ability to pay; eliminating the ability of state and local agencies to impose certain administrative fees for criminal offenses; and reducing civil assessment fees from a maximum of \$300 to \$100, among others.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Trial Court Operations**—\$74.1 million ongoing General Fund to support trial court operations. This is in addition to general increases provided in the 2021 and 2022 Budget Acts, which included \$72.2 million and \$84.2 million, respectively. The 2022 Budget Act also included \$100 million ongoing General Fund to promote fiscal equity among the trial courts and to improve existing service levels. Additionally, the 2021 Budget Act included \$60 million one-time General Fund to be spent over two years to address trial court backlogs and workload delays resulting from the COVID-19 Pandemic.
- **Community Assistance, Recovery, and Empowerment (CARE) Act**—The 2022 Budget Act included \$6.1 million in 2022-23 and \$37.7 million ongoing for the Judicial Branch to implement the CARE Act (Chapter 319, Statutes of 2022). The Budget reduces this funding by \$13.9 million General Fund in 2023-24 and increases funding by \$12.9 million in 2024-25, and \$30.9 million ongoing. In total, the Budget provides the Judicial Branch \$23.8 million General Fund in 2023-24, \$50.6 million in 2024-25, and \$68.5 million in 2025-26 and ongoing for the CARE Act. In addition, the Budget includes \$6.1 million General Fund in 2023-24, increasing to \$31.5 million annually beginning in 2025-26, to support public defender and legal services organizations who will provide legal counsel to CARE participants. For county behavioral health funding, see the Health and Human Services Chapter.
- **Juror Compensation (AB 1981)**—\$19 million General Fund in 2023-24, \$17.5 million in 2024-25, and \$4.2 million ongoing to expand juror mileage and public transit reimbursements, and to conduct a pilot program in at least six courts to study the

impact of increased juror compensation on juror diversity and participation, pursuant to Chapter 326, Statutes of 2021 (AB 1981).

- **State Court Facilities Construction Fund Backfill**—\$89.5 million General Fund in 2023-24, \$175.5 million in 2024-25, and \$174.5 million ongoing, to backfill a projected shortfall in the State Court Facilities Construction Fund and to maintain existing service levels.
- **Trial Court Trust Fund Backfill**—A total of \$109.3 million ongoing General Fund to continue backfilling the Trial Court Trust Fund for revenue declines expected in 2023-24.
- **Trial Court Employee Health Benefit and Retirement Costs**—\$19.6 million ongoing General Fund for trial court employee health benefit and retirement costs. The state began consistently funding the increased health benefit and retirement costs for the trial courts in 2014-15.
- **Deferred Maintenance**—The 2021 Budget Act included \$188 million one-time General Fund, available through June 30, 2024, to support deferred maintenance projects in trial courts and Courts of Appeal. The Budget proposes to remove \$49.5 million in 2022-23, reducing the total amount available to \$138.5 million. For additional information on deferred maintenance, see the General Government and Statewide Issues Chapter.
- **Court Appointed Special Advocate Program**—The 2022 Budget Act included a total of \$60 million one-time General Fund over three years (\$20 million in 2022-23, 2023-24, and 2024-25) to expand the Court Appointed Special Advocate (CASA) program. The Budget proposes to maintain \$20 million in 2022-23, which is available until June 30, 2024, and remove \$20 million General Fund in 2023-24 and 2024-25.

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CRIMINAL JUSTICE

DEPARTMENT OF CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation (CDCR) incarcerates people convicted of the most serious and violent felonies, supervises those released to parole, and provides rehabilitation programs to help them reintegrate into the community. The Department strives to facilitate the successful reintegration of the individuals in its care back to their communities equipped with the tools to be drug-free, healthy, and employable members of society by providing education, treatment, and rehabilitative and restorative justice programs. The Budget includes total funding of \$14.5 billion (\$14.1 billion General Fund and \$374.9 million other funds) for CDCR in 2023-24. Of this amount, \$3.8 billion General Fund is for health care programs, which provide incarcerated individuals with access to mental health, medical, and dental care services that are consistent with the standards and scope of care appropriate within a custodial environment.

The average daily adult incarcerated population for 2022-23 is now projected to be 96,157, a decrease of 6.6 percent since spring 2022 projections. Fall projections indicate the adult incarcerated population will trend downward, decreasing by 2,761 individuals between 2022-23 and 2023-24, from 96,157 to 93,396, respectively. On January 1, 2020, prior to the COVID-19 Pandemic, the CDCR population was 123,977. The population is projected to continue its long-term downward trend, declining to 87,295 in 2025-26.

The overall parolee average daily population is projected to be 41,345 in 2023-24. In 2022-23, the average daily parolee population is projected to be 43,668. The parolee population is projected to decline to 36,473 by June 30, 2027.

PRISON CAPACITY AND CLOSURE

The adult prison population has steadily declined in recent years, which has provided opportunities for CDCR to eliminate its reliance on contract prison capacity. CDCR terminated its final remaining contract to house incarcerated persons out-of-state in June 2019, and its final in-state contract community correctional facility in May 2021. In total, the termination of these contracts has saved the state hundreds of millions of dollars in annual expenditures.

In September 2021, CDCR closed the Deuel Vocational Institution in Tracy, achieving savings of \$150.3 million General Fund annually beginning in 2022-23. Beginning in November 2022, CDCR initiated the closure of a second prison, the California Correctional Center (CCC) in Susanville, which is expected to achieve an estimated \$142.8 million in annual ongoing savings.

On December 6, 2022, CDCR announced its plan to terminate the lease of the California City Correctional Facility, its last privately-owned prison facility, by March 2024, ending its use as a state prison. CDCR also announced the planned closure of Chuckawalla Valley State Prison (CVSP) in Blythe by March 2025. In addition, to continue the flexibility required to meet the needs of the incarcerated populations, CDCR announced the deactivation of specified facilities within six prisons by the end of 2023. The facilities are located within the California Rehabilitation Center, California Institution for Men, California Correctional Institution, Pelican Bay State Prison, the California Men's Colony, and the Folsom Women's Facility within Folsom State Prison. In total, CDCR estimates \$150 million in ongoing General Fund savings as a result of these facility deactivations.

The Administration remains committed to meeting the needs of staff and the incarcerated populations while right-sizing California's prison system to reflect the needs of the state as the prison population declines.

RECENT INVESTMENTS

In recent years, the state has invested in creating a safer and more rehabilitative-focused prison system, with the goal of improving post-release outcomes

for incarcerated individuals and reducing recidivism. This has included the following resources:

- **Integrated Substance Use Disorder Treatment Program**—The 2022 Budget Act augmented funding to support the Integrated Substance Use Disorder Treatment (ISUDT) Program, which is funded at approximately \$260 million in 2022-23. These resources were added to enhance the Department's ability to treat individuals with substance use disorders. As of December 31, 2022, the ISUDT Program had screened over 90,000 individuals for substance use disorders, was serving approximately 15,000 of those individuals with Medication-Assisted Treatment, and was providing approximately 9,000 individuals with Cognitive Behavioral Interventions.
- **Technology Improvements**—The 2021 and 2022 Budget Acts included \$37.6 million General Fund in 2021-22, \$112.3 million in 2022-23, \$28.4 million in 2023-24, and \$11.6 million ongoing to: (1) install and operate new fixed cameras and deploy body-worn cameras at certain institutions, and (2) begin an Enhanced Managed Access System to block contraband cell phone usage that can stop calls and texts on newer technologies. Additionally, the 2021 Budget Act added \$23.2 million General Fund in 2021-22, and \$18 million ongoing, to purchase and support the operation of laptop computers for use by academic program participants.
- **Expansion of Reentry Beds**—The 2022 Budget Act included \$40 million General Fund annually for three fiscal years (total of \$120 million) to support an expansion of CDCR's community reentry programs. These programs have demonstrated success in reducing recidivism by enabling incarcerated individuals to serve a portion of their sentence in a community-like setting, with the goal of facilitating their successful transition back into their communities following their release.
- **Various Rehabilitative, Restorative Justice, and Reentry Programming**—The 2022 Budget Act included over \$37 million one-time General Fund to support in-prison rehabilitation programs, including the creation of a veterans' hub at the Correctional Training Facility in Soledad and restorative justice programming to further support the incarcerated population in transforming their lives, better preparing them to reenter society.
- **Valley State Prison Enhancements**—The 2021 Budget Act included \$13.7 million General Fund in 2021-22, and \$3 million ongoing, to transform and create a rehabilitative environment within Valley State Prison that better prepares people for release and life outside of the institution.

- **Returning Home Well**—The 2022 Budget Act added \$10.6 million General Fund annually for three years (total of \$31.8 million) to continue the Returning Home Well Program. This program, initiated during the COVID-19 Pandemic, provides transitional housing to individuals who would otherwise be at risk of being unhoused at the time of their release, with the goal of supporting successful community reintegration.
- **Bachelor's Degree Program**—The 2022 Budget Act added \$5 million General Fund in 2022-23, and \$4.7 million ongoing, to permanently fund Bachelor's degree programs at seven institutions in collaboration with the California State University system to enable incarcerated individuals to further prepare to enter the workforce and find gainful employment upon their release from prison.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Free Voice Calling (SB 1008)**—An estimated \$5.6 million in 2022-23 and \$30.7 million ongoing General Fund to provide incarcerated individuals and their friends and family with free voice calling, consistent with Chapter 827, Statutes of 2022 (SB 1008).
- **Statewide Correctional Video Surveillance**—\$87.7 million one-time General Fund in 2023-24, and \$14.7 million ongoing, to install fixed cameras at the remaining institutions. Taken with investments included in the 2021 and 2022 Budget Acts, these resources will support the roll-out of fixed cameras at all prisons statewide, which will enhance CDCR's ability to monitor activity and maintain a safe environment for staff and the incarcerated population.
- **Facility Improvements**—\$1.5 million General Fund in 2023-24 and \$62 million one-time General Fund in 2024-25 for the Richard J. Donovan Correctional Facility roof replacement. This is part of a multi-year plan to address aging facility roofs.
- **COVID-19 Direct Expenditures**—\$141.8 million one-time General Fund in 2023-24 to enable CDCR to continue taking proactive measures and precautions to protect the incarcerated population and staff and mitigate the impacts of COVID-19 in state prisons. This includes resources to support staff and incarcerated individual testing (\$89.2 million), personnel services (\$37.5 million), and medical registry costs (\$15.1 million).
- **Comprehensive Employee Health Program**—\$22.7 million General Fund in 2023-24, and \$22.4 million ongoing, to continue CDCR's Employee Health Program, initiated during the COVID-19 Pandemic, to address current and emerging employee

health-related issues consistent with the SMARTER Plan, and to maintain compliance with state and federal regulations.

- **CDCR COVID-19 Worker’s Compensation**—\$30.9 million General Fund annual reduction over four years to account for staff vacancy-related savings and to adjust funding consistent with existing need.
- **Deferred Maintenance**—\$30 million General Fund reduction to deferred maintenance funding. The 2021 Budget Act included one-time \$100 million General Fund, available through June 30, 2024, to address critical infrastructure needs, of which \$70 million General Fund has been either spent or encumbered. For additional information on deferred maintenance, see the General Government and Statewide Issues Chapter.

DIVISION OF JUVENILE JUSTICE

The Division of Juvenile Justice (DJJ) will close on June 30, 2023, pursuant to Chapter 18, Statutes of 2021 (SB 92). DJJ ceased intake of new youth on July 1, 2021, with limited exceptions, consistent with Chapter 337, Statutes of 2020 (SB 823).

The DJJ estimates that 360 youth will remain at the time of DJJ's closure. Youth who have not been released from DJJ at the time of closure will be transferred to the county probation department within their county of commitment. The 2022 Budget Act included \$100 million General Fund for grants to support improvements to county-operated juvenile facilities to make these locations more conducive to serving justice-involved youth with a wide range of needs, with a focus on supporting trauma-informed care, restorative justice, and rehabilitative programming.

The Budget reflects a decrease of \$95.8 million ongoing (\$93 million General Fund and \$2.8 various funds) associated with the closure of DJJ.

LOCAL PUBLIC SAFETY

CRIMINAL JUSTICE INVESTMENTS FOR SAFE AND SECURE COMMUNITIES

Multifaceted criminal justice investments have been added in recent years that increase the safety and security of our communities and the Administration is committed to maintaining those investments.

RECENT INVESTMENTS

In the last few years, the state provided resources for programs to create safer communities starting with a focus on positive policing strategies, including resources to support peace officer wellness and training. Additionally, the state has substantially invested in programs to reduce organized retail theft, gun violence, illegal drugs, and other crimes.

- **Combatting Organized Retail Theft and Other Crimes**—\$564.4 million General Fund was invested over three years to bolster local law enforcement efforts to address retail theft and other crimes. These investments are helping local law enforcement agencies implement anti-theft task forces, improve prosecution, expand Department of Justice and California Highway Patrol anti-crime and retail theft taskforces, expand drug interdiction and combat fentanyl prevalence, improve emergency response times, combat human trafficking and child sexual exploitation, support programs to remove and dispose of firearms, and provides resources to research to inform policies that address the ever-evolving firearms market.
- **Raising Awareness on Gun Violence Restraining Orders** —\$11 million one-time General Fund was allocated for the Office of Emergency Services (Cal OES) to facilitate education and training efforts related to gun violence restraining orders, including a public awareness campaign, grants to domestic violence groups to conduct outreach, and provide gun violence restraining order trainings to entities statewide.
- **California Internet Crimes Against Children Task Force**—\$15 million one-time General Fund was invested over three years to continue the existing level of funding for this program, which helps state and local law enforcement agencies develop an effective response to technology-facilitated child sexual exploitation and combatting underground child pornography rings.
- **Officer Wellness and Training**—\$65 million one-time General Fund was appropriated for research and grants to support peace officers' physical, mental, and emotional wellness, which is essential for creating safer communities. Additionally, a Use of Force and De-escalation Training pilot program was added to fortify positive policing strategies.

SIGNIFICANT BUDGET ADJUSTMENTS

- Proposition 47 Savings**—Proposition 47, passed in 2014, requires misdemeanor rather than felony sentencing for certain property and drug crimes and permits incarcerated persons previously sentenced for these reclassified crimes to petition for resentencing. Proposition 47 established a fund to invest savings from reduced prison utilization in prevention and support community programs. The Department of Finance estimates net General Fund savings of \$101 million in 2023-24. These funds are allocated according to the formula specified in the ballot measure, which requires 65 percent be allocated for grants to public agencies to support various recidivism reduction programs (such as mental health and substance use treatment services), 25 percent for grants to support truancy and dropout prevention programs, and 10 percent for grants for victims' services.
- Post Release Community Supervision**—The Post Release Community Supervision Act of 2011 authorized CDCR to release certain incarcerated individuals to county supervision. The state provides funding to those counties. The Department of Finance estimates \$8.2 million General Fund will be allocated to counties for this purpose in 2023-24.
- Community Corrections Performance Incentive Grant**—Consistent with the 2022 Budget Act, the Budget continues a total of \$123.8 million General Fund in 2023-24 to provide county probation departments with a consistent level of funding based on prior performance, so county probation departments are not unduly impacted by the lingering effects of the COVID-19 Pandemic on probation populations, law enforcement practices, or court processes. 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.
- Board of State and Community Corrections**—\$50 million one-time General Fund reduction to the Public Defender Pilot program in 2023-24, 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.

VICTIM SERVICES

Crime victims and their families bear significant physical, emotional, and financial burdens. The Budget continues the state's commitment to both assist crime victims and their families in recovering from such traumas, and maintains investments that support

those who face a high risk of victimization. In addition, the 2022 Budget Act also commits to prioritizing changes to the victims compensation benefit program and for the elimination of the restitution fine, if a determination is made in the spring of 2024 that General Fund over the multiyear forecast is available to support this ongoing augmentation.

RECENT INVESTMENTS

- **California Violence Intervention and Prevention Grant Program**—\$200 million General Fund was provided over three years to expand violence prevention efforts within communities that focus on those at the highest risk of violence.
- **Trauma Recovery Centers**—\$23 million General Fund was provided over three years to support existing trauma recovery centers, and to establish an innovative pilot program to operate satellite offices in hard-to-reach and/or rural areas affiliated with a local organization and overseen by an existing trauma recovery center.
- **Expanded Victim Benefits**—\$14 million ongoing, including \$7 million Federal Trust Fund expenditure authority was added to reflect the Federal Victims of Crime Act reimbursement rate increase from 60 percent to 75 percent, which is being used in part to support an increase in benefit limits for crime scene cleanup costs, funeral/burial costs, and relocation claims; and \$7 million General Fund and statutory changes authorizing the California Victim Compensation Board to approve claims for incarcerated individuals who were falsely accused of crimes.
- **Supportive Services for Victims**—\$1.8 million ongoing General Fund was provided to deliver services to victims throughout CDCR's parole hearing process and to survivors of those killed in officer-involved shootings investigated by the Department of Justice.
- **Restitution Fund Backfill**—\$39.5 million ongoing General Fund was appropriated to backfill declining fine and fee revenues in the Restitution Fund, allowing the California Victim Compensation Board to continue operating at its current funding level.
- **Reparations for Victims of Forced Sterilization**—\$7.5 million one-time General Fund was provided to establish the Forced or Involuntary Sterilization Compensation Program to provide compensation to individuals who were sterilized pursuant to eugenics laws between 1909 and 1979, or sterilized while imprisoned after 1979.

- **Victims of Crime Act Supplemental Funding**—\$100 million one-time General Fund was authorized to supplement federal funding supporting a variety of services for domestic violence victims, enabling existing programs to continue, while building capacity to handle the increased need resulting from an increase in domestic violence during the pandemic.
- **Flexible Cash Assistance for Survivors of Crime**—\$50 million one-time General Fund was provided to support grants for community-based organizations to provide cash assistance for survivors of crime.
- **Nonprofit Security Grant Program**—\$100 million General Fund was appropriated to assist nonprofit organizations that have historically been targets of hate-motivated violence, providing them with resources to make physical security enhancements to nonprofit organizations that are at high risk of violence and hate crimes based on ideology and beliefs.
- **Domestic and Sexual Violence, Human Trafficking, and Children's Services**—\$15 million one-time General Fund was provided to expand domestic violence and sexual violence prevention efforts; \$6.7 million ongoing General Fund was provided to increase reimbursements to local law enforcement agencies to offset the cost of reimbursing qualified health care professionals, hospitals, or other emergency medical facilities for medical evidentiary examinations for all sexual assault victims; \$30 million one-time General Fund was provided over three years to expand human trafficking survivor support programs; and \$11 million one-time General Fund was provided to support the Family Justice Center Program providing services for victims and their children.
- **Media Outreach to Victims of Violent Crime**—\$3 million one-time Restitution Fund was appropriated to conduct an outreach campaign to raise awareness of statewide victim support services, while targeting hard-to-reach populations.

CALIFORNIA HIGHWAY PATROL

The California Highway Patrol provides uniform traffic law enforcement throughout the state and serves the public by assuring the safe, convenient and efficient transportation of people and goods on the state's highway system.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Body-Worn Cameras**—The Budget proposes \$9.8 million Motor Vehicle Account for the California Highway Patrol to implement a statewide body-worn camera program. Building on a pilot program in the Oakland and Stockton areas, the statewide body-worn camera program will enhance public safety transparency and accountability, and have a substantial positive impact on the successful prosecution of crimes.

DEPARTMENT OF JUSTICE

As chief law officer of the state, the Attorney General has the responsibility to see that the laws of California are uniformly and adequately enforced. This responsibility is fulfilled through the diverse programs of the Department of Justice (DOJ). The Department provides legal services on behalf of the people of California; serves as legal counsel to state agencies; provides oversight, enforcement, education, and regulation of California's firearms laws; provides evaluation and analysis of physical evidence; and supports the data needs of California's criminal justice community. The Budget includes total funding of approximately \$1.2 billion, including \$486 million General Fund, to support DOJ.

The state has continued to invest in DOJ's budget to enhance public safety. Among other things, the 2022 Budget Act included funding to maintain the DNA Identification Fund to support forensic activities on behalf of local law enforcement agencies, create a fentanyl enforcement program, combat organized retail theft, and continue coordination efforts that support various law enforcement task forces. Additionally, the Administration has demonstrated its commitment to strengthening gun violence protections by dedicating funds to enhance DOJ's firearms information technology systems, regulating the sale and transfer of firearm precursor parts, and supporting a gun violence reduction grant program.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Bureau of Forensic Services**—\$53.4 million ongoing General Fund to continue backfilling a decline in fine and fee revenue to the DNA Identification Fund. This is necessary to maintain current service levels related to processing forensic evidence, such as DNA, for local jurisdictions.

- **Unserialized Firearms (AB 1621)**—\$2.8 million General Fund in 2023-24, \$2.5 million in 2024-25, and \$1.2 million ongoing, to regulate the sale, transfer, possession, and manufacturing of unserialized firearm precursor parts pursuant to Chapter 76, Statutes of 2022.
- **Firearms: Dealer Inspections (AB 228)**—\$797,000 General Fund in 2023-24, and \$738,000 ongoing, to conduct firearms dealer inspections at least once every three years and increase audit sampling amounts during inspections pursuant to Chapter 138, Statutes of 2022.
- **Firearms: Civil Suits (AB 1594)**—\$648,000 General Fund in 2023-24, and \$631,000 ongoing, to provide legal guidance, expert testimony, and support general research and analytic workload in civil lawsuits pertaining to firearms pursuant to Chapter 98, Statutes of 2022.
- **Firearms: Dealer Requirements (SB 1384)**—\$177,000 Special Fund in 2023-24, and \$164,000 in 2024-25, to promulgate regulations and update existing procedures for operating a firearm dealer business pursuant to Chapter 995, Statutes of 2022.
- **Firearms: Gun Shows and Events (AB 2552)**—\$408,000 (\$12,000 General Fund and \$396,000 Special Fund) in 2023-24, decreasing to \$191,000 (\$12,000 General Fund and \$179,000 Special Fund) ongoing, to address increased gun show enforcement and related reporting requirements pursuant to Chapter 696, Statutes of 2022.
- **Firearms: Manufacturers (AB 2156)**—\$911,000 one-time General Fund to address increased workload to process firearm manufacturer applications and make changes to the Unique Serial Number Application process pursuant to Chapter 142, Statutes of 2022.
- **Police Practices Division (AB 1506)**—\$1.8 million ongoing General Fund to establish the Police Practices Division to review the use of deadly force policies and make best practice recommendations pursuant to Chapter 326, Statutes of 2020.
- **Domestic Violence: Death Review Teams (SB 863)**—\$1.5 million General Fund in 2023-24, and \$1.1 million ongoing, to collect data on near-death domestic violence cases and prepare an annual report pursuant to Chapter 986, Statutes of 2022.
- **Crimes: Race-Blind Charging (AB 2778)**—\$817,000 General Fund in 2023-24, and \$2.4 million ongoing, to collaborate with local jurisdictions, develop guidelines and policies for race-blind charging, perform document redaction, and review additional criminal cases pursuant to Chapter 806, Statutes of 2022.

- **Criminal Procedures: Discrimination (AB 256)**—\$2.2 million General Fund in 2023-24, \$2.1 million in 2024-25, and \$848,000 in 2025-26 and 2026-27, to address increased litigation-related workload associated with increased appeals for past convictions pursuant to Chapter 739, Statutes of 2022.
- **Fee Increase for Missing Persons DNA Program**—\$1.5 million Special Fund in 2023-24 and \$1.4 million ongoing to support the Missing Persons DNA Identification program. This program is funded by a fee assessed for each death certificate, and the Budget proposes to increase the fee from \$2 to \$3.63 to support the current service level.

LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency continues the Administration's commitment to supporting pathways to quality jobs and equity through workforce development strategies that include apprenticeship, High Road Training Partnerships, and other earn-and-learn strategies.

The 2022 Budget invested approximately \$2.2 billion General Fund to create additional apprenticeships; provide training to mitigate the effects of climate change; provide job training and other assistance to the justice-involved population; and create more innovative and accessible opportunities to recruit, train, hire, and advance an ethnically and culturally inclusive health and human services workforce. Even with the reductions noted below that are required to address the budget problem, the Budget maintains \$2.065 billion for these purposes.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Wage Claim Adjudication**—An additional \$11.7 million special funds and 42 positions in 2023-24 and \$6.5 million special funds ongoing for the Department of Industrial Relations to help address wage claim processing times by improving the efficiency of the claims intake and processing as well as automate portions of the claims processing activities within the Wage Claim Adjudication unit.
- **Electronic Adjudication Management System Modernization**—\$21.1 million special funds in 2023-24 for the Department of Industrial Relations to support the

replacement of the Division of Workers' Compensation's electronic case management and document storage system.

- **Various Department of Public Health Workforce Development Programs**—The 2022 Budget Act previously planned \$65.6 million over four years for various public health workforce development programs. The Budget proposes to reduce this investment to \$15.8 million to help address the projected revenue shortfall. See the Health and Human Services Chapter for additional information.
- **Apprenticeship Innovation Fund**—The 2022 Budget Act committed \$175 million General Fund over three years (\$55 million in 2022-23 and \$60 million in each 2023-24 and 2024-25) at the Department of Industrial Relations to invest in and expand non-traditional apprenticeships. The Budget proposes to withdraw \$40 million (\$20 million in each 2023-24 and 2024-25)—reducing the total three-year investment to \$135 million. If there is sufficient General Fund in January 2024, this reduction will be restored. See the Introduction Chapter for further information on this trigger.
- **Women in Construction Unit**—The 2022 Budget Act committed \$15 million General Fund ongoing at the Department of Industrial Relations to promote and support women and non-binary individuals in skilled trade careers. The Budget proposes to pause this funding in 2023-24 and 2024-25—and resume funding of \$15 million General Fund ongoing in 2025-26. If there is sufficient General Fund in January 2024, this pause will be withdrawn. See the Introduction Chapter for further information on this trigger.
- **COVID Workplace Outreach Program**—The 2022 Budget Act committed \$50 million General Fund over two years (\$25 million in each 2022-23 and 2023-24) to the Department of Industrial Relations to partner with organizations to perform COVID outreach and education to workers and employers in high-risk industries. The Budget proposes the elimination of \$25 million in 2023-24.
- **Emergency Medical Technician Training**—The 2022 Budget Act committed \$60 million General Fund over three years (\$20 million in each 2022-23, 2023-24, and 2024-25) at the Employment Development Department to provide targeted emergency medical technician training. The Budget proposes to withdraw \$20 million (\$10 million in each 2023-24 and 2024-25)—reducing the total three-year investment to \$40 million. If there is sufficient General Fund in January 2024, this reduction will be restored. See the Introduction Chapter for further information on this trigger.
- **California Youth Leadership Program**—The 2022 Budget Act committed \$60 million General Fund over three years (\$20 million in each 2022-23, 2023-24, and 2024-25) to

the California Workforce Development Board to invest in career pathway programs at community colleges. The Budget proposes to withdraw \$20 million (\$10 million in each 2023-24 and 2024-25)—reducing the total three-year investment to \$40 million. If there is sufficient General Fund in January 2024, this reduction will be restored. See the Introduction Chapter for further information on this trigger.

- **Various Department of Health Care Access and Information (HCAI) Workforce**—The 2022 Budget Act committed over \$1.5 billion General Fund for healthcare and workforce development initiatives over multiple years. The Budget defers \$68 million in 2022-23 and \$329.4 million in 2023-24 for certain HCAI healthcare workforce programs. These programs remain fully funded, but these funds will be appropriated later than initially anticipated—\$198.7 million in both 2024-25 and 2025-26.

EMPLOYMENT DEVELOPMENT DEPARTMENT

The Employment Development Department (EDD) has spent years preparing to modernize its benefits systems and continues to focus on enhancing its customer service. The 2022 Budget Act included \$136 million (\$68 million General Fund) in one-time resources for EDDNext, a five-year plan to modernize EDD. The 2022 Budget Act also included \$313.4 million over three years to continue to address fraud in the Unemployment Insurance (UI) and State Disability Insurance programs. The Governor's Budget proposes the continuation of these existing modernization efforts as well as reductions in other areas to address declining General Fund revenues, which will not disrupt important progress.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Unemployment Insurance Trust Fund Loan Interest**—\$279 million one-time General Fund to pay the annual interest payment on the state's Unemployment Insurance loan balance.
- **EDDNext**—\$198 million one-time in 2023-24 (\$99 million General Fund) to continue the planning and development of EDDNext, for the second year of a five-year plan to modernize EDD. The effort includes enhancements to EDD's benefits system—improving call centers, simplifying forms and notices, including user testing and engagement, developing data analysis tools to continue curbing fraudulent benefit claims, and training.

- **Fraud Prevention**—\$85 million one-time in 2023-24 (\$71 million General Fund) as part of a multi-year investment included in the 2022 Budget Act to combat fraud—including front-end technology to block foreign and suspicious Internet Protocol addresses, improvements to applicant identity verification, and services to screen and validate claim integrity.
- **Unemployment Insurance Debt Payment**—The 2022 Budget Act included \$1 billion (\$250 million federal funds in 2022-23 and \$750 million General Fund in 2023-24) to pay down a portion of the state's approximately \$18 billion Unemployment Insurance Trust Fund debt. The Budget proposes to withdraw the \$750 million one-time General Fund payment in 2023-24.
- **Unemployment Insurance Small Business Relief**—The Budget proposes to remove the \$500 million one-time General Fund commitment made as part of the 2022 Budget Act to offset the anticipated rising federal unemployment insurance tax rates resulting from the Unemployment Insurance Trust Fund insolvency.

GENERAL GOVERNMENT AND STATEWIDE ISSUES

This chapter describes items in the Budget that are statewide issues or related to various departments.

GOVERNMENT OPERATIONS AND EFFICIENCIES

Since 2019, the Administration has been transforming government services through improvements in service delivery and technology investments. Building upon past efforts and lessons learned from the COVID-19 Pandemic, the state continues greater operational efficiencies through the expansion of telework strategies, reconfiguring office space, reducing leased space, promoting flexible work schedules for employees, and reducing disparities and promoting equity and inclusion in the workplace, including efforts to:

- **Support Statewide Telework**—The Department of General Services (DGS) continues to be funded for oversight and administration of the State's Telework Policy for successful implementation and data capture metrics, and to provide strategic efficiencies.
- **Reduce and Reconfigure Office Space**—Progress continues in reducing the state's leased portfolio while prioritizing the largest leasing clients to gain the greatest efficiencies. DGS is currently working with 40 state departments to consolidate

space across 132 individual leases, resulting in 1.16 million square feet of office space relinquished and annual savings of approximately \$35 million.

- **Reduce Travel Costs**—DGS continues to work with state departments and agencies for opportunities to reduce statewide travel costs by purchasing non-refundable airline tickets in lieu of refundable tickets, to the extent possible. Through this effort, the state has achieved 90-percent compliance with this goal, saving over \$3.6 million since August 2021.
- **Establish Office of Data and Innovation**—\$17.3 million ongoing General Fund and 65 positions from the Government Operations Agency (GovOps) were invested to establish the Office of Data and Innovation (ODI) as a standalone department under GovOps. ODI partners with state agencies to improve the efficiency and effectiveness of services delivered to Californians by providing process improvement and data solutions that are easy to use across government.

The Administration continues to invest in technology to improve and modernize the way Californians interact with government. Modernizing technology solutions results in efficiencies by providing faster and better government services.

- **Digital Identification**—The California Department of Technology (CDT) continues progress on the Digital Identification project, creating a single digital identifier aimed at eliminating the need for California residents to provide their identity and manage multiple user IDs across various websites to obtain state services. CDT recently launched a pilot demonstration project with the California Department of Transportation, the California Integrated Travel Project, Monterey-Salinas Transit Agency, and U.S. General Services Administration's Login.gov, to provide an online tool for transit riders to verify their identity and eligibility to receive discounted fares using their bank card.
- **Modernizing the Department of Motor Vehicles**—The Department of Motor Vehicles (DMV) continues to make improvements towards its IT modernization efforts, and prior year investments have allowed the DMV to shift how the public conducts business with many workload transactions now processed online. DMV continues to advance toward more modern systems that allow more Californians to use the internet as a portal for conducting transactions electronically.

SIGNIFICANT BUDGET ADJUSTMENTS

The Administration maintains its commitment to advancing technology modernization and stabilization. However, due to the decline in General Fund revenues, the Budget includes some reductions in funding.

- **Technology Modernization**—The 2021 and 2022 Budget Acts provided \$50 million General Fund over multiple years to CDT to modernize IT solutions in a timely and efficient manner. Due to declining General Fund revenues, the Budget reduces this amount by \$21 million.
- **Technology Stabilization**—The 2022 Budget Act provided \$30 million General Fund over multiple years to stabilize critical digital services. These investments allowed CDT to conduct assessments of existing critical systems and identify technology solutions to mitigate the risk of potential failure of critical services. Due to declining General Fund revenues, the Budget reduces this amount by \$17.5 million.

EMPLOYEE COMPENSATION AND COLLECTIVE BARGAINING

The Budget includes \$487.5 million (\$130.6 million General Fund) for increased employee compensation, health care costs for active state employees, and retiree health care prefunding contributions for active employees. Included in these costs are collectively bargained salary and benefit increases resulting from contract and side letter negotiations. Funding is also included for 2024 calendar year increases in health care and dental premiums and enrollment.

Collective bargaining negotiations will commence with 14 bargaining units including: Professional, Administrative, Financial and Staff Services; Professional Educators and Librarians; Office and Allied Employees; Engineering and Scientific Technicians; Printing and Allied Trades; Allied Services; Registered Nurses; Medical and Social Services; Educational Consultants and Library; Correctional Officers; Law Enforcement; Craft and Maintenance; Physicians, Dentists, and Psychologists; and Health and Social Services/Professionals, whose contracts expire in summer 2023.

PAYING DOWN UNFUNDED PENSION LIABILITIES

The Administration remains committed to the long-term sustainability of the state retirement systems and paying benefits to state employees during their retirement

years. Over the last decade, the state has taken significant steps toward addressing its retirement liabilities through public pension law reform, implementation of funding strategies to pay down unfunded pension and retiree health benefits, and the allocation of billions of dollars in supplemental funding beyond the state's required annual contributions to the California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS). The Budget includes:

- **State Employees' Retirement Contributions**—\$8.5 billion (\$4.7 billion General Fund) for the statutorily required annual state contribution to CalPERS for state pension costs based on the CalPERS actuarial valuation projected contribution rates as of June 30, 2021. This is \$255 million (\$151 million General Fund) higher than the 2022 Budget Act due to payroll growth and the normal progression of amortization bases, including the 7.4-percent investment loss in 2021-22. Included in these costs are \$747 million General Fund for California State University retirement costs. Additionally, the Budget includes \$1.2 billion one-time Proposition 2 debt repayment funding as a supplemental payment toward the state plans' unfunded liabilities.
- **Teachers' Retirement Contributions**—\$3.9 billion General Fund for the statutorily required annual state contribution to CalSTRS. The roughly \$218 million increase from the 2022 Budget Act is due to higher-than-anticipated growth in creditable compensation from 2020-21 to 2021-22.
- **State Health Care Benefits**—\$390 million in one-time Proposition 2 debt repayment funding for the employer's share of contributions to pay for future retiree health benefits.

The State Retirement and Health Care Contributions figure provides a historical overview of contributions to CalPERS, CalSTRS, the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS) for pension and health care benefits.

State Retirement and Health Care Contributions ^{1/ 2/ 3/}

(Dollars in Millions)

	CalPERS	CSU CalPERS	CalSTRS	JRS	JRS II	LRS ^{5/}	Active Health & Dental ^{6/}	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding ^{7/}
2014-15	4,042	543	1,486	179	63	1	2,797	1,462	256	38
2015-16	4,338	585	1,935	190	67	1	2,968	1,556	263	63
2016-17	4,754	621	2,473	202	68	1	3,104	1,623	272	342 ^{8/}
2017-18	5,188	661	2,790	199	80	1	3,192	1,695	285	189
2018-19	5,506	683	3,082	194	84	1	3,255	1,759	313	394
2019-20	5,946	716	3,323	242	91	1	3,371	1,844	326	562
2020-21	4,925	680	3,428 ^{4/}	225	84	1	3,398	1,938	339	600
2021-22	6,090	675	3,862	194	92	1	3,501	2,019	356	1,292 ^{9/}
2022-23	7,475	744	3,712	208	87	1	3,771	2,208	392	698
2023-24 ^{10/}	7,727	747	3,930	211	87	1	4,089	2,417	428	711

^{1/} The chart does not include contributions for University of California pension or retiree health care costs.

^{2/} The chart does not reflect the following pension payments: \$6 billion supplemental payment to CalPERS in 2017-18 authorized by Chapter 50, Statutes of 2017 (SB 84), additional payments to CalPERS and CalSTRS authorized in Chapter 33, Statutes of 2019 (SB 90), Chapter 859, Statutes of 2019 (AB 118), Chapter 78, Statutes of 2021 (AB 138), Chapter 67, Statutes of 2022 (SB 191), and Proposition 2 payments to CalPERS proposed in the 2023-24 Governor's Budget.

^{3/} In addition to the Executive Branch, this chart includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS. Amounts displayed in the CalPERS column include statewide contributions to the five CalPERS state plans, including contributions from employers that are not included in the annual Budget Act.

^{4/} As part of the 2020 Budget Act, the Teachers' Retirement Board's statutory authority to adjust the state contribution rate for fiscal year 2020-21 was suspended. The amount shown excludes the additional \$297 million in supplemental pension payment from Proposition 2 debt payment funding authorized in the 2021 Budget.

^{5/} The state continues to make employer contributions to the Legislators' Retirement System. CalPERS reported the estimated 2022-23 contribution amount is \$47,497.

^{6/} These amounts include health, dental, and vision contributions for employees within state civil service, the Judicial and Legislative Branches, and the California State University (CSU).

^{7/} Amount reflects the employer contribution to pay down the Other Post-Employment Benefits (OPEB) unfunded liability.

^{8/} Amount includes a one-time prefunding contribution of \$240 million pursuant to Chapter 2, Statutes of 2016 (AB 133).

^{9/} Amount includes \$616 million to help ensure full funding by 2046, which is provided by the employer on behalf of the employees, based on the actuarial liability for each bargaining unit, as employee prefunding contributions were suspended in 2020-21 due to the Personal Leave Program 2020.

^{10/} Estimated as of the 2032-24 Governor's Budget, contributions sourced from the General Fund are estimated to be \$3,973 million for CalPERS, \$747 million for CSU CalPERS, \$1,920.4 million for Active Health and Dental, and \$390 million for OPEB Prefunding. Fiscal year 2023-24 contributions to CalSTRS, JRS, JRS II, LRS, and Retiree Health & Dental (including CSU) are all General Fund costs.

HIGH SPEED INTERNET IMPLEMENTATION

California has made extraordinary investments in recent years to expand access to broadband for all Californians and close the digital divide across the state.

The 2021 Budget provided \$6 billion over three years as part of a statewide plan to expand broadband infrastructure, increase affordability, and enhance access. Of this

amount, \$3.25 billion was provided to the California Department of Technology (CDT) for the purpose of building an open-access middle-mile network in unserved and underserved areas of California. Estimates produced by CDT, the California Department of Transportation (Caltrans) and the California Public Utilities Commission (CPUC) indicate a need for approximately 10,000 miles of middle-mile broadband infrastructure for unserved and underserved communities.

To complement the middle-mile network, the 2021 Budget also provided for a \$2 billion allocation over multiple years for CPUC grants to build out last-mile infrastructure to help provide Californians with access to high-speed broadband service. The 2021 Budget also provided for \$750 million over multiple years for a Loan Loss Reserve Fund to support costs related to the financing of local broadband infrastructure development. Additionally, the 2022 Budget included \$300 million one-time General Fund in 2023-24 and \$250 million one-time General Fund in 2024-25, to CDT to further support the Broadband Middle-Mile Initiative.

SIGNIFICANT BUDGET ADJUSTMENTS

The Budget maintains the same level of funding for broadband middle-mile, last-mile and the Loan Loss Reserve Fund activities. However, to address the budget problem, the Budget proposes:

- Deferral of \$550 million at the CPUC for last-mile infrastructure grants in 2023-24 to future years (\$200 million in 2024-25, \$200 million in 2025-26, and \$150 million in 2026-27).
- Deferral of \$175 million from 2022-23 and \$400 million from 2023-24 for the Loan Loss Reserve Fund at the CPUC to future years (\$300 million in 2024-25 and \$275 million in 2025-26).

FEDERAL INFRASTRUCTURE INVESTMENT AND JOBS ACT (IIJA)

The federal Infrastructure Investment and Jobs Act (IIJA) authorized \$1.2 trillion for transportation and other infrastructure investments with more than \$550 million of that total going toward new investments and programs. This included a \$200 billion augmentation to existing and new transportation programs for highway, transit, highway safety, and rail programs over five years. California will receive an average increase of \$2.2 billion annually in federal road and transit formula funding through 2025-26, bringing California's total share of federal formula funding for transportation to

\$38 billion for the five-year period. The state's transportation infrastructure funding commitments will also help California potentially secure up to \$15 billion in additional federal funding, over and above these allocated formula funds, through competitive IJA programs available to all states.

Since the IJA's enactment, the state has employed an outreach and engagement process to creatively implement this federal legislation. At the year-one mark, the state has received over \$16.2 billion to modernize and create more resilient transportation, energy, broadband, and water systems, including \$1.3 billion in federal competitive grants for 219 transportation-related projects.

With the large influx of federal funding, California will continue to make major progress in rebuilding, revitalizing, and reimagining the state's infrastructure to create cleaner, safer, and more resilient infrastructure that benefits Californians.

TRANSPORTATION

To date, the state has written and published guidelines and solicitations to prepare California to secure billions of dollars in federal funding to match the state's investments. California is on track to award \$5 billion to support transit, supply chain, and port infrastructure projects and \$1.7 billion in active transportation projects by the end of 2022-23.

In addition to the federal investments and state matches, the Budget continues to prioritize investments in transportation infrastructure that are critical to reducing carbon emissions, supporting California's economic growth, and enhancing the state's ability to leverage and compete for federal funding. For additional information on transportation funding related to climate, please see the Climate Change Chapter.

While the Administration continues to prioritize transportation infrastructure, the budget problem makes reductions necessary to balance the state budget. As such, the Budget proposes a net reduction of \$2 billion over three years to future transit infrastructure funding. Despite the proposed reduction, California will continue to benefit from not only the large increase in federal funding, but the remaining \$5.7 billion augmentation to transit and rail infrastructure funding, maintaining California's ability to strongly compete for and leverage available federal funding and make significant improvements to transit and rail connectivity statewide. The Administration also continues to seek opportunities to streamline and accelerate project delivery.

GAS PRICE GOUGING PENALTY

In a special session in December, the Administration, working with the Legislature, introduced a policy proposal: a price gouging penalty on excess oil refiner profits as well as transparency and oversight measures to help prevent future price gouging in California. While this proposal will be developed outside of the budget process, it is an important tool to prevent gas price hikes in the state by making it unlawful for refineries to collect excessive profits. The amount of the maximum margin and the amount of the penalty will be determined through the legislative process. Although the goal of the price gouging penalty is to discourage price hikes from hitting Californians in the first place, any funds collected by the penalty will go to a Price Gouging Penalty Fund and then go back to Californians.

INFRASTRUCTURE AND BUDGET RESILIENCY

The Budget includes a multi-year commitment of \$44 billion in state funds for various statewide infrastructure investments. This includes funding to accelerate the transition to zero-emission vehicles, modernize the state's transportation system, promote energy innovation and reliability, provide greater access to broadband connectivity, advance the state's housing goals, reduce wildfire risk to communities, and support drought resiliency and response.

BONDS

To strengthen budget resiliency, the 2022 Budget included several multi-year proposals intended to contribute to a reduction in the state's long-term debt obligations. Capital projects with existing lease revenue bond financing authority, totaling approximately \$3.2 billion, were to be shifted to General Fund over three fiscal years. The 2022 Budget also included a proposal to redeem approximately \$1.7 billion in callable GO bonds in the 2024-25 fiscal year. These proposals used one-time funding to structure a multi-year approach to reducing the state's long-term bond debt obligations, and to provide budget resiliency in the event of an unexpected change in the state's fiscal condition.

The Budget maintains funding to support continuing critical capital outlay projects. However, to address the projected decline in General Fund revenue, the Budget proposes to shift funding for infrastructure projects from cash back to bond financing.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Capital Outlay Fund Shifts**—Approximately \$1.4 billion of the \$3.2 billion of capital projects proposed to be shifted to General Fund will instead retain the existing lease revenue bond authority. In addition, capital projects totaling approximately \$200 million currently authorized for General Fund, and another approximately \$480 million of capital projects proposed for General Fund in future years, will instead be financed with lease revenue bonds.
- **Project Deferrals**—Approximately \$850 million of new capital projects will be deferred to future years.
- **Elimination of GO Bond Redemption**—The scheduled redemption of callable GO bonds totaling approximately \$1.7 billion in 2024-25 is proposed to be withdrawn.

DEFERRED MAINTENANCE

Since 2019, approximately \$3.2 billion (\$2.6 billion General Fund, \$620 million Proposition 98 General Fund, and \$29 million Proposition 68 bond funds) has been allocated across departments to address the most critical statewide deferred maintenance needs. Because of these one-time investments, thousands of important infrastructure maintenance projects have been completed statewide.

SIGNIFICANT BUDGET ADJUSTMENTS

While the state will continue to address critical deferred maintenance, approximately \$216 million of unencumbered deferred maintenance funding will be reverted to the General Fund to address the projected decline in General Fund revenues, as follows:

- **Judicial Branch**—\$49.5 million
- **Department of Forestry and Fire Protection**—\$13 million
- **Department of Parks and Recreation**—\$31 million
- **Department of Corrections and Rehabilitation**—\$30 million
- **Department of General Services**—\$92.5 million

STATE PARKS

Since 2021, the Administration has committed \$1.36 billion over multiple years to support the safe, equitable, and enjoyable access to parks, open spaces, natural resources, and recreational amenities for all Californians.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Dos Rios Ranch State Park**—\$5.8 million one-time and \$3.3 million ongoing General Fund to establish and open Dos Rios Ranch as a new state park and create recreation opportunities and park access to historically underserved communities in the Central Valley. Funds initially appropriated for the acquisition of a new state park in the 2020 Budget Act will be used for planning and acquisition costs.
- **Natural Resources and Parks Preservation Fund**—A reversion of \$110 million from the Natural Resources and Parks Perseveration Fund to the General Fund. This reversion includes \$95 million for future phases of the California Indian Heritage Center project and \$15 million for unspecified future capital outlay projects. The Department of Parks and Recreation is currently in the preliminary plans phase of the California Indian Heritage Center project, including assessing and incorporating input from California Native American tribes and stakeholders. Funding for future phases of this project will be requested in the fiscal year in which the funding will be necessary, which is consistent with the standard budgeting approach for capital outlay projects. This reversion will have no impact on the project's schedule.
- **Statewide Parks Program**—A reduction of \$150 million General Fund for the Statewide Parks Program across 2022-23, 2023-24, and 2024-25. A total of \$230 million allocated to this program in previous budget acts will remain. If there is sufficient General Fund in January 2024, this reduction will be restored. See the Introduction Chapter for further information on this trigger.

INVESTMENTS IN BUSINESSES AND INNOVATION

The state has made significant investments to support small businesses, including tax relief for businesses impacted by the COVID-19 Pandemic, fee waivers for new businesses to encourage business growth, additional funding to bolster existing grant programs and technical assistance centers, and new programs to support entrepreneurs. In addition to making a historic investment of over \$4 billion for the California Small Business COVID-19 Relief Grant Program, the state has made General

Fund investments totaling over \$800 million to support California businesses. Many of the following programs will be implemented over several fiscal years:

- **State Small Business Credit Initiative (SSBCI)**—\$1.1 billion from the federal American Rescue Plan Act of 2021 has been allocated to help support small businesses. This funding is intended to leverage an additional \$18 billion of capital to California small businesses. To supplement SSBCI funds, the 2021 Budget Act added \$20 million one-time General Fund for IBank's Small Business Loan Guarantee Program to continue to provide loans as businesses recover from the economic impacts of the COVID-19 Pandemic. The Small Business Loan Guarantee Program uses state funds for guarantees that are not eligible for SSBCI.
- **Pandemic-Related Investments**—\$397.5 million one-time General Fund has been invested to create the California Venues Grant (\$150 million) and Microbusiness COVID-19 Relief Grant programs (\$50 million); to assist in the continued recovery of California's travel and tourism industry (\$110 million); and to support IBank's Small Business Finance Center and the California Rebuilding Fund to focus on programs that benefit underserved businesses (\$87.5 million).
- **Small Business and Nonprofit COVID-19 Supplemental Paid Sick Leave Grants**—\$250 million one-time General Fund has been appropriated for relief grants for small businesses and non-profits to offset costs of their employees who used the state's supplemental COVID-19 paid sick leave.
- **Business Creation and Job Growth**—\$80 million one-time General Fund was invested to spur new businesses and job creation by establishing the California Dream Fund to support micro-grants to seed entrepreneurship and small business creation in underserved groups (\$35 million); providing financial and technical assistance to employment social enterprises that provide jobs, on-the-job training, and other support to people who face high barriers to work (\$25 million); and expanding California Innovation Hubs and Entrepreneurship Grants to encourage the incubation of new businesses (\$20 million).
- **Small Agricultural Business Drought Relief Grant Program**—\$75 million one-time General Fund was allocated to provide direct assistance to eligible agriculture-related businesses affected by severe drought conditions.
- **Technical Assistance for Small Businesses**—\$6 million General Fund in 2022-23, and \$26 million ongoing, was appropriated to permanently extend the California Office of the Small Business Advocate's Small Business Technical Assistance Program and

Capital Infusion Program, and \$8 million one-time General Fund to support Women's Business Centers.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Film and Television Tax Credit**—\$330 million per year beginning in 2025-26 to extend the existing program and make the credit refundable to benefit a wider range of productions and ensure the competitive program will maximize economic benefits to the state. For additional information regarding this tax credit, see the Revenue Estimates Chapter.
- **Made in California Program**—\$1.5 million one-time General Fund, to be spent over three years, to relaunch the Made in California Program and conduct outreach and engagement to increase participation in the program. The Made in California Program aims to support in-state manufacturing by increasing consumer awareness of in-state production.
- **California Small Business COVID-19 Relief Grant Program**—The Budget proposes to remove approximately \$92 million General Fund from this program due to declining General Fund revenues. This is the estimated amount remaining after all grants have been awarded to eligible businesses. As of December 2022, over 320,000 small businesses received grants at an average grant amount of approximately \$11,000. Awards are still ongoing for round nine and will continue until all funds have been exhausted.
- **IBank's Small Business Finance Center and the California Rebuilding Fund**—Due to declining General Fund revenues, the Budget proposes to remove \$50 million General Fund, leaving \$37.5 million available for financial assistance to small businesses.

The Administration will consider changes to address issues within the nonprofit sector to support the sector's ability to deliver on meeting goals in state programs.

THE STATE'S CHIPS ACT STRATEGY

The federal CHIPS (Creating Helpful Incentives to Produce Semiconductors) Act invests \$54 billion into semiconductor manufacturing, research, and development, including \$39 billion over 5 years in financial assistance under the incentive program to build, expand or modernize domestic facilities and equipment for semiconductor fabrication, assembly, testing, advanced packaging, or research and development. The state has

several existing programs that semiconductor companies can benefit from and that provide incentives and support to companies looking to relocate to or expand in California. These programs include the California Competes Tax Credit, the partial sales tax exemption for the purchase of manufacturing equipment, and the sales tax exemption program administered by the California Alternative Energy and Advanced Transportation Financing Authority for manufacturers that promote alternative energy and advanced transportation. To further leverage federal funds available under the CHIPS Act and to encourage semiconductor manufacturing and research and development in California, the Budget includes an extension of the California Competes grant program and changes to the state's existing New Employment Credit as described below.

CALIFORNIA COMPETES

The Budget proposes to provide \$120 million one-time General Fund for a third year of the California Competes grant program. The California Competes grant program was initially created in the 2021 Budget Act to extend the success of the California Competes Tax Credit program to businesses that cannot fully benefit from a nonrefundable tax credit, but still present vital economic development opportunities that are at risk of taking place outside of California. The 2022 Budget Act included \$120 million one-time General Fund for the California Competes grant program and added language to give priority to grant program funds for semiconductor manufacturing and research and development for grants awarded in 2023-24. The 2022 Budget Act also removed the cap that prevents any one grantee from receiving more than 30 percent of the program's total amount of grants allocated in 2023-24.

NEW EMPLOYMENT CREDIT

The Budget proposes eliminating the geographic restrictions of the state's existing New Employment Credit for qualifying semiconductor manufacturing and research and development firms. The New Employment Credit was created in 2014 to incent businesses that operate in high-poverty areas to hire and provide full-time employment to the long-term unemployed, veterans discharged from service in the last 12 months, Earned Income Tax Credit recipients, ex-offenders convicted of a felony, and current recipients of CalWORKS or county general assistance. Expanding access to the credit by removing the geographic requirement for qualifying semiconductor manufacturing and research and development firms will provide more flexibility for these firms to use

this financial incentive to create full-time jobs, and will also support the state's equity goals by encouraging the hiring of underserved populations.

CANNABIS

The state has made significant progress in strengthening California's legal cannabis market. The 2021 Budget Act consolidated the cannabis-regulatory functions into a single Department of Cannabis Control within the Business, Consumer Services, and Housing Agency, to simplify participation in the legal market and support the successful and safe operation of cannabis businesses in compliance with state law. The 2022 Budget Act included statutory changes to reform cannabis taxes, provide relief to equity cannabis retailers, and authorize high-road cannabis employers and cannabis equity operators to claim tax credits. These policy changes simplify the tax structure and remove administrative burdens and costs, which reduces barriers to entry into the legal, regulated cannabis market. Furthermore, the state has implemented a fee waiver or deferral program to reduce barriers to entry into the legal market and invested in grant programs that support equity in cannabis, provide funding to cities and counties that do not currently have a local cannabis retailer licensing program, and help local governments and aid licensees in moving from provisional licensure to annual licenses.

UPDATED ALLOCATION OF THE CANNABIS TAX FUND

On July 1, 2022, pursuant to comprehensive cannabis tax reforms in Chapter 56, Statutes of 2022 (AB 195), the cannabis cultivation tax was suspended, resulting in savings to legal cannabis businesses and consumers. On January 1, 2023, responsibility for cannabis excise tax remittance moved from distribution to the point of sale. Additional tax reforms included the creation of two Cannabis Equity Tax Programs, including vendor compensation for eligible retailers, and Equity Tax Credits for eligible licensees beginning January 1, 2023.

Proposition 64 specifies the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated. Pursuant to Proposition 64, expenditures are prioritized for regulatory and administrative workload necessary to implement, administer, and enforce the Cannabis Act, followed by research and activities related to the legalization of cannabis and the past effects of its criminalization. Once these priorities have been met, the remaining funds are directed to youth education, prevention, early intervention, and treatment; environmental protection; and public safety-related activities. AB 195 requires that these Allocation 3 programs are funded at a baseline of

approximately \$670 million. To meet this requirement, the Budget includes \$95.4 million General Fund in 2023-24 to backfill the estimated decline in revenues that fund the programs as follows:

- **Education, prevention, and treatment of youth substance use disorders and school retention**—60 percent (\$401.8 million)
- **Clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation**—20 percent (\$133.9 million)
- **Public safety-related activities**—20 percent (\$133.9 million)

CANNABIS ENFORCEMENT

The Office of Emergency Services, in partnership with the Department of Cannabis Control and the Department of Fish and Wildlife, has convened several state, federal and local entities to strengthen enforcement coordination statewide utilizing existing resources through the California Unified Cannabis Enforcement Task Force. The Task Force seeks to better align intelligence gathering; catalog and coordinate enforcement activity; assess enforcement impacts; strengthen partnership, communication, and collaboration; make existing enforcement efforts more effective and strategic; align communications; pilot new methods, assess efficacy of enforcement methods, and identify best practices; strategically engage with non-participating governmental partners; and take other action as may be necessary to effectively combat illegal cannabis activity in California.

To further reinforce enforcement efforts, the Budget includes funding for the following entities:

- **Board of State and Community Corrections**—\$83.9 million Cannabis Tax Fund is allocated to the Board of State and Community Corrections through Allocation 3 to award grants to local governments to assist with law enforcement, fire protection, or other local programs addressing public health and safety associated with the implementation of the Control, Regulate and Tax Adult Use of Marijuana Act.
- **State Water Resources Control Board**—\$6.4 million Cannabis Control Fund and \$5.7 million in other special funds, which will increase over time to \$13.1 million Cannabis Tax Fund and \$6.6 other special funds, to continue the State Water Resources Control Board's statutorily mandated efforts to address water quality and instream flow-related impacts from cannabis cultivation through enforcement

against illegal cultivations and compelling enrollment of eligible cultivators in the Water Board's regulatory program through outreach and engagement to unpermitted cultivators, and progressive enforcement against sites that do not enroll in Water Board permits.

- **Department of Fish and Wildlife**—\$3.8 million Cannabis Control Fund and \$4.2 million Fish and Game Preservation Fund to continue the Department of Fish and Wildlife's Cannabis Regulatory and Enforcement Program. Continued regulatory resources will maintain the Department's role in the state cannabis regulatory structure and the Department's permanent law enforcement support for state agencies will assist with verifying compliance with the regulatory program requirements, including required impact minimization or mitigation measures in permits, licenses, and CEQA documents.
- **Department of Cannabis Control**—\$1.9 million Cannabis Control Fund to establish a permanent Department of Cannabis Control Enforcement District Office in Fresno to further the enforcement activities of the department in the Central Valley.
- **California Department of Tax and Fee Administration**—A portion of \$10 million Cannabis Control Fund will be allocated to the California Department of Tax and Fee Administration to support its cannabis tax enforcement program.

OFFICE OF PLANNING AND RESEARCH

The Office of Planning and Research assists the Governor and the Administration in planning, research, policy development and legislative analysis.

RACIAL EQUITY AND YOUTH EMPOWERMENT COMMISSIONS

The Budget includes \$3.8 million General Fund in 2023-24 and \$3.1 million General Fund through 2028-29, which includes \$1.5 million General Fund that was authorized in the 2022 Budget Act, to support the state's first Racial Equity Commission established by Executive Order N-16-22 and the California Youth Empowerment Commission established in Chapter 660, Statutes of 2021. The Office of Planning and Research will oversee both Commissions, which will launch by the end of 2023. The Budget also includes statutory changes to establish the Racial Equity Commission, an advisory body, through 2029. These Commissions will support California's leadership in expanding opportunity and justice for all. The California Youth Empowerment Commission was created to address the growing need to engage youth directly with policymakers. The

Commission is advisory in nature, for the main purpose of providing meaningful opportunities for civic engagement to help inform how to improve the quality of life for California's diversity of youth, especially disconnected and disadvantaged youth.

OFFICE OF COMMUNITY PARTNERSHIPS AND STRATEGIC COMMUNICATIONS

The Office of Community Partnerships and Strategic Communications manages the state's highest priority public awareness and community outreach campaigns. The 2022 Budget Act included \$65 million General Fund annually through 2025-26 to establish the Office and provided \$230 million one-time California Emergency Relief Fund in 2022-23 for the Office to continue COVID-19 vaccine-related public education and outreach campaigns. Due to declining General Fund revenues, the Budget proposes to remove \$80 million in 2022-23 for the COVID-19 Outreach campaign, reducing the one-time investment to \$150 million.

CALIFORNIA VOLUNTEERS

California Volunteers is the state office responsible for engaging Californians in service, volunteering, and civic action to tackle the state's most pressing challenges while lifting all communities. The state has made significant investments to support volunteers and service opportunities in California, including:

- **Californians for All College Service Program**—The 2021 Budget Act included \$146.3 million one-time (\$127.5 million federal American Rescue Plan Act of 2021 (ARPA) funds and \$18.8 million General Fund) to create the Californians for All College Service Program in partnership with the University of California, California State University, California Community Colleges, and private California university campuses. The 2022 Budget Act included \$73.1 million in 2024-25 and 2025-26 to continue funding for this program to provide opportunities for California college students, including AB 540-eligible students, to contribute to their communities while supporting lower debt college pathways for low-income students.
- **Youth Jobs Corps Program**—The 2021 Budget Act included \$185 million one-time federal American Rescue Plan Act of 2021 (ARPA) funds for the CaliforniansForAll Youth Jobs Corps program, to create or expand youth employment opportunities, such as part-time work or summer jobs, in partnership with local governments and community-based organizations. This program helps youth learn valuable job skills, develop public service career pathways, and engage with their communities.

- **California Climate Action Corps**—The 2021 and 2022 Budget Acts provided a total of \$4.7 million General Fund through 2025-26, and \$823,000 annually thereafter to support 115 Climate Corps members in the California Climate Action Corps program. These resources support the mission of empowering Californians to take meaningful actions to protect their communities against the harshest impacts of climate change.
- **California Experience Corps**—The 2022 Budget Act provided \$10 million one-time General Fund for the Foster Grandparents and Senior Companions program to engage older adults in volunteer service that benefit schools, families, and communities across the state. This provides up to 500 additional volunteer positions with stipends for older adults to provide one-on-one mentoring, nurturing, and support to children; and to provide peer-support services to older adults at risk of out-of-home placement due to chronic illness, disability, or isolation.

SIGNIFICANT BUDGET ADJUSTMENTS

- **California Climate Action Corps**—The Budget proposes \$4.7 million General Fund in 2023-24 through 2025-26, and \$9.4 million ongoing to make this program permanent and double the number of Climate Corps members from 115 to 230.
- **Youth Jobs Corps Program**—The Budget proposes \$78.1 million ongoing General Fund to make the CaliforniansForAll Youth Jobs Corps program permanent while providing pathways for undocumented Californians with work authorization.
- **Summer Youth Jobs Corps Program**—The Budget proposes to eliminate \$25 million one-time General Fund included in the 2022 Budget Act to support the existing Youth Jobs Corps program and offer additional summer employment opportunities. The purpose of this one-time grant program can be achieved by the proposed ongoing funding for the Youth Jobs Corps program.

OFFICE OF EMERGENCY SERVICES

The Office of Emergency Services (Cal OES) serves as the state's leadership hub during all major emergencies and disasters. This includes responding, directing, and coordinating local, state and federal resources and mutual aid assets across all regions to support the diverse communities across the state. Cal OES also builds disaster resilience by supporting local jurisdictions and communities through planning and preparedness activities, training, and facilitating the immediate response to an emergency through the longer-term recovery phase. During this process, Cal OES serves

as the state's overall coordinator and agent to secure federal government resources through the Federal Emergency Management Agency. The Budget includes \$3.3 billion (\$771.7 million General Fund) and 1,877 positions for Cal OES.

SIGNIFICANT BUDGET ADJUSTMENTS

- **California Cybersecurity Integration Center (Cal-CSIC)**—The Budget proposes \$28.7 million and 40 positions across various departments to maintain and enhance the capabilities of the Cal-CSIC. The Cal-CSIC was established as a partnership between Cal OES, the California Military Department, California Department of Technology, and the California Highway Patrol and serves as the central organizing hub of state government's cybersecurity preparedness and response activities and coordinates cyber intelligence and information sharing with local, state, and federal agencies; tribal governments; utilities and other service providers; academic institutions; and nongovernmental organizations. These resources will allow the Cal-CSIC to lead state efforts to identify and mitigate current and ever-evolving cyber threats, including providing enhanced (1) threat detection, assessment, and research; (2) gap testing and remediation; and (3) incident analysis and response.
- **Seismic Retrofitting Program for Soft Story Multifamily Housing**—Chapter 48, Statutes of 2022 (SB 189) established the Seismic Retrofitting Program for Soft Story Multifamily Housing and included legislative intent to appropriate \$250 million for this program in the 2023-24 Budget. Given the state's fiscal outlook and the projected decline in General Fund revenues, the intended appropriation is not reflected in the Budget. If there is sufficient General Fund in January 2024, this reduction will be restored. See the Introduction Chapter for further information on this trigger.

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ECONOMIC OUTLOOK

OVERVIEW

Despite stubbornly high inflation, international instabilities, and the ongoing impacts of a global public health pandemic, California and the nation experienced relatively strong nonfarm job growth in 2022. The state recovered all COVID-19 Pandemic-induced job losses as of October 2022, and the unemployment rate fell to a record low in September 2022. While the labor market thrived, U.S. inflation became more broad-based and reached a 40-year high of 8.5 percent by March 2022, leading the Federal Reserve to start raising the target federal funds rate in efforts to cool the overheated economy. (See figure on California and U.S. CPI Inflation Rates.)

Between March and December 2022, the Federal Reserve raised rates seven times to a target range of 4.25 percent to 4.5 percent and has indicated that it will maintain high target rates until inflation slows to the Federal Reserve's target threshold of around 2 percent. The Governor's Budget forecast projects economic growth to continue, albeit at a slower pace in 2023 as interest rates remain high. Nonfarm job and total wage growth are also expected to slow in 2023 before reverting to a trend of more normalized growth.

The uncertain future paths for inflation and Federal Reserve policy pose short-term risks. If high inflation persists longer than expected or if the Federal Reserve policy causes greater pullbacks by businesses or individuals, the economy could tip into a mild recession. This could lead to a steeper decline in investment and interest-sensitive

consumption, which in turn could cause a larger decline in economic growth and reduced nonfarm employment and personal income growth. However, upside risks include a quicker-than-projected easing of inflation and an end to the Russian invasion of Ukraine, which would lead to looser monetary policy and stronger economic growth.



CALIFORNIA JOBS RECOVERY CONTINUES IN 2022 WHILE WAGE GROWTH STALLS

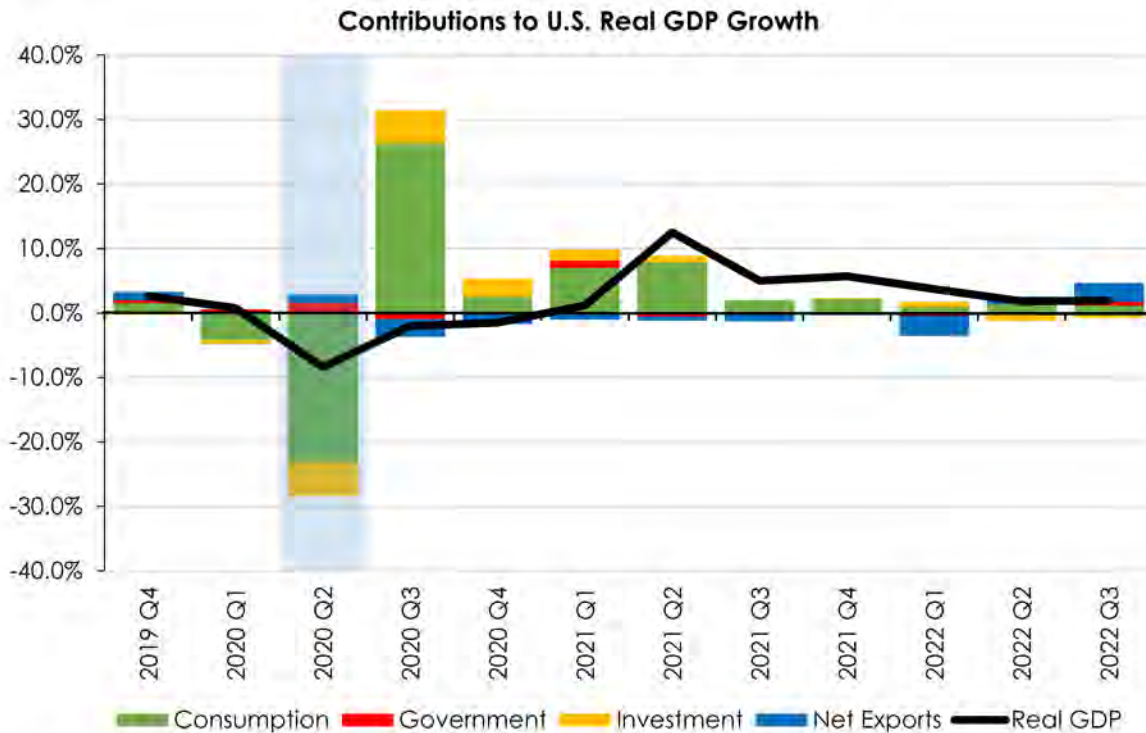
As the state adjusted to living with COVID-19, nonfarm job growth was remarkably strong, growing 3.2 percent annually—its largest growth since 2000. The state recovered the last of the nearly 2.8 million jobs lost as a result of the COVID-19 Pandemic in October. California added nearly 600,000 nonfarm jobs through the first ten months of 2022, a slower pace than in 2021 when the state added more than 900,000 jobs over the same months. Nevertheless, California's job gains in the first ten months of 2022 have accounted for 14.5 percent of the 4 million U.S. jobs added through October, higher than its historical share of U.S. employment of around 12 percent.

Unlike the rapid nonfarm jobs recovery, the state's overall labor force has yet to fully recover to pre-pandemic levels as of October 2022. Despite strong annual labor force growth of 1.7 percent—not seen since the 2000s—only 71 percent of the nearly 1 million people who left the workforce in the first four months of the pandemic had returned as of October 2022. However, California's labor force participation rate is only 0.3 percentage point below its February 2020 pre-pandemic level of 62.6 percent even as the state surpassed the nation's labor force participation rate of 62.2 percent by 0.3 percentage point in June.

As the state's labor force and employment recovery continued throughout 2022, the state's unemployment rate fell to a record-low rate of 3.8 percent in September. Similarly, the nation's unemployment rate fell to 3.5 percent (its lowest rate since 1969) in the same month. The state's employment recovery has followed the nation's trend throughout the year. Even as labor market conditions remained strong, updated data indicate that California's average wage growth in 2021 and in early 2022 was lower than initially estimated. This was in part due to a broad-based slowdown in total wage growth in the first half of 2022, led by contractions in high-wage sectors such as information, financial services, and professional and business services.

THE ECONOMIC FORECAST: SLOWING BUT CONTINUED GROWTH

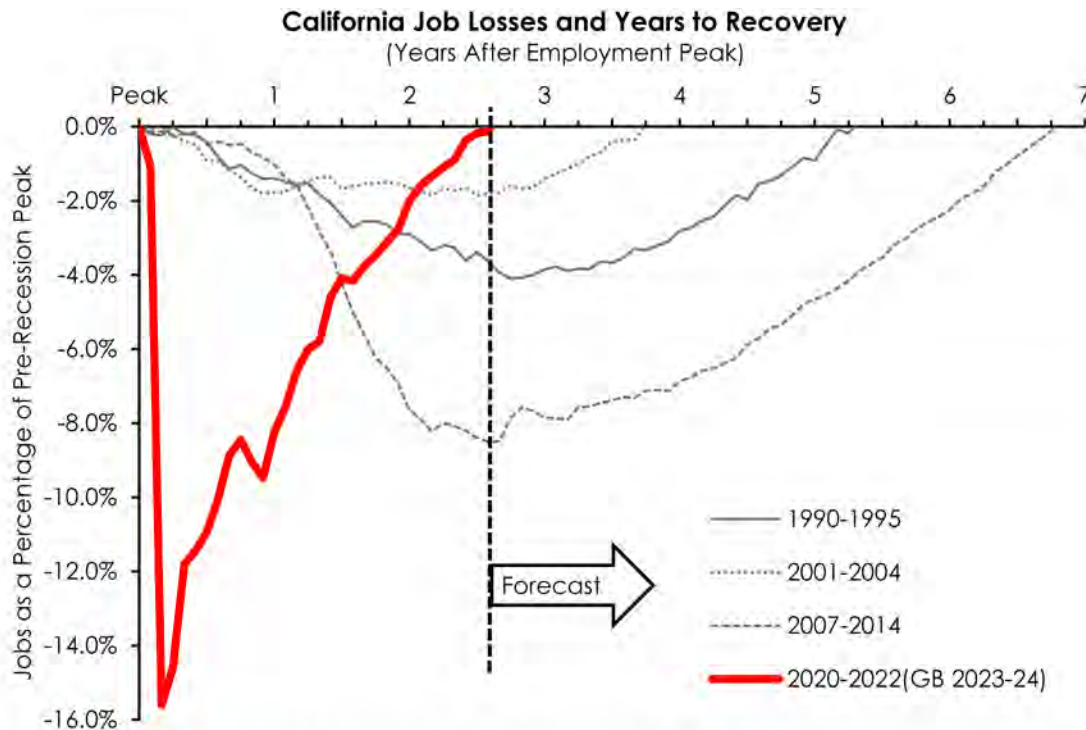
Economic growth is expected to continue, albeit at a slow pace, through 2024 as high interest rates decrease demand. (See figure on Contributions to U.S. Real GDP Growth.) Consumption and exports are also projected to grow more slowly. As a result, U.S. real Gross Domestic Product (GDP) growth is expected to be around 1 percent in 2023 and 2024.



Note: Shaded area indicates recession.
 Source: U.S. Bureau of Economic Analysis; CA Department of Finance, Governor's Budget Forecast.

STRONG STATE JOB GROWTH EXPECTED TO NORMALIZE

In line with slower expected U.S. real GDP growth, California's nonfarm job growth is expected to begin slowing in 2023. Reasons for slowing job growth include weakening demand and the low unemployment environment driven by California's strongest economic recovery since 1960. Nonfarm jobs are then expected to increase across most sectors in California in the second quarter of 2024 as monetary policy eases and, by 2025, both the nation and the state's nonfarm employment growth are projected to return to steady-state trends. The Governor's Budget forecast projects total employment to remain above the pre-pandemic levels throughout the forecast window despite a projected slowdown in job growth. (See figure on California Job Losses and Years to Recovery.)



Lines start from the quarter of each nonfarm employment pre-recession peak.

Source: CA Employment Development Department, Labor Market Information Division; CA Department of Finance, Governor's Budget Forecast.

California's labor force is projected to grow by 1.4 percent in 2023 and approach its pre-pandemic level even as the labor market weakens. It is projected to moderate thereafter, averaging 0.7 percent growth between 2024 and 2026. Similar to the nation's projections, the state's unemployment rate is projected to peak in 2025 at 5.2 percent before falling to 5 percent in 2026. California's unemployment rate—historically one to two percent higher than the national rate—is expected to stay only one-half point above the national rate over the forecast window.

INFLATION EXPECTED TO MODERATE

Inflation in 2021 was concentrated in energy and transportation and became more broad-based in 2022, spreading to other components including food and shelter. U.S. inflation peaked at 9.1 percent in June 2022, but has since shown signs of easing, slowing to 7.7 percent by October. Likewise, California's inflation peaked at 8.3 percent in June and dropped slightly to 7.5 percent by August, the latest available data when finalizing the forecast.

Despite recent reports of slowing inflation, it remains broad-based but increasingly driven by a backward-looking shelter inflation, which is based on rental contracts over

a fixed period (for example, 6 months or 12 months) and represents about one-third of the overall inflation index. Therefore, shelter inflation tends to decline more slowly than other components. While port and trucking congestion continue to ease, the ongoing shortage of microchips for vehicles continues to hamper production and thus keep new vehicle prices elevated. Food and fuel prices rose sharply after the Russian invasion of Ukraine and have since declined but remain higher than a year ago.

Going forward, headline inflation is expected to continue to decelerate as the labor market cools due to the Federal Reserve's tight monetary policy, supply chain issues continue to resolve, and measured inflation incorporates recent contract rent decreases. However, the forecast projects that the deceleration in shelter inflation will lag other components, reflecting the increases in rents in late 2021 and early 2022. (See figure on Economic Indicators at the end of this chapter.)

MODEST WAGE GROWTH EXPECTED THROUGH FORECAST PERIOD

With the expected easing of inflation and the winding down of the Federal Reserve's tight monetary policy, California average wage growth is projected to moderate throughout the forecast period in comparison to the growth of 11.1 percent and 7.4 percent in 2020 and 2021, respectively. The forecast reflects data revisions released in September 2022 showing a high-wage-sector-driven contraction in total wages in early 2022. Average wages are projected to grow by 3.4 percent in 2023 before averaging 3.6 percent between 2024 and 2026.

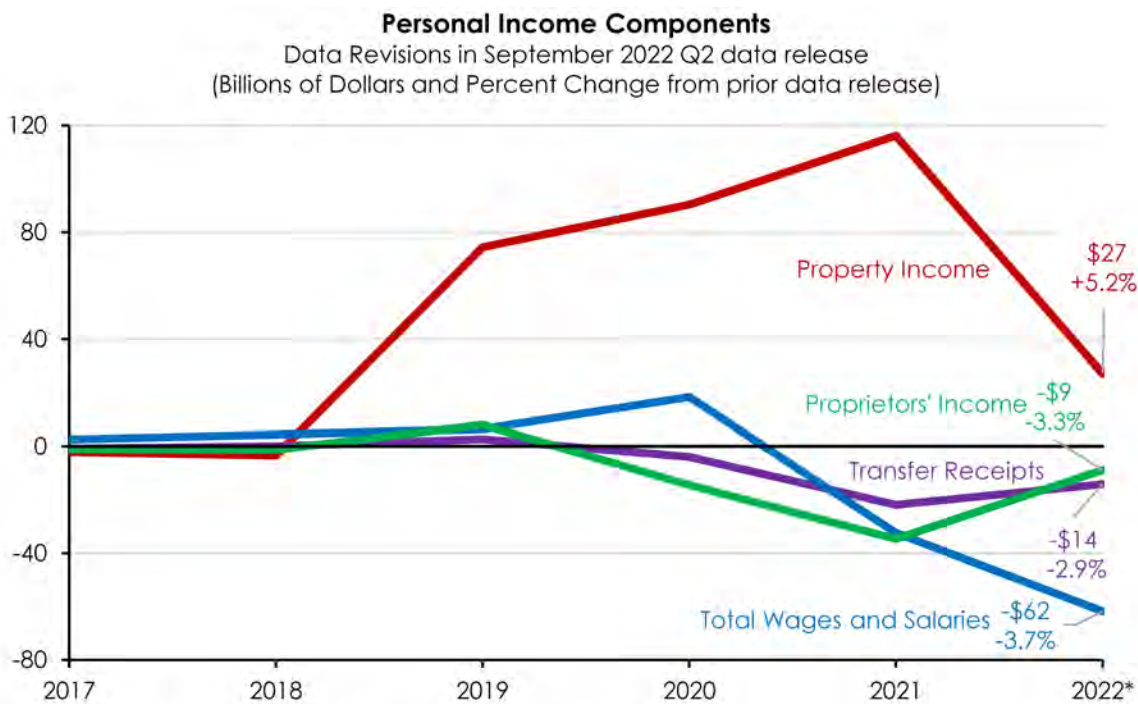
PERSONAL INCOME GROWTH REFLECTS MODERATING WAGE GROWTH

Personal income is projected to have continued growth through 2025, albeit at a slower rate in part due to updated historical data and the labor market response to tighter monetary policy. The Governor's Budget forecast incorporates the second quarter personal income data release, which included revisions to historical data going back to 2017 reflecting more accurate wage data. The data revisions showed a broad-based slowdown in most personal income components, and slower overall headline growth than previously estimated. (See figure on Personal Income Components.) Nevertheless, tighter monetary policy is also expected to curtail headline personal income growth through the forecast window.

Despite the downward revisions to total wages, which makes up more than half of total personal income, the Governor's Budget forecast projects total wages will drive personal income growth. As high interest rates are assumed to cause nonfarm job growth to slow in 2023 and early 2024, total wage growth is expected to see a similar

slowdown. Slower job growth will also be reflected in proprietors' income, which covers the profits of non-corporate businesses and is an indicator of business activity. Business activity is expected to slow due to high interest rates and inflation pushing up business costs, in turn lowering income.

Property income is the sum of interest, rental, and dividend income and is generally driven by interest income. Interest income is projected to grow in line with the expected trajectory of the Federal Reserve's interest rate increases, peaking in 2023 with double-digit growth of 10.8 percent. Rental income is a lagged indicator as it represents contract rents from leases signed over the previous 12 months and tends to follow shelter inflation. It is projected to peak in 2022 due to increases in asking rents in late 2021 and later decelerate through the remainder of the forecast period in line with current rent decreases. Dividend income growth is expected to slow as higher interest rates lead to more risk and investor uncertainty in the stock market. The forecast assumes interest rates will begin to ease by the end of 2023. Beginning in 2024, California personal income is expected to begin reverting to its historical growth trends, averaging 4.7 percent growth in 2025 and 2026.



*Year 2022 only reflects data revisions through the first quarter of 2022. Total wages and salaries were 51 percent of total personal income in 2021, proprietor's income was 8.5 percent, property income was 17.8 percent and transfers was 19.4 percent. Source: U.S. Bureau of Economic Analysis; CA Department of Finance, Governor's Budget Forecast.

HOUSING SHORTAGE PERSISTS

California continues to face a critical housing shortage despite recent declines in the working-age population and various legislative efforts to ease building restrictions. Between January 2000 and January 2022, the state gained 5.9 million new households, but only an additional 2.5 million housing units. Ongoing growth in housing is essential to support long term economic growth in the state. Although the Governor's Budget forecast projects California to average 122,000 permits in 2023, the state would need to permit 180,000 units annually (according to the California Department of Housing and Community Development) to meet housing needs. While building is expected to remain below the necessary number of homes needed to address the state's housing shortage, higher interest rates are expected to limit growth in 2023 and 2024, then as interest rates fall, permit growth is projected to increase in 2025 and 2026.

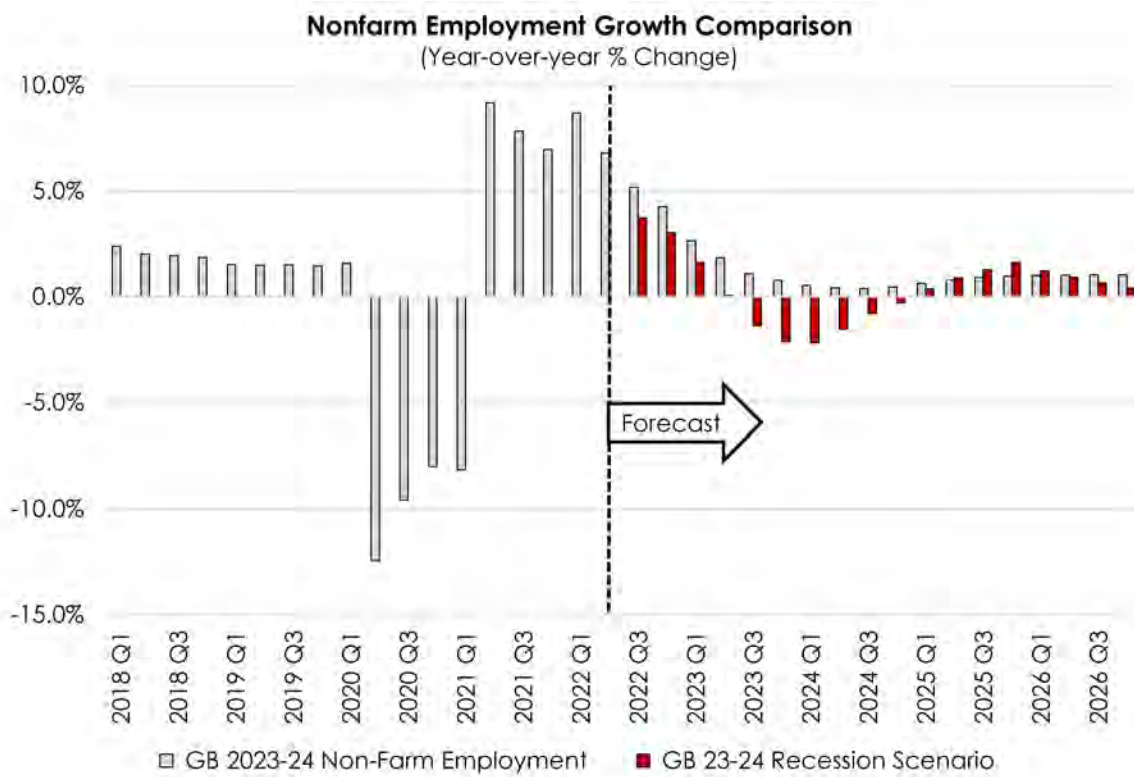
RISKS TO THE FORECAST

The possibility of inflation falling more slowly than expected, or of the Federal Reserve overshooting its policy by tightening more than necessary, poses significant risk to the Governor's Budget forecast. The Federal Reserve has signaled ongoing increases to the target federal funds rate in order to return inflation to its long-term target of around 2 percent, and policy could be tighter than expected if high inflation persists longer than expected. It typically takes several months for the economy to absorb the full effect of policy changes, and there is a risk that the Federal Reserve could raise target interest rates too high and too fast, causing tight credit conditions that may discourage economic activity even after inflation has returned to normal. This could deepen the expected economic slowdown and push the economy into a mild recession.

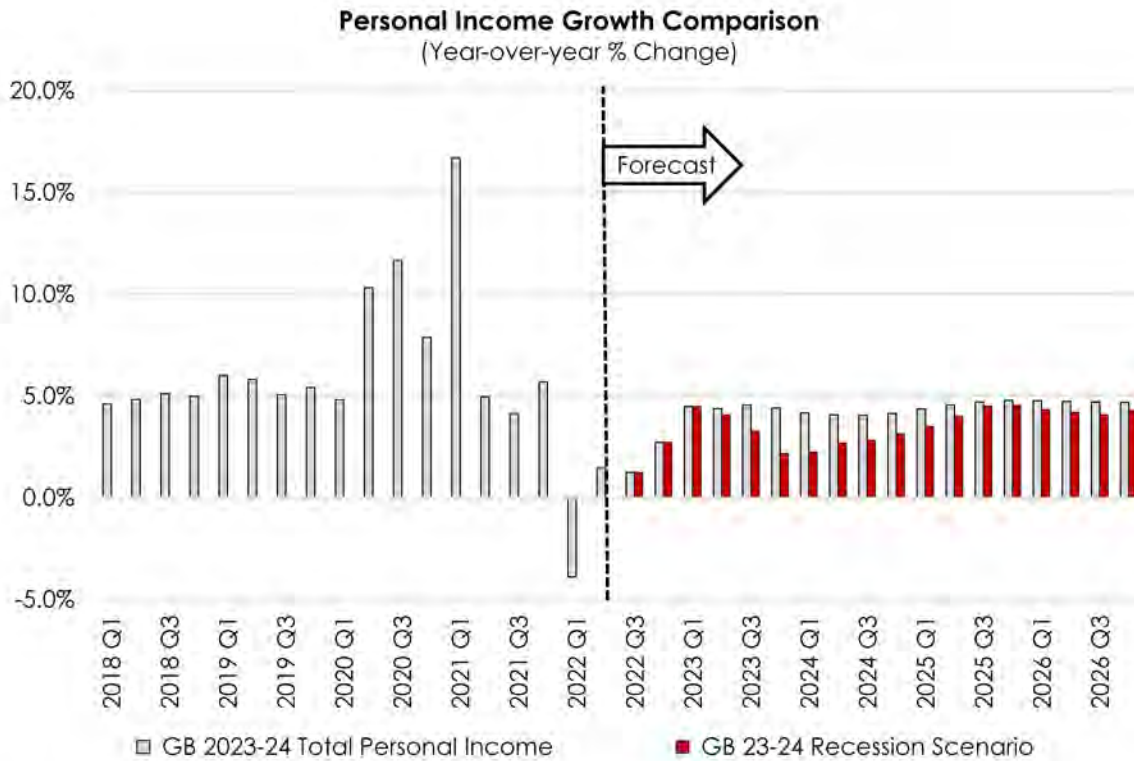
Overreactions from individuals, businesses, and markets to the Federal Reserve's policies, for example, by assuming that future monetary policy would be tighter than it turns out to be and curtailing expansion plans accordingly, could have a similar impact.

A mild recession along the lines described above would likely entail steeper declines in investment and interest-sensitive consumption than in the Governor's Budget baseline forecast. To that end, the Department of Finance has modeled a Recession scenario that projects California nonfarm employment to contract in late 2023 through 2024. Personal income would also grow more slowly in this scenario, as cumulative state personal income would be \$132 billion lower over the forecast window than in the

baseline forecast. (See figures on Nonfarm Employment Growth Comparison and Personal Income Growth Comparison.)



Source: U.S. Bureau of Economic Analysis, CA Department of Finance, 2023-24 Governor's Budget Forecast.



Source: U.S. Bureau of Economic Analysis, CA Department of Finance, Governor's Budget Forecast.

Conditions in China also present a potential forecast risk, as turmoil stemming from continued lockdowns under a zero-tolerance COVID-19 policy, related unrest, and a potential financial crisis could disrupt the global economy. China has also threatened an invasion of Taiwan, which could be more disruptive to the global supply chain than the Russian invasion of Ukraine as Taiwan is the world's largest supplier of semiconductors.

California home prices fell in the second half of 2022, but a steeper decline could depress permit activity more than expected, reducing construction employment and overall economic activity in the state in the short term. While lower housing costs would likely improve the state's long-term competitive position, a sudden drop could lead to a sustained construction slump as it did after the collapse of the housing bubble before the Great Recession.

Potential upside risks to the forecast include faster-than-expected easing of inflation and resolution of the Russian invasion of Ukraine, which could revive European economic growth and increase demand for U.S. exports. Inflationary cooling over the next several months in line with the deceleration in October could lead to less restrictive

monetary policy than expected. Resulting lower interest rates could boost construction spending and other investment.

Economic Indicators

Annual Percentage Change unless Otherwise Indicated

	2019	2020	2021	Forecast				
				2022	2023	2024	2025	2026
United States								
Real GDP	2.3%	-3.4%	5.7%	1.7%	0.9%	1.3%	1.9%	1.9%
Unemployment Rate (percent)	3.7%	8.1%	5.4%	3.7%	3.9%	4.5%	4.7%	4.6%
Nonfarm Employment	1.3%	-5.8%	2.8%	4.0%	0.9%	-0.5%	0.0%	0.4%
Personal Income	4.1%	6.5%	7.5%	3.0%	4.6%	3.9%	4.5%	4.5%
CPI Inflation Rate (percent)	1.8%	1.2%	4.7%	8.1%	4.7%	2.5%	2.3%	2.3%
California								
Unemployment Rate (percent)	4.1%	10.3%	7.4%	4.4%	4.5%	5.1%	5.2%	5.0%
Civilian Labor Force	0.6%	-2.5%	-0.1%	1.9%	1.4%	0.9%	0.7%	0.5%
Nonfarm Employment	1.5%	-7.1%	3.6%	6.2%	1.6%	0.5%	0.8%	1.0%
Residential Permits (thousands of units)	110	106	120	121	122	127	134	142
Average Wages	4.4%	11.1%	7.4%	0.5%	3.4%	3.0%	3.7%	3.9%
Real Average Wages	1.4%	9.4%	3.1%	-7.2%	-1.9%	-0.6%	0.5%	0.8%
Personal Income	5.6%	8.7%	7.7%	0.4%	4.5%	4.1%	4.6%	4.7%
CPI Inflation Rate (percent)	3.0%	1.7%	4.3%	7.7%	5.3%	3.6%	3.2%	3.1%

Governor's Budget Forecast based on data available as of November 2022.

Source: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Census Bureau; CA Employment Development Department, Labor Market Information Division; CA Department of Finance, 2023-24 Governor's Budget Forecast.

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REVENUE ESTIMATES

Economic growth has continued to moderate in both the nation and in California as supply chain strains, prolonged price pressures from the COVID-19 Pandemic, and disruptions from Russia's invasion of Ukraine led to persistently elevated inflation. With inflation remaining at historically high rates throughout 2022, the Federal Reserve raised interest rates from a target range of 0 percent to 0.25 percent in March 2022, to a range of 4.25 percent to 4.5 percent as of December 2022. The record pace of interest rate increases has already contributed to ongoing volatility and significant declines in the stock market and is expected to slow the economy over the next few years. These factors have led to a substantially downgraded economic outlook.

Before accounting for transfers to the Budget Stabilization Account (BSA), and absent budget actions designed to address the budget problem, General Fund revenue is projected to be \$29.5 billion lower than assumed in the 2022 Budget Act over the budget window—from fiscal year 2021-22 through fiscal year 2023-24. Most of this lower projection is because the personal income tax forecast was substantially revised down due to a less positive economic outlook and ongoing weakness in personal income cash receipts since the 2022 Budget Act.

While this downward revision is substantial, the Governor's Budget revenue forecast does not assume a recession, but rather reflects a moderation of economic growth and a reversal of some of the exceptionally high revenue growth in 2021-22, leading to projected year-over-year declines in revenues in both 2022-23 and 2023-24. A recession, particularly one that would disproportionately impact high-income earners, would lead to further decreases in revenues.

Following remarkably strong growth in 2020 and 2021, stock markets declined substantially in 2022, negatively impacting revenues. As of late November 2022, when the Governor's Budget forecast was finalized, the S&P 500 had declined approximately 17 percent from its peak in early January while the Nasdaq Composite Index had declined around 30 percent. At the end of 2022, markets continued to decline, and the S&P 500 was down around 20 percent from its January peak while the Nasdaq was around 35 percent below its peak. The Budget forecast does not assume further declines from November levels and projects steady but slow growth of the stock market. If financial markets perform significantly worse or better than assumed, the revenue picture will likely change accordingly.

BUDGET WINDOW

The 2023-24 Governor's Budget General Fund Revenue Forecast figure compares the revenue forecasts, by source, in the 2022 Budget Act and the Governor's Budget. Of the three largest tax sources, personal income tax is responsible for most of the overall downgrade relative to the 2022 Budget Act forecast.

- **The personal income tax forecast** is lower by \$25.4 billion over the budget window largely due to withholding and capital gains. Personal income tax withholding receipts have contracted by 4.5 percent on average on a year-over-year basis from July to November, and are down a cumulative \$4.6 billion since April and through November. The stock market has also underperformed relative to the 2022 Budget Act forecast, with the S&P 500 down around 6 percent in the third quarter of 2022. Weakness in recent data and slower projected growth led to a significant downward revision to withholding and capital gains. Nominal wage growth and business-derived income were also revised down, reflecting lower expectations of economic growth, and further contributing to slower projected revenue growth.
- **The corporation tax forecast** is lower by \$3.8 billion over the budget window. However, this is due to updated assumptions around the Pass-Through Entity (PTE) Elective Tax, which resulted in around \$5 billion shifting from corporation tax to personal income tax. The PTE Elective Tax, first effective for the 2021 tax year, allows California business owners to mitigate the impact of the \$10,000 limit on state and local tax deductions imposed by the 2017 Federal Tax Cut and Jobs Act. The PTE Elective Tax is designed to largely be revenue neutral for the state, as payments made under the corporation tax are offset by credits against the personal income tax. The Governor's Budget forecast reflects updated assumptions on the amount and timing of PTE Elective Tax payments and credit usage which were informed by

preliminary tax data for the tax year 2021. Excluding the impact of the PTE Elective Tax, the corporation tax forecast is slightly higher through 2023-24, consistent with cash receipts through November which were about \$200 million higher cumulatively since the 2022 Budget Act.

- **The sales tax forecast** is lower by \$2.5 billion over the budget window, mainly because of weaker projected economic growth and lower expected taxable private investment due to tighter monetary policy. Sales tax cash receipts were nearly \$600 million higher than the 2022 Budget Act cumulatively from April through November.

Revenue projections for insurance tax, alcoholic beverages tax, and cigarette tax are largely unchanged from the 2022 Budget Act, while the revenue forecast for pooled money interest is \$2.2 billion higher than in the 2022 Budget Act over the budget window due to higher interest rates. The forecast for other minor and not otherwise classified revenues is \$6.3 billion lower than the 2022 Budget Act forecast over the budget window, driven by federal reimbursements of wildfire and COVID-19 Pandemic costs projected to be \$6.9 billion lower. Actual and anticipated reimbursements from the federal government for costs associated with the state's response to recent wildfires and the pandemic are projected to total approximately \$6.5 billion in the Budget forecast, compared to \$13.4 billion in the 2022 Budget Act.

Transfers to the BSA are projected to be around \$2 billion lower than in the 2022 Budget Act over the budget window. Other transfers, which include loan repayments and transfers from the Coronavirus Fiscal Recovery Fund, are projected to be \$7.4 billion higher, with the Coronavirus Fiscal Recovery Fund accounting for \$5.6 billion of the overage. After accounting for all transfers, baseline General Fund revenues in the Budget are \$26.2 billion lower than projected in the 2022 Budget Act over the budget window.

LONG-TERM FORECAST

The Long-Term Revenue Forecast figure displays actual and projected revenues for the three largest General Fund revenues (personal income tax, corporation tax, and sales tax) from 2020-21 through 2026-27. Total General Fund revenue from these sources is projected to grow from \$215 billion in 2021-22 to \$218.1 billion in 2026-27. The average year-over-year growth rate for this period is 0.4 percent as this includes year-over-year declines in 2022-23 and 2023-24. Revenues are assumed to moderate to lower levels following growth of nearly 30 percent in 2020-21 and over 19 percent in 2021-22.

**2023-24 Governor's Budget
General Fund Revenue Forecast
Reconciliation with the 2022 Budget Act**
(Dollars in Millions)

Source	2022 Budget Act	Governor's Budget	Change From Budget Act Forecast	
Fiscal 2021-22 (Preliminary)				
Personal Income Tax	\$136,497	\$136,762	\$265	0.2%
Corporation Tax	46,395	45,298	-1,098	-2.4%
Sales & Use Tax	32,750	32,915	165	0.5%
Insurance Tax	3,468	3,495	27	0.8%
Alcoholic Beverage	430	431	1	0.3%
Pooled Money Interest	237	362	125	53.0%
Cigarette	54	54	0	-0.5%
Other Revenues	3,050	3,851	801	26.2%
Subtotal	\$222,882	\$223,168	\$286	0.1%
Transfer To/From BSA	-5,677	-5,224	453	-8.0%
Other Transfers	9,856	15,947	6,091	61.8%
Total	\$227,061	\$233,891	\$6,830	3.0%
Fiscal 2022-23				
Personal Income Tax	\$137,506	\$128,905	-\$8,601	-6.3%
Corporation Tax	38,464	38,482	18	0.0%
Sales & Use Tax	33,992	32,851	-1,142	-3.4%
Insurance Tax	3,667	3,641	-26	-0.7%
Alcoholic Beverage	435	436	1	0.3%
Pooled Money Interest	478	1,794	1,316	275.3%
Cigarette	49	49	0	-0.2%
Other Revenues	8,460	4,589	-3,871	-45.8%
Subtotal	\$223,050	\$210,746	-\$12,304	-5.5%
Transfer To/From BSA	-2,968	-1,620	1,348	-45.4%
Other Transfers	-375	-243	133	-35.4%
Total	\$219,707	\$208,883	-\$10,823	-4.9%
Fiscal 2023-24				
Personal Income Tax	\$143,755	\$126,695	-\$17,060	-11.9%
Corporation Tax	42,013	39,308	-2,705	-6.4%
Sales & Use Tax	35,145	33,599	-1,546	-4.4%
Insurance Tax	3,865	3,863	-2	-0.1%
Alcoholic Beverage	440	441	1	0.3%
Pooled Money Interest	911	1,686	775	85.1%
Cigarette	43	45	1	2.8%
Other Revenues	7,245	4,040	-3,204	-44.2%
Revenue Solutions	n/a	30	30	n/a
Subtotal	\$233,417	\$209,707	-\$23,710	-10.2%
Transfer To/From BSA	-1,159	-911	248	-21.4%
Other Transfers	166	195	28	17.2%
Transfer Solutions	n/a	1,183	1,183	n/a
Total	\$232,424	\$210,174	-\$22,250	-9.6%
Three-Year Total Excluding BSA and Solutions			-\$29,505	
Three-Year Total			-\$26,243	

By 2026-27, the three largest sources combined are assumed to grow at 4.1 percent, in line with projected economic growth. Growth rates for the personal income tax and the corporate income tax are distorted by the PTE Elective tax in the out years as the PTE Elective tax is only in effect through the end of 2025.

Long-Term Revenue Forecast - Three Largest Sources

(General Fund Revenue - Dollars in Billions)

	2020-21	2021-22 ^{e/}	2022-23 ^{e/}	2023-24 ^{e/}	2024-25 ^{e/}	2025-26 ^{e/}	2026-27 ^{e/}
Personal Income Tax	\$128.9	\$136.8	\$128.9	\$126.7	\$127.6	\$138.5	\$156.2
(Year-over-Year Change)	29.4%	6.1%	-5.7%	-1.7%	0.7%	8.6%	12.7%
Corporation Tax	\$22.6	\$45.3	\$38.5	\$39.3	\$40.9	\$35.1	\$25.3
(Year-over-Year Change)	61.9%	100.5%	-15.0%	2.1%	4.0%	-14.3%	-27.8%
Sales and Use Tax	\$29.1	\$32.9	\$32.9	\$33.6	\$34.6	\$35.8	\$36.6
(Year-over-Year Change)	14.0%	13.2%	-0.2%	2.3%	2.9%	3.7%	2.2%
Total	\$180.5	\$215.0	\$200.2	\$199.6	\$203.1	\$209.5	\$218.1
(Year-over-Year Change)	29.8%	19.1%	-6.9%	-0.3%	1.7%	3.1%	4.1%

^{e/}Estimated

Source: California Department of Finance, 2023-24 Governor's Budget Forecast.

TAX PROPOSALS

The Budget includes three tax proposals, as described below:

STUDENT LOAN FORGIVENESS

The Budget proposes to exempt student loan debt forgiven under the 2022 federal student loan debt relief plan from state income taxation, assuming litigation around the plan is resolved. Under the plan, the federal government will forgive up to \$10,000 in student loans for individuals making less than \$125,000 per year, and up to \$20,000 for those who received a Pell Grant—for students with the largest financial need. The American Rescue Plan Act exempts the forgiveness of student loan debt from 2021 to 2025 federal income taxes; the Budget exempts federal student debt relief provided to Californians from state taxes. The U.S. Department of Education estimates California has over 3.5 million eligible borrowers who could receive debt relief, including 2.3 million Pell borrowers.

INCOMPLETE NON-GRANTOR TRUSTS

The Budget proposes to require net income derived from incomplete non-grantor trusts be subject to California income tax if the grantor of the trust is a California resident. This proposal mitigates a tax strategy which allows California residents to transfer assets into out-of-state incomplete non-grantor trusts and potentially avoid state taxation. This change, which would be effective beginning in tax year 2023, is projected to increase tax revenues by \$30 million in 2023-24 and by \$17 million annually thereafter.

FILM AND TELEVISION TAX CREDIT

The Budget proposes to extend the Film and Television Tax Credit Program at \$330 million per year for five years beginning in 2025-26 (Program 4.0) and make it refundable prospectively for the new Program 4.0. The existing Film and Television Tax Credit Program 3.0 provides tax credits for eligible films produced in California through 2024-25. This credit retains and supports the growth of production jobs in the film industry and stimulates economic activity statewide, enhancing California's position as the leading national and global location for all forms of media content creation. Making the credit refundable will benefit a wider range of productions and ensure the competitive program will maximize economic benefits to the state. Credit recipients with insufficient tax liability will be able to claim a tax refund at a discounted value over multiple years to lessen the revenue loss to the state. Credits applied against tax liability will retain their full value.

PERSONAL INCOME TAX

The personal income tax is the state's largest revenue source, accounting for 69 percent of General Fund revenues before transfers in 2020-21 and projected to comprise about 60 percent of all General Fund revenues before transfers in 2023-24.

Personal income tax is projected to generate \$136.8 billion in 2021-22, \$128.9 billion in 2022-23, and \$126.7 billion in 2023-24. Compared to the 2022 Budget Act, these figures reflect an upward revision of \$265 million in 2021-22, and downward revisions of \$8.6 billion in 2022-23 and \$17 billion in 2023-24. Downgrades in the personal income tax forecast are largely driven by decreased withholding and capital gains due to weak cash receipts and stock market performance since the 2022 Budget Act, as well as the downgraded economic forecast. Despite weak cash receipts related to tax year 2022 in the second half of 2022, the personal income tax projection for 2021-22 was slightly upgraded due to a one-time gain from assumed elevated refunds related to the PTE Elective Tax not materializing in October 2022. The personal income tax projections also reflect lower credit usage related to the PTE Elective Tax, which is assumed to increase personal income tax revenues by \$2.4 billion in 2021-22, \$1.1 billion in 2022-23, and \$1.4 billion in 2023-24.

Modeled closely after federal income tax law, California's personal income tax is imposed on net taxable income—gross income less exclusions and deductions. The tax rate structure is progressive over the income spectrum. Since the 2012 tax year, the marginal rates range from 1 percent to 12.3 percent, not including a 1-percent

surcharge on taxable income above \$1 million for the Mental Health Services Act tax. Proposition 30 created three additional income tax brackets beginning in 2012 with rates of 10.3 percent for taxable income above \$500,000, 11.3 percent for taxable income above \$600,000, and 12.3 percent for taxable income above \$1 million, with the income thresholds indexed for inflation. Proposition 30 held these tax brackets in effect for seven years—from tax years 2012 to 2018. Voters approved Proposition 55 in November 2016, extending the three additional tax brackets through tax year 2030.

The Budget forecast assumes no significant change in domestic migration patterns between California and other states, with net outflows appearing to have continued in 2022. International immigration typically brings hundreds of thousands of people to the state, outweighing the losses in domestic migration. However, while immigration delays and pandemic-related restrictions are mostly resolved, immigration is still below 2019 levels. As a result of the large increase in teleworking brought about by the COVID-19 Pandemic, it is possible there could be further increases in out-migration from California. If the increase in out-migration continues, is significant enough, and affects high-income households, actual personal income tax revenues may fall below projections.

A portion of personal income tax revenues is deposited into a special fund instead of the General Fund. Proposition 63, passed in November 2004, imposes a surcharge of 1 percent on taxable income over \$1 million. Revenue from the surcharge is transferred to the Mental Health Services Fund and used to fund mental health programs. The forecast projects annual revenues of \$5.6 billion for 2021-22 and \$3.6 billion for 2022-23 and 2023-24 for this fund. The General Fund and the Mental Health Services Fund shares of personal income tax revenues for 2021-22 through 2023-24 are shown in the Personal Income Tax Revenue figure.

Personal Income Tax Revenue

(Dollars in Millions)

	2021-22 Preliminary	2022-23 Forecast	2023-24 Forecast
General Fund	\$136,762	\$128,905	\$126,725
Mental Health Services Fund	<u>\$5,567</u>	<u>\$3,631</u>	<u>\$3,564</u>
Total	\$142,329	\$132,536	\$130,289

Source: California Department of Finance, 2023-24 Governor's Budget Forecast.

WAGES AND SALARIES

The largest income source for the personal income tax is wages and salaries. Although the year-over-year growth rate for wages tends to be less volatile than other income sources, wages and salaries include some unpredictable types of compensation such as stock grants, restricted stock units, stock options, and bonus payments. In 2020, taxes attributable to wages and salaries accounted for 58.4 percent of personal income tax revenues.

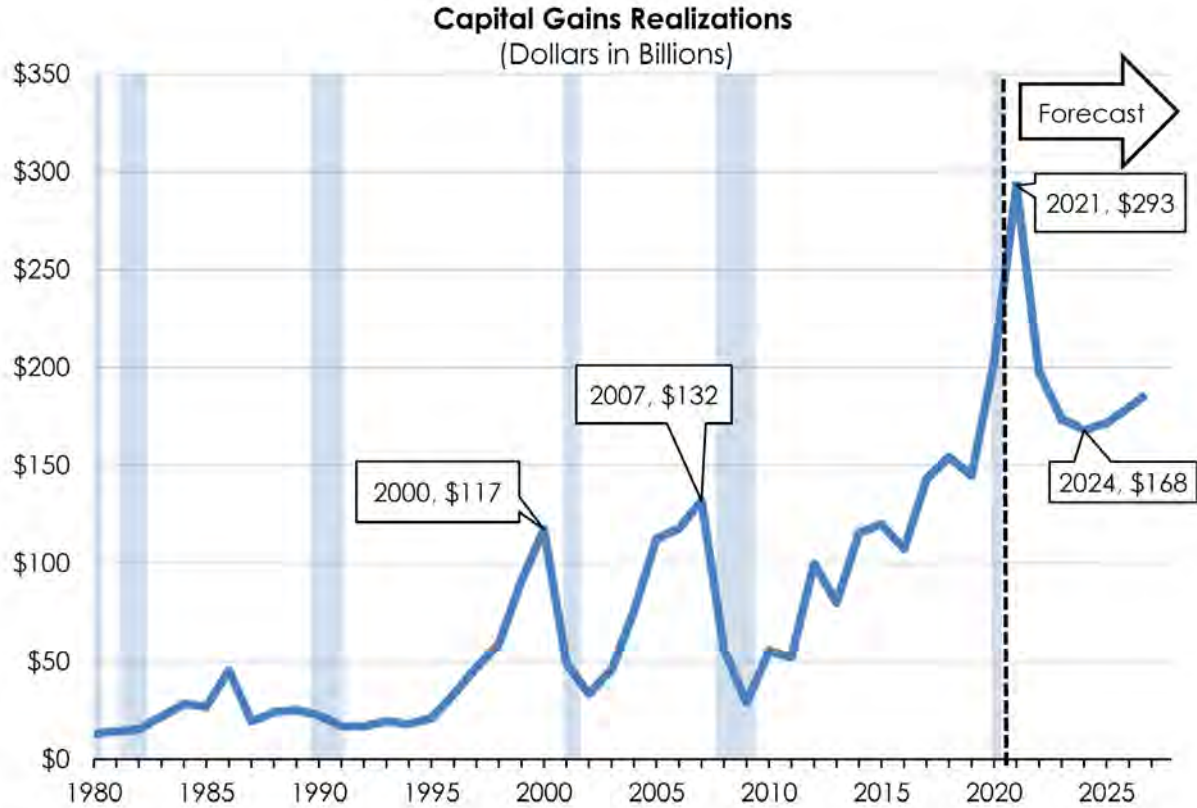
With withholding receipts contracting by 2.4 percent on average from June to November, withholding receipts are expected to contract by 1.3 percent for the entire year of 2022, following an annual growth of over 20 percent in 2021. Projected economic wage growth was revised lower from 9.9 percent to 6.5 percent in 2022 and from 7.1 percent to 5.1 percent in 2023 in the Budget forecast. Withholding and total wages are usually highly correlated; however, the withholding series is considerably more volatile because it is much more sensitive to changes in high-income earners' wages due to their higher tax rates. Therefore, the divergence between withholding and wage growth rates in 2022 is likely due to a change in the composition of wages. Declines in asset valuations are likely leading to more wage losses accruing to high-income earners who receive a higher share of stock-based compensation and bonuses. The combination of a lower forecast for economic wages and recent substantial weaknesses in cash receipts is expected to decrease withholding receipts compared to the 2022 Budget Act by nearly \$17.7 billion over fiscal years 2022-23 and 2023-24.

CAPITAL GAINS

The Capital Gains Realizations figure shows capital gains reported on California tax returns from 1980 through projections for 2021 through 2027. While the level of capital gains has grown significantly since 1980 (along with the economy and total personal income tax revenue), capital gains volatility has been a constant, and history shows that high levels of capital gains eventually drop off, sometimes rapidly, following declines in financial markets and asset prices.

The highest-income Californians pay the largest share of the state's personal income tax. For the 2020 tax year, the top 1 percent of income earners paid 49 percent of all personal income taxes. This percentage has been greater than 40 percent in every year since 2004, except for 2009 during the Great Recession. The share of total adjusted gross income from the top 1 percent of income earners has increased from

13.8 percent in 1993 to 26.6 percent in 2020. This number has also exceeded 20 percent in every year since 2004, except in 2009. Consequently, positive or negative changes in the income of this relatively small group of high-income taxpayers can have a significant impact on state revenues.



Shaded areas indicate previous U.S. recessions.
Source: California Department of Finance, 2023-24 Governor's Budget Forecast.

These two related phenomena—significant reliance of the General Fund on capital gains and on taxes paid by a small portion of the population—underscore the difficulty of forecasting personal income tax revenue. Proposition 2 helps address some of the state's revenue volatility by requiring the transfer of a portion of capital gains revenue greater than 8 percent of General Fund tax revenue to the Rainy Day Fund and to pay down state debts. The Rainy Day Fund can be drawn down only if the Governor declares a budget emergency and, even then, no more than 50 percent of the Fund can be drawn down in the first year.

The Capital Gains Revenue figure shows revenue from capital gains as a percentage of total General Fund tax revenue. The amount of capital gains revenue in the General Fund can vary greatly over time and from year to year. For instance, capital gains contributed only \$2.3 billion to the General Fund in 2009. By 2012, this revenue had

REVENUE ESTIMATES

increased to \$10.4 billion. For 2021, it is projected to reach \$30.4 billion—its highest amount ever—before decreasing to \$20.2 billion in 2022 and \$17.6 billion in 2023.

**Capital Gains Revenue
As a Percent of General Fund Tax Revenues**
(Dollars in Billions)

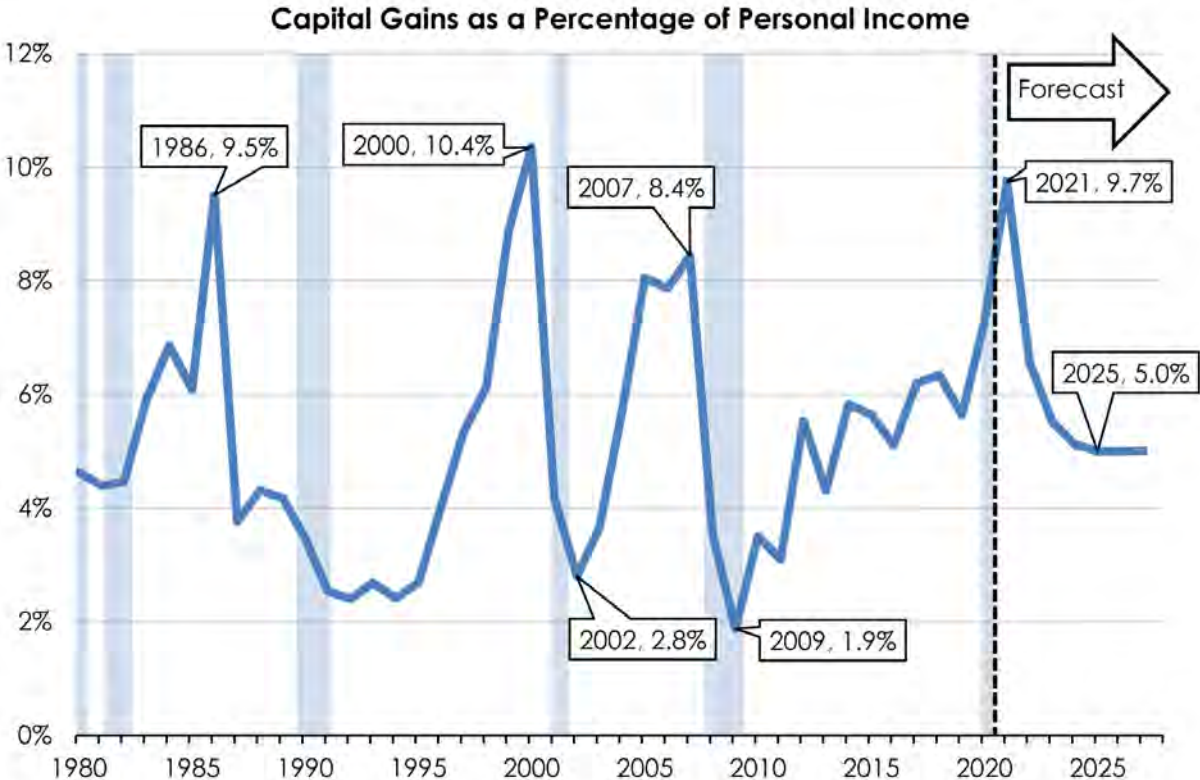
Calendar Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 ^{e/}	2022 ^{e/}	2023 ^{e/}
Capital Gains Realizations	\$52	\$100	\$80	\$116	\$120	\$113	\$144	\$154	\$145	\$203	\$293	\$198	\$174
Tax Revenues from Capital Gains	\$4.2	\$10.4	\$7.6	\$11.3	\$11.8	\$11.5	\$14.1	\$15.4	\$14.4	\$20.6	\$30.4	\$20.2	\$17.6
Fiscal Year	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22 ^{e/}	22-23 ^{e/}	23-24 ^{e/}
Tax Revenues from Capital Gains	\$6.0	\$9.6	\$8.7	\$11.5	\$11.7	\$12.3	\$14.4	\$15.1	\$16.3	\$23.6	\$27.4	\$19.4	\$17.4
Total General Fund Tax Revenues ^{1/}	\$85	\$98	\$103	\$114	\$119	\$122	\$135	\$144	\$145	\$187	\$223	\$211	\$210
Capital Gains Percentage	7.1%	9.8%	8.5%	10.1%	9.9%	10.0%	10.7%	10.4%	11.2%	12.6%	12.3%	9.2%	8.3%

^{e/}Estimated
^{1/}Excluding transfers
Source: California Department of Finance, 2023-24 Governor's Budget Forecast.

The stock market has declined significantly from the levels assumed as of the 2022 Budget Act. This is expected to mainly impact higher-income households who earn the majority of capital gains income. Taxes attributable to capital gains made up 18.9 percent of personal income tax revenue in 2020 and that percentage is expected to be even higher in 2021 before declining in 2022 and 2023. Since the 2022 Budget Act forecast, capital gains realizations have been revised slightly higher in 2021 from \$291 billion to \$293 billion. However, capital gains realizations have been revised significantly lower from \$227 billion to \$198 billion in 2022 and from \$217 billion to \$174 billion in 2023. This reflects a stock market forecast that has been revised downward and 2022 estimated payments that were significantly below projections in June and September 2022.

Estimated capital gains realizations as a share of personal income in 2021 exceeded the 2007 pre-Great Recession peak of 8.4 percent and approached the all-time peak of 10.4 percent in 2000. Following these peaks in 2007 and in 2000, capital gains as a percent of personal income declined to 1.9 percent in 2009 and to 2.8 percent in 2002, which represented peak-to-trough declines in capital gains realizations of 78 percent and 72 percent, respectively. The Budget projects capital gains realizations to decline by 43 percent from their peak in 2021 to their trough in 2024, which is about slightly more than half of the decreases during the Great Recession or the 2001 Recession, when stock market declines were more severe. As shown in the Capital Gains as a

Percentage of Personal Income figure, capital gains realizations are assumed to decline from their peak levels of 9.7 percent of personal income in 2021 to reach 5 percent of personal income by 2025. The 2022 Budget Act assumed capital gains realizations would decline more slowly from record high 2021 levels to 5 percent of personal income in 2026.



Shaded areas indicate previous U.S. recessions.
Source: California Department of Finance, 2023-24 Governor's Budget Forecast.

CORPORATION TAX

The corporation tax is projected to generate \$45.3 billion in 2021-22, \$38.5 billion in 2022-23, and \$39.3 billion in 2023-24. Compared to the 2022 Budget Act, these figures reflect a decrease of \$1.1 billion in 2021-22, no significant difference in 2022-23, and a decrease of \$2.7 billion in 2023-24. However, this cumulative \$3.8 billion shortfall through 2023-24 is entirely due to the PTE Elective Tax payments being \$5.5 billion lower through 2023-24 compared to what was assumed in the 2022 Budget Act. Excluding the effect of the PTE Elective Tax, the corporate tax revenue forecast would have been \$1.7 billion higher through 2023-24, reflecting cash receipts through November 2022 that were above the 2022 Budget Act forecast.

REVENUE ESTIMATES

The PTE Elective Tax is projected to increase corporate income tax revenues by \$20.4 billion in 2021-22, \$14.3 billion in 2022-23, and \$15.0 billion in 2023-24.

Receipts from the corporation tax, the state's second-largest revenue source, are expected to contribute about 19 percent of all General Fund revenues before transfers in 2023-24.

SALES AND USE TAX

The sales tax generated General Fund revenue of over \$32.9 billion in 2021-22 and is projected to generate just under \$32.9 billion in 2022-23 and \$33.6 billion in 2023-24. Compared to the 2022 Budget Act, these figures reflect an increase of \$165 million in 2021-22 and decreases of \$1.1 billion in 2022-23 and \$1.5 billion in 2023-24. Receipts from the sales tax, the state's third-largest revenue source, are expected to contribute 16 percent of all General Fund revenues excluding transfers in 2023-24.

A weaker economic outlook drives the sales tax forecast reduction from the 2022 Budget Act. Taxable consumer spending increased significantly in 2021 due to consumers shifting their consumption from services to taxable goods as a result of the COVID-19 Pandemic, strong inflation, and income growth. The Budget assumes taxable consumer spending growth will decelerate in response to slowing inflation in certain taxable goods, slowing wage growth, and consumption shifting back from goods to services. Additionally, higher interest rates than assumed at the Budget Act are expected to have a significant negative effect on taxable business investment by further increasing borrowing costs.

The sales tax is generally applied to the sale of merchandise, including vehicles, in the state. General Fund sales tax revenues are projected by relating taxable sales to consumption of taxable goods and business investment. Since July 1, 2010, the General Fund portion of the sales tax no longer applies to gasoline. Taxable sales, excluding gasoline, increased by 13.6 percent in 2020-21. Based on preliminary data, taxable sales increased by 14.3 percent in 2021-22. The forecast projects taxable sales to increase by 0.4 percent in 2022-23 and by 2 percent in 2023-24.

Highly correlated with taxable sales growth, sales tax revenues are projected to decrease by 0.2 percent in 2022-23 and to grow by 2.3 percent in 2023-24, a significant deceleration from growth of 14.2 percent in 2020-21 and 13 percent in 2021-22 forecasted in the 2022 Budget Act. Projected levels of sales tax revenue are lower than

those at the 2022 Budget Act, due to a slightly downgraded forecast for consumer spending and a significantly downgraded forecast for private investment.

REVENUE IN A RECESSION

The Budget revenue forecast is based on a scenario that assumes continued but slowing economic growth and does not assume a recession. As discussed in the Economic Outlook Chapter, several risk factors could negatively impact the economy and lead to a recession, which could either be mild or more severe. A significant financial shock from tightening financial conditions, persistent supply chain issues, inflation, further stock market and asset price declines, and geopolitical turmoil are all issues that pose a risk to ongoing economic and revenue growth.

Even in a moderate recession, revenue declines below the Budget forecast could be significant. The magnitude of the revenue loss would depend upon the depth and duration of a recession, as well as its relative impact on higher-income individuals. A mild recession could lead to General Fund revenue losses between \$20 billion to \$40 billion relative to the Budget forecast over the budget window. In a moderate to more severe recession scenario, General Fund revenue losses could exceed \$60 billion compared to the Budget forecast through 2023-24, based on the revenue declines seen following the 2001 and 2008 recessions.

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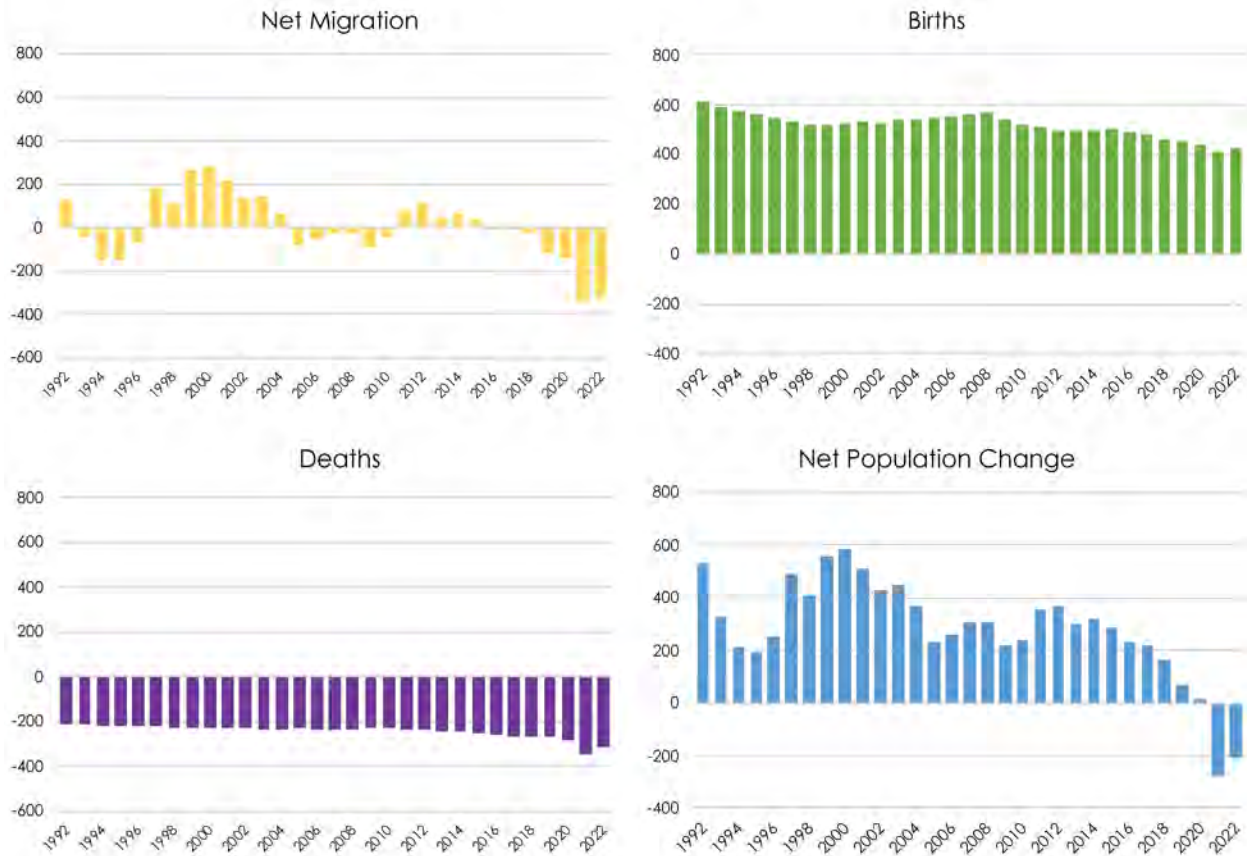
DEMOGRAPHIC INFORMATION

The effects of the COVID-19 Pandemic continue to reverberate as California and the U.S. slowly adapt to changes in employment patterns and other challenges. While the pandemic impacted the lives of all Californians, some residents continue to bear an outsized burden as COVID-19 moves into the endemic stage. It is important to acknowledge, for example, the continuing higher mortality for older Californians. However, the fundamental demographic trends underlying California's population—positive natural increase, above average health, and a continuing desired destination for global immigrants remain largely unchanged.

POPULATION CHANGE

California's population was an estimated 39.0 million as of July 1, 2022, down 0.4 percent from July 1, 2021. Prior to the COVID-19 Pandemic, California's population growth has slowed due to declining births correlated with changes in education, marriage, and work decisions; rising deaths from an aging population; and reduced net migration due to recent decreases in foreign immigration. The pandemic accelerated these trends and drove the state's population growth negative in fiscal years 2020-21 and 2021-22.

Components of Population Change: California 1992-2022



Data Source: State of California, Department of Finance. California County Population Estimates and Components of Change by Year, July 1, 1992-2022. January 2023.

Beginning in 2021-22, California has once again seen positive international immigration, which contributes a significant share to the net growth in population. However, the combined effects of pandemic restrictions and federal administrative backlogs continue to keep migration below pre-pandemic levels. Coupled with domestic out-migration, the slow rebound in international migration has contributed to California's recent population slow down. These trends are expected to continue as the population and labor force adjust to pandemic-induced changes, while the larger domestic movements driven by employment shifts seem to have subsided.

Regionally, inland counties continue to have the highest population growth rates, continuing a trend that began in 2016. Most of the urban coastal counties have either grown at a much slower pace or lost population as the shift to remote work has enabled individuals to relocate to lower-cost areas.

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Joint Analysis

Governor's January Budget

January 10, 2023



California Community Colleges



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ASSOCIATION OF CHIEF BUSINESS OFFICIALS



ASSOCIATION OF CALIFORNIA
COMMUNITY COLLEGE ADMINISTRATORS



COMMUNITY COLLEGE
LEAGUE OF CALIFORNIA

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Purpose of Report

This analysis was prepared by the California Community Colleges Chancellor’s Office (Chancellor’s Office) with review and support from the:

- Association of California Community College Administrators (ACCCA),
- Association of Chief Business Officials (ACBO), and
- Community College League of California (League).

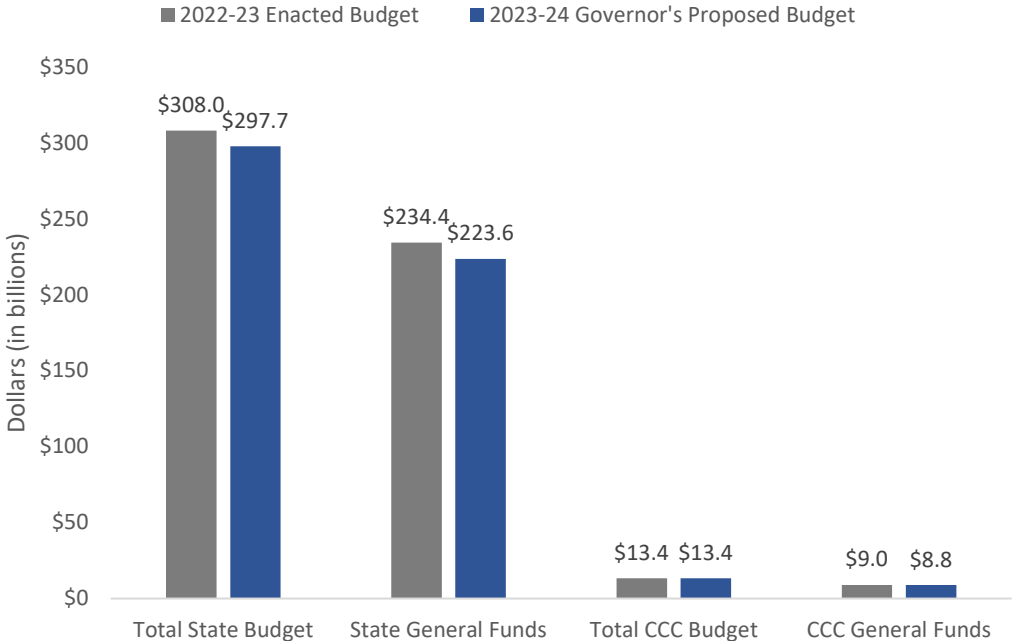
Its purpose is to provide information about the Governor’s January budget proposal as a common resource for each organization’s further analyses and advocacy efforts. Over the next several months, updated analyses will describe the proposed trailer bills, the Governor’s May Revision, and the enacted budget.

Summary of Key Budget Changes

Today, Governor Newsom released his budget proposal for the 2023-24 fiscal year. Following are some key changes in the proposal compared to the enacted budget for 2022-23.

- Under the proposal, the overall state budget would be lower than in 2022-23, decreasing by about 3% to \$297.7 billion, affected by a substantial decline in the share of personal income tax revenues from capital gains. General Fund spending would decrease by over \$10 billion (4.6%) to \$223.6 billion.

Figure 1: Proposed 2023-24 budget reflects projected deficit of \$22.5 billion (dollars in billions).

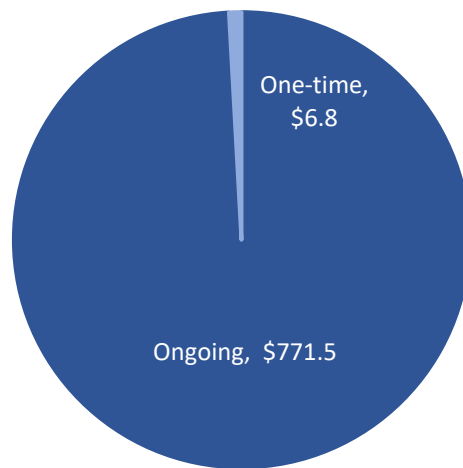


- The budget proposal for the California Community Colleges continues to be shaped by the [Roadmap for the Future](#), introduced in 2022-23 and intended to

advance equity, student success and the system’s ability to prepare students for California’s future. The Roadmap is part of the Administration’s agenda to help the state reach a goal of having 70% of working-age Californians possess a degree or credential by 2030. Budget investments across higher education aim to support students to improve educational outcomes, close equity gaps, address basic needs, and increase affordability.

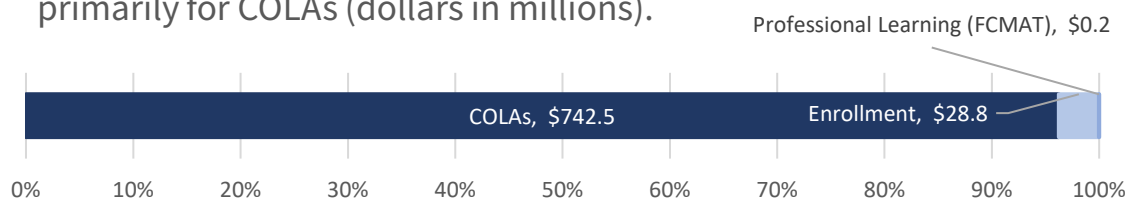
- The proposed budget for 2023-24 provides about \$778 million in Proposition 98 augmentations over the prior year, nearly all of it as ongoing spending.

Figure 2: Most new Proposition 98 funding for 2023-24 represents ongoing funds for COLAs (dollars in millions).



- The proposal for additional ongoing spending includes \$652.6 million for an 8.13% cost-of-living adjustment (COLA) for community college apportionments, about \$90 million for COLAs and adjustments to certain categorical programs, and \$28.8 million for systemwide enrollment growth of 0.5%.

Figure 3: Proposed new ongoing spending in 2023-24 is primarily for COLAs (dollars in millions).



- One-time funding in the proposal is largely dedicated to student retention and enrollment efforts in the context of enrollment that has dropped by over 16% since the beginning of the pandemic. The \$200 million proposed for that purpose is offset by a proposal to reduce that approximate amount of one-time funding for deferred maintenance included in the 2022-23 budget.

- The Governor’s proposal includes a total \$143.8 million in capital outlay funds to support the construction phase for 10 continuing projects. Four of the projects would be funded with \$53.6 million from Proposition 55 and the other six projects with \$90.1 million from Proposition 51.

State Budget Overview

The Governor’s Budget proposes additional ongoing resources of approximately \$770 million to California Community Colleges appropriations and categorical programs, as compared to the 2022 Budget Act.

BUDGET REFLECTS CONCERNS ABOUT ECONOMY AND REVENUES

The 2022 Budget Act was enacted in the context of strong revenues combined with concerns about a downturn in the stock market, increased interest rates, and the possibility of a recession. The state’s investments for the current year focused on supporting pandemic recovery, providing middle class tax rebates, and one-time spending on the environment, education, transportation, and housing.

Priorities in the Governor’s proposed budget for 2023-24 focus on key investments made in recent budgets. The proposal includes:

- Funding for key education priorities of implementing universal transitional kindergarten, increasing subsidized child care availability, implementing universal school meals, and maintaining higher education compacts with the University of California (UC) and California State University (CSU) and the multi-year roadmap with the California Community Colleges;
- Maintenance of most funding allocated in the two prior budgets for advancing the Administration’s climate agenda, with plans to pursue additional federal funds;
- Continuing investment in the expansion of health care access, including reproductive health care and behavioral health services; and
- Maintenance of recent budgets’ investments to address homelessness and most of the planned allocations for housing production incentives.

Economic Conditions Create a Budget Deficit

The budget outlook has declined since the 2022 Budget Act, with revenues falling behind budget act projections across 2021-22, 2022-23 and 2023-24 by over \$40 billion according to the [Legislative Analyst’s Office](#) (LAO). The 2022 Budget Act assumed that the state would end 2023-24 with a deficit of nearly \$3 billion, a problem that is compounded by revenue shortfalls related to a downturn in the stock market. The revenue losses are partially offset by reductions to required formula-driven spending (such as Proposition 98 spending and deposits to the Budget Stabilization Account), but the LAO’s analysis may understate the overall state budget problem as it did not consider the impact of persistent high inflation. According to the [LAO](#), required withdrawals from the Proposition 98 reserve in response to the shortfall in revenues should cover the costs of existing K-14 programs adjusted by COLA through 2025-26, but it leaves no money for additional spending beyond current programs.

The Governor’s Budget largely aligns with the LAO’s analysis, although it projects a slightly lower deficit of \$22.5 billion for 2023-24 (compared to LAO’s projection of \$25 billion). The budget reflects \$35.6 billion in reserves, including \$22.4 billion in the state’s Rainy Day Fund. The state’s efforts to build reserves over the last couple of years will somewhat mitigate the impact of the expected budget deficit for 2023-24. The plan uses several mechanisms to close the projected shortfall, including some funding delays and reductions from the 2021-22 and 2022-23 budgets, fund shifts, and limited borrowing. Some reductions are included in a trigger that would restore the funds in January 2024 if sufficient General Fund revenues are available.

District Revenue Protections

The 2021 Budget Act extended the Student Centered Funding Formula’s (SCFF) hold harmless provision through 2024-25, under which districts will earn at least their 2017-18 total computational revenue (adjusted by COLA each year). The 2022 Budget Act extended the revenue protections in a modified form beginning in 2025-26, with a district’s 2024-25 funding representing its new “floor.” Starting in 2025-26, districts will be funded at their SCFF generated amount that year or their “floor” (2024-25 funding amount), whichever is higher. This revised hold harmless provision will no longer include adjustments to reflect cumulative COLAs over time, as is the case with the provision in effect through 2024-25, so a district’s hold harmless amount would not grow.

PROPOSITION 98 ESTIMATE INCREASES

Minimum Guarantee for Community Colleges Increases by about 2%

Each year, the state calculates a “minimum guarantee” for school and community college funding based on a set of formulas established in Proposition 98 and related statutes. To determine which formulas to use for a given year, Proposition 98 lays out three main tests that depend upon several inputs including K-12 attendance, per capita personal income, and per capita General Fund revenue. Depending on the values of these inputs, one of the three tests becomes “operative” and determines the minimum guarantee for that year. The state rarely provides funding above the estimated minimum guarantee for a budget year. As a result, the minimum guarantee determines the total amount of Proposition 98 funding for schools and community colleges. Though these formulas determine total funding, they do not prescribe the distribution of funding within the segments. The Governor and Legislature have significant discretion in allocating funding to various programs and services.

Table 1 shows the budget’s estimates of the minimum guarantee for the prior, current, and budget years. The community college share of Proposition 98 funding is at the traditional share of 10.93% in each of these years. Included in this share is some K-12 funding, including a portion of Adult Education funding, a small amount of pass-through funding for school district-based apprenticeship programs and funding for K-12 Strong Workforce programs.

Table 1: California Community Colleges Proposition 98 Funding by Source (In Millions)

Source	2021-22 Revised	2022-23 Revised	2023-24 Proposed	Change From 2022-23 Amount	Change From 2022-23 Percent
ALL PROPOSITION 98 PROGRAMS					
General Fund	\$83,630	\$79,103	\$79,613	\$510	1%
Local property tax	26,785	27,889	29,204	1,315	5%
Totals	\$110,415	\$106,991	\$108,816	\$1,825	2%
COMMUNITY COLLEGES ONLY ^a					
General Fund	\$8,790	\$8,713	\$8,758	\$45	1%
Local property tax	3,512	3,648	3,811	164	4%
Totals	\$12,301	\$12,360	\$12,569	\$209	2%

^a CCC totals include resources that go to the K-12 system via the Adult Education, Apprenticeship, and K-12 Strong Workforce programs.

Estimate for Current Year Has Decreased

The estimate of the Proposition 98 minimum guarantee for 2021-22 increased very slightly but the estimate for 2022-23 decreased as compared to projections when the 2022-23 budget was enacted in June of last year. Changes to the estimates can occur if school enrollment, economic growth, or state revenues turn out to be different than expected. Specifically, the revised estimate for 2022-23 is lower than was projected in June because of weaker than expected revenues.

Revised Deposits to Public School System Stabilization Account (PSSSA)

Proposition 2, approved by voters in November 2014, created the PSSSA, a new state reserve for schools and community colleges. Under Proposition 2, transfers are made to this account if several conditions are satisfied. Specifically, the state must have paid off all Proposition 98 debt created before 2014-15, the minimum guarantee must be growing more quickly than per capita personal income, and capital gains revenues must exceed 8% of total revenues. In tight fiscal times, the state must withdraw funding from the reserve to supplement the funding schools and community colleges receive under Proposition 98. The Governor’s budget reflects revised 2021-22 and 2022-23 payments, and a 2023-24 payment of \$3.7 billion, \$1.1 billion, and \$365 million, respectively, for a total revised account balance of more than \$8.5 billion at the end of 2022-23 (compared to the projected \$9.5 billion in the 2022 Budget Act).

Though these transfers change *when* the state spends money on schools and community colleges, they do not directly change the *total amount* of state spending for schools and community colleges across fiscal years. Specifically, required transfers to the PSSSA count toward Proposition 98 totals in the year the transfer is made. As a result, appropriations

to schools and community colleges in such a year could be lower than otherwise required by Proposition 98. However, in a year when money is spent out of this reserve, the amount transferred back to schools and community colleges is over and above the Proposition 98 amount otherwise required for that year.

California Community Colleges Funding

The Governor’s Budget includes \$771 million in ongoing policy adjustments for the community college system, compared to 2022-23 expenditure levels, as reflected in Table 2. Considering technical adjustments along with changes to funding, the system would receive approximately \$461 million in additional funding.

Table 2: Proposed 2023-24 Changes in Proposition 98 Funding for the System (In Millions)

POLICY ADJUSTMENTS	
Ongoing (Proposition 98)	
Provide 8.13% COLA for SCFF	\$652.6
Provide 8.13% COLA for Adult Education Program	\$48.5
Provide 0.5% for SCFF growth	\$28.8
Provide 8.13% COLA for Extended Opportunity Programs and Services (EOPS)	\$13.8
Provide 8.13% COLA for Disabled Students Programs and Services (DSPS)	\$13.0
Provide COLA and a technical adjustment for Apprenticeship (community college districts)	\$4.7
Provide 8.13% COLA for CalWORKs student services	\$4.1
Provide 8.13% COLA and an enrollment-based adjustment for Mandates Block Grant and reimbursements	\$3.0
Provide 8.13% COLA for Cooperative Agencies Resources for Education (CARE)	\$2.5
Provide 8.13% COLA for Childcare tax bailout	\$0.3
Increase FCMAT funding for Professional Learning Opportunities	\$0.2
Subtotal Ongoing (Proposition 98) Policy Adjustments	\$771.5
One-Time (Proposition 98)	
Support retention and enrollment strategies	\$200.0
Workforce Training Grants	\$14.0
Prior year SCFF funding	\$5.7
FCMAT Professional Learning Opportunities	\$0.1
Reduce prior year deferred maintenance funding	-\$213.0
Subtotal One-Time Policy Adjustments	\$6.8
TECHNICAL ADJUSTMENTS	
Student Centered Funding Formula (SCFF) other base adjustments (aside from COLA and Growth)	-\$314.4
Subtotal Technical Adjustments	-\$314.4
TOTAL CHANGES	\$463.9

The estimated and proposed Total Computational Revenue (TCR) for the SCFF increases by \$367 million from \$8.7 billion to \$9.1 billion. This reflects a proposed COLA of 8.13% (\$652.6 million) and FTES growth of 0.5% (\$28.8 million) and modified estimates for hold harmless and other underlying estimation factors. Further, the following adjustments are reflected in associated offsetting revenues (all comparisons are from the 2022-23 Budget Act to the 2023-24 Governor’s Budget proposal):

- Property tax revenues are estimated to increase by \$158.6 million from \$3.653 billion to \$3.811 billion.
- Enrollment Fee revenues are estimated to increase by \$3 million from \$399.5 million to \$402.5 million.
- Education Protection Account funding is estimated to increase by \$186.7 million from \$1.43 billion to \$1.62 billion.

Table 3 reflects the 2022-23 Advance rates, along with the projected rates for 2023-24, as modified by COLA.

Table 3: Proposed 2023-24 Student Centered Funding Formula Rates (rounded)

Allocations	2022-23 Advance Rates	Estimated Proposed 2023-24 Rates**	Estimated Change from 2022-23 Advance	Estimated Change from 2022-23 (Percent)
Base Credit*	\$ 4,840	\$ 5,234	\$ 394	8.13%
Incarcerated Credit*	6,788	7,340	552	8.13%
Special Admit Credit*	6,788	7,340	552	8.13%
CDCP	6,788	7,340	552	8.13%
Noncredit	4,082	4,414	332	8.13%
Supplemental Point Value	1,145	1,238	93	8.13%
Student Success Main Point Value	675	730	55	8.13%
Student Success Equity Point Value	170	184	14	8.13%
Single College District				
Small College	5,950,421	6,434,191	483,769	8.13%
Medium College	7,933,899	8,578,925	645,026	8.13%
Large College	9,917,373	10,723,656	806,282	8.13%
Multi College District				
Small College	5,950,421	6,434,191	483,769	8.13%
Medium College	6,942,161	7,506,559	564,398	8.13%
Large College	7,933,899	8,578,925	645,026	8.13%
Designated Rural College	1,892,601	2,046,469	153,868	8.13%
State Approved Centers	1,983,474	2,144,731	161,256	8.13%

Grandparented Centers				
Small Center	247,936	268,093	20,157	8.13%
Small Medium Center	495,869	536,183	40,314	8.13%
Medium Center	991,736	1,072,365	80,628	8.13%
Medium Large Center	1,487,605	1,608,548	120,942	8.13%
Large Center	1,983,474	2,144,731	161,256	8.13%

*Ten districts receive higher credit FTES rates, as specified in statute.

**Estimated 2023-24 rates will change based on updated 2022-23 data and revenues.

Appendix B compares the Governor’s proposed funding adjustments for the system in 2023-24 to the Board of Governors’ budget request. Below we highlight a few of the Administration’s policy decisions and related information. Later in this analysis, we detail local funding by program, capital outlay funding, and state operations.

MAJOR POLICY DECISIONS CONTINUE STATE’S FOCUS ON ROADMAP

The multi-year [Roadmap](#) introduced in the 2022-23 budget continues to shape the Administration’s proposed budget. The roadmap builds on existing efforts toward achieving the *Vision for Success* goals, with some additional expectations for the system over the next several years. The proposed budget provides funding for a COLA and enrollment growth, targets more one-time funds for enrollment and retention efforts, and allows districts more flexibility in the use of funds in pursuit of the roadmap’s goals.

Apportionments Receive 8.13% COLA and 0.5% Growth

The proposal includes an increase of \$28.8 million **ongoing** to fund 0.5% enrollment growth and \$652.6 million **ongoing** to support a COLA of 8.13% for apportionments, the same COLA proposed for K-12. Another \$92.5 million **ongoing** would support a COLA of 8.13% for selected categorical programs and the Adult Education program.

District Flexibility Increases

To support the roadmap and provide districts with an opportunity to maximize use of their funds, the Administration intends to introduce a mechanism as part of the May Revision to provide additional flexibility in the spending of certain categorical dollars to community college districts that are making progress toward the roadmap goals. Under the proposal, districts would have the option to submit a streamlined report for the specified programs and to spend funds flexibly across them.

Retention and Enrollment Receives Additional Support

The proposed budget reflects continuing concern about the significant loss of enrollment across the community colleges, which has declined by more than 16% since the beginning of the pandemic. Building on prior investments of \$120 million in 2021-22 and \$150 million in 2022-23, the proposal includes \$200 million **one-time** to continue supporting community college efforts and focused strategies to increase student retention rates and overall enrollment. Districts have used the prior funding for a variety of efforts to recruit, retain, and re-enroll students, including to:

- Increase outreach and marketing efforts via mail, email, text, phone and social media, and through participation in virtual and in-person community events;
- Expand financial supports for students through emergency grants, book and transportation vouchers, and support for technology, food, housing, childcare and other needs;
- Remove financial holds, relax payment policies, and streamline burdensome administrative procedures;
- Offer alternative course schedules and modalities;
- Implement online student services and expand hours of service for virtual and in-person services;
- Increase training and resources for faculty and staff; and
- Expand and deepen collaboration both on campus and with external partners to provide enhanced student services and improved educational options.

Deferred Maintenance Funds are Redirected

The 2022 Budget Act included approximately \$840 million in **one-time** funds for 2022-23 to address deferred maintenance and energy efficiency projects across the system. The Governor’s Budget proposes to decrease that amount by \$213 million, providing a source of funding to support the additional investment for retention and enrollment efforts in the budget year.

Currently, all \$840 million in one-time deferred maintenance funds allocated in FY 2022-23 are scheduled to be distributed to districts via the Apportionment process by June 2023, prior to the expected enactment of the 2023-24 budget. As of January 2023, \$504 million has been distributed.

Since the approval of the 2022 Budget Act, 71 districts have certified how they will spend their allocated funds. The 71 districts that have a certified plan have allocated \$829 million to address the following needs on their campuses:

- \$199 million for instructional equipment and library materials;
- \$534.4 million for deferred maintenance projects;
- \$34.6 million for water conservation projects; and
- \$61 million for energy efficiency projects.

Increasing Fiscal Accountability is a Priority

The Governor’s proposed budget includes \$275,000 (\$75,000 **one-time** and \$200,000 **ongoing**) to develop and maintain a community college district leadership and fiscal accountability program, through the Fiscal Crisis and Management Assistance Team (FCMAT). FCMAT provides services to help local TK-14 educational agencies identify, prevent, and resolve financial, operational and data management challenges through management assistance and professional learning opportunities, and the proposed funding would be intended to provide services targeted to the needs of community college districts.

Fire Protection is a Focus

The Governor's proposed budget includes \$14 million **one-time** Proposition 98 funds for workforce training grants focused on meeting workforce needs to fight wildfires, to be administered in collaboration with the California Department of Forestry and Fire Protection.

Dual Enrollment and Service Learning are Encouraged

The Governor's budget proposal includes language requesting that community colleges establish dual enrollment agreements with all applicable local educational agencies (LEAs) within their community college districts' service area. It also requests that colleges develop and offer a one-unit service-learning course that all high school students can access through dual enrollment.

Affordable Student Housing Funding Extended by One Year

As part of the Budget Act of 2021, the state created the Higher Education Student Housing Grant Program to support the construction of affordable student housing across the three public higher education segments. The program was to receive funding over three years for three rounds of grants, with an investment of \$750 million one-time expected in FY 2023-24. The Governor's budget proposes to reduce that investment to \$500 million **one-time** and extend the remaining \$250 million to FY 2024-25, which will provide an opportunity for a fourth round of awards.

Cal Grant Reforms Targeted for 2024-25

The Fiscal Year 2022-23 State Budget enacted the Cal Grant Reform Act, a longstanding priority of the California Community Colleges system and our student-led organizations, overhauling and modernizing the state Cal Grant program for community college students. When it goes into effect in the 2024-25 academic year, the Cal Grant Reform Act would entitle *all* community college students with financial need to a revised "Cal Grant 2" financial aid award that would increase with inflation over time and continue to support students' total cost of attendance beyond tuition. The Cal Grant Reform Act depends on the Department of Finance determining, in the spring of 2024, that there will be sufficient revenues in the 2024-25 fiscal year to support this expansion of financial aid.

LOCAL SUPPORT FUNDING IS LARGELY STABLE FOR ONGOING PROGRAMS

Table 4 shows proposed ongoing local assistance funding by program for the current and budget years. As the table shows, most categorical programs received level or workload funding in the Governor's proposal, with certain programs receiving cost-of-living adjustments consistent with recent practices. Decreases in funding are related to revised estimates of underlying factors.

Table 4: California Community Colleges Ongoing Funding by Program^a (In Millions)

Program	2022-23 Revised	2023-24 Proposed	Change Amount	Percent Change	Explanation of Change
Student Centered Funding Formula	\$8,734.0	\$9,101.0	\$367.0	4.2%	COLA, growth, and other base adjustments (estimated based on available info)
Adult Education Program – Main ^b	603.1	651.7	48.5	8.0%	COLA
Student Equity and Achievement Program	524.0	524.0	0.0	0.0%	
Student Success Completion Grant	412.6	412.6	0.0	0.0%	
Strong Workforce Program	290.4	290.4	0.0	0.0%	
Part-time faculty health insurance	200.5	200.5	0.0	0.0%	
Extended Opportunity Programs and Services (EOPS)	169.2	182.9	13.8	8.13%	COLA
Disabled Students Programs and Services (DSPS)	159.7	172.7	13.0	8.13%	COLA
Full-time faculty hiring	150.0	150.0	0.0	0.0%	
California College Promise (AB 19)	91.2	91.2	0.0	0.0%	
Integrated technology	89.5	89.5	0.0	0.0%	
Financial aid administration	81.6	81.6	0.0	0.0%	
Apprenticeship (community college districts)	69.2	73.9	4.7	6.7%	COLA and technical adjustment
CalWORKs student services	50.9	55.0	4.1	8.13%	COLA
NextUp (foster youth program)	50.0	50.0	0.0	0.0%	
Basic needs centers	40.0	40.0	0.0	0.0%	
Mathematics, Engineering, Science Achievement (MESA)	36.4	36.4	0.0	0.0%	

Mandates Block Grant and reimbursements	36.1	39.1	3.0	8.39%	COLA and enrollment-based adjustment
Cooperative Agencies Resources for Education (CARE)	30.9	33.5	2.5	8.13%	COLA
Student mental health services	30.0	30.0	0.0	0.0%	
Institutional effectiveness initiative	27.5	27.5	0.0	0.0%	
Part-time faculty compensation	26.5	26.5	0.0	0.0%	
Rising Scholars Network	25.0	25.0	0.0	0.0%	
Part-time faculty office hours	23.6	23.6	0.0	0.0%	
Economic and Workforce Development	22.9	22.9	0.0	0.0%	
California Virtual Campus	20.0	20.0	0.0	0.0%	
Homeless and Housing Insecurity Program ("Rapid Rehousing")	19.0	19.0	0.0	0.0%	
California Online Community College (Calbright College)	15.0	15.0	0.0	0.0%	
Nursing grants	13.4	13.4	0.0	0.0%	
Lease revenue bond payments	12.8	12.8	0.0	0.0%	
Equal Employment Opportunity Program	12.8	12.8	0.0	0.0%	
Puente Project	12.3	12.3	0.0	0.0%	
Dreamer Resource Liaisons	11.6	11.6	0.0	0.0%	
Immigrant legal services through CDSS	10.0	10.0	0.0	0.0%	
Veterans Resource Centers	10.0	10.0	0.0	0.0%	
Classified Employee Summer	10.0	10.0	0.0	0.0%	

Assistance Program					
Umoja	8.5	8.5	0.0	0.0%	
Asian American and Native Hawaiian and Pacific Islander (AANHPI) Student Achievement Program	8.0	8	0.0	0.0%	
Foster Parent Education Program	6.2	6.2	0.0	0.0%	
Childcare tax bailout	4.0	4.3	0.3	8.13%	COLA
Digital Course Content for Inmates	3.0	3.0	0.0	0.0%	
Middle College High School Program	1.8	1.8	0.0	0.0%	
Academic Senate	1.8	1.8	0.0	0.0%	
Historically Black Colleges and Universities (HBCU) Transfer Pathway project	1.4	1.4	0.0	0.0%	
African American Male Education Network and Development (A2MEND)	1.1	1.1	0.0	0.0%	
Transfer education and articulation (excluding HBCU Transfer Pathway project)	0.7	0.7	0.0	0.0%	
FCMAT	0.6	0.8	0.2	35.1%	Increase for FCMAT Professional Learning Opportunities

^a Table reflects total programmatic funding for the system, including amounts from prior years available for use in the years displayed.

^b The Adult Education program total includes resources that go to the K-12 system but are included in the CCC budget. The K-12 Strong Workforce program and K-12 Apprenticeship program are not listed above but are also included in the CCC budget.

Table 5 shows proposed one-time local assistance funding by program for 2023-24. Given the expected state budget deficit, the budget proposal for community colleges includes only a few one-time investments.

Table 5: California Community Colleges One-Time Funding by Program^a (In Millions)

Program	2022-23 Revised	2023-24 Proposed	Explanation of Change
Retention and enrollment strategies	150.0	200.0	One-time funds added
Workforce Training Grants	0.0	14.0	One-time funds added
FCMAT Professional Learning Opportunities	0.0	0.08	One-time funds added
Deferred maintenance	627.7	N/A	Reduce prior year funding by \$213 million (from \$840.7)

^a Table reflects total programmatic funding for the system, including amounts from prior years available for use in the years displayed.

CAPITAL OUTLAY INVESTMENTS ARE LOWER

The Governor’s proposal includes \$143.8 million in total capital outlay funding from both Proposition 55 and Proposition 51, substantially lower than in the 2021-22 and 2022-23 budgets. Voters approved Proposition 55 in 2004 and Proposition 51 approved by voters in 2016. The funding is to support the construction phase for 10 continuing projects, as listed in Table 6.

Table 6: Governor’s Proposed Capital Outlay Projects in the California Community Colleges (In Millions)

District, College	Project	2023-24 State Cost	2023-24 Total Cost	All Years State Cost	All Years Total Cost
CONTINUING PROJECTS					
Proposition 55					
Compton, Compton College	Visual and Performing Arts	\$12.53	\$16.68	\$13.33	\$17.79
Desert, College of the Desert	Science Building Renovation	\$6.85	\$13.71	\$7.44	\$14.88
Grossmont-Cuyamaca, Cuyamaca College	Instructional Building 1	\$15.93	\$31.51	\$16.93	\$33.51
Sierra Jt., Sierra College	Applied Technology Center Modernization	\$18.30	\$34.19	\$19.68	\$36.89
Proposition 51					
Chabot-Las Positas, Chabot College	Building 3000 Maintenance Operations Warehouse & Garage	\$10.06	\$27.63	\$10.73	\$28.98

Los Angeles, Los Angeles Mission College	Plant Facilities Warehouse & Shop Replacement	\$7.32	\$24.16	\$7.83	\$25.92
Riverside, Norco College	Center for Human Performance and Kinesiology	\$28.56	\$51.49	\$30.21	\$54.19
Shasta/Tehama/Trinity, Shasta College	Building 800 Renovation	\$5.97	\$11.03	\$6.46	\$12.00
Sierra Jt., Sierra College	New Science Building	\$27.47	\$54.97	\$29.81	\$58.72
West Valley-Mission, West Valley College	Theater Renovation/Expansion	\$10.81	\$29.02	\$11.63	\$30.66
Total		\$143.79	\$294.38	\$154.05	\$313.54

STATE OPERATIONS RECEIVES LEVEL FUNDING

The Chancellor’s Office provides leadership and oversight to the system, administers dozens of systemwide programs, and manages day-to-day operations of the system. The office is involved in implementing several recent initiatives including Guided Pathways, basic skills reforms, and the Student Centered Funding Formula. In addition, the Chancellor’s Office provides technical assistance to districts and conducts regional and statewide professional development activities. The current-year (2022-23) budget provided an increase of \$3.9 million over the prior year to support 26 new positions to better support curriculum-related reforms and technology modernization efforts across the system as well as improved operational capacity in general. The Governor’s budget proposal for 2023-24 keeps funding level at about \$25.7 million in non-Proposition 98 General Fund and \$12.2 million in special funds and reimbursements for Chancellor’s Office operations.

Next Steps

For more information throughout the budget process, please visit the Budget News section of the Chancellor’s Office website:

<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News>

Appendix A: Overview of the State Budget Process

The Governor and the Legislature adopt a new budget every year. The Constitution requires a balanced budget such that, if proposed expenditures exceed estimated revenues, the Governor is required to recommend changes in the budget. The fiscal year runs from July 1 through June 30.

Governor’s Budget Proposal. The California Constitution requires that the Governor submit a budget to the Legislature by January 10 of each year. The Director of Finance, who functions as the chief financial advisor to the Governor, directs the preparation of the Governor’s Budget. The state’s basic approach is incremental budgeting, estimating first the costs of existing programs and then adjusting those program levels. By law, the chairs of the budget committees in each house of the Legislature—the Senate Budget and Fiscal Review Committee and the Assembly Budget Committee—introduce bills reflecting the Governor’s proposal. These are called budget bills, and the two budget bills are identical at the time they are introduced.

Related Legislation. Some budget changes require that changes be made to existing law. In these cases, separate bills—called “trailer bills”—are considered with the budget. By law, all proposed statutory changes necessary to implement the Governor’s Budget are due to the Legislature by February 1.

Legislative Analyses. Following the release of the Governor’s Budget in January, the LAO begins its analyses of and recommendations on the Governor’s proposals. These analyses, each specific to a budget area (such as higher education) or set of budget proposals (such as transportation proposals), typically are released beginning in mid-January and continuing into March.

Governor’s Revised Proposals. Finance proposes adjustments to the January budget through “spring letters.” Existing law requires Finance to submit most changes to the Legislature by April 1. Existing law requires Finance to submit, by May 14, revised revenue estimates, changes to Proposition 98, and changes to programs budgeted based on enrollment, caseload, and population. For that reason, the May Revision typically includes significant changes for the California Community Colleges budget. Following release of the May Revision, the LAO publishes additional analyses evaluating new and amended proposals.

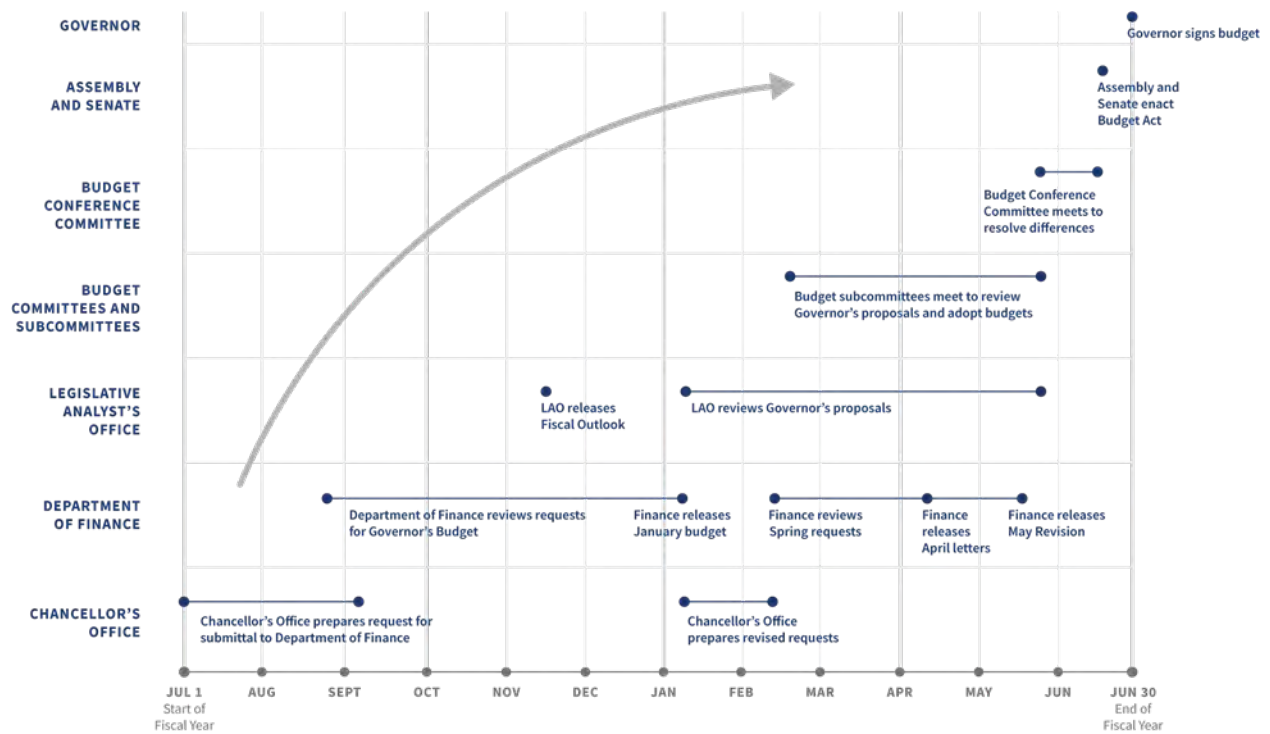
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can adopt, reject, or modify the proposal. Any January proposals not acted on remain in the budget by default. May proposals, in contrast, must be acted on to be included in the budget. In addition to acting on the Governor’s budget proposals, subcommittees also can add their own proposals to the budget.

When a subcommittee completes its actions, it reports its recommendations back to the full committee for approval. Through this process, each house develops a version of the budget that is a modification of the Governor’s January budget proposal.

A budget conference committee is then appointed to resolve differences between the Senate and Assembly versions of the budget. The administration commonly engages with legislative leaders during this time to influence conference committee negotiations. The committee’s report reflecting the budget deal between the houses is then sent to the full houses for approval.

Budget Enactment. Typically, the Governor has 12 days to sign or veto the budget bill. The Governor also has the authority to reduce or eliminate any appropriation included in the budget. Because the budget bill is an urgency measure, the bill takes effect as soon as it is signed.

SEQUENCE OF THE ANNUAL STATE BUDGET PROCESS



Appendix B: Board of Governors’ Budget and Legislative Request Compared to Governor’s Budget Proposal

The system budget request considered fiscal needs over multiple years to support the system in achieving the *Vision for Success* and Roadmap goals; it focused on leveraging prior year investments and furthering recent reforms.

Board of Governor’s Request	Governor’s Budget Proposal
Ongoing Investments	
Foundational Resources. \$400 million for base funding increase.	Provides \$652.6 million for a COLA of 8.13% and \$28.8 million for 0.5% enrollment growth.
Diversity, Equity and Inclusion. \$2 million to leverage federal match for Foster and Kinship Care Education program; \$80 million for expanded campus childcare; \$60 million increase to DSPS.	Not funded.
Pathways and Student Supports. \$70 million for implementation of corequisite support models.	Provides \$92.5 million for 8.13% COLA for selected categorical programs and the Adult Education Program.
Support for Faculty and Staff. \$50 million for faculty supports across hiring, parity, curriculum development and office hours; \$10 million for CCC Teacher Preparation Program	Instead, it includes \$200,000 for operation of a district leadership and fiscal accountability program with FCMAT.
Technology and Data Sharing. \$30 million for technology capacity to support flexible and online learning modalities; \$200,000 for streamlined reporting process; \$92 million for Common ERP (beginning in 2024-25).	Instead, it offers streamlined reporting and district spending flexibility for certain categorical programs to districts making progress toward Roadmap goals.
College Affordability and Supports. \$10 million for structural reforms to financial aid administration; policy changes to cover Student Success Completion Grants for student Board of Governors members and to extend eligibility for AB 540 tuition exemption to students who have completed 60 units or an ADT.	Not funded.
One-Time Investments	
Pathways and Student Supports. \$150 million to establish Childcare Expansion Fund for upgrading facilities and enhancing partnerships for campus childcare; \$23 million to incentivize colleges to identify and implement changes to structures and processes to reduce excess units; \$2.7 million for Intersegmental Transfer Success Collaborative of cross-segment disciplinary faculty; \$231,000 for analysis of online learning innovations; \$20 million for infrastructure for students with disabilities.	Instead, it provides \$200 million to support college efforts and strategies to increase student retention rates and enrollment, and \$14 million for workforce training grants related to forestry and fire protection.

Technology and Data Sharing. \$2.2 million for creation of streamlined reporting tool; \$300 million for Common ERP (in 2024-25)	Not mentioned.
Institutional Quality and Capacity. \$150 million one-time for deferred maintenance.	Decreases 2022-23 funds for deferred maintenance by \$213 million to cover the cost of additional investment in retention and enrollment strategies described above. Provides \$75,000 to develop the leadership and fiscal accountability program with FCMAT (see ongoing funding above).
Non-Proposition 98 Investments	
College Affordability and Supports. \$900 million one-time for construction grants for student housing	Delays \$250 million of the anticipated support for housing projects to 2024-25 (so provides \$500 million rather than \$750 million in 2023-24).
Pension Relief. Unspecified one-time investment to allow redirection of resources toward student success goals.	Not funded.
Capacity to Support the System. \$963,000 ongoing for 5 additional Chancellor's Office staff to support NOVA platform	Not funded.
Workforce Education. Policy changes to revise Economic Workforce Development program to emphasize collaboration, coordination, and expanded work-based learning.	Not mentioned.

Appendix C: Local Budgets and State Requirements

BUDGET PLANNING AND FORECASTING

Based on the information used in developing the state budget, it would be reasonable for districts to plan their budgets using information shown in Table C-1 below.

Table C-1: Planning Factors for Proposed 2023-24 Budget

Factor	2021-22	2022-23	2023-24
Cost-of-living adjustment (COLA)	5.07%	6.56%	8.13%
State Lottery funding per FTES ^a	\$228	\$237	TBD
Mandated Costs Block Grant funding per FTES ^b	\$30.16	\$32.68	\$32.68
RSI reimbursement per hour ^b	\$6.44	\$8.82	\$8.82
Financial aid administration per College Promise Grant ^b	\$0.91	\$0.91	\$0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	22.91%	25.37%	25.20%
State Teachers' Retirement System (CalSTRS) employer contribution rates	16.92%	19.10%	19.10%

^a 2023-24 estimate not available

STATE REQUIREMENTS FOR DISTRICT BUDGET APPROVAL

Existing law requires the governing board of each district to adopt an annual budget and financial report that shows proposed expenditures and estimated revenues by specified deadlines. Financial reporting deadlines are shown in Table C-2.

Table C-2: Standard Financial Reporting Deadlines in Place for 2023-24

Activity	Regulatory Due Date	Title 5 Section
Submit tentative budget to county officer.	July 1, 2023	58305(a)
Make available for public inspection a statement of prior year receipts and expenditures and current year expenses.	September 15, 2023	58300
Hold a public hearing on the proposed budget. Adopt a final budget.	September 15, 2023	58301
Complete the adopted annual financial and budget report and make public.	September 30, 2023	58305(d)
Submit an annual financial and budget report to Chancellor's Office.	October 10, 2023	58305(d)
Submit an audit report to the Chancellor's Office.	December 31, 2023	59106

If the governing board of any district fails to develop a budget as described, the chancellor may withhold any apportionment of state or local money to the district for the current fiscal year until the district makes a proper budget. These penalties are not

imposed on a district if the chancellor determines that unique circumstances made it impossible for the district to comply with the provisions or if there were delays in the adoption of the annual state budget.

The total amount proposed for each major classification of expenditures is the maximum amount that may be expended for that classification for the fiscal year. Through a resolution, the governing board may make budget adjustments or authorize transfers from the reserve for contingencies to any classification (with a two-thirds vote) or between classifications (with a majority vote).

STATE REQUIREMENTS RELATED TO EXPENDITURES

State law includes two main requirements for districts' use of apportionments. The Chancellor's Office monitors district compliance with both requirements and annually updates the Board of Governors.

Full-Time Faculty Obligation

Education Code Section 87482.6 recognizes the goal of the Board of Governors that 75% of the hours of credit instruction in the California Community Colleges should be taught by full-time faculty. Each district has a baseline reflecting the number of full-time faculty in 1988-89. Each year, if the Board of Governors determines that adequate funds exist in the budget, districts are required to increase their base number of full-time faculty over the prior year in proportion to the amount of growth in funded credit full-time equivalent students. Funded credit FTES includes emergency conditions allowance protections, such as those approved for fires and for the COVID-19 pandemic. Districts with emergency conditions allowances approved per regulation will not have their full-time faculty obligation reduced for actual reported FTES declines while the protection is in place. The target number of faculty is called the Faculty Obligation Number (FON). An additional increase to the FON is required when the budget includes funds specifically for the purposes of increasing the full-time faculty percentage. The chancellor is required to assess a penalty for a district that does not meet its FON for a given year.

Fifty Percent Law

A second requirement related to budget levels is a statutory requirement that each district spend at least half of its Current Expense of Education each fiscal year for salaries and benefits of classroom instructors. Under existing law, a district may apply for an exemption under limited circumstances.

Appendix D: Districts' Fiscal Health

The Board of Governors has established standards for sound fiscal management and a process to monitor and evaluate the financial health of community college districts. These standards are intended to be progressive, with the focus on prevention and assistance at the initial level and more direct intervention at the highest level.

Under that process, each district is required to regularly report to its governing board the status of the district's financial condition and to submit quarterly reports to the Chancellor's Office three times a year in November, February, and May. Based on these reports, the Chancellor is required to determine if intervention is needed. Specifically, intervention may be necessary if a district's report indicates a high probability that, if trends continue unabated, the district will need an emergency apportionment from the state within three years or that the district is not in compliance with principles of sound fiscal management. The Chancellor's Office's intervention could include, but is not limited to, requiring the submission of additional reports, requiring the district to respond to specific concerns, or directing the district to prepare and adopt a plan for achieving fiscal stability. The Chancellor also could assign a fiscal monitor or special trustee.

The Chancellor's Office believes that the evaluation of fiscal health should not be limited to times of crisis. Accordingly, the Fiscal Forward Portfolio has been implemented to support best practices in governance and continued accreditation, and to provide training and technical assistance to new chief executive officers and chief business officers through personalized desk sessions with Chancellor's Office staff.

The Chancellor's Office's ongoing fiscal health analysis includes review of key financial indicators, results of annual audit reports, and other factors. A primary financial health indicator is the district's unrestricted reserves balance. **The Chancellor's Office recommends that districts adopt policies to maintain sufficient unrestricted reserves with a suggested minimum of two months of general fund operating expenditures or revenues, consistent with Budgeting Best Practices published by the Government Finance Officers Association.**

Districts are strongly encouraged to regularly assess risks to their fiscal health. The Fiscal Crisis and Management Assistance Team has developed a Fiscal Health Risk Analysis for districts as a management tool to evaluate key fiscal indicators that may help measure a district's risk of insolvency in the current and two subsequent fiscal years.

Appendix E: Glossary

Appropriation: Money set apart by legislation for a specific use, with limits in the amount and period during which the expenditure is to be recognized.

Augmentation: An increase to a previously authorized appropriation or allotment.

Bond Funds: Funds used to account for the receipt and disbursement of non-self-liquidating general obligation bond proceeds.

Budget: A plan of operation expressed in terms of financial or other resource requirements for a specific period.

Budget Act (BA): An annual statute authorizing state departments to expend appropriated funds for the purposes stated in the Governor's Budget, amended by the Legislature, and signed by the Governor.

Budget Year (BY): The next state fiscal year, beginning July 1 and ending June 30, for which the Governor's Budget is submitted (i.e., the year following the current fiscal year).

Capital Outlay: Expenditures that result in acquisition or addition of land, planning and construction of new buildings, expansion or modification of existing buildings, or purchase of equipment related to such construction, or a combination of these.

Cost of Living Adjustment (COLA): Increases provided in state-funded programs intended to offset the effects of inflation.

Current Year (CY): The present state fiscal year, beginning July 1 and ending June 30 (in contrast to past or future periods).

Deferrals: Late payments to districts when the state cannot meet its funding obligations. Deferrals allow districts to budget for more money than the state will provide in a given year. A district is permitted to spend as if there is no deferral. Districts typically rely on local reserves or short-term loans (e.g., TRANS) to cover spending for the fiscal year.

Department of Finance (DOF or Finance): A state fiscal control agency. The Director of Finance is appointed by the Governor and serves as the chief fiscal policy advisor.

Education Protection Account (EPA): The Education Protection Account (EPA) was created in November 2012 by Proposition 30, the Schools and Local Public Safety Protection Act of 2012, and amended by Proposition 55 in November 2016. Of the funds in the account, 89 percent is provided to K-12 education and 11 percent to community colleges. These funds are set to expire on December 31, 2030.

Expenditure: Amount of an appropriation spent or used.

Fiscal Year (FY): A 12-month budgeting and accounting period. In California state government, the fiscal year begins July 1 and ends the following June 30.

Fund: A legal budgeting and accounting entity that provides for the segregation of moneys or other resources in the State Treasury for obligations in accordance with specific restrictions or limitations.

General Fund (GF): The predominant fund for financing state operations; used to account for revenues that are not specifically designated by any other fund.

Governor's Budget: The publication the Governor presents to the Legislature by January 10 each year, which includes recommended expenditures and estimates of revenues.

Legislative Analyst's Office (LAO): A nonpartisan office that provides fiscal and policy advice to the Legislature.

Local Assistance: Expenditures made for the support of local government or other locally administered activities.

May Revision: An update to the Governor's Budget presented by Finance to the Legislature by May 14 of each year.

Past Year or Prior Year (PY): The most recently completed state fiscal year, beginning July 1 and ending June 30.

Proposition 98: A section of the California Constitution that, among other provisions, specifies a minimum funding guarantee for schools and community colleges. California Community Colleges typically receive 10.93% of the funds.

Related and Supplemental Instruction (RSI): An organized and systematic form of instruction designed to provide apprentices with knowledge including the theoretical and technical subjects related and supplemental to the skill(s) involved.

Reserve: An amount set aside in a fund to provide for an unanticipated decline in revenue or increase in expenditures.

Revenue: Government income, generally derived from taxes, licenses and fees, and investment earnings, which are appropriated for the payment of public expenses.

State Operations: Expenditures for the support of state government.

Statute: A law enacted by the Legislature.

Tax and Revenue Anticipation Notes (TRANS): Short-term debt instruments issued in anticipation of taxes or other revenues to be collected at a later date.

Workload Budget: The level of funding needed to support the current cost of already-authorized services.

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2023-24**

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***Governor's Proposals for the
2023-24 State Budget and
California Community Colleges***

***Summary Prepared by
School Services of California Inc.***

Summary of the Governor's Proposals for the 2023-24 State Budget and California Community Colleges

By School Services of California Inc.

Introduction

On January 10, 2023, California seemed to turn the page in State Budget development: from COVID-19 pandemic budgeting since May 2020 to more business as usual. And unfortunately for Governor Gavin Newsom, business as usual comes with a softening economy.

Thankfully, California is better prepared to weather the proverbial storm due to the significant rainy-day deposits and investments made during the good years that allows the state to address an estimated budget gap of \$22.5 billion with relatively little disruption through funding delays, shifts, and some reductions. Perhaps foreshadowing a more gloomy May Revision on the horizon, Governor Newsom purposefully chose *not* to draw from the state's reserve accounts to close the budget gap. He is likely holding that option back in case the economic dam breaks.

For education, Governor Newsom proposes a State Budget to preserve investments made during the boom years; the number of significant changes for 2023-24 can be counted on one hand. However, the changes proposed, as we will detail in this article, are significant for community college districts across the state and include a proposed mid-year cut to previously budgeted one-time funds. But at least for now, gone are the litany of new ongoing and one-time categorical programs that have filled the Proposition 98 guarantee during those years.

The Economy and Revenues

Governor Newsom assumes a slowing but still growing economy at the national and state level; however, identified risks to his assumptions are strewn throughout his budget proposal. In fact, the Governor began his press conference standing beside a chart showing a sharp decline in capital gains revenues as a percentage of personal income, which he referred to as the California economy's electrocardiogram, or EKG. This is because the largest source of state General Fund revenues is derived from taxes on personal income, including capital gains. One percent of the state's highest income earners generated over 26% of all gross income and they paid 49% of all personal income taxes in 2020. According to the Governor's Budget Summary, "[t]hese two related phenomena—significant reliance of the General Fund on capital gains and on taxes paid by a small portion of the population—underscore the difficulty in forecasting personal income tax revenue" and, by extension, General Fund revenues.

To underscore the state's reliance on its richest residents, capital gains revenue has made up between 8.5% and 12.6% of total annual General Fund revenues over the last decade. The Governor's Budget assumes a modest reduction in the share of revenues that come from stock market investments in 2023 to 8.3%, consistent with the assumption that the overall economy is cooling (while avoiding a recession). Importantly, the Newsom Administration assumes that Wall Street investors will remain cool-headed and that each of the major market indexes will not decline and instead will grow modestly from their November 2022 levels.

This may prove to be a risky assumption. As it is, the Governor’s Budget recognizes a budget shortfall of \$29.5 billion over the three-year budget window (2021-22, 2022-23, and 2023-24). Despite this somber picture, Governor Newsom manages to present a balanced budget proposal without dipping into reserves. If the economy worsens from the assumptions he uses to build his budget—such as protracted and sustained inflation, slower growth in personal income, and contracting employment—he and lawmakers may need to dip their hands into rainy day funds to avoid untenable budget reductions to programs and services, including public education, that they value.

Relative to the key General Fund drivers, the Governor’s Budget makes significant reductions to the “Big Three” tax revenues relative to the 2022-23 Enacted Budget across the three-year budget window, for a total downward adjustment of \$31.7 billion.

Big Three Tax Revenues
(in millions)

	2021-22		2022-23		2023-24	
	2022-23 Enacted Budget	Governor’s Budget	2022-23 Enacted Budget	Governor’s Budget	2022-23 Enacted Budget	Governor’s Budget
Personal Income Tax	\$136,497	\$136,762	\$137,506	\$128,905	\$143,755	\$126,695
Corporation Tax	\$46,395	\$45,298	\$38,464	\$38,482	\$42,013	\$39,308
Sales and Use Tax	\$32,750	\$32,915	\$33,992	\$32,851	\$35,145	\$33,599

Again, the Governor’s Budget revenue estimates do not forecast a recession—even a mild one—and contain underlying assumptions that would significantly impact state revenues, particularly personal income tax revenues.

The 2022-23 Enacted Budget’s reliance on one-time spending (93% of new money was committed to one-time expenses) provides some budget resilience moving into 2023-24. Additionally, reserves will cushion further declines in state revenues. But the Governor’s Budget is balanced delicately on what some may say are risky assumptions.

Proposition 98 Minimum Guarantee and Reserve

As expected, given trends in state General Fund revenues, the Proposition 98 minimum guarantee for K-12 and community college education has declined relative to the 2022-23 Enacted Budget. Specifically, the Governor estimates the minimum guarantee for fiscal year 2023-24 to be \$108.8 billion, representing a \$1.5 billion reduction compared to Enacted Budget estimates. Test 1 remains operative through the budget window (2021-22, 2022-23, and 2023-24), meaning that public education funding is a simple percentage of General Fund revenues (approximately 38%). The Proposition 98 minimum guarantee decreases by \$4.7 billion over the three-year period.

Proposition 98 Minimum Guarantee

2021-22		2022-23	
2022-23 Enacted Budget	Governor's Budget	2022-23 Enacted Budget	Governor's Budget
\$110.2 billion	\$110.4 billion	\$110.4 billion	\$106.9 billion
Change	(\$200 million)	Change	(\$3.5 billion)

General Fund expenditures toward the minimum guarantee decrease in the Governor's Budget due to offsetting increases in local property taxes. For 2022-23, the General Fund portion of Proposition 98 is estimated to decrease by \$153 million. Additionally, General Fund expenditures for Proposition 98 decrease by \$1.3 billion in 2023-24. Together, these adjustments result in a General Fund savings of approximately \$1.5 billion, which will be partially encumbered by a required adjustment to the minimum guarantee from the expanded eligibility of transitional kindergarten (TK).

The Governor's Budget maintains the commitment to expand TK, requiring a "rebench" of the Test 1 minimum guarantee percentage for the increased cost of serving more TK students. The TK rebench increases public education's share of General Fund revenues from 38.3% to 38.6%.

Proposition 98 Reserve

Deposits to and withdrawals from the Public School System Stabilization Account (Proposition 98 Reserve) are formula-driven and reliant on trends in state General Fund revenues inclusive of capital gains. The Governor's Budget revises prior-year deposits based on updated revenues, and estimates a required \$365 million deposit in 2023-24. The revised and estimated deposits result in an account balance of \$8.5 billion (down from \$9.5 billion in the 2022-23 Enacted Budget).

2021-22		2022-23	
2022-23 Enacted Budget	Governor's Budget	2022-23 Enacted Budget	Governor's Budget
\$4.0 billion	\$3.7 billion	\$2.2 billion	\$1.1 billion
Change	(\$300 million)	Change	(\$1.1 billion)

Student Centered Funding Formula and Enrollment

The Governor's Budget proposes \$652.6 million to fund the 8.13% cost-of-living adjustment (COLA) for apportionments, which is applied to the rates within the Student-Centered Funding Formula (SCFF).

The Governor's Budget Summary highlights the financial support that the state has given to the California Community Colleges (CCCs) over the past several years, including providing a funding floor for the SCFF's hold harmless provision beginning in fiscal year 2025-26; the Governor does not propose changing this date nor mentioned the current emergency conditions allowance. Additionally, the Administration says that it will be monitoring district-level enrollment trends as

we move past the COVID-19 Pandemic and highlights the importance for districts to begin regaining some of the enrollment lost during the COVID-19 pandemic. To address the enrollment issue, the Administration plans on working with stakeholders to consider options to adjust district budgets should a district not display that they are regaining enrollment lost during the COVID-19 pandemic entering the 2024-25 academic year.

The Governor proposes to provide \$28.8 million to fund student enrollment growth of 0.5%. The estimate for local property tax collections for the community colleges has increased by \$164 million, which reduces state aid accordingly in 2023-24.

CCC Roadmap to California's Future

In the 2022-23 Enacted Budget, the Governor established a multiyear [Roadmap](#) with the CCCs that continues to shape the Administration's approach to its Budget proposal. In the Governor's Budget Summary, the Administration states its intent to introduce a mechanism in the May Revision to provide community college districts that are making progress toward the CCC roadmap goals with additional categorical program spending flexibilities, which would include the ability to consolidate reporting requirements across specified and to-be-determined categorical programs. There is no more information on this proposal at the moment, but the details will likely be discussed and fleshed out as we get closer to the May Revision.

Student Retention

The Governor cites that enrollment has dropped by 16% at CCCs since the beginning of the COVID-19 pandemic and thus implores community colleges to continue their outreach, recruitment, reengagement, and retention efforts. To assist with enrollment, the Governor proposes \$200 million in one-time funding to support CCC efforts to increase student retention rates and enrollment. This investment builds on the \$150 million and \$120 million in one-time dollars included in the 2022 and 2021 State Budget Acts, respectively.

CCC Facilities and Deferred Maintenance Cut

The 2022-23 Enacted Budget included approximately \$840 million in one-time funds for deferred maintenance and energy efficiency projects across the system. To address the budget deficit, Governor Newsom proposes to decrease this amount by approximately \$213 million.

It is important to note that all of the \$840 million allocated for deferred maintenance in the 2022-23 Enacted Budget is scheduled to be distributed to districts by June 2023, which is prior to the enactment of the 2023-24 State Budget, making the timing of the proposed \$213 million decrease complicated unless the Governor proposes an early action budget package.

Other CCC Apportionments and Programs

Other community college programs that are funded outside of the SCFF that would also receive an 8.13% COLA under the Governor's Budget proposal are: Adult Education, Extended Opportunity Programs and Services, Disabled Students Programs and Services, Apprenticeship, CalWORKs Student Services, Mandates Block Grant and reimbursements, Cooperative Agencies Resources for Education, and the childcare tax bailout.

Additionally, the Governor proposes the following investments into other CCC programs:

- \$14 million one-time to support the administration of workforce training grants in collaboration with the California Department of Forestry and Fire Protection
- \$275,000, of which \$200,000 is ongoing, to develop a community college chief business officer professional learning program run through the Fiscal Crisis and Management Assistance Team to improve community college district leadership capacity and fiscal accountability

Dual Enrollment

The Governor's Budget Summary includes a narrative that the Administration requests community colleges establish dual enrollment agreements with all applicable local educational agencies within their community college districts' service area. Additionally, the Administration requests that all community colleges develop and offer a one-unit service-learning course that all high school students would have the ability to access through dual enrollment opportunities. There are no specifics on whether there would be financial incentives for expanding dual enrollment or providing this course.

Higher Education Student Housing Grant Program

The 2021-22 Enacted Budget established the Higher Education Student Housing Grant Program to provide grants for the CCCs, California State University (CSU), and University of California (UC) to construct student housing or to acquire and renovate commercial properties into student housing for low-income students. In addition to \$2 billion one-time (non-Proposition 98) set-aside by the 2021-22 Enacted Budget (\$500 million in 2021-22, \$750 million in 2022-23, and \$750 million in 2023-24), the 2022-23 Enacted Budget provided an additional \$200 million one-time (non-Proposition 98) for this program, bringing the total allotment to \$2.2 billion for student housing grants over the three-year period. The Governor's Budget proposes to reduce that investment to \$500 million one-time for the 2023-24 fiscal year and extend the remaining \$250 million to the 2024-25 fiscal year, which will provide an opportunity for a fourth round of awards.

Additionally, the 2022-23 Enacted Budget included intent language to provide \$1.8 billion one-time (non-Proposition 98) over a two-year period in 2023-24 and 2024-25, to establish a student housing revolving loan program for the higher education segments. Governor Newsom is proposing to delay \$900 million planned in 2023-24 to the 2025-26 fiscal year and delay \$250 million from the 2024-25 fiscal year to the 2025-26 fiscal year. This delay would result in \$650 million in 2024-25 and \$1.15 billion in 2025-26 being available for the program.

Retirement Systems

Governor Newsom does not propose additional funding for the California State Teachers' Retirement System (CalSTRS) or the California Public Employees' Retirement System (CalPERS) employer contribution rate relief. Based on current assumptions, CalSTRS employer contributions stay constant at 19.10% for 2023-24, while CalPERS employer contributes rates increase from 25.37% to 27.00%.

The Rest of Higher Education

The Administration maintains its multiyear compacts between the UC and CSU reflecting substantial and sustained funding increases for the UC and CSU, in exchange for clear commitments to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities. This includes \$227.3 million ongoing to support a 5% base increase for the CSU and \$215.5 million ongoing to support a 5% base increase for the UC.

The Governor's 2023-24 State Budget proposal also expands these investments in college affordability with the following investments:

- \$227 million one-time to support a modified version of the Middle-Class Scholarship that will focus resources toward reducing a student's total cost of attendance
- \$1.4 million one-time, \$469,000 of which is ongoing, to assess the California Student Aid Commission's (CSAC) current information technology system, address cybersecurity issues, and support two positions
- \$241,000 ongoing for one position at CSAC to support human resources and to distribute toolkits to high schools to help students complete their financial aid applications

Finally, the budget summary notes that it remains "attentive" to the 2022-23 Enacted Budget provisions that would activate the Cal Grant Reform Act.

K-12 Education Proposals

The Governor's Budget proposes providing \$4.2 billion ongoing for the K-12 Local Control Funding Formula (LCFF), which reflects the 8.13% statutory COLA. The Budget utilizes \$613 million in one-time resources to support the ongoing cost of the LCFF in 2022-23 and approximately \$1.4 billion in one-time resources to support the ongoing cost of the LCFF in 2023-24. The Governor's Budget also includes \$300 million ongoing to establish an "equity multiplier" as an add-on to the LCFF for low-income students.

Analogous to the reduction in Deferred Maintenance funds, the Administration proposes to *reduce* the Arts, Music, and Instructional Materials Discretionary Block Grant from \$3.5 billion to approximately \$2.3 billion.

To help address the current budget gap, the Administration proposes to delay/reduce two K-12 facilities funds: the 2023-24 planned \$550 million California Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program investment would be delayed to 2024-25, and the School Facility Program planned allocation in 2023-24 would be reduced from \$2.1 billion to \$2.0 billion.

In Closing

The Governor's proposals are largely to be expected in a softening economy, with a focus on maintaining programs instead of creating new ones. That said, community colleges are continuing to face local challenges head on, and, with a notable exception to continue focus on student

retention, the Governor proposes to utilize Proposition 98 funding in a discretionary manner to meet local needs.

***Reactions to the Governor's
Proposals—Excerpts***

Reactions to the Governor's Proposals—Excerpts

Legislative Leadership

What you see in the Governor's proposal is an important first step in the critical work that lies ahead and a preview into what you'll soon see from the budget work the Senate Democrats have been doing: a commitment to protect our progress. Progress on our ability to strengthen the middle class, to support Californians barely making ends meet, and to set up our state to mitigate and manage the worsening impacts of climate change. The state budget is a testament to our values—our promise to uplift all Californians. We're seeing that in action as local communities, emergency responders, and state agencies do all they can to help us get through these severe winter storms, armed with the resources and tools made possible in past budgets by lawmakers determined to prepare our state for what may come. While no one can predict the future, we are entering this year from a position of strength and readiness

—*Senate President pro Tempore Toni Atkins (D-San Diego)*

Stock market and tech sector businesses trends are driving state revenues even lower. This June, the large reserves built over the last decade may be important for protecting California's progressive investments. I look forward to working with my Assembly colleagues, the Senate, and the Governor on a 2023 budget that protects classroom, child care and university funding while safeguarding core programs that protect our environment and our most vulnerable residents.

—*Assembly Speaker Anthony Rendon (D-Lakewood)*

Legislative Budget and Policy Committee Chairs

Economic factors, like the stock market and tech sector, are negatively impacting California's revenue. However, our decade of fiscal responsibility has prepared us for budget shortfalls. Our robust General Fund reserves and Rainy Day Fund have positioned our state well to weather downturns, allowing us to prioritize the commitments we have made in early childhood, K-12 and higher education, homelessness support, and health care. Thanks to this diligence, there are many solutions available to us to ensure that access to vital services and programs won't be cut. I'm happy to see a number of the Governor's priorities are aligned with the Assembly Budget Blueprint, *Serving California: Making Government Work*, which was unveiled last month, and uses our tools to safeguard important investments.

—*Assembly Budget Committee Chair Phil Ting (D-San Francisco)*

While state revenue projections are not as robust as last year, California's economy and fiscal outlook remain strong. The projected shortfall is manageable thanks to years of smart, responsible budgeting decisions and our more than healthy reserves. I commend the Governor for his emphasis on maintaining essential services, including schools, health care, and support for those who need it most, and addressing much of the shortfall through achievable delays. As chair of the Senate Budget and Fiscal Review Committee, I look forward to reviewing the Governor's plan and working with Pro Tem Atkins and my Senate colleagues to ensure that the final 2023-24 budget is

a testament to California's values, reflects the Senate's priorities, and continues to strengthen California's families and our economy

—Senate Budget and Fiscal Review Committee Chair Nancy Skinner (D-Berkeley)

I applaud the Governor's proposed 2023 State Budget. While we need to acknowledge our softening economy, because of our prudent practices with record reserves, this draft \$297 billion spending plan allows California to further invest in our future. As Chair of the Assembly Education Budget subcommittee, I'm especially pleased to see our continued focus on expanding early education, funding TK-12 schools at record levels, and increasing access and affordability for higher education. I am eager to dig into the Governor's proposals and help craft a final budget plan that will continue to move California forward.

*—Assembly Budget Subcommittee on Education Finance
Chair Kevin McCarty (D-Sacramento)*

I applaud Gov. Newsom's commitment to increasing the Local Control Funding Formula (LCFF) by 8.13 percent, resulting in an additional \$4.2 billion in discretionary funds for K-12 districts. For the University of California and California State University systems, I consider it a good start to maintain the five percent increase in base funding for their multi-year compacts. It is important to note that the Legislative Analysts' Office (LAO) still estimates a \$12 billion shortfall in student housing needs over time...The fiscal prudence of this document is reflected in the unfortunate need to reduce longer term spending on climate-related initiatives from \$54 billion to \$48 billion. This is still an extremely significant investment in the effort to decarbonize our economy. As a Senator, I will be looking at every way possible to leverage and maximize these investments. I do hope that as unprecedented storms hammer our coast, we can ensure robust investment in sea level rise planning and coastal erosion mitigation.

—Senate Budget Subcommittee on Education Chair John Laird (D-Santa Cruz)

I am pleased to see the Governor's proposed COLA increase to Proposition 98 for K-12 and the California Community Colleges, and increases for the California State University and the University of California. As Chair of the Assembly Higher Education Committee, I would like to highlight the importance of the Governor's proposal for increased funding to address enrollment decline at our Community Colleges. However, it is disappointing to see some of the progress we have made in addressing housing for college students delayed. Student housing is critical for addressing housing insecurity and enrollment decline.

—Assembly Higher Education Committee Chair Mike Fong (D-Alhambra)

Education Stakeholders

The governor's proposed budget protects education in a time of economic uncertainty. The proposal builds on California community colleges' strengths with added resources for career training, building out partnerships that connect traditionally underrepresented high school students to college opportunities by concurrently attending community colleges and a continued commitment to help colleges attract and retain students. We look forward to working with Gov. Newsom and legislative leaders during the upcoming budget process to address barriers to student

success, make progress towards the higher education goals established in the [Roadmap for the Future](#) and ensure California's equitable recovery.

—California Community Colleges Interim Chancellor Daisy Gonzales

We applaud Governor Newsom's recognition of the indispensable role of California Community Colleges and are encouraged by his proposal to offer local district and college leaders greater flexibility to respond entrepreneurially to the diverse needs of local communities and students throughout the state. We look forward to working with him and the Legislature to make progress on the Roadmap for the Future and the Vision for Success.

—Community College League of California President and CEO Larry Galizio

We appreciate the Governor's strong support for California's diverse communities by his attention to the California Community Colleges. The CCCT is committed to working with the Administration and Legislature to ensure that our districts have the tools and flexibility to offer world-class affordable, accessible, and equitable higher education.

—California Community College Trustees President Marisa Perez

I want to express our appreciation to Governor Newsom for crafting a January budget proposal that focuses on students and is grounded in equity. Our college presidents and CEOs stand ready to engage with the Governor and Legislature to bolster public support for community colleges and create more opportunities for our diverse population of students.

—Chief Executive Officers of the California Community Colleges President Jose Fierro

We are grateful to see public education funding prioritized in Governor Newsom's budget proposal in light of the projected budget deficit. We face unprecedented staffing shortages in our public schools, and funding will be critical to retaining our experienced educators and classified staff, attracting new talent into the profession, and elevating public education careers to ultimately improve student achievement and well-being inside and outside the classroom...As we continue to hash out the details of our state's budget in the coming months, we will work with the Governor and fellow public school champions in the Legislature to fund California's future through critical investments in public education. Our key priorities will be addressing staffing shortages and lowering class sizes, so that our students can receive the consistent, individualized education they deserve.

—California Federation of Teachers President Jeff Freitas

***Budget Subcommittees on Education—
Member Rosters***

Budget Subcommittees on Education—Member Rosters

Senate

Nancy Skinner, Chair, Senate Budget and Fiscal Review Committee—D-Berkeley

Budget Subcommittee 1 on Education

John Laird, Chair—D-Santa Cruz

Dave Min—D-Irvine

Rosilicie Ochoa-Bogh—R-Yucaipa

Lola Smallwood-Cuevas—D-Los Angeles

Assembly

Philip Ting, Chair, Assembly Committee on Budget—D-San Francisco

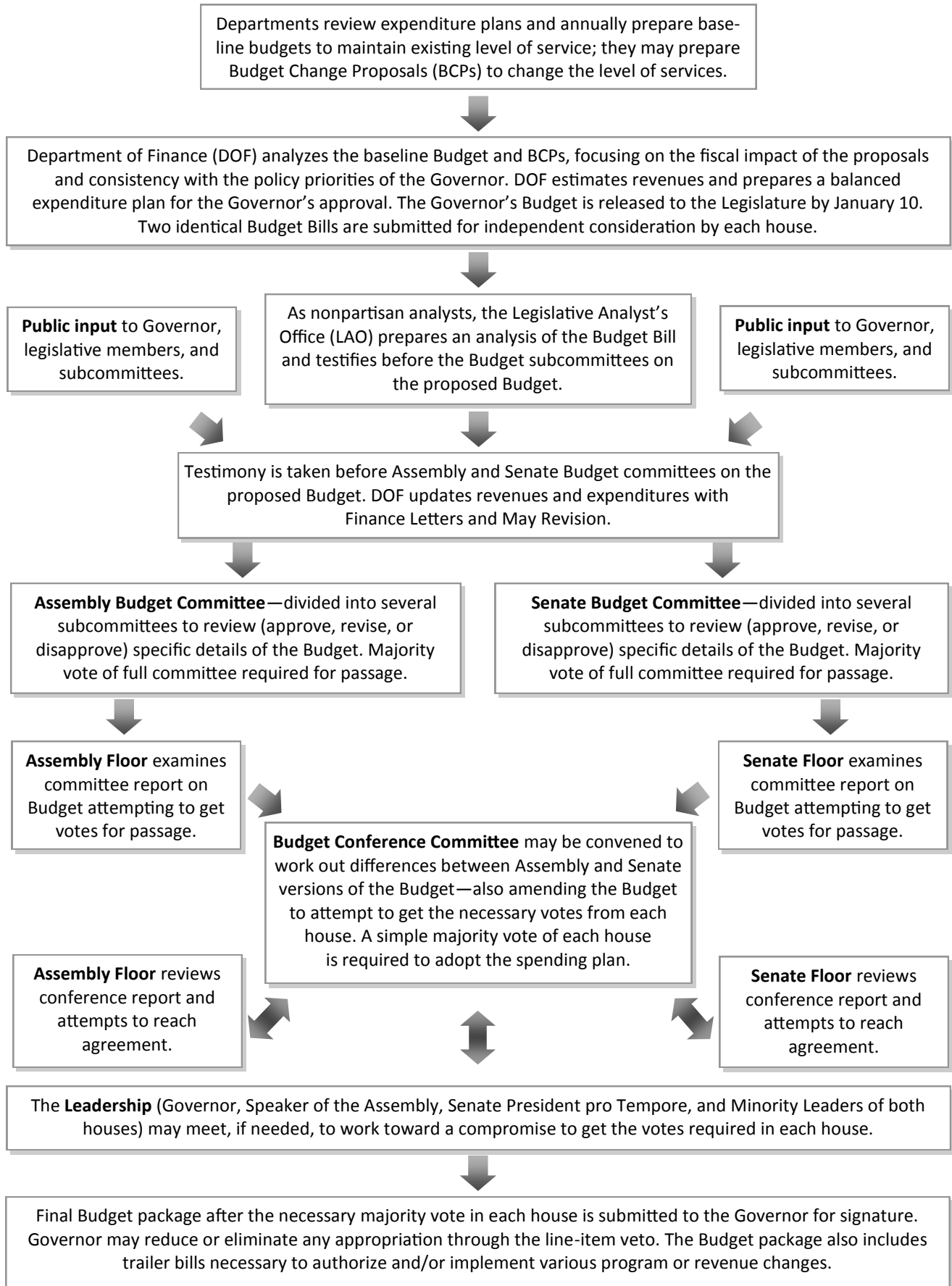
Budget Subcommittee 2 on Education Finance

Kevin McCarty, Chair—D-Sacramento

Subcommittee members not yet assigned

State Budget Process

THE ANNUAL BUDGET PROCESS



2023-24 Governor's State Budget Summary—Excerpts

INTRODUCTION

Investments over the last few budgets reflect California's values and priorities. Together with the Legislature, the Administration is making healthcare affordable and accessible to all, regardless of immigration status; expanding child care and universal transitional kindergarten for all 4-year-olds; and enabling more people to graduate from college without crippling debt. The state has also made historic investments to protect Californians against the impacts of climate change and keep them safe during the COVID-19 Pandemic. These investments over the past four years are continuing to improve both the quality of life and the long-term outlook for all Californians.

At the same time, California has recognized the importance of being able to withstand annual fluctuations in state revenues. As 2023 begins, risks to the state's economic and revenue outlook highlighted in the 2022 Budget have been realized—continued high inflation, multiple federal reserve bank interest rate increases, and further stock market declines. This last risk is particularly important to California, as market-based compensation—including stock options and bonus payments—greatly influences the incomes of high-income Californians. Combined with a progressive income tax structure, this can have an outsized effect, both good and bad, on state revenues.

Given these developments, the revenue outlook is substantially different than seen in the last two years. Prior to accounting for solutions, the Governor's Budget forecasts General Fund revenues will be \$29.5 billion lower than at the 2022 Budget Act projections, and California now faces an estimated budget gap of \$22.5 billion in the 2023-24 fiscal year.

INTRODUCTION

Fortunately, through prudent planning and budget resilience built into previous budgets, the state is in its best fiscal position in recent memory to address this slowdown. By using the bulk of the recent surplus to boost the state's budget reserves and pay down prior debts, by focusing on one-time and near-term spending instead of costly long-term obligations, and by tying or "triggering" a handful of new ongoing programs to sufficient revenue availability in 2024-25, the state does not have to propose the kind of deep reductions to priority programs that marked the budget shortfalls over the past two decades. It will, however, require the state to delay or forego some spending in the near term.

Part of the state's planning has included building up the state's budget reserves. To offset the significant swings in revenue caused in large part by market volatility, voters in 2014 passed Proposition 2, which created new requirements for deposits into the Budget Stabilization Account or "Rainy Day Fund." In order to make a withdrawal from this account, the Governor must first declare a fiscal emergency, and no more than 50 percent of the balance can be withdrawn in any single fiscal year.

The Budget reflects \$35.6 billion in total budgetary reserves. These reserves include \$22.4 billion in the Budget Stabilization Account, which fulfills the constitutional maximum mandatory deposit limit of 10 percent of General Fund tax proceeds. The reserve total also includes:

- \$8.5 billion in the Public School System Stabilization Account,
- \$900 million in the Safety Net Reserve, and
- \$3.8 billion in the state's operating reserve – the Special Fund for Economic Uncertainties.

As the Budget Stabilization Account balance is at its constitutional maximum amount, a total of \$951 million is required to be dedicated for infrastructure investments in 2023-24.

The Budget accelerates the paydown of state retirement liabilities as required by Proposition 2, with \$1.9 billion in additional payments in 2023-24 and approximately \$5.3 billion projected to be paid over the next three years.

A BALANCED PLAN TO CLOSE THE BUDGET GAP

Because of the multiple uncertainties regarding the overall economic and revenue outlook in the near term, the Governor's Budget reflects a balanced plan of funding

delays, reductions and pullbacks, fund shifts, trigger reductions, and limited revenue generation and borrowing to address the budget problem. To preserve the state's ability to respond to any potentially significant negative changes to the outlook in early 2023, the Governor's Budget does not propose to draw from the state's reserve accounts to close the budget gap.

The Governor's Budget economic forecast does not project a recession. If economic and revenue conditions deteriorate in the spring, then the Administration may propose withdrawals from reserve accounts, as well as additional program reductions. Conversely, if conditions improve, then the Administration would not have to propose reserve withdrawals, and would also reconsider proposed spending delays and reductions.

The balanced plan reflected in the Governor's Budget to close the projected shortfall includes:

- **Funding Delays—\$7.4 billion.** The Budget delays funding for multiple items across the 2021-22 through 2023-24 fiscal years, and spreads it across the multi-year without reducing the total amount of funding through the multi-year.
- **Reductions/Pullbacks—\$5.7 billion.** The Budget reduces spending for various items across the 2021-22 through 2023-24 fiscal years, and pulls back certain items that were included in the 2022 Budget Act to provide additional budget resilience. Significant items in this category include the \$3 billion included in the 2022 Budget as an inflationary adjustment, and a \$750 million Unemployment Trust Fund payment in the 2023-24 fiscal year.
- **Fund Shifts—\$4.3 billion.** The Budget shifts certain expenditures in the 2022-23 and 2023-24 fiscal years from the General Fund to other funds. These include (1) shifting various California State University (CSU) capital outlay projects to CSU issued debt with the state providing support for the underlying debt service, (2) reverting certain bonds to cash projects from the 2022 Budget Act back to bonds, and (3) shifting certain Zero Emission Vehicle commitments to the Greenhouse Gas Reduction Fund.
- **Trigger Reductions—\$3.9 billion.** The Budget reduces funding for certain items in the 2020-21 through 2023-24 fiscal years and places them in a “trigger” that would restore the reductions at the 2024 Governor's Budget if it is determined that sufficient funds will be available to cover certain commitments. These commitments include: baseline adjustments, enrollment, caseload, and population adjustments, constitutional obligations, as well as the cost of funding all of the items included in the trigger. These items are primarily in the areas of Climate and Transportation

(\$3.1 billion), Housing (\$600 million), Parks (\$106 million) and Workforce Training (\$55 million).

- **Limited Revenue Generation and Borrowing—\$1.2 billion.** The Budget augments General Fund resources in the 2023-24 fiscal year. The majority of the funds in this category are derived from loans from special funds and from the renewal of the Managed Care Organization Tax.

In addition to solving the \$22.5 billion shortfall, the Budget utilizes a number of the resiliency measures in the 2022 Budget Act to close shortfalls projected in the coming years. These include:

- **Future Inflationary Adjustments Withdrawn**—In addition to the \$3 billion referenced above for the 2023-24 fiscal year, \$7 billion to address inflationary adjustments, which were scheduled over 2024-25 and 2025-26, are now withdrawn.
- **General Obligation Bond Liability**—\$1.7 billion in General Fund, which had been scheduled in 2024-25 to reduce General Obligation bond liability through the redemption of callable bonds, is now withdrawn.
- **Lease Revenue Bonds Liability**—\$2.1 billion in General Fund had been scheduled to reduce lease revenue bond liability in 2022-23 through 2025-26. This amount is reverted back to lease revenue bond funds to pay for capital projects.
- **Supplemental Deposits to Budget Stabilization Account**—\$4 billion in supplemental deposits to this reserve account had been scheduled over 2024-25 and 2025-26. These are now withdrawn.
- **Additional Safety Net Reserve Deposits**—\$4 billion in additional deposits to the Safety Net Reserve had been scheduled in 2024-25 and 2025-26. These are now withdrawn.

SUSTAINING KEY INVESTMENTS WHILE CLOSING THE BUDGET GAP

Even with the decisions necessary to close the budget gap in 2023-24, the Governor's Budget sustains key investments in recent budgets to advance the shared priorities of the Governor and the Legislature.

- **Implementing Transitional Kindergarten**—The 2022 Budget Act included funds for the first year of expanded eligibility for transitional kindergarten, which covers the shift from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2. Building upon

these first-year investments, the Budget includes \$690 million to implement the second year of transitional kindergarten expansion, which will increase access to the program to all children turning five-years-old between September 2 and April 2 (approximately 46,000 children) and \$165 million to support the addition of one additional certificated or classified staff person in transitional kindergarten classrooms serving these students. Full implementation of universal transitional kindergarten is expected in 2025-26.

- **Child Care Availability and Affordability**—The Budget sustains over \$2 billion annualized to expand subsidized child care slot availability.
- **Universal School Meals**—In 2020, the U.S. Department of Agriculture allowed states to apply for a waiver of certain requirements connected to the National School Lunch Program and School Breakfast Program. The Budget protects the funding for universal access to subsidized school meals and the additional enhanced meal rate. California will spend over \$1.4 billion to reimburse school meals and ensure all students who want a meal will have access to two free meals each day.
- **Maintaining Higher Education Compacts and Roadmap**—The Budget sustains the second year of the multi-year compacts with the University of California (UC) and the California State University (CSU), and a multi-year roadmap with the California Community Colleges (CCCs). Despite the state's fiscal climate, the Administration remains committed to the shared goals of increasing access to the UC and CSU, improving student success while advancing equity, increasing the affordability of higher education, increasing intersegmental collaboration to benefit students, and supporting workforce preparedness and high-demand career pipelines.
- **Advancing the Climate Agenda**—The 2021 and 2022 Budget Acts allocated approximately \$54 billion over five years to advance the state's climate agenda. The Budget maintains 89 percent of these investments (approximately \$48 billion) and continues to prioritize equity and investments in populations facing disproportionate harm from pollution and the climate crisis. Given the projected decline in General Fund revenues, the Budget includes reductions across several climate programs, which are partially offset by shifts to other fund sources. Additionally, the state will pursue additional federal funding through the Inflation Reduction Act and the Infrastructure Investment and Jobs Act. Most of the climate reductions are included in the trigger so if there is sufficient General Fund in January 2024, these reductions will be restored.
- **Expanding Health Care Access and Health Care Delivery Transformation**—The Budget maintains continued funding to expand full-scope Medi-Cal eligibility to all

income-eligible Californians, regardless of immigration status. Additionally, the Budget sustains approximately \$10 billion in total funds commitment to continue transforming the state's health care delivery system through California Advancing and innovating Medi-Cal.

- **Greater Assistance For California's Most Vulnerable**—The Budget includes over \$1 billion General Fund annually to provide increased cash assistance to individuals with disabilities and older adults in the Supplemental Security Income/State Supplementary Payment program, and low-income children and families in the CalWORKs program.
- **Expanding the Behavioral Health Continuum**—The Budget sustains over \$8 billion total funds across various multiple Health and Human Services departments to expand the continuum of behavioral health treatment and infrastructure capacity and transform the system for providing behavioral health services to children and youth.
- **Improving Services for the Developmentally Disabled**—The Budget sustains an estimated annual \$1.2 billion General Fund by 2024-25 to fully implement service provider rate reform with a focus on improving outcomes and quality of services.
- **Reproductive Health Services**—The Budget maintains the over \$200 million investments to protect the right to safe and accessible reproductive health care, including grants to health care providers to offset the cost of care to uninsured or underinsured individuals, for clinical infrastructure, and to provide scholarships and loan repayments to providers that commit to providing reproductive health care services. Further, the Budget adds \$200 million (\$15 million General Fund) in 2024-25 for a grant program focused on supporting access to family planning and related services, system transformation, capacity, and sustainability of California's safety net.
- **Investments in Infrastructure**—The Budget sustains a multi-year commitment of \$44 billion in state funds for various statewide infrastructure investments. This includes funding to accelerate the transition to zero-emission vehicles, modernize the state's transportation system, promote energy innovation and reliability, provide greater access to broadband connectivity, advance the state's housing goals, reduce wildfire risk to communities, and to support drought resiliency and response.
- **Investments in Housing**—Given the scale of California's housing backlog and need, the state has invested billions in the past two years for housing production incentives, with 2021 and 2022 Budget Act housing packages totaling \$21.5 billion combined. Importantly, the state has continued to deploy a comprehensive set of

strategies, including improving existing state financing programs, targeting housing investments, providing technical assistance to rural, tribal, and urban areas, and leveraging land use tools. The Budget includes \$350 million in General Fund reductions related to housing programs that were included as part of the 2022 Budget Act. Even with these reductions, funding for these housing programs would remain at approximately 88 percent of the allocations made in 2022-23 and 2023-24 (\$2.85 billion). These reductions are included in the trigger, so if there is sufficient General Fund in January 2024, these reductions will be restored.

- **Investments in Homelessness**—The 2022 Budget Act allocated \$10.2 billion, in addition to the \$7.3 billion provided in 2021, signifying a continued priority in providing investments to support the state's comprehensive homelessness strategy, including resources to provide long-term permanent housing options, services, and supports for individuals experiencing homelessness, or who are at risk of experiencing homelessness. The Budget maintains these investments.
- **Continuing Workforce Development**—The 2022 Budget invested approximately \$2.2 billion General Fund to create additional apprenticeships; provide training to mitigate the effects of climate change; provide job training and other assistance to the justice-involved population; and create more innovative and accessible opportunities to recruit, train, hire, and advance an ethnically and culturally inclusive health and human services workforce. The Budget reduces \$55 million of these investments. However, these reductions are included in the trigger, so if there is sufficient General Fund in January 2024, they will be restored.
- **Combatting Organized Retail Theft and Other Crimes**—The Budget sustains \$564.4 million General Fund over three years to bolster local law enforcement efforts to address retail theft and other crimes. These investments help local law enforcement agencies implement anti-theft task forces, improve prosecution, expand Department of Justice and California Highway Patrol anti-crime and retail theft taskforces, expand drug interdiction and combat fentanyl prevalence, improve emergency response times, combat human trafficking and child sexual exploitation, support programs to remove and dispose of firearms and provides resources to research to inform policies that address the ever-evolving firearms market.

CONCLUSION

Through strong fiscal planning, California's Budget can protect core programs and still build a California for today and the future. Due to the work that the Governor and the Legislature have done to plan for a revenue shortfall such as this one, the Budget is able to maintain the majority of recent commitments, including continuing to build upon programs and services that the most vulnerable populations rely even more heavily upon during economic downturns.

However, considerable risks to the economy remain. In particular, if the economy slips into a recession in the coming months, there will be more difficult decisions ahead. The Administration has taken steps in this Budget, such as not using the state's reserves, to ensure there is additional capacity to protect the programs and services that California residents rely upon, AND build a California for the future that continues to be a national and world leader in combating the effects of climate change, elevating diversity and inclusion, improving innovation, and protecting the rights of all of our residents. That is the California way.

SUMMARY CHARTS

This section provides various statewide budget charts and tables.

2023-24 Governor's Budget
General Fund Budget Summary
(Dollars in Millions)

	2022-23	2023-24
Prior Year Balance	\$52,713	\$21,521
Revenues and Transfers	\$208,884	\$210,174
Total Resources Available	\$261,597	\$231,695
Non-Proposition 98 Expenditures	\$160,973	\$143,060
Proposition 98 Expenditures	\$79,103	\$80,554
Total Expenditures	\$240,076	\$223,614
Fund Balance	\$21,521	\$8,081
Reserve for Liquidation of Encumbrances	\$4,276	\$4,276
Special Fund for Economic Uncertainties	\$17,245	\$3,805
Public School System Stabilization Account	\$8,108	\$8,473
Safety Net Reserve	\$900	\$900
Budget Stabilization Account/Rainy Day Fund	\$21,487	\$22,398

Note: Numbers may not add due to rounding.

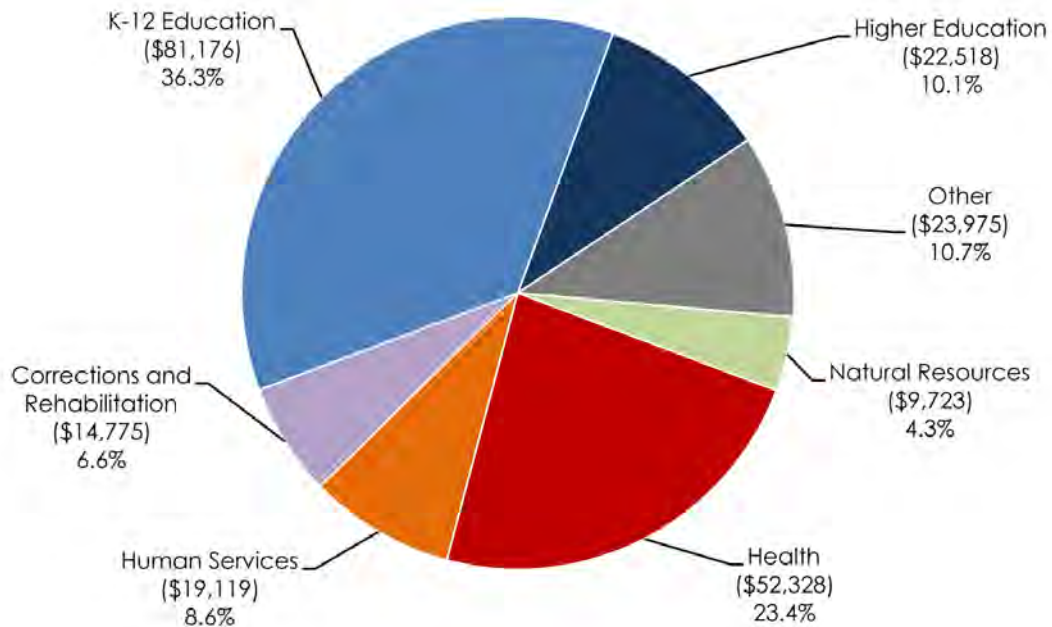
General Fund Expenditures by Agency

(Dollars in Millions)

	2022-23	2023-24	Change from 2022-23	
			Dollar Change	Percent Change
Legislative, Judicial, Executive	\$19,636	\$11,852	-\$7,784	-39.6%
Business, Consumer Services & Housing	4,062	1,472	-2,590	-63.8%
Transportation	1,725	2,191	466	27.0%
Natural Resources	15,437	9,723	-5,714	-37.0%
Environmental Protection	2,133	1,989	-144	-6.8%
Health and Human Services	64,790	71,447	6,657	10.3%
Corrections and Rehabilitation	15,822	14,775	-1,047	-6.6%
K-12 Education	78,505	81,176	2,671	3.4%
Higher Education	23,043	22,518	-525	-2.3%
Labor and Workforce Development	1,234	1,638	404	32.7%
Government Operations	6,795	3,847	-2,948	-43.4%
General Government:				
Non-Agency Departments	2,791	3,562	771	27.6%
Tax Relief/Local Government	678	558	-120	-17.7%
Statewide Expenditures	3,425	-3,134	-6,559	-191.5%
Total	\$240,076	\$223,614	-\$16,462	-6.9%

Note: Numbers may not add due to rounding.

**2023-24
General Fund Expenditures**
(Dollars in Millions)

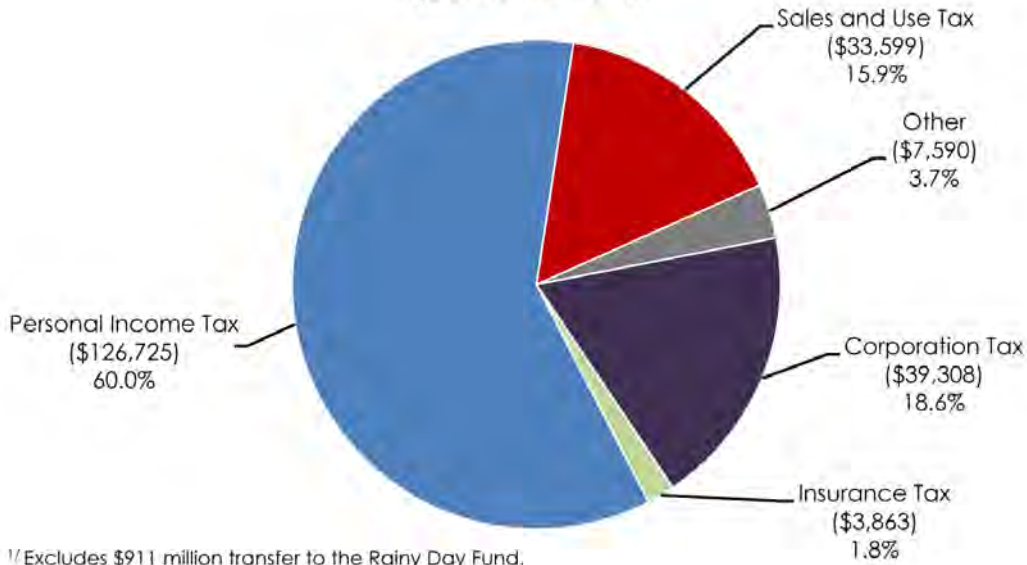


General Fund Revenue Sources
(Dollars in Millions)

	2022-23	2023-24	Change from 2022-23	
			Dollar Change	Percent Change
Personal Income Tax	\$128,905	\$126,725	-\$2,180	-1.7%
Sales and Use Tax	32,851	33,599	748	2.3%
Corporation Tax	38,482	39,308	826	2.1%
Insurance Tax	3,641	3,863	222	6.1%
Alcoholic Beverage Taxes and Fees	436	441	5	1.1%
Cigarette Tax	49	45	-4	-8.2%
Motor Vehicle Fees	37	37	0	0.0%
Other	6,102	7,067	965	15.8%
Subtotal	\$210,503	\$211,085	\$582	0.3%
Transfer to the Budget Stabilization Account/Rainy Day Fund	-1,620	-911	709	-43.8%
Total	\$208,883	\$210,174	\$1,291	0.6%

Note: Numbers may not add due to rounding.

2023-24
General Fund Revenues and Transfers^{1/}
(Dollars in Millions)



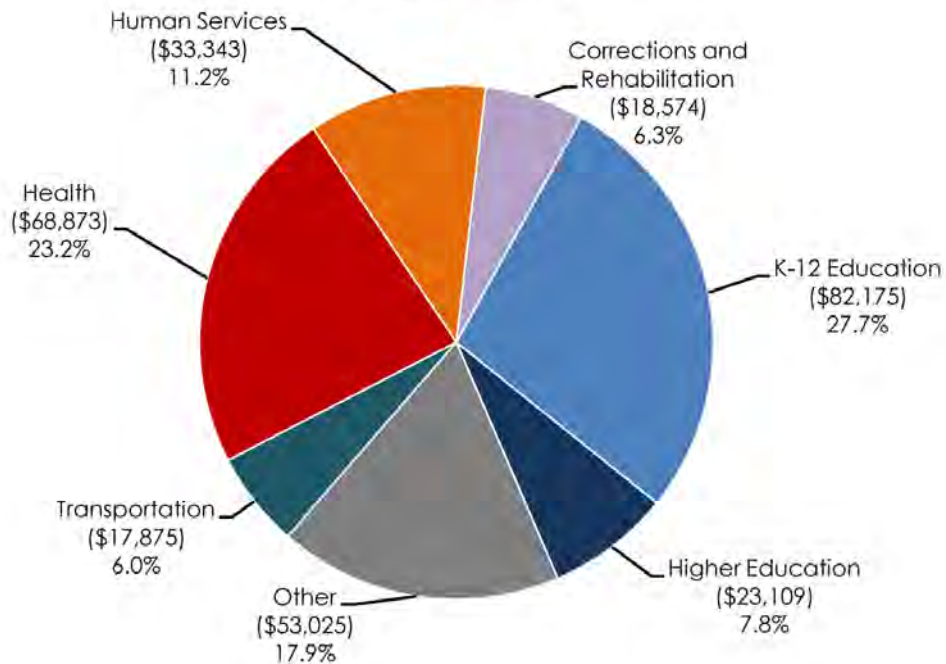
2023-24 Total State Expenditures by Agency

(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Totals
Legislative, Judicial, Executive	\$11,852	\$3,678	\$262	\$15,792
Business, Consumer Services & Housing	1,472	1,217	936	3,625
Transportation	2,191	15,602	82	17,875
Natural Resources	9,723	2,019	585	12,327
Environmental Protection	1,989	3,935	14	5,938
Health and Human Services	71,447	30,769	-	102,216
Corrections and Rehabilitation	14,775	3,799	-	18,574
K-12 Education	81,176	370	629	82,175
Higher Education	22,518	133	458	23,109
Labor and Workforce Development	1,638	1,056	-	2,694
Government Operations	3,847	251	7	4,105
General Government:				
Non-Agency Departments	3,562	1,837	2	5,401
Tax Relief/Local Government	558	3,523	-	4,081
Statewide Expenditures	-3,134	2,196	-	-938
Total	\$223,614	\$70,385	\$2,975	\$296,974

Note: Numbers may not add due to rounding.

2023-24
Total State Expenditures
(Including Selected Bond Funds)
 (Dollars in Millions)



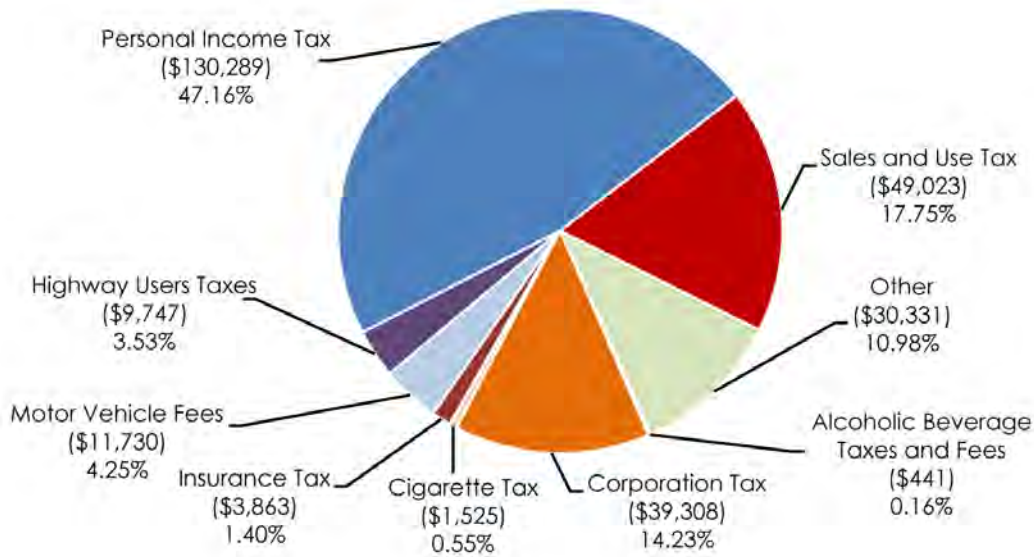
2023-24 Revenue Sources

(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2022-23
Personal Income Tax	\$126,725	\$3,564	\$130,289	-\$2,247
Sales and Use Tax	33,599	15,424	49,023	847
Corporation Tax	39,308	-	39,308	826
Highway Users Taxes	-	9,747	9,747	788
Insurance Tax	3,863	-	3,863	222
Alcoholic Beverage Taxes and Fees	441	-	441	5
Cigarette Tax	45	1,480	1,525	-143
Motor Vehicle Fees	37	11,693	11,730	481
Other	7,067	23,264	30,331	-1,745
Subtotal	\$211,085	\$65,172	\$276,257	-\$966
Transfer to the Budget Stabilization Account/Rainy Day Fund	-911	911	-	-
Total	\$210,174	\$66,083	\$276,257	-\$966

Note: Numbers may not add due to rounding.

**2023-24
Total Revenues and Transfers**
(Dollars in Millions)



HIGHER EDUCATION

The Budget reflects the second year of the multi-year compacts with the University of California (UC) and the California State University (CSU), and a multi-year roadmap with the California Community Colleges (CCCs), that focus on shared priorities benefitting students. Despite the state's fiscal condition, the Administration remains committed to the shared goals of increasing access to the UC and CSU, improving student success while advancing equity, increasing the affordability of higher education, increasing intersegmental collaboration, and supporting workforce preparedness and high-demand career pipelines.

The Budget proposes total funding of \$40.3 billion (\$27.3 billion General Fund and local property tax and \$13 billion other funds) for the three higher education segments and the California Student Aid Commission. The figure on Higher Education Expenditures displays additional detail about funding for higher education.

Higher Education Expenditures
(Dollars in Millions)

	2021-22 ³	2022-23	2023-24	Change from 2022-23	
				Dollars	Percent
University of California					
Total Funds ^{1/}	\$10,418.6	\$10,455.7	\$10,352.9	-\$102.7	-1.0%
Ongoing General Fund	4,010.8	4,373.6	4,629.7	\$256.0	5.9%
One-Time General Fund	1,131.0	653.9	100.9	-	-
California State University					
Total Funds ^{1/}	\$9,186.9	\$8,523.4	\$8,476.8	-\$46.6	-0.5%
Ongoing General Fund	4,606.1	5,049.8	5,341.0	\$291.2	5.8%
One-Time General Fund	1,267.5	347.7	10.0	-	-
California Community Colleges					
Total Funds	\$17,481.9	\$17,962.7	\$17,431.6	-\$531.1	-3.0%
General Fund & Property Taxes	12,927.6	13,554.8	13,668.7	\$113.9	0.8%
California Student Aid Commission					
Total Funds	\$2,750.3	\$3,411.5	\$3,235.8	-\$175.7	-5.2%
General Fund ^{2/}	2,328.1	2,990.9	2,815.2	-\$175.7	-5.9%
Total Funds	\$39,837.7	\$40,353.3	\$39,497.2	-\$856.2	-2.1%
General Fund	\$26,271.1	\$26,970.7	\$26,565.5	-\$405.2	-1.5%

^{1/} These totals include tuition and fee revenues and other funds the universities report as discretionary.

^{2/} General Fund expenditures for the Cal Grant program are offset by reimbursements, including approximately \$400 million in federal Temporary Assistance for Needy Families (TANF) funds received through an agreement with the Department of Social Services.

^{3/} 2021-22 Total Funds may include federal American Rescue Plan Act of 2021 funding provided directly to colleges and universities.

UNIVERSITY OF CALIFORNIA

The UC offers formal undergraduate and graduate education, is the public segment authorized to independently award doctoral degrees, and is designated as the state's primary academic agency for research. Its ten campuses enroll nearly 290,000 students and the UC extension centers register an additional 500,000 participants in continuing education programs. In 2020-21, the UC awarded more than 84,000 degrees, including roughly 63,000 undergraduate degrees.

The Budget maintains the multi-year compact that includes substantial and sustained funding increases for the UC, in exchange for clear commitments to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities. The UC recently submitted its required annual report describing its plans to advance the goals of the compacts. The Administration will continue to monitor the UC's actions toward meeting the goals.

NOTABLE ONGOING INVESTMENTS FOR THE UC INCLUDE:

- **Base Growth**—An increase of approximately \$215.5 million ongoing General Fund for operating costs, representing a five-percent base increase in ongoing General Fund resources. This will also support one-percent growth in undergraduate enrollment.
- **Resident Undergraduate Enrollment Growth**—Consistent with the 2021-22 Budget and section 68 of Chapter 68 of the Statutes of 2021, an increase of \$30 million ongoing General Fund to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three campuses with an equivalent number of California resident undergraduate students at these campuses in 2023-24. This investment builds on the previous \$31 million ongoing General Fund provided in the 2022 Budget Act that supported a shift of 902 nonresident students for California residents.
- **Graduate Medical Education Backfill**—An increase of \$4 million ongoing General Fund to offset declining Proposition 56 revenue for a statewide grant program and maintain \$40 million in total ongoing for graduate medical residency slots.
- **Medical School Project at UC Riverside**—Consistent with the 2019 Budget, an increase of \$6.5 million ongoing General Fund to support the Medical School Project at UC Riverside. Consistent with the 2019 Budget, the Administration's fiscal plan also includes an additional \$14.5 million ongoing General Fund to support the Medical School Project at UC Merced beginning in 2024-25.

NOTABLE ONE-TIME INVESTMENTS FOR THE UC INCLUDE:

- **Delayed Capital Outlay Support**—The Budget proposal delays support for three projects in the 2022 Budget Act as follows: (1) delay \$200 million (\$100 million in 2022-23 and \$100 million in 2023-24) of the support for the construction of an Institute for Immunology and Immunotherapy at the University of California, Los Angeles (UCLA) to fiscal year 2024-25; (2) delay \$83 million to support the UC Berkeley Clean Energy Campus project currently planned for fiscal year 2023-24 to 2024-25, and (3) delay \$83 million to support campus expansion projects at UC Riverside and UC Merced currently planned for fiscal year 2023-24 to 2024-25.

UNIVERSITY OF CALIFORNIA, LOS ANGELES

- **Transfer Admissions Guarantee**—As a condition of receiving a specified amount of state General Fund through the UC campus allocation model, the Budget proposes requiring UCLA to participate in the UC Transfer Admissions Guarantee Program to further facilitate students' ability to transfer to UCLA.
- **Associate Degree for Transfer**—As a condition of receiving a specified amount of state General Fund through the UC campus allocation model, the Budget proposes requiring UCLA to offer Associate Degree for Transfer program pathways to students seeking to transfer from a California Community College to UCLA.

CALIFORNIA STATE UNIVERSITY

The CSU provides undergraduate and graduate instruction generally up to the master's degree. Its 23 campuses enroll more than 468,000 students. In 2021-22, the CSU awarded more than 132,000 degrees. The CSU also provides opportunities for residents to enroll in professional and continuing education programs. The CSU strives to further fulfill its mission through the Graduation Initiative 2025, which aims to increase four-year graduation rates, increase two-year transfer graduation rates, and eliminate equity gaps. The CSU is an important institution for providing four-year education in some of the most underserved regions of the state, including the Far North, the Central Valley, and the Inland Empire.

The Budget maintains the multi-year compact reflecting substantial and sustained funding increases for the CSU, in exchange for clear commitments to expand student access, equity, and affordability, and to create pathways to high-demand career opportunities. The CSU recently submitted its required annual report providing baseline data to inform future goal-setting efforts and progress reports toward meeting the goals of the compacts.

NOTABLE ONGOING INVESTMENTS FOR THE CSU INCLUDE:

- **Base Growth**—An increase of \$227.3 million ongoing General Fund to support a 5-percent base increase as part of the second year of the multi-year compact agreement for CSU's continuing commitment towards student access, equity, and affordability, and creating pathways to high-demand career pathways.

- **Shift in Capital Support Funding**—The Budget proposes shifting \$404.8 million appropriated for the upfront support of various capital projects on CSU campuses to being supported by CSU-issued bonds. The Budget includes \$27 million ongoing General Fund to support the underlying debt service on those bonds.

CALIFORNIA COMMUNITY COLLEGES

The CCCs are the largest system of higher education in the country, serving roughly one out of every four of the nation's community college students, or approximately 1.8 million students. The CCCs provide basic skills, vocational, and undergraduate transfer education with 73 districts, 116 campuses, and 78 educational centers. In 2021-22, the CCCs awarded over 110,000 certificates and 198,000 degrees and transferred over 107,000 students to four-year institutions.

The Budget reflects a continued focus on the CCC multi-year roadmap, which focuses on equity, student success, and enhancing the system's ability to prepare students for California's future.

MONITORING COMMUNITY COLLEGE ENROLLMENT

Enrollment at the CCCs has dropped by over 16 percent in headcount enrollment since the beginning of the COVID-19 Pandemic, mirroring a national trend of declining enrollment for higher education institutions, which has been particularly acute for the nation's community colleges. Local community colleges must continue outreach, recruitment, reengagement, and retention efforts. To address recent enrollment declines, the Budget includes an additional \$200 million one-time Proposition 98 General Fund to continue to support community college efforts and focused strategies to increase student retention rates and enrollment.

In addition to responding to enrollment declines in recent years, the Administration has provided significant financial support to the community colleges, including for student financial aid and basic needs, as well as for community college operations. This includes providing a funding floor for the Student-Centered Funding Formula's hold harmless provision beginning in fiscal year 2025-26. To this end, the Administration will be monitoring district-level enrollment trends as we move past the COVID-19 Pandemic. It is imperative that districts begin to regain some of the enrollment lost during the COVID-19 pandemic. As such, the Administration will work with stakeholders to consider

options to adjust district budgets should a district not display that they are regaining enrollment lost during the COVID-19 Pandemic entering the 2024-25 academic year.

PROVIDING FLEXIBILITY FOR DISTRICTS MEETING CCC ROADMAP GOALS

To support a continued focus toward the goals of the multi-year roadmap, the Administration intends to introduce a mechanism as part of the May Revision to provide community college districts that are making progress toward the CCC roadmap goals with additional categorical program spending flexibilities and the ability to consolidate reporting requirements across specified and to be determined categorical programs, provided the goals of the categorical programs and overall progress toward the roadmap goals continue to be met. Under the proposal, districts making progress would have the opportunity to submit a streamlined report for the specified programs, as well as spend funds more flexibly across the programs.

PROVIDING SERVICE-LEARNING OPPORTUNITIES THROUGH DUAL ENROLLMENT

In furtherance of the CCC roadmap and compacts with the UC and CSU, the Administration requests community colleges establish dual enrollment agreements with all applicable local educational agencies within their community college districts' service area, if they have not done so already. Further, the Administration requests that all community colleges develop and offer a one-unit service-learning course that all high school students would have the ability to access through dual enrollment opportunities. These service-learning opportunities would serve to encourage and enable high school students to volunteer in their local communities and to participate in civic engagement.

NOTABLE INVESTMENTS AND ADJUSTMENTS FOR THE CCCs INCLUDE:

- **CCC Apportionments**—An increase of \$652.6 million ongoing Proposition 98 General Fund to provide an 8.13-percent cost-of-living adjustment (COLA) for Student Centered Funding Formula apportionments and \$28.8 million ongoing Proposition 98 General Fund for 0.5-percent enrollment growth.
- **CCC Categorical Program COLA**—An increase of \$92.5 million ongoing Proposition 98 General Fund to provide an 8.13-percent COLA for select categorical programs and the Adult Education Program.

- **Student Enrollment and Retention**—An increase of \$200 million one-time Proposition 98 General Fund to continue to support community college efforts and focused strategies to increase student retention rates and enrollment, building on an investment of \$150 million one-time Proposition 98 General Fund and \$120 million one-time Proposition 98 General Fund for student enrollment and retention in the 2022 and 2021 Budget Acts, respectively.
- **Workforce Training Grants**—An increase of \$14 million one-time Proposition 98 General Fund to support the administration of workforce training grants in collaboration with the California Department of Forestry and Fire Protection.
- **Chief Business Officer Mentorship Program**—An increase of \$275,000 Proposition 98 General Fund, of which \$200,000 is ongoing, to develop a community college chief business officer professional learning program run through the Fiscal Crisis and Management Assistance Team to improve community college district leadership capacity and fiscal accountability.
- **Deferred Maintenance**—A decrease of approximately \$213 million one-time Proposition 98 General Fund for deferred maintenance needs.

STUDENT HOUSING

The 2021 Budget Act established the Higher Education Student Housing Grant Program to provide grants for the CCCs, CSU, and UC to construct student housing or to acquire and renovate commercial properties into student housing for low-income students. In addition to \$2 billion one-time General Fund set-aside by the 2021 Budget (\$500 million in 2021-22, \$750 million in 2022-23, and \$750 million in 2023-24), the 2022 Budget Act provided \$200 million one-time General Fund for this program, bringing the total allotment to \$2.2 billion for student housing grants over the three-year period. The Budget proposes delaying \$250 million of the anticipated 2023-24 support for affordable student housing projects to the 2024-25 fiscal year.

The 2022 Budget Act also included intent language to provide \$1.8 billion one-time General Fund over a two-year period in 2023-24 and 2024-25, to establish a student housing revolving loan program for the UC, the CSU, and the CCCs. The Budget proposes delaying \$900 million planned in 2023-24 to the 2025-26 fiscal year and delaying \$250 million from the 2024-25 fiscal year to the 2025-26 fiscal year. This delay would result in \$650 million in 2024-25 and \$1.15 billion in 2025-26 being available for the program.

CALIFORNIA STUDENT AID COMMISSION

Administered by the California Student Aid Commission, the state's primary financial aid program is the Cal Grant Program. This entitlement program provides financial aid awards to students who meet specified eligibility criteria, and who attend one of the state's qualifying public institutions or independent and private institutions. Students who are ineligible for the Cal Grant entitlement program can compete for financial aid awards available through the Cal Grant competitive program.

The Budget assumes total financial aid expenditures of \$3.3 billion, of which \$2.3 billion supports the Cal Grant Program, and \$859 million supports the Middle Class Scholarship program. In 2021-22, approximately 174,000 students received new Cal Grant awards, and approximately 221,000 students received renewal awards. Funding provided to students through the Middle Class Scholarship Program and through programs that support the construction of affordable student housing are intended to help facilitate students' access toward a debt free college pathway.

The state's Cal Grant entitlement program is estimated to provide over 377,000 financial aid awards to students who meet specified eligibility criteria in 2023-24. Students who demonstrate financial need, but do not meet all of the criteria for entitlement awards, may qualify for one of 13,000 proposed competitive Cal Grant awards. The majority of these awards provide a stipend to cover some living expenses, such as housing, food, and transportation.

CAL GRANT REFORM

The Administration remains attentive to the 2022 Budget Act's provisions regarding the fiscal conditions upon which the Cal Grant Reform Act may be implemented and will continue to work closely with the Legislature, the Commission, and others as that time draws closer. The Cal Grant Reform Act would make significant changes to the state's largest financial aid program, replacing the existing Cal Grant program with a new version of the program that provides a Cal Grant 2 for eligible CCC students with financial need, and provides a Cal Grant 4 for eligible four-year university students with financial need.

DETAILED BUDGET INVESTMENTS

- **Middle Class Scholarship**—Pursuant to the 2022 Budget, an increase of \$227 million one-time General Fund to support a modified version of the Middle Class Scholarship that will focus resources toward reducing a student's total cost of attendance.
- **Cybersecurity**—An increase of \$1.4 million one-time General Fund, \$469,000 of which is ongoing, to assess the California Student Aid Commission's current information technology system, address cybersecurity issues, and support 2 positions.
- **Financial Aid Programs**—A increase of \$241,000 ongoing for 1 position at the Commission to support human resources and to distribute toolkits to high schools to help students complete their financial aid applications.
- **Golden State Education and Training Grant Program Expenditure Shift**—The Budget proposal assumes, consistent with estimated program expenditures, that \$100 million General Fund provided for this program that was previously assumed to be spent in 2021-22 will be spent in 2024-25 and that \$200 million, \$100 million, and \$100 million would be expended in fiscal years 2024-25, 2025-26, and 2026-27, respectively.

SCHOLARSHARE INVESTMENT BOARD

The ScholarShare Investment Board administers the Golden State ScholarShare College Savings Trust Program (ScholarShare 529), the California Memorial Scholarship Program (CMS), and the California Kids Investment and Development Savings Program (CalKIDS).

CHILD SAVINGS ACCOUNTS

CalKIDS funds college savings accounts targeted to low-income and underrepresented public-school students, in addition to establishing college savings accounts for all newborns. The Budget utilizes available resources within the CalKIDS program, created by reduced cost estimates in the program, to increase incentive payments to parents choosing to open accounts for their newborn child from \$25 to \$100.

DETAILED BUDGET INVESTMENTS

- **CalKIDS Program Marketing**—An increase of \$1 million one-time General Fund to support marketing efforts to increase participation in the CalKIDS child savings accounts program, which seeks to help more California students afford higher education.

COLLEGE OF THE LAW, SAN FRANCISCO

College of the Law, San Francisco is affiliated with the UC system, but is governed by its own Board of Directors. Located in San Francisco, it primarily serves students seeking a Juris Doctor degree, but also offers programs leading to Master of Laws; Master of Studies in Law; and Master of Science, Health Policy and Law degrees. In 2021-22, UC College of the Law, San Francisco enrolled 1,101 full-time equivalent students. Of these, 1,065 were Juris Doctor students.

DETAILED BUDGET INVESTMENTS

- **Base Growth**—An increase of \$2.2 million ongoing General Fund to support operating costs. This represents a 3-percent increase base augmentation.
- **Safety Program, Urban Alchemy**—An increase of \$3 million, available over three years, to continue supporting a campus safety program that employs formerly incarcerated individuals and/or those who have experienced homelessness.

CALIFORNIA STATE LIBRARY

The California State Library serves as the central reference and research library for the Governor and the Legislature. The Library collects, preserves, generates, and disseminates information, and provides critical assistance to libraries across the state. The Library administers programs funded by state and federal funds to support local and public library programs.

DETAILED BUDGET INVESTMENTS

- **Support for Local Library Infrastructure**—The 2021 Budget Act provided \$439 million one-time General Fund to support local library infrastructure projects. The 2022 Budget Act provided an additional \$50 million and assumed an additional

\$100 million in 2023-24 to support local library infrastructure projects. The Budget proposes delaying the \$100 million to the 2024-25 (\$33 million), 2025-26 (\$33 million), and 2026-27 (\$34 million) fiscal years.

- **Support for Law Library**—An increase of \$462,000 ongoing General Fund to support and expand the Witkin State Law Library and its personnel.
- **California History Room**—An increase of \$597,000 General Fund, \$357,000 of which is ongoing, to expand the California History Room Special Collections and provide personnel support.
- **Internal Audit**—An increase of \$168,000 ongoing General Fund to support a State Library Audit Program.

***2023-24 Governor's State Budget
"E-Pages" for California
Community Colleges***

6870 Board of Governors of the California Community Colleges

The Board of Governors of the California Community Colleges was established in 1967 to provide statewide leadership to California's 73 community college districts, which operate 116 community colleges. The Board has 18 voting members as specified in statute. Twelve members are appointed by the Governor, require Senate approval for six-year terms, and must include two current or former local board members. Five members are appointed by the Governor to two-year terms and include two students, two faculty members, and one classified member. The Lieutenant Governor also serves as a member of the Board.

The objectives of the Board are to:

- Provide direction and coordination to California's community colleges.
- Apportion state funds to districts and ensure prudent use of public resources.
- Improve district and campus programs through informational and technical services on a statewide basis.

Because community college programs drive the need for infrastructure investment, each community college district has a related capital outlay program to support this need. For specifics on the community college capital outlay program, see "Infrastructure Overview."

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

6870 Board of Governors of the California Community Colleges - Continued

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2021-22	2022-23	2023-24	2021-22*	2022-23*	2023-24*
5670	Apportionments	-	-	-	\$10,080,719	\$10,397,198	\$10,372,146
5675	Special Services and Operations	163.2	214.2	214.2	2,655,101	2,988,093	2,979,970
5685	Mandates	-	-	-	33,666	36,107	39,134
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		163.2	214.2	214.2	\$12,769,486	\$13,421,398	\$13,391,250
FUNDING					2021-22*	2022-23*	2023-24*
0001	General Fund				\$16,200	\$612,526	\$60,455
0001	General Fund, Proposition 98				8,357,545	8,250,943	8,758,199
0342	State School Fund				6,117	5,382	5,382
0574	1998 Higher Education Capital Outlay Bond Fund				1,446	16	-
0658	1996 Higher Education Capital Outlay Bond Fund				186	-	-
0814	California State Lottery Education Fund				302,193	264,074	263,701
0925	California Community Colleges Business Resource Assistance and Innovation Network Trust Fund				-	25	25
0942	Special Deposit Fund				-4,184	155	155
0986	Local Property Tax Revenues				3,511,648	3,647,642	3,811,284
0992	Higher Education Fees and Income				401,143	401,143	402,521
0995	Reimbursements				76,218	86,666	86,679
3085	Mental Health Services Fund				110	115	115
6028	2002 Higher Education Capital Outlay Bond Fund				151	19	-
6041	2004 Higher Education Capital Outlay Bond Fund				1	-	-
6049	2006 California Community College Capital Outlay Bond Fund				682	93	-
6087	2016 California Community College Capital Outlay Bond Fund				30	2,599	2,734
8506	Coronavirus Fiscal Recovery Fund of 2021				100,000	150,000	-
TOTALS, EXPENDITURES, ALL FUNDS					\$12,769,486	\$13,421,398	\$13,391,250

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Education Code, Division 7.

DETAILED BUDGET ADJUSTMENTS

	2022-23*			2023-24*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Workload Budget Adjustments						
Workload Budget Change Proposals						
• Apportionments Cost-of-Living Adjustment	\$-	\$-	-	\$652,616	\$-	-
• Hold Harmless Funding for Student-Centered Funding Formula	-	-	-	239,401	-	-
• Provide Funding for CCC Retention and Enrollment Strategies	-	-	-	200,000	-	-
• Enrollment Growth Adjustment	-	-	-	28,792	-	-
• Adjustment to Deferred Maintenance Funding	-243,283	-	-	26,820	-	-
• Workforce Training Grants	-	-	-	14,000	-	-
• Reappropriation for Prior Year Apportionments	-	-	-	5,706	-	-

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

6870 Board of Governors of the California Community Colleges - Continued

	2022-23*			2023-24*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
• FCMAT Professional Learning Opportunities	-	-	-	275	-	-
Totals, Workload Budget Change Proposals	-\$243,283	\$-	-	\$1,167,610	\$-	-
Other Workload Budget Adjustments						
• 2023-24 EPA Adjustment	-	-	-	186,657	-	-
• Adult Education Program Cost-of-Living Adjustment	-	-	-	48,547	-	-
• Extended Opportunity Programs and Services Cost-of-Living Adjustment	-	-	-	16,269	-	-
• Disabled Student Programs and Services Cost-of-Living Adjustment	-	-	-	12,983	-	-
• Apprenticeship Cost-of-Living Adjustment	-	-	-	7,293	-	-
• Student Services for CalWORKs Students Program Cost-of-Living Adjustment	-	-	-	4,136	-	-
• Mandate Block Grant Cost-of-Living Adjustment	-	-	-	2,941	-	-
• Campus Childcare Tax Bailout Program Cost-of-Living Adjustment	-	-	-	321	-	-
• Adjust Mandate Block Grant Funding to Reflect Updated Enrollment	-	-	-	86	-	-
• Informational Net Offsetting Local Revenue Adjustment	-	-5,091	-	-	158,551	-
• Informational Offsetting Student Fee Revenue Adjustment	-	1,601	-	-	2,979	-
• Informational Oil and Mineral Revenue Adjustment	-	2,490	-	-	2,490	-
• 2022-23 EPA Adjustment	73,595	-	-	-	-	-
• 2022-23 Net Offsetting EPA Adjustment	-73,620	-	-	-	-	-
• Construction Grants for Higher Education Student Housing Grant Program	546,672	-	-	-	-	-
• Informational State School Fund Pass-Through Adjustment	-	-	-	-	-	-
• Planning Grants for Higher Education Student Housing Grant Program	17,974	-	-	-	-	-
• Transfer of Adult Education Funds (EO E 22-23-10)	-461,878	-	-	-	-	-
• Lottery Revenue Adjustment	-	-8,573	-	-	-8,946	-
• Other Post-Employment Benefit Adjustments	-1	-	-	-2	-	-
• Financial Aid Administration Per Unit Adjustment	-	-	-	-2,099	-	-
• Financial Aid Administration 2% of Waived Fees Adjustment	-	-	-	-2,122	-	-
• Offsetting Oil and Mineral Revenue Adjustment	-	-	-	-2,490	-	-
• Adjust Apportionments to Reflect Revised Estimates of Offsetting Student Fees	-3,374	-	-	-4,752	-	-
• Adjust Apportionments to Reflect Revised Local Revenue Estimate	5,091	-	-	-158,551	-	-
• 2023-24 Net Offsetting EPA Adjustment	-	-	-	-186,649	-	-
• Other Base Apportionment Adjustments	-	-	-	-553,778	-	-
• Miscellaneous Baseline Adjustments	1,598	150,000	-	1,598	-	-
• Salary Adjustments	498	148	-	498	148	-
• Retirement Rate Adjustments	405	120	-	405	120	-
• Benefit Adjustments	170	50	-	239	70	-
• Lease Revenue Debt Service Adjustment	3	-	-	-16	-	-

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

6870 Board of Governors of the California Community Colleges - Continued

	2022-23*			2023-24*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Totals, Other Workload Budget Adjustments	\$107,133	\$140,745	-	\$-628,486	\$155,412	-
Totals, Workload Budget Adjustments	\$-136,150	\$140,745	-	\$539,124	\$155,412	-
Totals, Budget Adjustments	\$-136,150	\$140,745	-	\$539,124	\$155,412	-

PROGRAM DESCRIPTIONS

5670 - APPORTIONMENTS

This program supports the general education programs of the community colleges, including for general purpose apportionments.

5675 - SPECIAL SERVICES, OPERATIONS AND INFORMATION

This program includes the development, implementation, and coordination of policies and procedures regarding education programs and funding other than apportionments. Such programs include student financial aid, academic counseling, foster care education, and support for disabled students and CalWORKs participants.

5685 - MANDATES

This program provides funds to community college districts to support the costs of performing state mandates.

DETAILED EXPENDITURES BY PROGRAM

		2021-22*	2022-23*	2023-24*
PROGRAM REQUIREMENTS				
5670	APPORTIONMENTS			
	Local Assistance:			
0001	General Fund	\$5,751,618	\$5,920,957	\$5,881,258
0342	State School Fund	6,117	5,382	5,382
0814	California State Lottery Education Fund	302,193	264,074	263,701
0986	Local Property Tax Revenues	3,511,648	3,647,642	3,811,284
0992	Higher Education Fees and Income	401,143	401,143	402,521
0995	Reimbursements	8,000	8,000	8,000
8506	Coronavirus Fiscal Recovery Fund of 2021	100,000	150,000	-
	Totals, Local Assistance	\$10,080,719	\$10,397,198	\$10,372,146
SUBPROGRAM REQUIREMENTS				
5670015	Apportionments			
	Local Assistance:			
0001	General Fund	\$5,630,978	\$5,733,237	\$5,731,245
0342	State School Fund	6,117	5,382	5,382
0814	California State Lottery Education Fund	302,193	264,074	263,701
0986	Local Property Tax Revenues	3,511,648	3,647,642	3,811,284
0992	Higher Education Fees and Income	401,143	401,143	402,521
8506	Coronavirus Fiscal Recovery Fund of 2021	100,000	150,000	-
	Totals, Local Assistance	\$9,952,079	\$10,201,478	\$10,214,133
SUBPROGRAM REQUIREMENTS				
5670019	Apprenticeship			
	Local Assistance:			
0001	General Fund	\$60,117	\$114,948	\$73,195
	Totals, Local Assistance	\$60,117	\$114,948	\$73,195
SUBPROGRAM REQUIREMENTS				

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

6870 Board of Governors of the California Community Colleges - Continued

	<u>2021-22*</u>	<u>2022-23*</u>	<u>2023-24*</u>
5670023 Apprenticeship Training and Instruction			
Local Assistance:			
0001 General Fund	\$37,523	\$49,772	\$53,818
Totals, Local Assistance	\$37,523	\$49,772	\$53,818
SUBPROGRAM REQUIREMENTS			
5670035 Expand the Delivery of Courses through Technology			
Local Assistance:			
0001 General Fund	\$23,000	\$23,000	\$23,000
Totals, Local Assistance	\$23,000	\$23,000	\$23,000
SUBPROGRAM REQUIREMENTS			
5670036 Calworks Services			
Local Assistance:			
0995 Reimbursements	8,000	8,000	8,000
Totals, Local Assistance	\$8,000	\$8,000	\$8,000
PROGRAM REQUIREMENTS			
5675 SPECIAL SERVICES AND OPERATIONS			
State Operations:			
0001 General Fund	\$17,725	\$25,642	\$25,710
0574 1998 Higher Education Capital Outlay Bond Fund	1,446	16	-
0658 1996 Higher Education Capital Outlay Bond Fund	186	-	-
0925 California Community Colleges Business Resource Assistance and Innovation Network Trust Fund	-	10	10
0942 Special Deposit Fund	-4,184	155	155
0995 Reimbursements	7,863	9,232	9,245
3085 Mental Health Services Fund	110	115	115
6028 2002 Higher Education Capital Outlay Bond Fund	151	19	-
6041 2004 Higher Education Capital Outlay Bond Fund	1	-	-
6049 2006 California Community College Capital Outlay Bond Fund	682	93	-
6087 2016 California Community College Capital Outlay Bond Fund	30	2,599	2,734
Totals, State Operations	\$24,010	\$37,881	\$37,969
Local Assistance:			
0001 General Fund	\$2,570,736	\$2,880,763	\$2,872,552
0925 California Community Colleges Business Resource Assistance and Innovation Network Trust Fund	-	15	15
0995 Reimbursements	60,355	69,434	69,434
Totals, Local Assistance	\$2,631,091	\$2,950,212	\$2,942,001
SUBPROGRAM REQUIREMENTS			
5675019 Student Financial Aid Administration			
Local Assistance:			
0001 General Fund	\$74,332	\$81,611	\$77,390
Totals, Local Assistance	\$74,332	\$81,611	\$77,390
SUBPROGRAM REQUIREMENTS			
5675022 Student Success Completion Grant			
Local Assistance:			
0001 General Fund	\$162,602	\$412,602	\$412,602
Totals, Local Assistance	\$162,602	\$412,602	\$412,602
SUBPROGRAM REQUIREMENTS			
5675023 Extended Opportunity Programs and Services			
Local Assistance:			
0001 General Fund	\$154,947	\$200,112	\$216,381
Totals, Local Assistance	\$154,947	\$200,112	\$216,381
SUBPROGRAM REQUIREMENTS			

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6870 Board of Governors of the California Community Colleges - Continued

	<u>2021-22*</u>	<u>2022-23*</u>	<u>2023-24*</u>
5675027 Disabled Students			
Local Assistance:			
0001 General Fund	\$126,401	\$159,693	\$172,676
Totals, Local Assistance	<u>\$126,401</u>	<u>\$159,693</u>	<u>\$172,676</u>
SUBPROGRAM REQUIREMENTS			
5675030 CCCC State Operations Budget			
State Operations:			
0001 General Fund	\$17,725	\$25,642	\$25,710
0574 1998 Higher Education Capital Outlay Bond Fund	1,446	16	-
0658 1996 Higher Education Capital Outlay Bond Fund	186	-	-
0925 California Community Colleges Business Resource Assistance and Innovation Network Trust Fund	-	10	10
0995 Reimbursements	7,863	9,232	9,245
3085 Mental Health Services Fund	110	115	115
6028 2002 Higher Education Capital Outlay Bond Fund	151	19	-
6041 2004 Higher Education Capital Outlay Bond Fund	1	-	-
6049 2006 California Community College Capital Outlay Bond Fund	682	93	-
6087 2016 California Community College Capital Outlay Bond Fund	30	2,599	2,734
Totals, State Operations	<u>\$28,194</u>	<u>\$37,726</u>	<u>\$37,814</u>
SUBPROGRAM REQUIREMENTS			
5675031 Student Services for CalWORKs Recipients			
Local Assistance:			
0001 General Fund	\$47,739	\$50,871	\$55,007
Totals, Local Assistance	<u>\$47,739</u>	<u>\$50,871</u>	<u>\$55,007</u>
SUBPROGRAM REQUIREMENTS			
5675035 Foster Care Education Program			
Local Assistance:			
0001 General Fund	\$5,654	\$6,154	\$6,154
0995 Reimbursements	3,699	6,112	6,112
Totals, Local Assistance	<u>\$9,353</u>	<u>\$12,266</u>	<u>\$12,266</u>
SUBPROGRAM REQUIREMENTS			
5675040 Student Equity and Achievement Program			
Local Assistance:			
0001 General Fund	\$498,981	\$523,981	\$523,981
Totals, Local Assistance	<u>\$498,981</u>	<u>\$523,981</u>	<u>\$523,981</u>
SUBPROGRAM REQUIREMENTS			
5675042 Community College Summer Assistance Program			
Local Assistance:			
0001 General Fund	\$-	\$10,000	\$10,000
Totals, Local Assistance	<u>\$-</u>	<u>\$10,000</u>	<u>\$10,000</u>
SUBPROGRAM REQUIREMENTS			
5675045 Legal Services			
Local Assistance:			
0001 General Fund	\$10,000	\$10,000	\$10,000
Totals, Local Assistance	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$10,000</u>
SUBPROGRAM REQUIREMENTS			
5675061 Academic Senate for the Community Colleges			
Local Assistance:			
0001 General Fund	\$1,685	\$1,796	\$1,796
Totals, Local Assistance	<u>\$1,685</u>	<u>\$1,796</u>	<u>\$1,796</u>
SUBPROGRAM REQUIREMENTS			
5675069 Equal Employment Opportunity			

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6870 Board of Governors of the California Community Colleges - Continued

		<u>2021-22*</u>	<u>2022-23*</u>	<u>2023-24*</u>
	Local Assistance:			
0001	General Fund	\$2,767	\$12,767	\$12,767
	Totals, Local Assistance	<u>\$2,767</u>	<u>\$12,767</u>	<u>\$12,767</u>
	SUBPROGRAM REQUIREMENTS			
5675073	Part-Time Faculty Health Insurance			
	Local Assistance:			
0001	General Fund	\$490	\$200,490	\$200,490
	Totals, Local Assistance	<u>\$490</u>	<u>\$200,490</u>	<u>\$200,490</u>
	SUBPROGRAM REQUIREMENTS			
5675077	Part-Time Faculty Compensation			
	Local Assistance:			
0001	General Fund	\$24,907	\$26,542	\$26,542
	Totals, Local Assistance	<u>\$24,907</u>	<u>\$26,542</u>	<u>\$26,542</u>
	SUBPROGRAM REQUIREMENTS			
5675081	Part-Time Faculty Office Hours			
	Local Assistance:			
0001	General Fund	\$22,172	\$23,626	\$23,626
	Totals, Local Assistance	<u>\$22,172</u>	<u>\$23,626</u>	<u>\$23,626</u>
	SUBPROGRAM REQUIREMENTS			
5675098	Integrated Technology			
	Local Assistance:			
0001	General Fund	\$140,503	\$114,503	\$89,503
	Totals, Local Assistance	<u>\$140,503</u>	<u>\$114,503</u>	<u>\$89,503</u>
	SUBPROGRAM REQUIREMENTS			
5675100	California Statewide Community College			
	Local Assistance:			
0001	General Fund	\$15,000	\$15,000	\$15,000
	Totals, Local Assistance	<u>\$15,000</u>	<u>\$15,000</u>	<u>\$15,000</u>
	SUBPROGRAM REQUIREMENTS			
5675107	Vocational Education			
	State Operations:			
0942	Special Deposit Fund	-\$4,184	\$155	\$155
	Totals, State Operations	<u>-\$4,184</u>	<u>\$155</u>	<u>\$155</u>
	Local Assistance:			
0001	General Fund	\$-	\$-	\$14,000
0995	Reimbursements	56,656	63,322	63,322
	Totals, Local Assistance	<u>\$56,656</u>	<u>\$63,322</u>	<u>\$77,322</u>
	SUBPROGRAM REQUIREMENTS			
5675109	Institutional Effectiveness			
	Local Assistance:			
0001	General Fund	\$27,500	\$177,500	\$227,500
	Totals, Local Assistance	<u>\$27,500</u>	<u>\$177,500</u>	<u>\$227,500</u>
	SUBPROGRAM REQUIREMENTS			
5675115	Fund for Student Success			
	Local Assistance:			
0001	General Fund	\$172,460	\$245,939	\$245,760
	Totals, Local Assistance	<u>\$172,460</u>	<u>\$245,939</u>	<u>\$245,760</u>
	SUBPROGRAM REQUIREMENTS			
5675117	AANHPI Student Achievement Program			
	Local Assistance:			
0001	General Fund	\$-	\$8,000	\$8,000
	Totals, Local Assistance	<u>\$-</u>	<u>\$8,000</u>	<u>\$8,000</u>

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6870 Board of Governors of the California Community Colleges - Continued

		<u>2021-22*</u>	<u>2022-23*</u>	<u>2023-24*</u>
	SUBPROGRAM REQUIREMENTS			
5675119	Economic Development			
	Local Assistance:			
0001	General Fund	\$313,329	\$313,329	\$313,329
0925	California Community Colleges Business Resource Assistance and Innovation Network Trust Fund	-	15	15
	Totals, Local Assistance	<u>\$313,329</u>	<u>\$313,344</u>	<u>\$313,344</u>
	SUBPROGRAM REQUIREMENTS			
5675120	K-12 Strong Workforce Program			
	Local Assistance:			
0001	General Fund	\$163,500	\$163,500	\$163,500
	Totals, Local Assistance	<u>\$163,500</u>	<u>\$163,500</u>	<u>\$163,500</u>
	SUBPROGRAM REQUIREMENTS			
5675123	Transfer Education and Articulation			
	Local Assistance:			
0001	General Fund	\$187,679	\$2,079	\$2,079
	Totals, Local Assistance	<u>\$187,679</u>	<u>\$2,079</u>	<u>\$2,079</u>
	SUBPROGRAM REQUIREMENTS			
5675133	Physical Plant and Instructional Support			
	Local Assistance:			
0001	General Fund	\$401,003	\$103,340	\$26,820
	Totals, Local Assistance	<u>\$401,003</u>	<u>\$103,340</u>	<u>\$26,820</u>
	SUBPROGRAM REQUIREMENTS			
5675150	Campus Childcare Tax Bailout			
	Local Assistance:			
0001	General Fund	\$3,707	\$3,950	\$4,271
	Totals, Local Assistance	<u>\$3,707</u>	<u>\$3,950</u>	<u>\$4,271</u>
	SUBPROGRAM REQUIREMENTS			
5675156	Nursing Program Support			
	Local Assistance:			
0001	General Fund	\$13,378	\$13,378	\$13,378
	Totals, Local Assistance	<u>\$13,378</u>	<u>\$13,378</u>	<u>\$13,378</u>
	PROGRAM REQUIREMENTS			
5685	MANDATES			
	Local Assistance:			
0001	General Fund	\$33,666	\$36,107	\$39,134
	Totals, Local Assistance	<u>\$33,666</u>	<u>\$36,107</u>	<u>\$39,134</u>
	SUBPROGRAM REQUIREMENTS			
5685010	Mandates			
	Local Assistance:			
0001	General Fund	\$33,666	\$36,107	\$39,134
	Totals, Local Assistance	<u>\$33,666</u>	<u>\$36,107</u>	<u>\$39,134</u>
	TOTALS, EXPENDITURES			
	State Operations	24,010	37,881	37,969
	Local Assistance	12,745,476	13,383,517	13,353,281
	Totals, Expenditures	<u>\$12,769,486</u>	<u>\$13,421,398</u>	<u>\$13,391,250</u>

EXPENDITURES BY CATEGORY

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

6870 Board of Governors of the California Community Colleges - Continued

1 State Operations	Positions			Expenditures		
	2021-22	2022-23	2023-24	2021-22*	2022-23*	2023-24*
PERSONAL SERVICES						
Baseline Positions	188.2	214.2	214.2	\$18,030	\$20,725	\$20,725
Other Adjustments	-25.0	-	-	-1,697	646	646
Net Totals, Salaries and Wages	163.2	214.2	214.2	\$16,333	\$21,371	\$21,371
Staff Benefits	-	-	-	7,860	9,811	9,899
Totals, Personal Services	163.2	214.2	214.2	\$24,193	\$31,182	\$31,270
OPERATING EXPENSES AND EQUIPMENT				\$4,001	\$6,544	\$6,544
SPECIAL ITEMS OF EXPENSES				-4,184	155	155
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$24,010	\$37,881	\$37,969

2 Local Assistance	Expenditures		
	2021-22*	2022-23*	2023-24*
Grants and Subventions - Governmental	\$12,732,643	\$13,370,700	\$13,340,483
Rents and Leases	12,833	12,817	12,798
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$12,745,476	\$13,383,517	\$13,353,281

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2021-22*	2022-23*	2023-24*
0001 General Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$17,725	\$24,570	\$25,710
Allocation for Employee Compensation	-	498	-
Allocation for Other Post-Employment Benefits	-	-1	-
Allocation for Staff Benefits	-	170	-
Section 3.60 Pension Contribution Adjustment	-	405	-
Totals Available	\$17,725	\$25,642	\$25,710
TOTALS, EXPENDITURES	\$17,725	\$25,642	\$25,710
0574 1998 Higher Education Capital Outlay Bond Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$1,446	\$16	-
TOTALS, EXPENDITURES	\$1,446	\$16	-
0658 1996 Higher Education Capital Outlay Bond Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$186	-	-
Totals Available	\$186	-	-
TOTALS, EXPENDITURES	\$186	-	-
0925 California Community Colleges Business Resource Assistance and Innovation Network Trust Fund			
APPROPRIATIONS			
001 Budget Act appropriation	-	\$10	\$10
Totals Available	-	\$10	\$10
TOTALS, EXPENDITURES	-	\$10	\$10
0942 Special Deposit Fund			
APPROPRIATIONS			
Government Code section 16370	-\$4,184	\$155	\$155
Totals Available	-\$4,184	\$155	\$155
TOTALS, EXPENDITURES	-\$4,184	\$155	\$155

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6870 Board of Governors of the California Community Colleges - Continued

1 STATE OPERATIONS	2021-22*	2022-23*	2023-24*
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	\$7,863	\$9,232	\$9,245
TOTALS, EXPENDITURES	\$7,863	\$9,232	\$9,245
3085 Mental Health Services Fund			
APPROPRIATIONS			
003 Budget Act appropriation	\$110	\$110	\$115
Allocation for Employee Compensation	-	2	-
Allocation for Staff Benefits	-	1	-
Section 3.60 Pension Contribution Adjustment	-	2	-
TOTALS, EXPENDITURES	\$110	\$115	\$115
6028 2002 Higher Education Capital Outlay Bond Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$151	\$19	-
Totals Available	\$151	\$19	-
TOTALS, EXPENDITURES	\$151	\$19	-
6041 2004 Higher Education Capital Outlay Bond Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$1	-	-
Totals Available	\$1	-	-
TOTALS, EXPENDITURES	\$1	-	-
6049 2006 California Community College Capital Outlay Bond Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$682	\$93	-
TOTALS, EXPENDITURES	\$682	\$93	-
6087 2016 California Community College Capital Outlay Bond Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$30	\$2,490	\$2,734
Allocation for Employee Compensation	-	51	-
Allocation for Staff Benefits	-	17	-
Section 3.60 Pension Contribution Adjustment	-	41	-
Totals Available	\$30	\$2,599	\$2,734
TOTALS, EXPENDITURES	\$30	\$2,599	\$2,734
Total Expenditures, All Funds, (State Operations)	\$24,010	\$37,881	\$37,969

2 LOCAL ASSISTANCE

	2021-22*	2022-23*	2023-24*
0001 General Fund, Proposition 98			
APPROPRIATIONS			
101 Budget Act appropriation (Apportionments and Community College Programs)	\$4,039,794	\$5,648,825	\$5,631,614
2022-23 Net Offsetting EPA Adjustment	-	-73,620	-
Adjust Apportionments to Reflect Revised Estimates of Offsetting Student Fees	-	-3,374	-
Adjust Apportionments to Reflect Revised Local Revenue Estimate	-	5,091	-
Technical Adjustment for Apprenticeship Program	-	1,598	-
103 Budget Act appropriation (Lease Revenue Debt Service)	12,833	12,814	12,798
Lease Revenue Debt Service Adjustments	-	3	-
105 Budget Act appropriation (Online College)	15,000	15,000	15,000
107 Budget Act appropriation (Fiscal Crisis and Management Assistance Team)	570	570	845
108 Budget Act appropriation (Student Success Completion Grant)	162,602	412,602	412,602
121 Budget Act appropriation	-	150,000	200,000
201 Budget Act appropriation (Adult Education Program)	134,223	733,137	651,684
Transfer of Adult Education Funds (EO E 22-23-10)	-	-461,878	-
203 Budget Act appropriation (K-12 Strong Workforce Program)	163,500	163,500	163,500

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6870 Board of Governors of the California Community Colleges - Continued

2 LOCAL ASSISTANCE	2021-22*	2022-23*	2023-24*
295 Budget Act appropriation (State Mandates)	13	13	13
296 Budget Act appropriation (State Mandates)	33,653	36,094	39,121
Article XIII, Section 36 of the California State Constitution (Proposition 30-transfer to Education Protection Account)	1,954,074	1,433,633	1,620,290
2022-23 EPA Adjustment	-	73,595	-
Pending Legislation	-	-	10,732
Chapter 54, Statutes of 2022	75,000	-	-
Chapter 54, Statutes of 2022	105,000	-	-
Chapter 54, Statutes of 2022	20,000	-	-
Chapter 54, Statutes of 2022	65,000	-	-
Pending Legislation	650,000	-	-
Chapter 54, Statutes of 2022	401,003	-	-
Chapter 54, Statutes of 2022	10,500	-	-
Chapter 54, Statutes of 2022	1,500	-	-
Chapter 54, Statutes of 2022	15,000	-	-
Chapter 54, Statutes of 2022	1,000	-	-
Chapter 54, Statutes of 2022	500	-	-
Chapter 54, Statutes of 2022	15,000	-	-
Chapter 54, Statutes of 2022	-	346,623	-
Adjustment to Deferred Maintenance Funding	-	-243,283	-
Chapter 54, Statutes of 2022	64,000	-	-
Chapter 54, Statutes of 2022	50,000	-	-
Chapter 54, Statutes of 2022	35,000	-	-
Chapter 54, Statutes of 2022	30,000	-	-
Chapter 54, Statutes of 2022	30,000	-	-
Chapter 54, Statutes of 2022	16,000	-	-
Chapter 54, Statutes of 2022	5,000	-	-
Chapter 54, Statutes of 2022	3,500	-	-
Chapter 54, Statutes of 2022	7,500	-	-
Chapter 54, Statutes of 2022	11,000	-	-
Prior Year Balances Available:			
Education Code 84321.62(h) (Repayment of 2020-21 Apportionments Deferral)	229,780	-	-
TOTALS, EXPENDITURES	\$8,357,545	\$8,250,943	\$8,758,199
0001 General Fund			
APPROPRIATIONS			
Planning Grants for Higher Education Student Housing Grant Program	-	\$17,974	-
Construction Grants for Higher Education Student Housing Grant Program	-	542,118	-
Construction Grants for Higher Education Student Housing Grant Program	-	4,554	-
Prior Year Balances Available:			
Reappropriation from Proposition 98 per Item 6870-488, Budget Act of 2018	-	23,287	35,794
TOTALS, EXPENDITURES	-	\$587,933	\$35,794
Loan repayment per Education Code section 41329.52	-1,525	-1,049	-1,049
NET TOTALS, EXPENDITURES	-\$1,525	\$586,884	\$34,745
0342 State School Fund			
APPROPRIATIONS			
Article XVI, Section 8.5 of the California State Constitution	\$6,145,802	\$6,468,074	\$7,239,759
Informational State School Fund Pass-Through Adjustment	-	370,689	-
Education Code section 12320 (Federal Oil and Mineral Revenue)	6,117	2,892	5,382
Informational Oil and Mineral Revenue Adjustment	-	2,490	-
TOTALS, EXPENDITURES	\$6,151,919	\$6,844,145	\$7,245,141
Less funding provided by General Fund	-6,145,802	-6,838,763	-7,239,759
NET TOTALS, EXPENDITURES	\$6,117	\$5,382	\$5,382

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6870 Board of Governors of the California Community Colleges - Continued

2 LOCAL ASSISTANCE	2021-22*	2022-23*	2023-24*
0814 California State Lottery Education Fund			
APPROPRIATIONS			
Government Code section 8880.5	\$302,193	\$272,647	\$263,701
Lottery Revenue Adjustment	-	-8,573	-
TOTALS, EXPENDITURES	\$302,193	\$264,074	\$263,701
0925 California Community Colleges Business Resource Assistance and Innovation Network Trust Fund			
APPROPRIATIONS			
101 Budget Act appropriation	-	\$15	\$15
Totals Available	-	\$15	\$15
TOTALS, EXPENDITURES	-	\$15	\$15
0986 Local Property Tax Revenues			
APPROPRIATIONS			
Local property tax revenue (amount counted toward apportionments)	\$3,511,648	\$3,652,733	\$3,811,284
Informational Net Offsetting Local Revenue Adjustment	-	-5,091	-
TOTALS, EXPENDITURES	\$3,511,648	\$3,647,642	\$3,811,284
0992 Higher Education Fees and Income			
APPROPRIATIONS			
Student fee revenue (amount counted toward apportionments)	\$401,143	\$399,542	\$402,521
Informational Offsetting Student Fee Revenue Adjustment	-	1,601	-
TOTALS, EXPENDITURES	\$401,143	\$401,143	\$402,521
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	\$68,355	\$77,434	\$77,434
TOTALS, EXPENDITURES	\$68,355	\$77,434	\$77,434
3207 Education Protection Account			
APPROPRIATIONS			
Article XIII, Section 36 of the California State Constitution (Proposition 30)	\$1,954,074	\$1,433,633	\$1,620,290
2022-23 EPA Adjustment	-	73,595	-
TOTALS, EXPENDITURES	\$1,954,074	\$1,507,228	\$1,620,290
Less funding provided by General Fund	-1,954,074	-1,507,228	-1,620,290
NET TOTALS, EXPENDITURES	-	-	-
3402 Learning Recovery Emergency Fund, Proposition 98			
APPROPRIATIONS			
Pending Legislation	\$650,000	-	-
TOTALS, EXPENDITURES	\$650,000	-	-
Less funding provided by General Fund	-650,000	-	-
NET TOTALS, EXPENDITURES	-	-	-
8506 Coronavirus Fiscal Recovery Fund of 2021			
APPROPRIATIONS			
162 Budget Act appropriation	\$100,000	-	-
Prior Year Balances Available:			
Item 6870-162-8506, Budget Act of 2021	-	150,000	-
Totals Available	\$100,000	\$150,000	-
TOTALS, EXPENDITURES	\$100,000	\$150,000	-
Total Expenditures, All Funds, (Local Assistance)	\$12,745,476	\$13,383,517	\$13,353,281
TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)	\$12,769,486	\$13,421,398	\$13,391,250

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6870 Board of Governors of the California Community Colleges - Continued

FUND CONDITION STATEMENTS

	2021-22*	2022-23*	2023-24*
<u>3273 Employment Opportunity Fund^s</u>			
BEGINNING BALANCE	\$1,165	\$271	\$271
Prior Year Adjustments	-894	-	-
Adjusted Beginning Balance	\$271	\$271	\$271
Total Resources	\$271	\$271	\$271
FUND BALANCE	\$271	\$271	\$271
Reserve for economic uncertainties	271	271	271

CHANGES IN AUTHORIZED POSITIONS

	Positions			Expenditures		
	2021-22	2022-23	2023-24	2021-22*	2022-23*	2023-24*
Baseline Positions	188.2	214.2	214.2	\$18,030	\$20,725	\$20,725
Salary and Other Adjustments	-25.0	-	-	-1,697	646	646
Totals, Adjustments	-25.0	-	-	\$-1,697	\$646	\$646
TOTALS, SALARIES AND WAGES	163.2	214.2	214.2	\$16,333	\$21,371	\$21,371

INFRASTRUCTURE OVERVIEW

The California Community Colleges (CCC) comprise the largest postsecondary system of education in the nation. The CCC system serves approximately 1.8 million students annually at 73 locally-governed community college districts encompassing 116 campuses, 78 approved off-campus centers, and 24 district offices. The districts' assets include more than 25,000 acres of land, 6,000 buildings, and 87 million gross square feet of space. The system also holds instruction at numerous off-campus outreach centers.

SUMMARY OF PROJECTS

		State Building Program Expenditures	2021-22*	2022-23*	2023-24*
5680	CAPITAL OUTLAY Projects				
0001600	San Francisco Community College District, Ocean Campus: Utility Infrastructure Replacement		-	58,082	-
	Construction		-	58,082	-
0001601	San Francisco Community College District, Alemany Center: Seismic and Code Upgrades		-	10,933	-
	Construction		-	10,933	-
0001602	Pasadena Community College District, Pasadena City College: Armen Sarafian Building Seismic Replacement		39,857	-	-
	Construction		39,857	-	-
0002473	Yuba Community College District, Woodland College: Performing Arts Facility		16,472	-	-
	Construction		16,472	-	-
0002477	San Mateo County Community College District, Skyline College: Workforce and Economic Development Prosperity Center		-	23,033	-
	Construction		-	23,033	-
0002479	Los Rios Community College District, Natomas Education Center: Natomas Center Phase 2 and 3		-	27,632	-
	Construction		-	27,632	-
0002483	Mt. San Jacinto Community College District, Menifee Valley Center: Math and Sciences Building		25,460	-	-
	Construction		25,460	-	-

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

6870 Board of Governors of the California Community Colleges - Continued

		State Building Program Expenditures		
		2021-22*	2022-23*	2023-24*
5680	CAPITAL OUTLAY Projects			
0002484	West Hills Community College District, North District Center: Center Expansion Construction	-	1,525	-
		-	1,525	-
0002488	Sequoias Community College District, College of the Sequoias: Basic Skills Center Construction	13,312	564	-
		13,312	564	-
0002489	Monterey Peninsula Community College District, Fort Ord Center: Public Safety Center Phase 2 Working Drawings	-	289	-
		-	289	-
0002490	Mt. San Antonio Community College District, Mt. San Antonio College: New Physical Education Complex Construction	-	4,793	-
		-	4,793	-
0002491	Imperial Valley Community College District, Imperial Valley College: Academic Buildings Modernization Construction	7,883	468	-
		7,883	468	-
0002492	Peralta Community College District, Merritt College: Child Development Center Construction	-	5,692	-
		-	5,692	-
0002496	Rancho Santiago Community College District, Santa Ana College: Russell Hall Replacement Construction	-	2,719	-
		-	2,719	-
0002497	Peralta Community College District, Laney College: Learning Resource Center Construction	-	22,812	-
		-	22,812	-
0003339	Redwoods Community College District, College of the Redwoods: Arts Building Replacement Construction	25,946	-	-
		25,946	-	-
0005036	Redwoods Community College District, College of the Redwoods: Physical Education Replacement Construction	-	63,839	-
		-	63,839	-
0005037	Santa Monica Community College District, Santa Monica College: Arts Complex Consolidation Construction	-	9,821	-
		-	9,821	-
0005038	Los Rios Community College District, American River College: Technical Building Modernization Construction	-	28,647	-
		-	28,647	-
0005039	Los Angeles Community College District, Los Angeles City College: Theater Arts Replacement Construction	-	14,124	-
		-	14,124	-
0005040	Los Rios Community College District, Folsom Lake College: Instructional Buildings Phase 2.1 Construction	-	29,494	-
		-	29,494	-
0005041	West Valley-Mission Community College District, West Valley College: Learning Resource Center Renovation Construction	-	17,815	-
		-	17,815	-
0005043	Santa Barbara Community College District, Santa Barbara City College: Physical Education Replacement Construction	-	32,521	-
		-	32,521	-
0005044	Cerritos Community College District, Cerritos College: Health Sciences Building #26 Renovation Construction	-	11,512	-
		-	11,512	-
0005045	Rio Hondo Community College District, Rio Hondo College: Music/Wray Theater Renovation Construction	-	11,559	-
		-	11,559	-
0005046	Kern Community College District, Delano Center: LRC Multi-Purpose Building Construction	14,411	-	-
		14,411	-	-
0005047	Chaffey Community College District, Chino Campus: Instructional Building 1 Construction	11,764	-	-
		11,764	-	-

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6870 Board of Governors of the California Community Colleges - Continued

		2021-22*	2022-23*	2023-24*
	State Building Program Expenditures			
5680	CAPITAL OUTLAY Projects			
0005048	State Center Community College District, Clovis Community College: Applied Technology Building, Phase 1	24,089	-	-
	Construction	24,089	-	-
0005049	Los Rios Community College District, Elk Grove Center: Elk Grove Center Phase 2	8,102	-	-
	Construction	8,102	-	-
0005050	State Center Community College District, Fresno City College: New Child Development Center	12,261	-	-
	Construction	12,261	-	-
0005051	State Center Community College District, Reedley College: New Child Development Center	9,121	-	-
	Construction	9,121	-	-
0005052	Kern Community College District, Porterville College: Allied Health Building	9,743	-	-
	Construction	9,743	-	-
0005053	South Orange County Community College District, Irvine Valley College: Fine Arts Building	20,838	-	-
	Construction	20,838	-	-
0005054	Long Beach Community College District, Liberal Arts Campus: Music/Theatre Complex (Building G&H)	-	20,609	-
	Construction	-	20,609	-
0005055	San Mateo County Community College District, Canada College: Building 13 - Multiple Program Instructional Center	8,135	-	-
	Construction	8,135	-	-
0005056	Peralta Community College District, College of Alameda: Replacement of Buildings B and E (Auto and Diesel Technologies)	-	15,291	-
	Construction	-	15,291	-
0005057	San Bernardino Community College District, San Bernardino Valley College: Technical Building Replacement	31,422	-	-
	Construction	31,422	-	-
0005058	South Orange County Community College District, Saddleback College: Gateway Building	23,626	-	-
	Construction	23,626	-	-
0005060	Monterey Peninsula Community College District, Monterey Peninsula College: Music Facility Phase 1	-	78	-
	Working Drawings	-	78	-
0005062	Santa Clarita Community College District, College of the Canyons: Modernize Academic Building-Boykin Hall	-	4,332	-
	Construction	-	4,332	-
0005063	Lake Tahoe Community College District, Lake Tahoe Community College: RFE and Science Modernization Phase 1	8,233	-	-
	Construction	8,233	-	-
0005064	Peralta Community College District, Laney College: Modernize Theatre Building	-	7,290	-
	Construction	-	7,290	-
0005065	Mt. San Jacinto Community College District, Mt. San Jacinto College: Science and Technology Building	18,025	-	-
	Construction	18,025	-	-
0005066	Peralta Community College District, Merritt College: Horticulture Building Replacement	-	9,034	-
	Construction	-	9,034	-
0005067	West Hills Community College District, West Hills College Lemoore: Instructional Center Phase 1	-	23,543	-
	Construction	-	23,543	-
0006503	Sierra Joint Community College District, Sierra College: Gymnasium Modernization	1,141	26,479	-
	Working Drawings	1,141	-	-
	Construction	-	26,479	-

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6870 Board of Governors of the California Community Colleges - Continued

		State Building Program Expenditures	2021-22*	2022-23*	2023-24*
5680		CAPITAL OUTLAY Projects			
0006504	Barstow Community College District, Barstow College: Hydronic Loop and Water Infrastructure		282	9,047	-
	Working Drawings		282	-	-
	Construction		-	9,047	-
0006505	Yuba Community College District, Yuba College: Fire Alarm System Upgrade		3,645	-	-
	Construction		3,645	-	-
0006545	Los Rios Community College District, Rancho Cordova Educational Center: Rancho Cordova Phase 2		-	8,509	-
	Construction		-	8,509	-
0006546	West Valley-Mission Community College District, Mission College: Performing Arts Building		450	14,430	-
	Working Drawings		450	-	-
	Construction		-	14,430	-
0006547	Los Angeles Community College District, Los Angeles Valley College: Academic Building 2		706	23,743	-
	Working Drawings		706	-	-
	Construction		-	23,743	-
0006548	North Orange County Community College District, Cypress College: Fine Arts Renovation		-	19,377	-
	Construction		-	19,377	-
0006549	Compton Community College District, Compton College: Physical Education Complex Replacement		-	21,534	-
	Construction		-	21,534	-
0006550	El Camino Community College District, El Camino College: Music Building Replacement		-	27,087	-
	Construction		-	27,087	-
0006551	Los Angeles Community College District, East Los Angeles College: Facilities Maintenance & Operations Replacement		-	11,588	-
	Construction		-	11,588	-
0006552	Sonoma County Junior College District, Santa Rosa Junior College: Tauzer Gym Renovation		-	12,060	-
	Construction		-	12,060	-
0006553	Los Angeles Community College District, Los Angeles Trade-Technical College: Design and Media Arts		1,040	35,782	-
	Working Drawings		1,040	-	-
	Construction		-	35,782	-
0006554	Long Beach Community College District, Pacific Coast College: Construction Trades II		-	14,786	-
	Construction		-	14,786	-
0006560	Grossmont-Cuyamaca Community College District, Cuyamaca College: Instructional Building Phase 1		-	415	15,925
	Working Drawings		-	415	-
	Construction		-	-	15,925
0006561	Grossmont-Cuyamaca Community College District, Grossmont College: Liberal Arts/Business/Computer Science Information Systems		-	10,214	-
	Construction		-	10,214	-
0006562	Los Angeles Community College District, West Los Angeles College: Plant Facilities/Shops Replacement		193	5,728	-
	Working Drawings		193	-	-
	Construction		-	5,728	-
0006563	Sonoma County Junior College District, Public Safety Training Center: Public Safety Training Center Expansion		169	4,925	-
	Working Drawings		169	-	-
	Construction		-	4,925	-

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6870 Board of Governors of the California Community Colleges - Continued

		State Building Program Expenditures		
		2021-22*	2022-23*	2023-24*
5680	CAPITAL OUTLAY Projects			
0006564	Riverside Community College District, Riverside City College: Life Science/ Physical Science Reconstruction Construction	-	27,354	-
0006565	Antelope Valley Community College District, Antelope Valley College: Gymnasium Renovation Construction	-	11,510	-
0006566	San Bernardino Community College District, Crafton Hills College: Performing Arts Center Replacement Construction	-	6,675	-
0006567	Los Angeles Community College District, Los Angeles Pierce College: Industrial Technology Replacement Working Drawings Construction	509	16,998	-
0006568	Napa Valley Community College District, Napa Valley College: Modernize Industrial Technology Building 3100 Construction	-	2,756	-
0006569	Coast Community College District, Orange Coast College: Chemistry Building Construction	-	18,794	-
0006570	Chabot-Las Positas Community College District, Chabot College: Building 3000 Maintenance Operations Warehouse & Garage Working Drawings Construction	-	249	10,058
0006571	Siskiyou Joint Community College District, College of the Siskiyous: Theatre Arts Building Remodel/Addition Preliminary Plans	-577	-	-
0008104	Peralta Community College District, College of Alameda: Aviation Complex Replacement Working Drawings	-	514	-
0008105	South Orange County Community College District, Saddleback College: Science Math Building Reconstruction Construction	-	20,342	-
0008106	San Francisco Community College District, San Francisco City College: Cloud Hall Reconstruction Working Drawings	-	678	-
0008107	Sierra Joint Community College District, Sierra College: Science Building Phase 1 Working Drawings Construction	1,138	-	27,469
0008108	Yuba Community College District, Yuba College: Building 800 Life and Physical Science Modernization Working Drawings Construction	203	3,464	-
0008109	Shasta-Tehama-Trinity Joint Community College District, Shasta College: Building 200 Modernization Construction	-	14,214	-
0008110	North Orange County Community College District, Fullerton College: Music/Drama Complex-Buildings 1100 and 1300 Replacement Working Drawings Construction	1,637	40,492	-
0008111	Mt. San Antonio Community College District, Mt. San Antonio College: Technology and Health Replacement Construction	-	77,425	-
0008112	Riverside Community College District, Norco College: Center for Human Performance and Kinesiology Preliminary Plans Working Drawings	1,654	1,048	28,555

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6870 Board of Governors of the California Community Colleges - Continued

		State Building Program Expenditures		
		2021-22*	2022-23*	2023-24*
5680	CAPITAL OUTLAY Projects			
	Construction	-	-	28,555
0008959	North Orange County Community College District, Anaheim Campus: Tower First Floor Life/Safety Renovation	410	10,770	-
	Preliminary Plans	410	-	-
	Working Drawings	-	306	-
	Construction	-	10,464	-
0008960	Compton Community College District, Compton College: Visual and Performing Arts Replacement	798	-	12,530
	Preliminary Plans	454	-	-
	Working Drawings	344	-	-
	Construction	-	-	12,530
0008961	Sierra Joint Community College District, Sierra College: Applied Technology Center Modernization	697	683	18,296
	Preliminary Plans	697	-	-
	Working Drawings	-	683	-
	Construction	-	-	18,296
0008962	Desert Community College District, College of the Desert: Science Building Renovation	320	266	6,854
	Preliminary Plans	320	-	-
	Working Drawings	-	266	-
	Construction	-	-	6,854
0008963	Shasta-Tehama-Trinity Joint Community College District, Shasta College: Building 800 Renovation	257	225	5,974
	Preliminary Plans	257	-	-
	Working Drawings	-	225	-
	Construction	-	-	5,974
0008964	Ventura Community College District, Moorpark College: Administration Building Reconstruction	244	4,076	-
	Preliminary Plans	244	-	-
	Working Drawings	-	167	-
	Construction	-	3,909	-
0008965	West Valley-Mission Community College District, West Valley College: Theater Renovation/Expansion	435	388	10,807
	Preliminary Plans	435	-	-
	Working Drawings	-	388	-
	Construction	-	-	10,807
0008966	Los Angeles Community College District, Los Angeles Mission College: Plant Facilities Warehouse and Shop Replacement	304	208	7,319
	Preliminary Plans	304	-	-
	Working Drawings	-	208	-
	Construction	-	-	7,319
0010515	North Orange County Community College District: Fullerton College: Business 300 Renovation	-	14,056	-
	Working Drawings	-	50	-
	Construction	-	14,006	-
0010516	Siskiyou Joint Community College District, College of the Siskiyous: Remodel Theater and McCloud Hall	-	1,653	-
	Preliminary Plans	-	577	-
	Working Drawings	-	1,076	-
TOTALS, EXPENDITURES, ALL PROJECTS		\$344,355	\$978,593	\$143,787
FUNDING		2021-22*	2022-23*	2023-24*
6041	2004 Higher Education Capital Outlay Bond Fund	\$2,225	\$11,719	\$53,605
6087	2016 California Community College Capital Outlay Bond Fund	342,130	966,874	90,182

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6870 Board of Governors of the California Community Colleges - Continued

FUNDING	2021-22*	2022-23*	2023-24*
TOTALS, EXPENDITURES, ALL FUNDS	<u>\$344,355</u>	<u>\$978,593</u>	<u>\$143,787</u>

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

3 CAPITAL OUTLAY	2021-22*	2022-23*	2023-24*
6041 2004 Higher Education Capital Outlay Bond Fund			
APPROPRIATIONS			
301 Budget Act appropriation	\$2,225	\$10,464	\$53,605
Prior Year Balances Available:			
Item 6870-301-6041, Budget Act of 2021	-	1,255	-
Totals Available	<u>\$2,225</u>	<u>\$11,719</u>	<u>\$53,605</u>
TOTALS, EXPENDITURES	<u>\$2,225</u>	<u>\$11,719</u>	<u>\$53,605</u>
6087 2016 California Community College Capital Outlay Bond Fund			
APPROPRIATIONS			
301 Budget Act appropriation	\$137,881	\$392,661	\$90,182
Sonoma County Junior College District, Santa Rosa Junior College: Tauzer Gym Renovation - AB 179 Appropriation	-	2,187	-
Prior Year Balances Available:			
Item 6870-301-6087, Budget Act of 2019 as reappropriated by Item 6870-492, Budget Act of 2020	73,169	107,391	-
Item 6870-301-6087, Budget Act of 2020 as reappropriated by Item 6870-492, Budget Act of 2021	130,563	29,785	-
Item 6870-301-6087, Budget Act of 2021	-	440,483	-
Item 6870-302-6087, Budget Act of 2019 as added by Chapter 363, Statutes of 2019	517	-	-
Totals Available	<u>\$342,130</u>	<u>\$972,507</u>	<u>\$90,182</u>
Unexpended balance, estimated savings	-	-5,633	-
TOTALS, EXPENDITURES	<u>\$342,130</u>	<u>\$966,874</u>	<u>\$90,182</u>
Total Expenditures, All Funds, (Capital Outlay)	<u>\$344,355</u>	<u>\$978,593</u>	<u>\$143,787</u>

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.



Lawrence E. Stone, Assessor

Santa Clara County Assessor's Annual Report 2022



www.sccassessor.org

Santa Clara County Assessor's Mission

Santa Clara County Assessor's Mission Statement

The Santa Clara County Assessor's Office mission is to produce an annual assessment roll, including all assessable property, in accordance with legal mandates in a timely, accurate and efficient manner; and, provide current assessment related information to the public and governmental agencies, in a timely and responsive way.

Responsibility of the Assessor's Office

The Assessor's Office has the responsibility to annually locate all taxable real and business property, identify ownership, establish a value for all property subject to local property taxation, list the value of all property on the assessment roll and apply all legal exemptions. The assessment roll is comprised of 529,598 assessable roll units and is the basis upon which property taxes are levied.

It takes a team of experts and an efficient customer service model to process the assessment roll each year. Here is a snapshot of some of the work BY THE NUMBERS.



The Santa Clara County Assessor does not compute property tax bills, collect property taxes, establish property tax laws, establish rules by which property is assessed or set property tax rates.

Property taxes are calculated by the Department of Tax and Collections and are an essential source of revenue for the County of Santa Clara, supporting basic public services provided by schools, cities, special districts and local governments that are critical to the vitality of our region.

Cover Image – Center Bottom: Developer Jay Paul, 200 Park Avenue, San Jose.
All other photos are used for illustrative purposes.

The Annual Report

What's Inside the 2022 Annual Report?

The Assessor's Annual Report offers a comprehensive statistical analysis of the local assessment roll which is the official list of all the assessed property within the County as of the January 1, 2022 Lien Date.

The Annual Report includes information for all real and business property, legal exemptions and assessment appeals from July 1, 2021 through June 30, 2022. The report is an important source of information for public finance officials, real estate professionals, tax experts, academics and taxpayers, as well as business, government and community leaders, seeking insights into real estate trends in Santa Clara County.

The Assessment Roll value is determined as of the Lien Date of January 1 each year. The value of property on the Lien Date is listed on the Notification of Assessed Value card that is sent to property owners on June 30.

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The information found in the Santa Clara County Assessor's Annual Report is believed to be accurate with respect to the roll year referenced. However, neither the Assessor, nor the County of Santa Clara, accept any responsibility or liability for errors, omissions or approximations that may exist in the information. The user expressly accepts the information contained herein with the knowledge that errors and/or omissions may exist.

Message from Lawrence E. Stone

Silicon Valley has a unique resilience to economic downturns. Challenged by the worst pandemic in 100 years, the Santa Clara County economy continued to grow, exceeding all expectations. In 2022, the nation was in the middle of an economic crisis triggered by the COVID-19 pandemic. Vaccine availability, and a \$3 trillion federal stimulus, prevented a major collapse of the U.S. economy. The 2008 “Great Recession” lasted approximately six years. Comparatively, the COVID-19 recession was the deepest, yet the shortest recession in economic history.

Property values in the last two years increased significantly despite an environment of uncertainty created by the pandemic. It appeared that an economic rebound was on the horizon for the 2022–2023 assessment roll year. Silicon Valley was not entirely immune to the impact of the pandemic recession, however. Many sectors including hospitality, brick and mortar retail, restaurants, and entertainment suffered financially.

On June 30, 2022, my office mailed annual assessment notices to 496,445 property owners, reporting each property’s assessed value as of January 1, 2022. The notice served as the basis for the annual property tax bill. Santa Clara County is one of only 11 counties in California that provides early notice to property owners. Most property owners in California learn of their assessed value for the first time when they receive their property tax bill by November 1 at the latest.

The 2022 assessment roll reflects the total net assessed value of all real and business property in Santa Clara County as of the January 1, 2022 Lien Date. This year’s assessment roll reached a record \$619.9 billion, a 7.46 percent increase over the prior year, the fourth highest percentage increase in the last 10 years.

Assessment Roll Growth

Roll growth is determined by the combined net annual assessment of changes of ownership, new construction, the annual statutory increase limited to two percent, business property, and exemptions. The change in the assessed value of individual properties is the difference between the prior assessed value and the new assessed value.

The annual growth in assessed values is attributed to multiple factors. Changes in ownership and new construction accounted for \$24.5 billion and \$5.9 billion of the total increase, respectively.

When a property changes ownership or new construction occurs, the property is assessed at its fair market value. This newly established value is referred to as the “base year value” and cannot increase more than two percent per year. Changes in ownership predominantly consist of residential transactions, which accounted for 66 percent of the net growth last year. Santa Clara County recorded the second highest increase in median home prices in the Bay Area, up 17 percent year over year. Prices of condominiums were up 11 percent.

The pace of commercial construction gained momentum as uncertainty surrounding the economic and business outlook subsided. Platform 16, the 1.1 million square foot office project in San Jose, resumed construction after it was abruptly shut down at the beginning of the pandemic, a testament to the strength of Silicon Valley’s office demand. The impressive NVIDIA campus in the City of Santa Clara, accounted for \$310 million in new value in 2022. This project alone increased the City’s assessment roll growth to 8.92 percent compared to 7.46 percent in the County overall.

The technology sector continued to generate significant investment in the region, including \$3.5 billion of office and commercial acquisitions last year. The assessment of business property, i.e., machinery, equipment, computers and fixtures, increased by 6.6 percent to \$42.9 billion, the second largest in California. Much of this value is attributable to complex equipment and computers from the technology sector.

Proposition 13 (Prop. 13) caps annual assessment increases to a maximum of 2 percent, or the California Consumer Price Index, whichever is lower, unless the property transfers ownership, or undergoes new construction, or suffers a decline in market value. In 2021, the assessment growth due to the annual inflation factor was \$11 billion.

The major beneficiaries of property tax revenue are public schools, community colleges, the County and our 15 cities. More than 50 percent of local property tax revenue generated in Santa Clara County goes



to fund public education. As homeowners benefit from the difference between assessed values and market values, it comes at a cost to schools and local governments dependent on property tax revenue to provide quality education and public services.

The 2022 assessment year included the implementation of Proposition 19 (Prop. 19), the biggest change to property tax since the passing of Prop. 13 in 1978. Passed by California voters in November 2020, Prop. 19 made sweeping changes to a property owner's ability to transfer their Prop. 13 assessed value to another property and avoid reassessment. While the measure expands a qualifying homeowner's ability to transfer their assessed value to any county in California, it narrows the property tax benefits for transferring residential property to certain descendants of the homeowners.

As Assessor, my job is to accurately assess all property in Santa Clara County in accordance with the California Revenue and Taxation Code. When the market value of a property declines below the existing assessment, my office proactively reduces that assessment. The annual assessment notice allows taxpayers time to request an informal review of their assessment prior to the September 15 deadline to file an assessment appeal. In 2022, we reduced the assessed value of 2,595 properties, primarily due to the impact of the pandemic. When the market value of those properties increases, the assessments will ultimately be restored.

In recovery, the U.S. has run headfirst into the perfect storm of high demand and low supply, soaring prices and rising interest rates. Inflation is wiping out strong gains in wages and salaries. Everything from food and fuel, to rent and automobiles, all costs more than a year ago. A jump in consumer prices and interest rates has eroded consumer confidence. Most economists believe that inflation will persist well into 2023.

I remain committed to performance and productivity, leading our team to deliver a complete, timely and accurate assessment roll regardless of economic conditions. I have implemented performance-based budgeting that marshals and focuses resources on changing workloads, ensuring efficient production of the annual assessment roll. During my tenure, the value of the annual assessment roll has increased 440 percent. My staff has increased 3.1 percent.

The Assessor's Office staff are talented, dedicated, and ethical in service to Santa Clara County. They reflect and live within the communities they serve. My office works closely with the California State Board of Equalization and the California Assessors' Association, taking a leading role in strengthening professional development opportunities for assessment professionals throughout California. They provide extraordinary customer service to the taxpayers in Santa Clara County, recording an 88 percent customer satisfaction rating in 2022.

It was my honor to be reelected in 2022, allowing me to continue to serve property owners and public agencies in Santa Clara County, a responsibility I have faithfully executed for nearly 28 years. It is my privilege to continue leading an essential County function that renders fair and accurate assessments, critical for funding schools, cities and local public agencies, vital to our community.

A handwritten signature in black ink that reads "Lawrence E. Stone". The signature is fluid and cursive.

Lawrence E. Stone
Assessor

The Assessment Roll

The annual assessment roll is based on the value of all property as of the January 1 Lien Date. The 2022–2023 roll year is from July 1, 2021 through June 30, 2022, inclusive of the January 1, 2022 Lien Date.

Assessment roll growth is determined by the combined net annual assessment of transfers of ownership, new construction, the annual statutory increase, business and personal property, and exemptions. The factors that contributed to the 2022–2023 roll growth of 7.46 percent over the prior year – and a record \$619.9 billion in assessments – are shown in the table below.

Factors Causing Changes to the 2022–2023 Roll Compared to Prior Year (Assessed Value)			
2021/2022 Total Net Roll (Prior Year)		\$576,904,260,355	
Reductions		Increases	
Factors	Net Change	Factors	Net Change
Exemptions	\$(2,228,525,846)	Change in Ownership	\$24,517,956,089
		CCPI Inflation Factor	\$10,823,499,827
		New Construction	\$5,913,148,916
		Business Personal Property	\$3,292,181,779
		Corrections/Board/Other	\$612,370,891
		Prop. 8 Net Changes	\$118,493,572
Subtotal Decreases	\$(2,228,525,846)	Subtotal Increases	\$45,277,651,074
Net Change		2022/2023 Total Net Roll	\$619,953,385,583

Secured Roll: Property on which the property taxes are a lien against the real estate.

Unsecured Roll: Property on which the property taxes are not a lien against the real estate (real property) where they are situated, including business and personal property or improvements located on leased land.

The assessment roll is comprised of the secured roll and the unsecured roll. The Summary Report table shows a breakdown of the assessment roll totals by type.

Summary Report: 2022–2023 Assessment Roll Totals				
Assessment Type	2022–2023	2021–2022	Dollar Change	Percent Change
Land	\$312,305,784,941	\$286,689,631,738	\$25,616,153,203	9%
Improvements (Real Property)	\$293,461,661,757	\$277,092,345,665	\$16,369,316,092	6%
Improvements (Business Division)	\$3,534,464,407	\$2,950,671,724	\$583,792,683	20%
Total Improvements	\$296,996,126,164	\$280,043,017,389	\$16,953,108,775	6%
Subtotal	\$609,301,911,105	\$566,732,649,127	\$42,569,261,978	8%
Personal Property	\$6,749,208,250	\$6,235,975,120	\$513,233,130	8%
Mobile Homes	\$936,999,710	\$865,664,756	\$71,334,954	8%
Subtotal	\$7,686,207,960	\$7,101,639,876	\$584,568,084	8%
Total Gross Secured	\$616,988,119,065	\$573,834,289,003	\$43,153,830,062	8%
Non-Reimbursable Secured Other Exemption	\$(29,457,737,101)	\$(28,022,688,740)	\$(1,435,048,361)	5%
Net Secured	\$587,530,381,964	\$545,811,600,263	\$41,718,781,701	8%
Total Gross Unsecured	\$36,527,159,972	\$34,403,338,960	\$2,123,821,012	6%
Non-Reimbursable Unsecured Other Exemption	\$(4,104,156,353)	\$(3,310,678,868)	\$(793,477,485)	24%
Net Unsecured	\$32,423,003,619	\$31,092,660,092	\$1,330,343,527	4%
Total Local Roll	\$619,953,385,583	\$576,904,260,355	\$43,049,125,228	7%
Homeowners Exemption Backfill	\$1,685,399,000	\$1,721,855,800	(\$36,456,800)	-2%

Exemptions from property taxation fall into two broad categories: homeowners and “other” exemptions, such as non-profit organizations, churches, charitable institutions, colleges, hospitals, affordable housing and private schools. Homeowners’ exemptions are backfilled by the State, but comprise only \$1.7 billion of the total \$33 billion in exemptions.

How Tax Bills are Calculated

The annual assessment roll is the foundation of the property tax system. Property tax is an ad valorem tax, meaning it is based on the market value of real property.* Real property (commonly known as “real estate”) is land and any permanent structures on it. Property taxes must be paid annually by anyone who owns real estate and/or personal property (businesses, manufactured homes, boats and airplanes).

Ad Valorem Tax:

Taxes imposed on the basis of the property’s assessed value.

Property taxes consist of a one percent general levy, plus voter-approved debt and any applicable special assessments. Taxes and assessments are identified on the property tax bill and are distributed as stated, except the one percent general levy. The general levy is distributed on a countywide basis pursuant to the Revenue and Taxation Code.

Three departments, comprised of the Assessor’s Office, Controller-Treasurer Department and Department of Tax and Collections, form the primary County property tax administration team. An overview of the property tax process is shown below.

Property Tax Process



* Real property is defined as land, mines, minerals, timber and improvements such as buildings, structures, trees and vines, and is classified as “secured” property for assessment and collection purposes. Business personal property is defined as machinery, equipment, office tools and supplies, vessels and aircraft, and is classified as “unsecured” property.

Top 10 Commercial Taxpayers for Santa Clara County, Fiscal Year 2021–22

Collections from secured businesses represented 18.3 percent of the collections, yet only represented 5.8 percent of the parcels being taxed. In Fiscal Year 2021–22, the top ten taxpayers represent 4.5 percent of the total tax collected for the year.

Top 10 Taxpayers in 2021–2022						
Rank	Firm	Type	Assessed	Ad Valorem Taxes	Ad Valorem Taxes (millions)	% Total AV
1	Google, Inc.	Internet	\$8,741,937,321	\$105,881,529	\$106	1.6
2	Pacific Gas & Electric Co.	Utilities	\$2,811,628,010	\$77,016,281	\$77	0.5
3	Campus Holdings, Inc.	Computer Manufacturing	\$4,138,717,995	\$49,342,181	\$49	0.7
4	Apple, Inc.	Computer Manufacturing	\$2,269,560,052	\$27,155,803	\$27	0.4
5	Cisco Technology, Inc.	Computer Manufacturing	\$1,532,668,764	\$18,478,712	\$18	0.3
6	Westfield Malls	Retail	\$1,305,295,605	\$15,757,878	\$16	0.2
7	Applied Materials, Inc.	Chip Manufacturing	\$1,200,515,387	\$14,219,879	\$14	0.2
8	Intel Corporation	Chip Manufacturing	\$1,115,300,303	\$13,293,497	\$13	0.2
9	Planetary Ventures LLC	Internet	\$1,071,379,532	\$12,999,691	\$13	0.2
10	Lockheed Martin	Aerospace	\$983,432,796	\$11,602,320	\$12	0.2

More detail about the property tax process is available on the County Open Data Portal – Property Tax Story by [clicking here](#) or scanning the QR code to the right.



Roll Comparison of Counties

Santa Clara County has the largest assessment roll of the Bay Area counties and the fourth largest of the 58 counties in California.

Bay Area Counties 2022–2023 Total Net Assessment Roll				
County	Net Secured Roll	Net Unsecured Roll	Total Net Roll	% Change Over Prior Year
Santa Clara	\$587,530,381,964	\$32,423,003,619	\$619,953,385,583	7.46%
Alameda	\$356,579,303,031	\$18,614,500,678	\$375,193,803,709	8.20%
San Francisco	\$308,322,777,035	\$16,700,948,184	\$325,023,725,219	5.30%
San Mateo	\$277,239,322,628	\$10,732,668,329	\$287,971,990,957	8.34%
Contra Costa	\$244,990,938,537	\$6,864,525,419	\$251,885,463,956	7.80%
Sonoma	\$105,311,658,934	\$3,530,713,072	\$108,842,372,006	6.41%
Marin	\$93,759,244,308	\$1,828,335,523	\$95,587,579,831	6.52%
Monterey	\$79,104,889,550	\$2,923,829,672	\$82,923,829,672	8.13%
Solano	\$63,975,350,592	\$2,776,007,571	\$66,751,358,163	6.47%
Santa Cruz	\$54,370,817,774	\$1,138,887,635	\$55,509,705,409	6.33%
Napa	\$46,927,891,001	\$1,731,988,447	\$48,659,844,448	7.15%
San Benito	\$11,019,780,722	\$525,244,172	\$11,545,024,894	11.12%

*Sorted by Total Net Roll

California's Top 10 Most Populous Counties 2022–2023 Total Net Assessment Roll				
County*	Net Secured Roll	Net Unsecured Roll	Total Net Roll	% Change Over Prior Year
Los Angeles	\$1,824,446,149,523	\$61,105,646,227	\$1,885,551,795,750	6.95%
Orange	\$697,656,773,466	\$23,594,438,350	\$721,251,211,816	6.37%
San Diego	\$632,365,825,841	\$20,590,524,058	\$679,150,373,558	8.27%
Santa Clara	\$587,530,381,964	\$32,423,003,619	\$619,953,385,583	7.46%
Alameda	\$356,579,303,031	\$18,614,500,678	\$375,193,803,709	8.20%
Riverside	\$350,115,157,619	\$11,154,332,599	\$361,269,490,218	9.39%
San Francisco	\$308,322,777,035	\$16,700,948,184	\$325,023,725,219	5.30%
San Bernardino	\$274,322,653,016	\$14,256,830,743	\$288,579,483,759	9.29%
San Mateo	\$277,239,322,628	\$10,732,668,329	\$287,971,990,957	8.34%
Contra Costa	\$244,990,938,537	\$6,864,525,419	\$251,885,463,956	7.80%

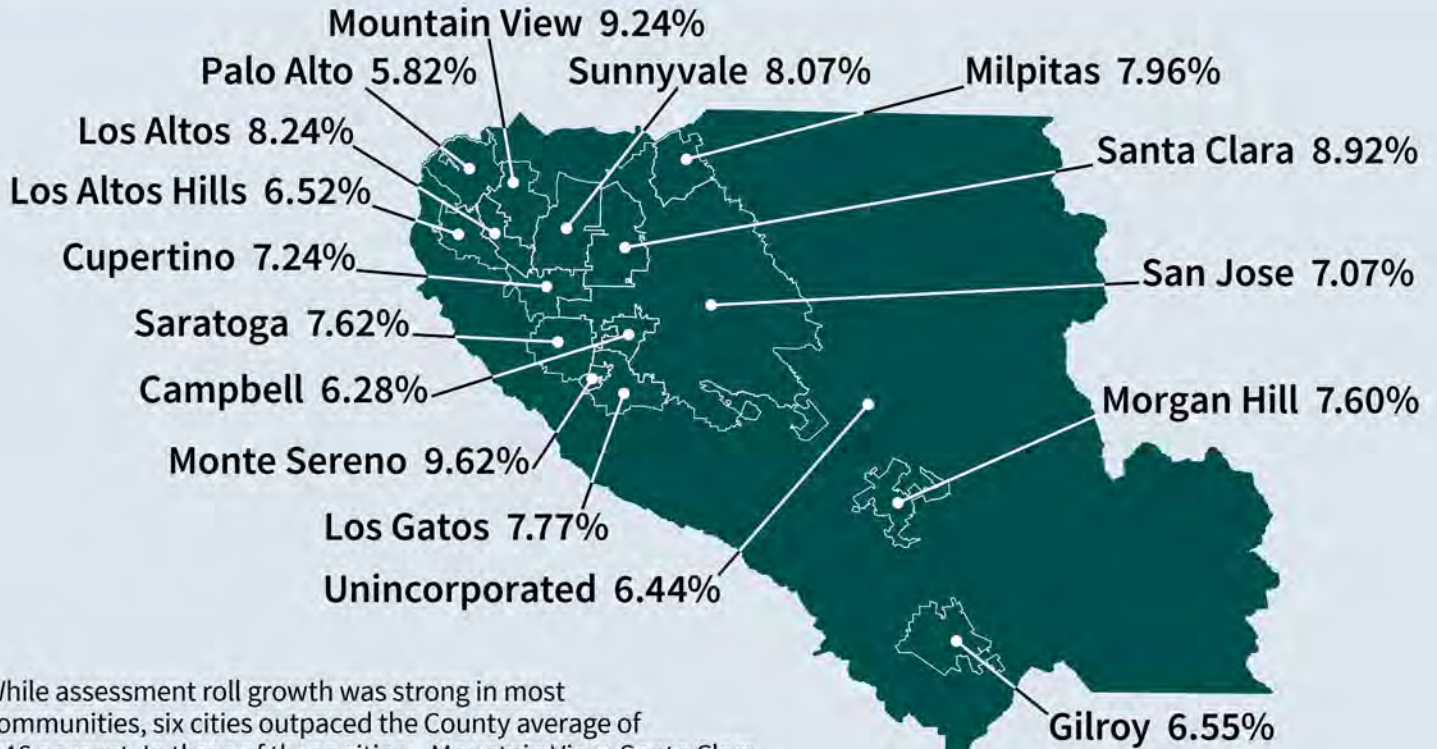
*Sorted by Total Net Roll

At \$32,423,003,619, the unsecured roll, consisting of business and personal property, is the second largest in the State, coming in at more than half of Los Angeles County's assessment.

For a list of all the Assessors in California, visit the Board of Equalization's website by [clicking here](#) or scanning the QR code to the right.



Assessment Growth by City



While assessment roll growth was strong in most communities, six cities outpaced the County average of 7.46 percent. In three of those cities – Mountain View, Santa Clara, and Sunnyvale – roll growth can be attributed to construction of Google’s multiple campuses, NVIDIA’s Voyager Campus, LinkedIn’s purchase and Tishman Speyer’s acquisitions, all driven by corporate demand for office space.

Net Assessment Roll Growth by City 2022–2023

City	Secured City	Secured RPTTF*	Unsecured City	Unsecured RPTTF	Total Roll	Growth %	Percent of Roll
Campbell	\$11,380,324,814	\$1,448,320,127	\$253,578,681	\$67,082,010	\$13,149,305,632	6.28%	2.12%
Cupertino	\$29,822,398,085	0	\$1,069,719,910	0	\$30,892,117,995	7.24%	4.98%
Gilroy	\$10,644,717,775	0	\$292,204,431	0	\$10,936,922,206	6.55%	1.76%
Los Altos	\$20,277,904,006	0	\$99,662,613	0	\$20,377,566,619	8.24%	3.29%
Los Altos Hills	\$9,929,613,916	0	\$4,292,201	0	\$9,933,906,117	6.52%	1.60%
Los Gatos	\$14,355,758,429	\$2,047,530,717	\$310,918,780	\$46,451,285	\$16,760,659,211	7.77%	2.70%
Milpitas	\$11,563,532,749	\$10,370,618,309	\$1,080,737,516	\$1,108,634,990	\$24,123,523,564	7.96%	3.89%
Monte Sereno	\$2,811,998,434	0	\$651,964	0	\$2,812,650,398	9.62%	0.45%
Morgan Hill	\$7,958,343,147	\$4,005,685,668	\$204,015,374	\$184,932,235	\$12,352,976,424	7.60%	1.99%
Mountain View	\$33,895,232,951	\$5,144,940,312	\$1,259,664,897	\$752,578,850	\$41,052,417,010	9.24%	6.62%
Palo Alto	\$44,427,376,562	0	\$2,160,148,885	0	\$46,587,525,447	5.82%	7.51%
San Jose	\$185,253,587,829	\$35,228,042,154	\$5,207,479,868	\$5,423,873,098	\$231,112,982,949	7.07%	37.28%
Santa Clara	\$43,452,569,680	\$4,784,543,401	\$7,383,687,026	\$1,305,117,241	\$56,925,917,348	8.92%	9.18%
Saratoga	\$18,835,762,350	0	\$45,386,550	0	\$18,881,148,900	7.62%	3.05%
Sunnyvale	\$56,278,604,835	\$2,068,850,308	\$3,749,926,448	\$130,527,656	\$62,227,909,247	8.07%	10.04%
Unincorporated	\$21,544,123,119	\$2,287	\$281,731,110	0	\$21,825,856,516	6.44%	3.52%
Total	\$522,431,848,681	\$65,098,533,283	\$23,403,806,254	\$9,019,197,365	\$619,953,385,583		

*Redevelopment Property Tax Trust Fund

For additional city data, see Addendum on page 40.

New Construction



Every property in Santa Clara County has a base year value. Proposition 13 generally limits the assessed value growth of the base year value to no more than two percent annually, except in the case of transfers of ownership or new construction. New construction is one of the most common reasons a property is reassessed at a higher value. This year, these reassessments added \$5.9 billion to the 2022–2023 assessment roll.

The two charts on the adjacent pages depict the added value of the top 10 major new construction projects, and the breakdown of new construction value and parcel count by city.

Not all new construction will warrant a reassessment. Annually, the Assessor’s Office processes thousands of building permits for new construction, and typically less than half result in increased assessments. Generally, value is added for new construction under the following circumstances:

1. New building(s) constructed.
2. Additional square footage added to an existing building.
3. Additional buildings or improvements made to a property, such as a garage, accessory dwelling unit (ADU), bathroom or pool.
4. Physical alteration (rehabilitation), such as converting a building or any portion, to the equivalent of a new structure, or changing the manner in which a building is used.

Major New Construction – Top 10 2022–2023			
Assessee	Property Type	City	Net Change
NVIDIA Corporation	Office	Santa Clara	\$310,030,000
Adobe, Inc.	Office	San Jose	\$252,725,600
Google, Inc.	Office	Mountain View	\$181,281,900
Planetary Ventures LLC/ 1	Agricultural & Miscellaneous	Mountain View	\$152,933,600
Pathline Park II LLC	Industrial & Manufacturing	Sunnyvale	\$151,168,051
Hadley Apartments LLC	Multifamily Housing	Mountain View	\$131,461,093
Google, Inc.	Office	Sunnyvale	\$112,573,600
Winchester Investments LLC	Office	San Jose	\$104,055,000
625–675 Mathilda LLC	Industrial & Manufacturing	Sunnyvale	\$103,182,800
J.J. Viso Properties LLC	Multifamily Housing	Santa Clara	\$93,298,830
Total Net Change			\$1,592,710,474

More information is available about the impact of new construction on assessed value by visiting the Assessor’s website by [clicking here](#) or scanning the QR code below.



Q. I am remodeling my home. Will the improvements be reassessed?

A: Remodeling that does not involve adding to the structure size or amenities is generally not considered new construction and is not subject to reassessment. The exception is remodeling that is so extensive as to result in a structure that is the “substantial equivalent” of a new structure.

Q. Appraising and Assessing: Is There a Difference?

A. Yes. **Appraising** is the process of estimating value, whereas **assessing** is the process of determining the taxable value of a property, taking into account all relevant State laws. Market value may be only one component in the process of determining the property's assessed value. The State Legislature and State Board of Equalization may amend the process and redefine the rules for how the Assessor must assess a property.

New Construction by City & Parcel Count 2022-2023							
City	Agricultural & Miscellaneous	Industrial & Manufacturing	Multifamily Housing	Office	Retail	Single Family Housing	Total Value
Campbell	\$209,670	\$9,034,264	0	\$301,700	\$1,316,615	\$36,336,927	\$47,199,176
Count	3	2	0	2	5	216	228
Cupertino	\$15,767,759	\$10,579,178	\$659,013	\$3,035,558	\$6,839,485	\$51,607,036	\$88,488,029
Count	7	2	4	1	4	214	232
Gilroy	\$1,750,390	\$1,666,000	\$565,080	\$109,038	\$66,300	\$18,713,248	\$22,870,056
Count	10	1	1	2	1	118	133
Los Altos	-\$303,132	0	\$1,102,496	\$2,493,857	\$3,029,333	\$108,968,313	\$115,290,867
Count	9	0	2	3	5	390	409
Los Altos Hills	-\$309,278	0	0	0	0	\$97,125,514	\$96,816,236
Count	6	0	0	0	0	160	166
Los Gatos	\$22,084,240	0	\$26,000	\$6,058,620	\$2,230,928	\$58,472,917	\$88,872,705
Count	2	0	1	4	4	277	288
Milpitas	\$6,575,190	\$39,615,660	\$289,527,539	\$104,000	\$5,797,760	\$19,518,152	\$361,138,301
Count	6	7	6	1	3	144	167
Monte Sereno	0	0	0	0	0	\$22,385,453	\$22,385,453
Count	0	0	0	0	0	91	91
Morgan Hill	\$1,499,010	\$103,795,720	-\$10,305	0	\$230,000	\$35,825,912	\$141,340,337
Count	1	14	1	0	1	202	219
Mountain View	\$308,154,582	\$163,071,757	\$424,554,371	\$369,614,552	\$3,368,354	\$60,741,514	\$1,329,505,130
Count	9	8	14	14	5	275	325
Palo Alto	-\$1,342,011	\$12,445,163	\$12,168,040	\$100,854,270	\$4,578,105	\$179,443,856	\$308,147,423
Count	17	9	20	29	5	426	506
San Jose	\$69,775,129	\$45,339,714	\$220,916,225	\$575,023,759	-\$5,472,047	\$315,686,075	\$1,221,268,855
Count	25	26	44	33	37	2,330	2,495
Santa Clara	-\$5,255	\$65,675,401	\$215,190,511	\$523,244,906	-\$77,330,272	\$70,556,173	\$797,331,464
Count	1	14	9	12	6	483	525
Saratoga	\$333,309	0	\$60,000	\$729,040	\$135,880	\$84,820,433	\$86,078,662
Count	2	0	1	2	1	321	327
Sunnyvale	\$7,191,200	\$330,282,667	\$217,085,332	\$415,844,918	-\$12,461,079	\$118,452,473	\$1,076,395,511
Count	2	20	28	22	11	613	696
Unincorporated	\$13,906,432	\$1,020,000	\$164,383	0	0	\$94,929,896	\$110,020,711
Count	44	1	1	0	0	431	477
Total Value	\$445,287,235	\$782,525,524	\$1,382,008,685	\$1,997,414,218	-\$67,670,638	\$1,373,583,892	\$5,913,148,916
Total Parcel Count	144	104	132	125	88	6,691	7,284

Changes in Ownership



Like new construction, changes in ownership often result in reassessment beyond the maximum growth of two percent because they are driven by the market value of the property as of its transfer date.

The two charts on the adjacent pages depict the added value of the top 10 changes in ownership this assessment year, and the breakdown of changes in ownership value and parcel count by city.

While a transfer of real property may constitute a change in ownership, the California Legislature has created a number of exclusions that preclude certain types of transfers from reassessment. A list of common exclusions can be found on the Assessor’s website by [clicking here](#) or scanning the QR code to the right.



On November 3, 2020, voters approved Proposition 19 (Prop. 19) which made sweeping changes to the process for claiming change in ownership exclusions. For more detail on Prop. 19, see pages 22–23 of this report.

Top 10 Changes in Ownership by Net Assessed Value 2022–2023

Assessee	Property Type	City	Net Assessed Value	Net Changed Value
Kre Hq at First Owner LLC	Office	San Jose	\$534,999,900	\$84,044,416
Ellis Street Owner LLC	Office	Mountain View	\$345,563,971	\$243,830,421
LinkedIn	Office	Sunnyvale	\$323,000,000	\$216,115,700
1345–1395 Crossman Owner LLC	Industrial & Manufacturing	Sunnyvale	\$298,605,000	\$129,775,358
Santa Clara Square Apts Vii LLC	Multifamily Housing	Santa Clara	\$247,600,000	\$173,917,215
Apple, Inc.	Industrial & Manufacturing	Cupertino	\$244,029,795	\$188,068,467
Pace Properties	Industrial & Manufacturing	Sunnyvale	\$231,290,000	\$84,178,650
Apple, Inc.	Office	Cupertino	\$205,970,207	\$98,168,763
Sct Owner LLC	Office	Santa Clara	\$200,960,600	\$100,001,564
Gsic II Almaden Owner LP	Multifamily Housing	San Jose	\$196,184,000	\$28,782,571

Q. What happens when a property transfers ownership?

A: The Assessor determines if a reassessment is required under State law. If required, an appraisal of its market value is made to determine the new base value of the property. The property owner is notified of the new assessment and has the right to appeal the value and/or the reassessment decision.

Added AV Due to Changes in Ownership 2022-2023

City	Agricultural & Miscellaneous	Industrial & Manufacturing	Multifamily Housing	Office	Retail	Single Family Housing	Total
Campbell	\$6,310,271	\$66,653,232	\$30,727,711	\$18,427,954	\$6,389,397	\$451,337,594	\$579,846,159
Count	11	14	49	16	8	669	767
Cupertino	\$66,851,461	\$188,068,467	\$29,787,343	\$124,615,907	\$5,937,792	\$828,041,022	\$1,243,301,992
Count	14	2	27	11	4	702	760
Gilroy	\$89,942,488	\$16,037,441	\$23,331,814	\$734,082	\$17,186,832	\$304,404,231	\$451,636,888
Count	48	17	28	8	16	927	1,044
Los Altos	\$18,158,621	0	\$11,495,819	-\$4,339,225	\$6,272,057	\$1,049,237,675	\$1,080,824,947
Count	10	0	4	2	3	543	562
Los Altos Hills	\$6,731,393	0	0	0	0	\$332,398,249	\$339,129,642
Count	7	0	0	0	0	150	157
Los Gatos	\$20,551,936	-\$236,523	\$32,618,399	\$21,972,630	\$2,864,854	\$683,967,124	\$761,738,420
Count	18	1	30	22	11	683	765
Milpitas	\$40,769,029	\$186,322,939	\$7,542,257	-\$1,094,218	\$8,111,747	\$489,168,648	\$730,820,402
Count	16	27	10	2	10	935	1,000
Monte Sereno	\$4,960,134	0	0	0	0	\$166,398,852	\$171,358,986
Count	6	0	0	0	0	86	92
Morgan Hill	\$21,992,260	\$47,810,477	\$40,068,158	\$2,490,970	\$3,732,485	\$395,056,946	\$511,151,296
Count	25	14	24	7	5	914	989
Mountain View	\$5,178,712	\$123,831,954	\$110,942,156	\$319,627,462	-\$10,941,179	\$969,071,121	\$1,517,710,226
Count	10	11	75	10	9	1,136	1,251
Palo Alto	\$25,745,031	\$29,080,672	\$144,584,535	\$81,040,449	\$47,127,561	\$1,440,652,051	\$1,768,230,299
Count	16	3	43	21	11	918	1,012
San Jose	\$385,522,625	\$645,527,024	\$579,351,704	\$186,536,063	\$210,985,427	\$7,115,029,956	\$9,122,952,799
Count	144	154	519	99	167	12,374	13,457
Santa Clara	\$54,865,392	\$216,099,350	\$478,631,561	\$137,717,572	\$41,946,163	\$1,196,961,924	\$2,126,221,962
Count	19	23	96	10	16	1,693	1,857
Saratoga	\$3,816,202	0	0	\$4,822,291	\$964,264	\$861,395,985	\$870,998,742
Count	14	0	0	7	2	524	547
Sunnyvale	-\$22,858,070	\$414,526,929	\$222,174,931	\$194,472,253	\$68,791,642	\$1,456,281,678	\$2,333,389,363
Count	12	18	111	8	16	1,654	1,819
Unincorporated	\$109,059,333	\$6,494,829	\$7,524,870	\$5,636,187	\$4,976,475	\$774,952,272	\$908,643,966
Count	360	4	11	3	9	958	1,345
Total Added AV	\$837,596,818	\$1,940,216,791	\$1,718,781,258	\$1,092,660,377	\$414,345,517	\$18,514,355,328	\$24,517,956,089
Total Parcel Count	730	288	1,027	226	287	24,866	27,424

Business and Personal Property



All business and personal property is assessed annually at market value as of the January 1 Lien Date. Examples include computers, machinery, equipment, fixtures and furniture.

The assessed value of business and personal property is included on both the secured and unsecured roll, and is derived from over 42,000 business property statements filed by taxpayers annually. This year 26,311 were filed electronically. In 2022, the Assessor's Office launched a new landing page for business statement electronic filing, improving navigation, multiple account filing and the ability to check online filing status. The new electronic filing process has increased accuracy and reduced paperwork for both the Assessor and the taxpayer.

While Santa Clara County has historically ranked fourth in total assessed value, it reports the second-largest assessed value of business personal property in the State.

Business and Personal Property Distribution of Value by City 2022-2023

City	Net Total	% of Value	Value of Growth
San Jose	\$13,162,714,982	31%	8%
Santa Clara	\$11,087,836,994	26%	10%
Sunnyvale	\$5,649,574,609	13%	3%
Cupertino	\$3,007,416,595	7%	10%
Milpitas	\$2,718,973,288	6%	17%
Mountain View	\$2,671,870,165	6%	3%
Palo Alto	\$2,318,312,297	5%	-8%
Unincorporated	\$568,892,132	1%	-11%
Morgan Hill	\$473,219,800	1%	5%
Gilroy	\$428,335,715	1%	2%
Campbell	\$385,101,229	1%	-10%
Los Gatos	\$378,942,504	1%	19%
Los Altos	\$112,499,009	0%	-17%
Saratoga	\$51,354,330	0%	-1%
Los Altos Hills	\$4,877,661	0%	22%
Monte Sereno	\$651,964	0%	-3%
Total	\$43,020,573,274		

Business and Personal Property Distribution of Value by Type 2022-2023

Property Type	Net Total	% of Value	Value of Growth	Unit Quantity
Professional Services	\$15,834,070,772	37%	10%	11,150
Computer Manufacturers	\$6,898,047,421	16%	3%	234
Electronic Manufacturers	\$6,010,880,019	14%	2%	794
General Manufacturing	\$3,022,068,763	7%	-7%	2,275
Semiconductor Manufacturing	\$2,346,480,267	5%	32%	36
Retail	\$2,773,480,215	6%	5%	6,628
Aircraft	\$1,306,189,822	3%	31%	700
Leased Equipment	\$1,022,258,610	2%	-2%	6,400
Mobile Homes	\$935,201,741	2%	8%	11,649
Financial Institutions	\$235,804,802	1%	-3%	492
Apartments	\$194,460,223	0%	12%	1,006
Vessels	\$65,848,075	0%	33%	1,892
Other	\$2,375,782,544	6%	-2%	1,622
Total	\$43,020,573,274			44,878

Below are the top 25 companies in Santa Clara County, ranked by gross assessed taxable value, exclusive of assessed value of real property or exempt value.

Top 25 companies of Santa Clara County 2022–2023

Current Rank	Assessee	Previous Year
1	Apple, Inc.	1
2	Google LLC	3
3	Intel Corporation	4
4	Microsoft Corporation	5
5	Cisco Systems, Inc.	2
6	Applied Materials, Inc.	6
7	Western Digital Technologies, Inc.	23
8	NVIDIA Corporation	7
9	Headway Technologies, Inc.	14
10	Intuitive Surgical, Inc.	11
11	KLA Corporation	15
12	Lockheed Martin Corporation	8
13	Equinix LLC	12
14	Amazon Data Services, Inc. (AZ2)	26
15	A100 US LLC	13
16	Vantage Data Centers 4 LLC	10
17	Xeres Ventures LLC	17
18	Amazon.com Services, Inc.	151
19	2016 ESA Project Company LLC	22
20	Adobe, Inc.	21
21	Meta Platforms, Inc.	29
22	Forty Niners SC Stadium Company LLC	19
23	Hewlett Packard Enterprise Co.	18
24	Tesla, Inc.	43
25	Si Svy01 02 ABS LLC	183

\$115 million in potential assessed value was discovered from new businesses that failed to file their initial annual business property statement.



Over 95 percent of the business and personal property assessed value comes from less than 10 percent of all companies in Santa Clara County.



Business Property Statement e-Filing

It's never been easier for business owners in Santa Clara County to electronically file their Business Property Statement. Through the e-Filing portal, they can file for multiple locations, register their new business with the Assessor's Office, or schedule an appointment online, for assistance. The Business Property e-Filing period opens on January 1, 2023. [Click here](#) or scan the QR code to the right to find out more.



Property Tax Exemptions

The California Constitution states that all property is taxable unless there is an exemption granted.* These exemptions are codified in the California Constitution and the Revenue and Taxation Code. Exemptions granted to organizations formed and operated exclusively for qualifying purposes (religious, scientific, hospital or charitable) must meet specific organizational and property use requirements for the exemption to be granted.

Homeowners and disabled veterans may also qualify for an exemption on their principal place of residence. The Homeowners' Exemption lowers your assessed value by \$7,000 for a property tax savings of approximately \$70 to \$80 annually. The Disabled Veterans' Exemption value is based on qualifying factors. For detailed information on primary residence exemptions, [click here](#) or scan the QR code to the right to take you to the Exemption page on the Assessor's website.



Qualifying Exemptions 2022–2023		
Exemption	Roll Unit	Total Value
Privately Owned Colleges	558	\$18,439,249,518
Other Religious and Charitable Properties	1,653	\$9,482,025,838
Hospitals	42	\$2,330,337,184
Reimbursable Exemptions (Homeowners' Exemption)	240,343	\$1,685,399,000
Private and Parochial Schools (less than collegiate grade)	151	\$1,139,368,297
Religious Properties	621	\$918,709,793
Other	38	\$447,481,234
Public Schools	62	\$248,055,225
Churches	106	\$205,276,086
Cemeteries	41	\$188,511,785
Disabled Veterans	1,081	\$150,911,085
Free Museums/Public Libraries	8	\$11,394,742
Historical Aircraft	9	\$572,667
Total Non-Reimbursable Exemptions	4,370	\$33,561,893,454
Total Exemptions	244,713	\$35,247,292,454

The Homeowners' Exemption is an important designation for Proposition 19 (Prop. 19) claims. For more information on Prop. 19, see pages 22–23.

The table entitled “Qualifying Exemptions 2022–2023” illustrates the exemptions in Santa Clara County. A large portion of the Other Religious and Charitable Properties and the Other categories consist of affordable housing exemptions.

The \$33.5 billion in assessed value for exemptions means that over \$330 million in property tax revenue is removed from the tax rolls. The premise of exemptions is that the loss of revenue to cities, counties, schools, and special districts is offset by the service provided to the community by the exempted use. The Homeowners' Exemption is the only exemption that is reimbursed to the County by the State of California.

Exemption Example: Stanford University

The College Exemption is available to property used exclusively for educational purposes by a nonprofit educational institution of collegiate grade. Leland Stanford University qualifies for the largest exemption in Santa Clara County, and now the State of California. With a total of 420 exemptions applied to secured and unsecured properties, the exemptions at the time of the 2022 Lien Date summed up to \$16,841,442,272. This figure includes Stanford Medical Center and the Lucile Packard Children's Hospital, all of which is reflected in the Private Owned Colleges line on the Qualifying Exemptions table.



* California Constitution, Article XIII Section 1, 3–4.

Supplementals

Supplemental Assessments

Supplemental assessments were created by Senate Bill 813 in 1983 to close inequities in Proposition 13. Whenever there is a reappraisal due to a change in ownership (e.g. property bought or sold) or due to the completion of new construction, State law requires the County Assessor to determine a new base year value for the property.

A notice of Supplemental Assessment is then issued by the Assessor's Office and sent to the owner at the address of record. Following this notice, a Supplemental Tax Bill is issued by the Department of Tax and Collections.

The Supplemental Tax Bill is based on the difference between the prior value and the new reappraisal. This value is prorated for the number of months remaining in the fiscal year (July 1 to June 30). Usually it is not prorated in escrow during purchase, nor is it paid by the lender through an impound account. Unlike the secured tax bill, lending agencies do not receive a copy of the Supplemental Tax Bill.

Supplemental tax is not reported in the annual assessment roll. The Assessor's Office produces a supplemental roll that generates significant additional revenue. The entire new assessed value is then reflected on the tax roll the following fiscal year.

The supplemental taxes collected in the last fiscal year totaled over \$173 million, based upon the assessment of 29,548 events, primarily consisting of transfers of ownership and new construction. The average assessed value of each assessment was \$766,402.

The table to the right reflects the number of supplemental assessments processed and the average supplemental assessed value per transaction.

Supplemental Assessments			
Fiscal Year	Total Supplemental Tax	Number of Supplemental Assessments	Average Assessed Value per Transaction
2014/15	\$129,685,853	29,096	\$425,038
2015/16	\$136,048,242	25,127	\$593,169
2016/17	\$156,021,465	24,200	\$653,367
2017/18	\$169,847,274	27,269	\$638,982
2018/19	\$185,903,772	24,494	\$792,377
2019/20	\$139,065,035	17,016	\$808,178
2020/21	\$198,103,903	27,557	\$774,043
2021/22	\$173,595,773	29,548	\$766,402

Are you anticipating a change of ownership?

The online Supplemental Tax Estimator is designed to help new and prospective homeowners reduce confusion concerning the amount of property taxes they can expect to pay following their purchase. [Click here](#) or scan the QR code below to find out more.



Escape Assessments

A Notice of Escape Assessment is sent to the property owner if the Assessor has to make a correction to an assessed value after the assessment roll has been completed.

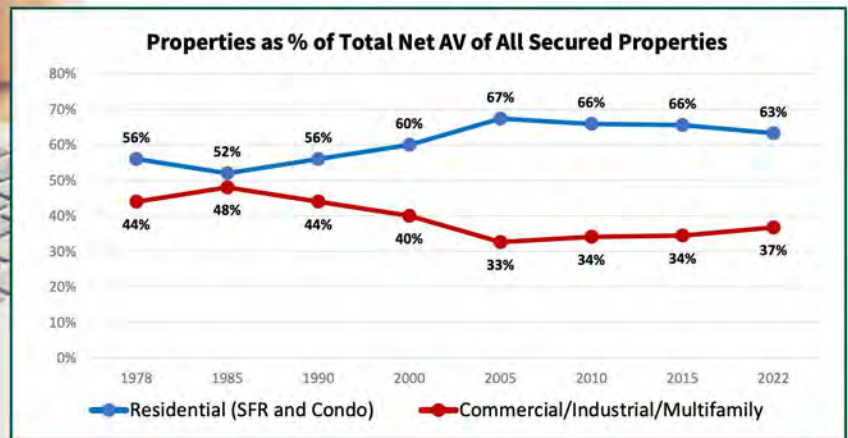
These corrections or changes to an assessed value result in a Notice of Escape Assessment being sent to the property owner followed by a Secured Escape bill sent from the Department of Tax and Collections. This could result from an error by the Assessor's Office or by the property owner. Examples include the Assessor's Office not assessing new construction in a timely manner or the property owner building an addition without obtaining a building permit. Therefore, the Assessor's Office was not aware of the new construction.

Since escape assessments always deal with value that should have been assessed but was not, additional taxes will be due. However, the current owner will not be responsible for taxes on any escape assessment that covers a time period before they acquired the property.

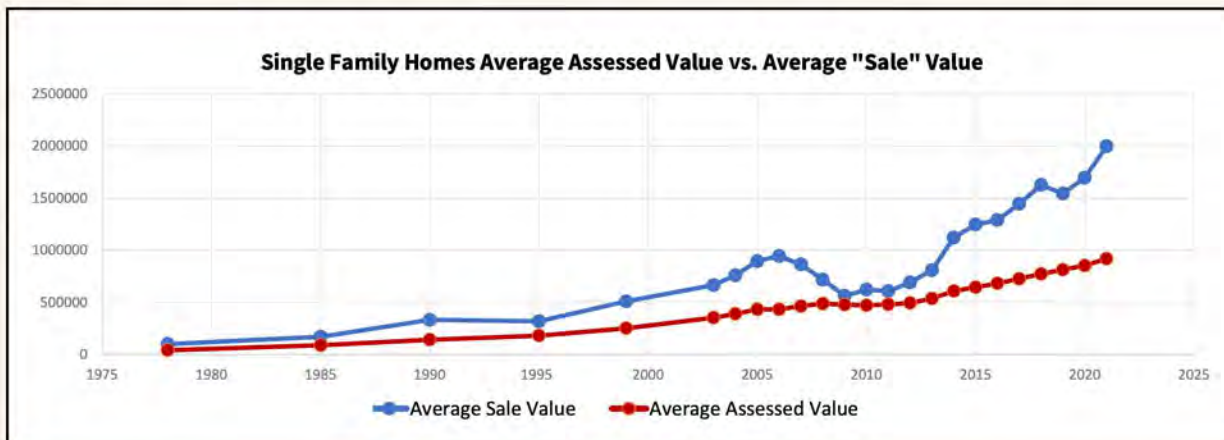
Historical Trends of Assessed Values



Since Proposition 13 passed in 1978 the number of residential (single family residential (SFR), condominium) parcels has grown by 49 percent, while the number of commercial, industrial and multifamily properties actually shrunk by eight percent. The chart below compares the total net assessed value of residential properties to other properties.



The average sale value of single family homes has been on a steady upward trend since 2014 and in 2022 outpaced the average assessed value by more than \$1 million dollars.



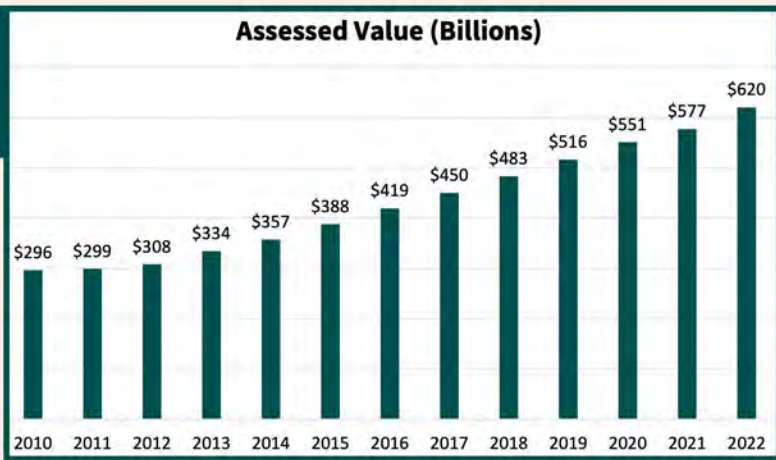
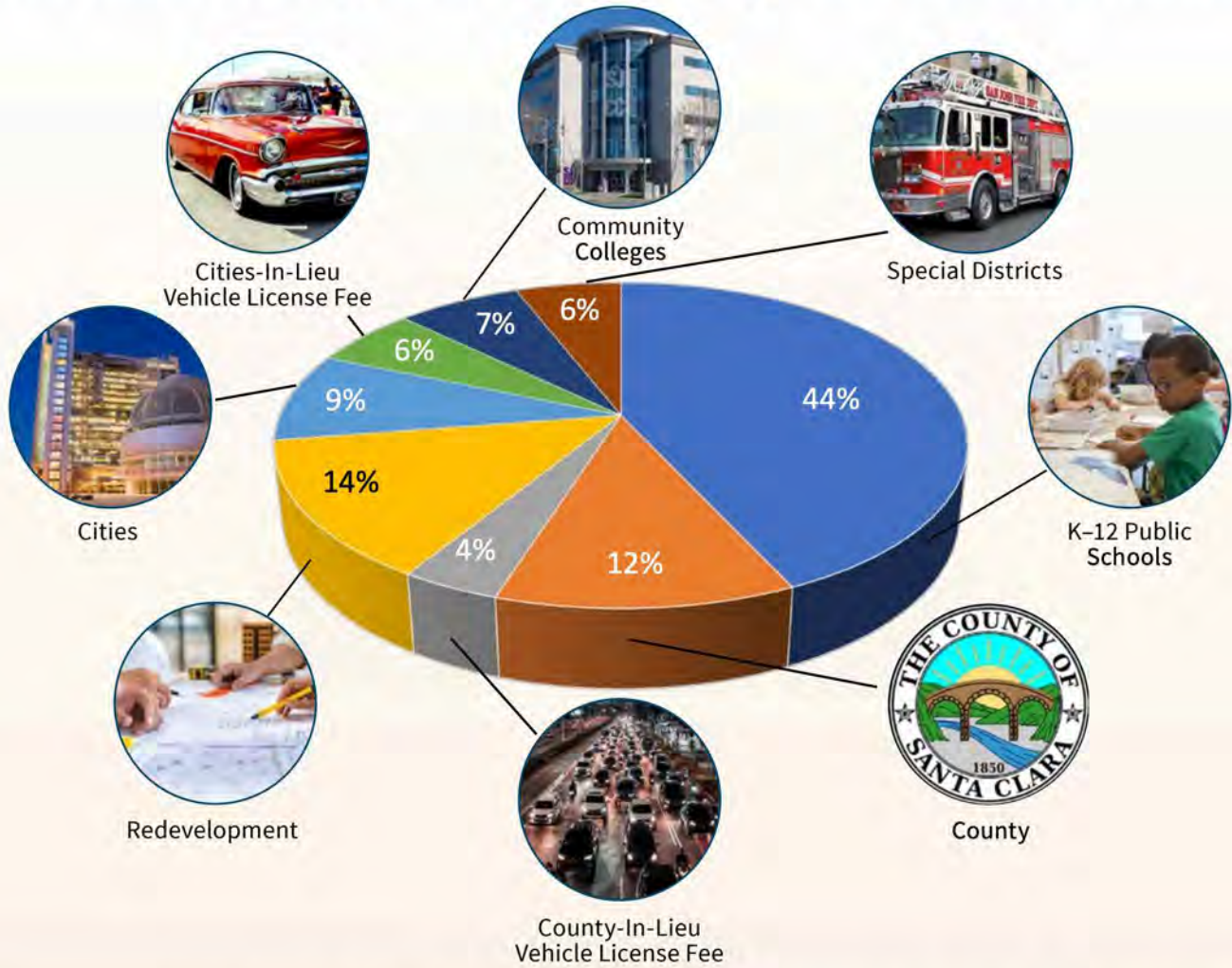
While generally in the top five for overall assessment roll value, Santa Clara County has historically ranked number two in the State for the net value of the Business and Personal Property roll. The chart on the right shows the last five years of data.

Net Business and Personal Property Assessed Value		
Year	Net Business Personal Property	Rank in State
2018	\$37,447,535,940	2
2019	\$38,672,244,708	2
2020	\$40,710,564,133	2
2021	\$40,400,015,325	2
2022	\$43,020,573,274	2

Where Do My Property Taxes Go?

The property tax you pay remains in the local community for services. Property tax is a local tax to finance local governments and public schools. This tax is of major importance as the largest single revenue source for the support of municipal and school district services. Counties, cities, towns, school districts and special districts use property taxes to fund schools, police and fire protection, road maintenance and many other municipal services.

Santa Clara County Average Property Tax Allocation 2022



Property tax, plus all other special assessments for fiscal year 2021-2022, is \$7,684,044,827.

For examples of funding and programs, visit the Santa Clara County Open Data Portal Property Tax Story page by [clicking here](#) or scanning the QR code on the right.



For additional school data, see Addendum on page [42](#).

Proposition 13



Passed by the voters in June 1978, Proposition 13 (Prop. 13) amended the California Constitution, limiting the assessment and taxation of property in California. It restricts both the tax rate and the annual increase of assessed value as follows:

- The property tax cannot exceed one percent of a property’s taxable value (plus service fees, improvement bonds and special assessments, many of which require voter approval).
- A property’s original base value is its 1975–76 market value. A new base year value is established by reappraisal whenever there is a change in ownership or new construction. An increase in the assessed value of real property is limited to no more than two percent per year.
- The adjusted (factored) base year value of real property is the upper limit of value for property tax purposes.
- Business property, boats, airplanes and certain restricted properties are subject to annual reappraisal and assessment.

During a recession, the gap between the market value and assessed value of single family homes declines. As the economy recovers, the gap widens. The chart below provides a snapshot as of the January 1, 2022 Lien Date, based on the simplified Prop. 13 equation defining factored base year value:

**Market value as of March 1, 1975 -OR- date of acquisition
multiplied by the compounded inflation factor (not to exceed 2% per year)
equals the factored base year value**

For example, 19 percent of all current single family homeowners purchased their property before 1989. However, they only account for five percent of all property taxes paid by homeowners. In contrast, homes purchased since 2009 account for 64 percent of the total property tax paid by homeowners. The disparity is even greater among owners of commercial, industrial and multifamily properties.

Distribution of Secured Assessment Roll by Base Year and Property Type (Gross AV)												
Base Year Lien Date	Single Family/Condominium				Multifamily Housing				Commercial/Industrial/Other			
	Assessed Value	AV %	Parcel Count	Parcel %	Assessed Value	AV %	Parcel Count	Parcel %	Assessed Value	AV %	Parcel Count	Parcel %
Prior to 1979	\$6,053,651,309	2%	43,674	10%	\$1,440,970,557	2%	2,877	14%	\$15,781,795,424	9%	4,500	14%
1979–1988	\$12,728,063,054	3%	39,740	9%	\$2,621,292,659	4%	2,711	13%	\$6,548,206,890	4%	3,035	9%
1989–1998	\$31,366,304,832	8%	58,460	14%	\$3,520,963,199	6%	2,635	12%	\$9,208,065,849	5%	3,414	10%
1999–2008	\$84,364,219,752	23%	91,531	21%	\$12,591,322,813	20%	4,426	21%	\$25,035,700,429	15%	6,234	19%
2009–2018	\$133,603,094,293	36%	127,898	30%	\$29,067,144,743	47%	5,683	27%	\$74,013,296,510	43%	10,606	32%
2019–2022	\$103,522,464,531	28%	69,894	16%	\$12,865,336,144	21%	2,771	13%	\$41,435,553,710	24%	5,342	16%
Total	\$371,637,797,771		431,197		\$62,107,030,115		21,103		\$172,022,618,812		33,131	

Proposition 13 generally limits assessed value growth to two percent annually, except for the reassessment of transfers of ownership or new construction. The limit is tied to the California Consumer Price Index (CCPI). In 2021–2022, the CCPI was just 1.036 percent for properties not affected by transfers of ownership or new construction, creating a loss in anticipated property tax revenue for schools and local government.



Who Benefits from Prop. 13?

Every property owner benefits from Prop. 13. However, the longer a property is owned, the greater the property tax benefit.

In contrast to the previous example of residential property purchased before 1989, of the 431,197 residential properties in the County, 46 percent (197,792) were purchased between 2009 and 2022. At \$237.1 billion, these property owners are paying 64 percent of the total property taxes.

The table below provides a snapshot of the countywide distribution of secured assessment roll by base year as of the January 1, 2022 Lien Date and based upon the Prop. 13 equation.

Countywide Distribution of Secured Assessment Roll by Base Year				
Base Year Lien Date	Assessed Value	AV %	Parcel Count	Net Changed Value
Prior to 1979	\$23,276,417,290	3.84%	51,051	11%
1979–1988	\$21,897,562,603	3.61%	45,486	9%
1989–1998	\$44,095,333,880	7.28%	64,509	13%
1999–2008	\$121,991,242,994	20.14%	102,191	21%
2009–2018	\$236,683,535,546	39.07%	144,187	30%
2019–2022 (Partial decade)	\$157,823,354,385	26.05%	78,007	16%
Total	\$605,767,446,698		485,431	

For additional Prop. 13 data, see the Prop. 13 Addendum on page [46](#).

Q. How many properties are still protected by Prop. 13, passed by the voters in 1978?

A. All properties in Santa Clara County and throughout California receive the full protections and benefits of Prop. 13, whether a property was purchased last year or in 1975. A base year value is established at the time of purchase or new construction, and increases in the assessed value are limited to an inflation factor of no more than two percent annually.

Proposition 19

Proposition 13 (Prop. 13) passed in 1978, and prohibits the reassessment of real property except when there has either been a change in ownership or new construction. Some change in ownership transactions qualify for an “exclusion” from reassessment. Examples of change in ownership exclusions include interspousal (marriage, death, divorce) and intergenerational (parent/child and grandparent/grandchild) transfers.

On November 3, 2020, voters approved the Home Protection for Seniors, Severely Disabled, Families and Victims of Wildfire or Natural Disasters Act, commonly known as Proposition 19 (Prop. 19). Prop. 19 made sweeping changes to a property owner’s ability to transfer their Prop. 13 assessed value.

The measure, enacted in two parts, generally:

- Expands a qualifying homeowner’s ability to transfer the assessed base year value to another property throughout California (effective April 1, 2021).
- Narrows the property tax benefits provided to transfers of commercial and residential properties (effective February 16, 2021).
- Adds new transfer provisions for victims of disasters and individuals severely handicapped.

Parent-Child/Grandparent/Grandchild Exclusion

Proposition 19 narrows the property tax benefits for intergenerational transfers. Specifically, the measure:

- Narrows the Assessed Value that can be transferred to two kinds of property: Property used continuously by the child or grandchild as a primary residence, or property held as a family farm.
- Added a value limit of current taxable value plus \$1 million (adjusted for inflation).
- Repealed the former parent-child and grandparent-grandchild exclusions from Propositions 58 and 193, now only effective for eligible transfers that occurred on or before February 15, 2021.

See the chart below, and on the next page, for details on the changes resulting from the passage of Prop. 19.

Parent-Child/Grandparent/Grandchild Exclusion		
	Proposition 58/193 (Former Law)	Proposition 19 (Current Law)
Principal Residence	<ul style="list-style-type: none"> • Principal residence of transferor • No value limit • Residence and homesite (excess land may be excluded as “other property”) 	<ul style="list-style-type: none"> • Principal residence of transferor and transferee • Value limit of current taxable value plus \$1,000,000 (as biannually adjusted) • Family homes and farms
Other Real Property	<ul style="list-style-type: none"> • Transferor lifetime limit of \$1,000,000 of factored base year value 	<ul style="list-style-type: none"> • Eliminates exclusion for other real property other than the principal residence
Grandparent-Grandchild Middle Generation Limit	<ul style="list-style-type: none"> • Parent(s) of grandchild, who qualifies as child(ren) of grandparent, must be deceased on date of transfer 	<ul style="list-style-type: none"> • No change: parent(s) of grandchild, who qualifies as child(ren) of grandparent, must be deceased on date of transfer
Filing Period	<ul style="list-style-type: none"> • File claim within 3 years or before transfer to third party 	<ul style="list-style-type: none"> • File for Homeowner’s Exemption within 1 year of transfer • File claim for exclusion within 3 years or before transfer to third party
Implementing Statute	<ul style="list-style-type: none"> • Revenue & Taxation Code Section 63.1 (implements Propositions 58/193) 	<ul style="list-style-type: none"> • Revenue & Taxation Code Section 63.2 (implements Proposition 19)
Important Dates	<ul style="list-style-type: none"> • Through February 15, 2021 	<ul style="list-style-type: none"> • Effective February 16, 2021

For detailed Prop. 19 information and answers to frequently asked questions, [click here](#) or scan the QR code to visit the State Board of Equalization page.



Base Year Value Transfer – Persons at Least Age 55/Disabled

Proposition 19 (Prop. 19) permits eligible homeowners (defined as over 55, severely disabled, or whose homes were destroyed by wildfire or disaster) to transfer their primary residence’s property tax base year value to a replacement residence.

Under Prop. 19, eligible homeowners can:

- Transfer their primary residence base year value to another primary residence anywhere in the state.
- Transfer the primary residence base year value up to three times in their lifetime.
- Prop. 19 substantially modifies, and in some instances eliminates, portions of Propositions 58 and 193, Propositions 60 and 90, and Proposition 110.

Base Year Value Transfer – Persons at Least Age 55/Disabled		
	Proposition 60/90/110 (RTC Section 69.5)	Proposition 19 (RTC Section 69.6)
Type of Property	• Principal residence	• Principal residence
Timing	• Purchase or newly construct residence within 2 years of sale	• Purchase or newly construct residence within 2 years of sale
Location of Replacement Home	• Same county • County with intercounty ordinance (10 counties)	• Anywhere in California
Value Limit	• Equal or lesser value » 100% if replacement purchased/newly constructed prior to sale » 105% if replacement purchased/newly constructed in first year after sale » 110% if replacement purchased/newly constructed in second year after sale	• Any Value • No adjustment to transferred base year value if the replacement property is of equal or lesser value than the original property market’s value. “Equal or lesser value” means: » 100% if replacement purchased/newly constructed prior to sale » 105% if replacement purchased/newly constructed in first year after sale » 110% if replacement purchased/newly constructed in second year after sale • Amount above “equal or lesser value” is added to transfer value
How many transfers?	• One time • Exception: After using once for age, second time for subsequent disability	• Three times
Implementing Statute	• Revenue & Taxation Code Section 69.5 (implements Proposition 60/90/110)	• Revenue and Taxation Code Section 69.6 (implements Proposition 19)
Important Dates	• Replaced by Proposition 19 (Revenue and Taxation Code Section 69.6)	• Effective April 1, 2021

Disaster Relief

Prop. 19 also applies to disaster relief within the County (intracounty) and anywhere in California (intercounty).

To be eligible, the homeowner must:

- Purchase or newly construct principal residence within 2 years of sale.
- Have incurred the transfer because of a wildfire, as defined, or natural disaster as declared by the Governor.

Visit the Prop. 19 page on the Assessor’s website for the Assessment Estimator and other resources by [clicking here](#) or scanning the QR code.



Proposition 8



What is Proposition 8?

Proposition 8 (Prop. 8), passed by California voters in November 1978, entitles property owners to the lower of the fair market value of their property as of the Lien Date (January 1, 2022), or the factored base year value. The factored base year value is the assessed value as determined at the time of purchase or construction, increased each year by no more than two percent, or the CCPI, whichever is lower.

When the market value of a property declines below the factored base year value, the Assessor is required to proactively reduce the assessed value to reflect the lower fair market value of their property. Properties where the market value exceeds the assessed value as of January 1, 2022, are not eligible for an adjustment.

Temporary Declines in Assessed Value

The number of overall decline in value assessments dropped from 7,696 in 2021 to 2,595 in 2022, a continued surprise given the uncertainty of the COVID-19 pandemic. And, the amount of reduction declined from \$1.8 billion to \$1.7 billion due to the strength in the residential market, offset by the decline in value in commercial property. The residential market (Single family and Townhome/Condo) numbers fell sharply by 5,185 parcels. The number of commercial properties assessed at less than their factored base year value went up by 84 parcels, increasing the reduction in value by over \$407 million.

The low number of decline in value assessments can be attributed to real estate overall in Santa Clara County remaining robust. The commercial market still has demand, particularly for Class A Office and other quality property types, and the residential market remains strong.

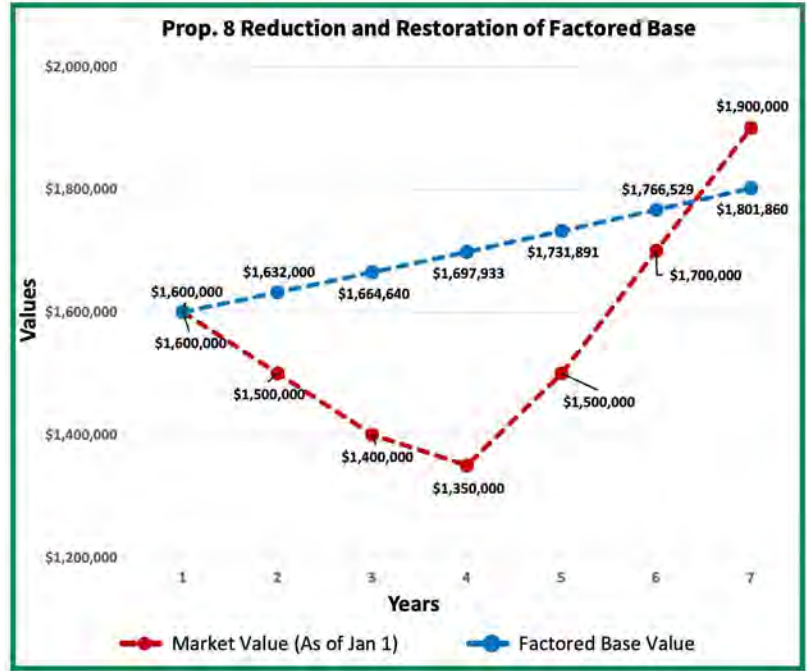
Proposition 8 History		
Year	Temporary Reduction Amount (Billions)	Parcel Count (Thousands)
2012	\$26,959,756,586	136,559
2013	\$15,908,271,302	80,798
2014	\$8,006,997,019	37,989
2015	\$4,913,879,441	22,436
2016	\$2,679,662,339	10,510
2017	\$1,999,107,028	6,654
2018	\$1,363,252,182	2,645
2019	\$1,096,873,060	1,843
2020	\$2,050,409,497	10,629
2021	\$1,811,725,352	7,696
2022	\$1,693,231,780	2,595

Who Should Request a Prop. 8 Decline in Value?

The graph on the right shows when a property owner would qualify for a temporary reduction.

In the example, a property owner purchases a property at fair market value for \$1.6 million, establishing the base year value at year 1. On the subsequent lien date (year 2), the market value decreases to \$1.5 million, but the property owner's assessment is based on the factored base year value, \$1.632 million (value plus 2%) which is higher than the market value. Therefore, the property owner would qualify, under Prop. 8, for a temporary reduction to \$1.5 million.

In this case, the property owner would qualify for a Prop. 8 reduction for years 2 through 6, but not in year 7.

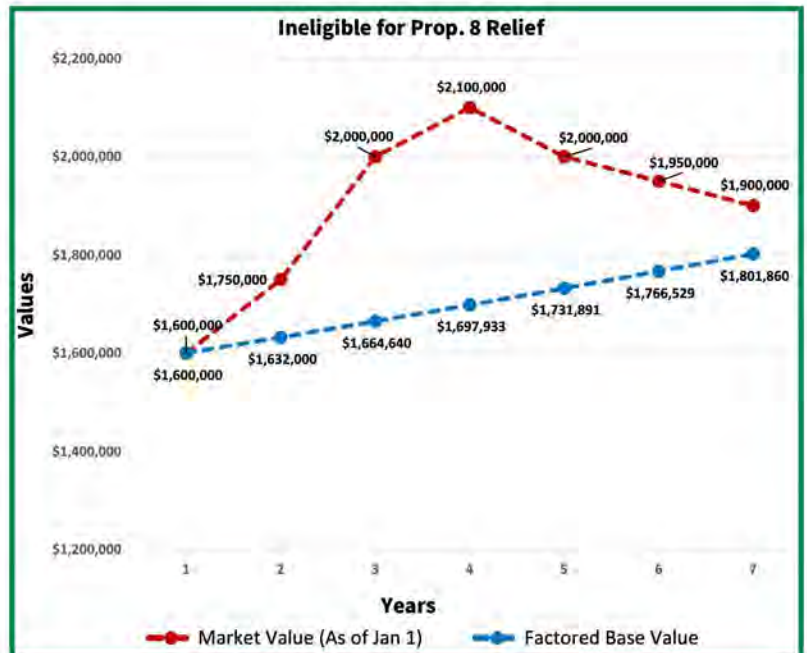


Who Should Not Request a Prop. 8 Decline in Value?

The graph below shows when a property owner would not qualify for a temporary reduction. Typically, this is the case when the market value increases after the property is purchased.

If a property owner purchases their property at fair market value for \$1.6 million, this establishes their base year value at year 1. In year 2, the market value increases to \$1.7 million, but the property owner's assessment will still be based on the factored base year value of \$1.632 million (value plus 2%) which is lower than the market value. In this case a property owner would not qualify for a Prop. 8 reduction, the factored base year value is still much lower than the current market value of the property.

Note: Even if the market has gone down, your factored base year value can still be below the current market value for that year as shown in years 5, 6 and 7.

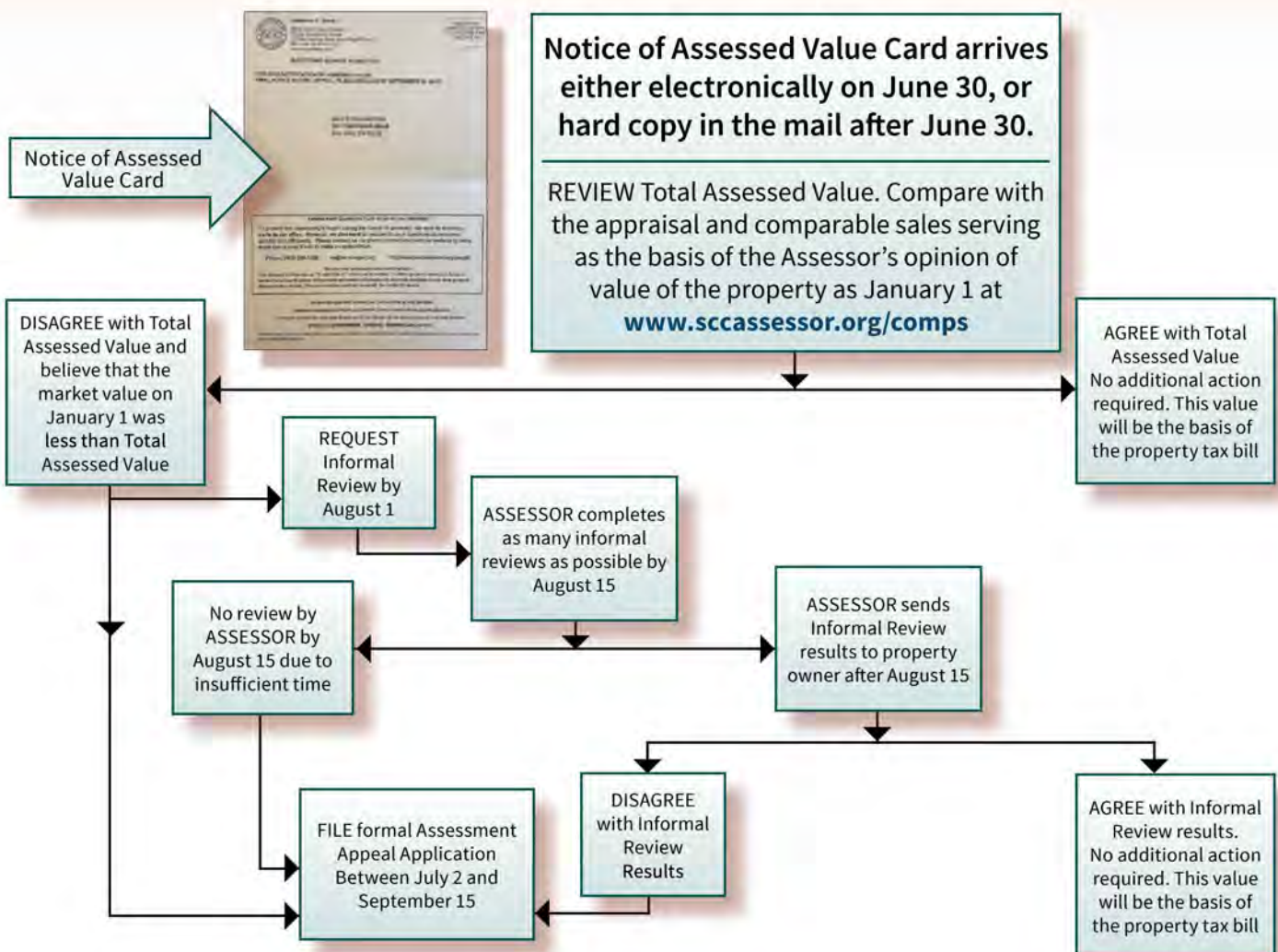


Assessment Appeals

In Santa Clara County, a Notification of Assessed Value is mailed in June to all property owners on the secured roll. The value is based on the January 1 Lien Date.

Property owners are encouraged to review their assessments relative to the market value of their property as of January 1. Owners should contact the Assessor's Office for an informal review if they believe their assessment is greater than the market value of the property as of the lien date. The Assessor's Office makes the appraisal of most residential properties available for review online, allowing owners to evaluate the selection and adjustment of comparable sales used to determine the market value of their property. If, during the informal review, analysis of new information results in a revised determination of market value, the Assessor will change the assessment before the end of the formal filing period on September 15.

See the decision tree below for dates and deadlines for the Assessed Value review and appeal process:



On average, residential appeals were resolved within 17 months during the last fiscal year, longer than usual because of the mass cancellations of hearings of 2020 and early 2021 due to COVID-19. Between July 1, 2021 and June 30, 2022, the Assessor's Office resolved 3,962 appeals, 1,375 more than during the prior fiscal year. This resulted from an effort to address appeals as quickly as possible while complying with state health orders. The Assessor's Office retained 91.6 percent of the assessed value in dispute.

Appeals filed during FY 21–22 declined modestly, from 4,414 the prior year to 4,186 cases. Like the prior year, non-residential cases comprised 63 percent of the cases, but comprised 97 percent of the total assessed value in dispute (AV in dispute), \$34.7 billion. The majority of cases filed were for properties located in San Jose, representing nearly 33 percent of the AV in dispute. However, non-residential appeals filed in the City of Santa Clara numbering 310 cases, represented \$8.7 billion of AV in dispute, a large proportion due to a concentration of corporate technology campuses and Levi's Stadium.

Residential filings declined by 23%, due to the strength of the residential real estate market as of the 2021 lien date and the AV in dispute declined by a modest 7%.

Assessment Appeals Filed in 2021–2022				
City	Non Residential		Residential	
	AV in Dispute	Appeals	AV in Dispute	Appeals
Campbell	\$682,385,837	80	\$15,528,251	32
Cupertino	\$2,281,598,632	92	\$31,040,848	60
Gilroy	\$512,742,137	69	\$4,987,454	15
Los Altos	\$87,520,010	35	\$67,764,878	85
Los Altos Hills	0	0	\$89,805,361	44
Los Gatos	\$622,130,183	51	\$23,531,362	31
Milpitas	\$2,023,432,734	172	\$25,768,631	62
Monte Sereno	0	0	\$9,858,944	8
Morgan Hill	\$80,705,188	58	\$6,428,970	23
Mountain View	\$1,408,269,244	173	\$41,614,609	116
Palo Alto	\$2,323,163,469	164	\$238,393,605	170
San Jose	\$11,182,878,321	1,019	\$174,629,810	501
Santa Clara	\$8,706,114,688	310	\$36,405,109	108
Saratoga	\$25,247,760	24	\$79,450,451	65
Sunnyvale	\$3,601,319,904	267	\$26,809,341	138
Unincorporated	\$242,551,854	96	\$79,569,193	106
Waiting for Validation	\$4,752,258	12	0	0
Total	\$33,784,812,219	2,622	\$951,586,817	1,564

The 2021 filings reinforced a trend that is reflected in the table of active appeals as of the close of the roll. As of July 1, 2022, there were 7,973 active cases totaling over \$99 billion of AV in dispute. 96 percent of that value in dispute is represented by non-residential cases and 80 percent of the case count. The total value in dispute in assessment appeals represented 16 percent of the entire net local assessment roll. The annual filings only represented 6 percent of the net local assessment roll.

Appeal Category	Assessed Value (AV) in Dispute						AV in Dispute	% of In Dispute	Count
	2021	2020	2019	2018	2017	2016 and older			
Business Property	1,053	671	897	587	254	1,224	\$56,643,074,151	57%	4,686
Business & Real Property	26	17	4	15	16	42	\$8,738,562,549	9%	120
Commercial/Industrial	675	208	78	89	35	31	\$26,075,931,629	26%	1,116
Possessory Interest	21	7	6	1	2	9	\$2,023,484,256	2%	46
Residential	1,093	176	14	4	1	2	\$753,398,955	1%	1,290
Multifamily	375	21	0	0	1	1	\$2,093,265,654	2%	398
Miscellaneous	117	36	16	6	5	1	\$2,224,213,955	2%	181
Mobile Homes	1	0	0	0	0	0	\$53,326	0%	1
Legal	84	22	24	3	2	0	\$586,327,707	1%	135
Total	5,466	3,178	3,058	2,723	2,333	1,310	\$99,138,312,182	100%	7,973

With the resumption of a full calendar of assessment appeals hearings, the Assessor's Office anticipates reducing the inventory of assessment appeals, having resolved 3,962 cases in the last fiscal year, almost equivalent to the number of cases filed. The Office maintains its commitment to accurate, well documented assessments required to preserve over 90% of those assessments via appeals resolution.

What our Customers are Saying

The staff interactions inspire many positive comments attributing to this year's 88 percent overall customer satisfaction rating – a remarkable statistic for a government tax office.

Exceptional
service – so very patient!

Anonymous

Exceeded all my expectations. **Responsive, polite, and accurate** with the information I requested.

Anonymous

Excellent, **knowledgeable,**
and **friendly** service!

Anonymous

“Excellent
service by all staff.

Cathie C.

Professional, excellent, outstanding,
knowledgeable, and outstanding customer service.

Anonymous

She went **above and beyond!!** Working with the county is so **much easier** than I thought! Thank you!

Ruth S.

Great, easy **super customer service.**

Anonymous

Recently an Assessor said, “You don’t think about the Assessor’s Office until you need us.” And most often taxpayers need the Office at times of transition, both good and difficult. The change may be because of buying a home or a business, or it could be because of a loss in the family. The staff is trained to respond timely, with accuracy and empathy.

Customer service has been a lifelong value of Assessor Stone. His motto of “what gets measured, gets done” is demonstrated in the commitment to a technology solution to measure and respond to customer feedback in real-time. Each interaction with an employee at the Assessor’s Office – whether by phone, email or in person – gives the user the opportunity to comment on their experience. The data is collected and used to identify weaknesses and strengths in our Public Service, and make adjustments or celebrate accordingly.

**“What gets measured,
gets done.”**

Assessor Larry Stone

Performance Measures

Performance Counts

Led by County Assessor Larry Stone, the Assessor's Office has implemented an ambitious performance-based budgeting and management initiative. Based on the simple idea that what gets measured gets done, the Assessor's Office has a clear mission statement and measurable performance indicators designed to quantify improvement over time, all tied directly to the budget.

Performance Measures

The following are the Assessor's comprehensive performance measures for Fiscal Year 2021-22. By reporting high-level quantitative and qualitative data that track levels of customer satisfaction, timeliness of product delivery, accuracy of assessments and overall efficiency, these measures allow the Assessor to identify and record service levels from year to year, designed to achieve specific continuous improvement objectives. The data is compiled from the results of similar, more detailed measures in each Division of the Assessor's Office. The performance measures were developed in collaboration with both line staff and managers.

HOW ARE WE DOING?

1. Completed 98.1 percent of assessments

The assessment roll is the basis by which property taxes are levied. The completeness of the assessment roll assures public agencies dependent upon property tax revenue that the assessment roll accurately reflects current market activity.

2. Delivered supplemental assessments to the Tax Collector in an average of 185 days

Supplemental assessments occur upon a "change in ownership" or "new construction" of real property. This performance measure ensures timely notification to those property owners who acquire or complete new construction on their property.

3. Resolved all Assessment Appeals in an average of 562 days

By statute, assessment appeals must be resolved within two years of filing, unless a waiver is executed by the taxpayer. This performance measure ensures a timely equalization of assessments for property owners. The average number of days to resolve a residential appeal was 502 days.

4. Earned an 88.12 percent customer satisfaction rating from all office surveys

This outcome measures cumulatively the satisfaction level of both our internal and external customers who rely on the Assessor for timely service and accurate information.

5. Managed resources with total expenditures at 92.3 percent of budget

The budget/cost ratio compares the department's actual bottom line expenditures at the end of the fiscal year to the budget to ensure that costs do not exceed anticipated resources.

Cost Accounting

A critical component of the Assessor's performance-based budget and management system is the comprehensive cost accounting system that allows the Assessor to financially account for nearly every task performed by office staff. The data captures the fully loaded cost, including compensation, benefits, overhead, etc., of activities such as the cost of a residential or commercial appraisal, or an audit of a major company. Managers use the cost accounting data to measure performance and establish quality standards, allocate work assignments, and measure completion rates. Managers are able to review hours worked, essential for calculating the cost per unit. This information is critical for achieving increased productivity, and improving customer service to property owners, taxpayers and public agencies that depend on property tax revenue.

Organizational Overview



ASSESSOR

Lawrence E. Stone, Assessor

The Assessor has the responsibility for annually discovering and assessing all property within the County. The Assessor is both a manager of employees and an administrator responsible for carrying out the rules and regulations imposed by property tax laws. Assessor Stone holds appraisal certification awarded by the State Board of Equalization.



DEPUTY ASSESSOR

Autumn Young, Deputy Assessor

The Deputy Assessor is responsible for local and state policy analysis and communications with a wide range of community, government and business stakeholders, including media relations, elected officials external to the County and major property taxpayers.



REAL PROPERTY

John Recchio, Chief

The Real Property Division is responsible for valuing and enrolling all taxable real property (land and improvements). The Division provides assessment-related information to the public and cooperates with other agencies regarding assessment and property tax-related matters.

Staff Composition – Of the almost 100 staff who work in the Real Property Division, 60 percent are certified in appraisal by the State Board of Equalization.



STANDARDS, SERVICES, AND EXEMPTIONS

Nora Galvez, Chief

The Standards, Services, and Exemptions Division is responsible for locating and identifying ownership and reappraisability of all taxable real property, as well as approving and enrolling all legal property tax exemptions. Professional staff members monitor and process assessment appeals, maintain assessment maps, document imaging and oversee quality control.

Staff Composition – A majority of staff members possess expert knowledge in exemption law, cartography and/or the legal complexities of property transfers. Of the more than 40 staff, 40 percent have certification awarded by the State Board of Equalization.

ASSISTANT ASSESSOR

Greg Monteverde, Assistant Assessor

The Assistant Assessor is under the general direction of the Assessor and is responsible for planning, coordinating, managing, and supervising the functions and operations of the Assessor's Office. The position provides technical support and guidance for professional property appraisal and support staff, and does related work as required. The Assistant Assessor holds advanced appraisal certification awarded by the State Board of Equalization.



ADMINISTRATION

Cheryl Soriano, Financial and Administrative Services Manager

The Administration Division is responsible for preparing and managing the annual budget, implementing all human resource functions, contracts and facilities coordination, and providing oversight of the Public Service team.

Staff Composition – Administration employees possess backgrounds in assessment operations, policy development, strategic planning, communications, fiscal and contract management, accounting and personnel.



BUSINESS AND PERSONAL PROPERTY

John Sleeman, Chief

The Business and Personal Property Division is responsible for locating, valuing, enrolling and auditing all taxable business and personal property, including property (owned and leased) such as computers, supplies, machinery, equipment, and fixtures, as well as mobile homes, airplanes and vessels. Professional staff monitor the business and personal property assessment appeals.

Staff Composition – The staff is comprised of clerical, accountants, and experts skilled in auditing and assessing high-tech businesses. Of the more than 65 staff, 36 percent have advanced certification awarded by the State Board of Equalization.



INFORMATION SYSTEMS

Anil Siddam, Principal IT Manager

The Information Systems Division is responsible for providing systems support to all divisions of the Assessor's Office in pursuit of preparing and delivering the secured, unsecured and supplemental assessment rolls.

Staff Composition – The staff is composed of business systems analysts, full stack developers, technology architects, systems administrators and IT service specialists, as well as management.



The Assessor's Team*



Real Property

Norman Michael Arias
 Audrey Atkins
 Julie Ann Barraza
 Michele Boudreau
 Matthew Boxberger
 Phoebe Cabaluna
 Charmaine Cabuag
 Carol Ann Callahan
 Maria Campana
 Jacquelyn Cantu
 Deborah Chavez
 Win Chen
 Arthur Chien
 Bordon Chin
 Kin Lam Ching
 Michelle Chou
 Dawn Cieslik
 Domonique Craft
 Melody Dejesus
 Barry Delfin
 Sourita Dey
 Sally Duke
 James Duong
 Thy Duong
 Tony Duong
 Sandra Emerson
 Cathleen Espinoza
 Aaron Feldman
 Richard Fisher
 Maria Galeana Castillo
 Joseph Garcia
 Lizuarte Garcia
 Maylina Garcia

Jack Gaskins
 Matthew Gleason
 Vipin Goel
 Kevin Gruidl
 Evguenia Guilbert
 Julius Ho
 Mike Hsu
 Christopher Hughes
 Tri Huynh
 David Johnston
 Elaine Kan
 Dae-Sun Kang
 Karen Klein
 Karen Kloster
 Michael Kofnovec
 Meiyee Kong
 Jeffrey Kwan
 Wei Jim Lai
 Ching-Fu Lan
 Arnold Lau
 Christian Lau
 Young Lee
 Kristen Leglu
 Matthew Leslie
 David Liu
 Brian Lombard
 Vanessa Lopez
 Visnja Lopez
 Trinh Luu-Nguyen
 Frank Masi
 Eric Matsuda
 Nedra Millwood
 Tiffany Ming

Carol Mondino
 Quoc Thang Ngo
 Trong-Quyen Nguyen
 Diane Paskert
 Michelle Pine
 Janene Pratt
 Lynn Quan
 Michael Randle
 John Recchio
 Juan Rodriguez
 Lisette Rodriguez
 Oscar Rodriguez
 Emilie Roy
 Pattie Santillanez
 Jen Santos
 Sheryl Schenkman
 Kristina Seldal
 Vijay Shankarappa
 Mai Shearer
 Tommy Shing
 Hector Solorzano
 Kimberly Starrett
 Michael Swigart
 Marcus Tai
 Kevin Tanner
 Norman Valin
 David Wierzba
 Yeongtyan Wong
 Richard Xavier
 Wen Xia
 Vanessa Yang
 Jennifer Zenni

Information Systems

Raji Abraham
 KhoiNguyen Bui
 Soman Easaw
 James Egan
 Gloria Elia
 Leo Garcia
 James Gray
 Yong Im
 Jada Klein
 Hazel Morales
 Davis Nguyen
 Swathi Pathak
 David Peak
 Chris Piscitelli
 Deepali Raisinghani
 Shashank Ranjan
 Ramya Rao
 Roy Rivas
 Anil Siddam
 Peter Tran
 Shradha Upadhyay
 Haritha Veedhi
 Lucia Zhao

**40 percent
 of staff are
 professionally
 certified by
 the State of
 California.**

*Staff composition as of June 30, 2022

Business and Personal Property

Shalini Agrawal	Kathleen LeGrande
Linda Aguilar	Richard Leong
Annabelle Alquiza	Songyu Lin
Marcella Alvarado	Steve Lin
Oscar Amaya	Deogracia Luminarias
Michael Arriola	David Luu
Jeffrey Barlow	Teresa Macy
Jeannie Bauzon	Amy Martinez
Neeraj Bhardwaj	Jeannette Murray
Simon Calaunan	Bao Nguyen
Grace Cardona	Caroline Nguyen
Joshua Chen	Linda Nguyen
Jingmin Chen	Loan Nguyen
Hui Min Cheng	Y Nhu Nguyen
Jae Choe	Israel Orais
Mary Helen Chrisman	Thuy Pham
Richard Cloyd	Noe Quinanola
Daniel Cooper	Marie Rueda
David Del Real	Elizabeth Samaro
Christopher Dickson	Maria Sarabia
Deborah Dini	Naren Shah
Cecilia Feng	John Sleeman
Gemma Foster	Rosemary Smith
Gabriel Garcia	Roopa Subramanian
Xin Guo	Christine Swensen
Brook Haile	Khadiza Tahera
Cara Heaney	Jasmine Ting
Stella Hong	Natalie Tran
Jenny Huynh	Tran Tran-Galligan
Michelle Jergensen	Athena Wang
Jill Joy	Joseph White
Melissa Kong	Eric Zamudio
Krystal Le	Veronica Zuniga
Bertha Legorreta	

Standards, Services, and Exemptions

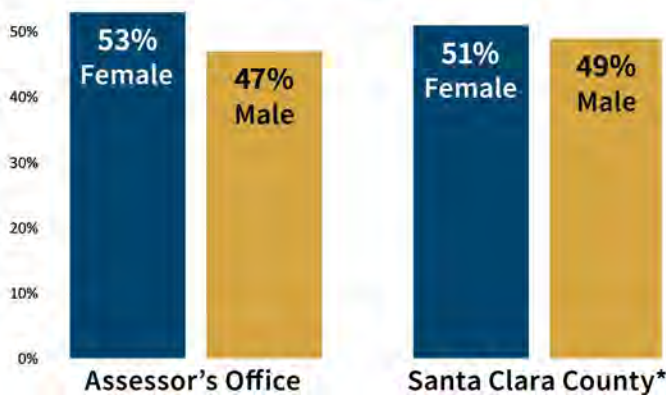
Medel Angel	Melody Luong
Rafael Aranda	Tess Manesis
Tuan Au	Susan Murphy
Anita Badger	Jen Parra-MacDougall
Deborah Bathurst	Shellsy Rizo
Melvin Bautista	Laura Scott
John Belo	Alfredo Semene
Jon Bredeson	David Shank
James DiTomaso	Esmeralda Silveira
Ibrahim Fofanah	Debra Spolski
Nora Galvez	Marian Stewart
Manuela Gonzalez	Stephanie Su
Teresa Gonzalez	Kimhong Tang
Russell Gray	Khanh Tran
Jared Gregory	Susan Vasconcelos
Maria-Salome Grepo	Jackie Ventimiglia
Brenda Hidalgo	Wendy Watson
Joshua Howell	Mulissa Willette
Patrica Jadrich	Will Young
Carlos Jimenez	Michelle Zaffa
Brett Lunceford	Lynn Zhang

Administration

Feliza Bautista	Greg Monteverde
Alana Beltran-Balagso	Cheryl Soriano
Janeth Berg	Lawrence E. Stone
Sally Gonzaga	Carmen Valles
James Kostmayer	Malthi Venkateswaran
Lori Lammler	Autumn Young
Fraser Louie	Diane Zertuche

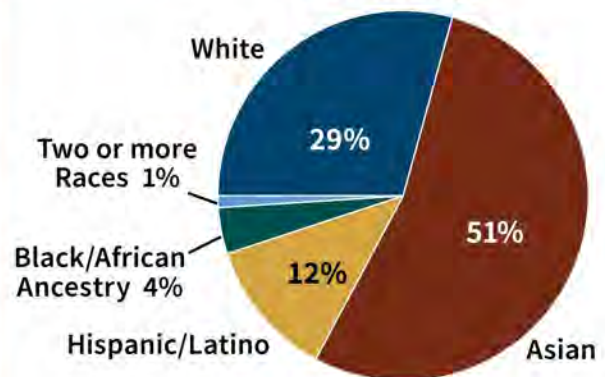
Staff Composition

Gender



* Santa Clara County gender demographics based on 2021 Census

Ethnicity*



* Ethnicity data based on 60% of Assessor's Office staff self-reporting. The 40% who did not specify ethnicity, are not included in the data.

Glossary of Terms*

Ad Valorem Property Tax

Taxes imposed on the basis of the property's value.

Assessed Value (AV)

The taxable value of a property against which the tax rate is applied.

Assessment Appeal

Due process initiated by taxpayer if the assessed value of their property cannot be agreed upon with the Assessor.

Assessment Appeals Board (AAB)

A three-member panel appointed by the Board of Supervisors to resolve disputes between the Assessor's Office and property owners. Qualifying property owners may alternatively select a Value Hearing Officer (VHO), who is typically a real estate professional, to hear their appeal. The VHO process is considered an expedient and convenient alternative to the more formal Board proceedings, and may provide a faster resolution to an appeal.

Assessment Roll

The official list of all property within the County assessed by the Assessor.

Base Year Value (BYV)

The fair market value of a property at the time of the 1975 lien date, or on the date of the subsequent new construction or change in ownership.

Basic Aid

"Basic Aid" school districts fund their revenue limit entirely through property taxes and receive no general purpose State aid.

Business Personal Property

Property which is movable and not affixed to the land, and which is owned and used to operate a business, such as machinery, equipment, computers, furniture and supplies.

Change in Ownership

A transfer of real property resulting in the transfer of the present interest and beneficial use of the property.

California Consumer Price Index (CCPI)

Determined annually by the California Bureau of Labor Statistics.

Escape Assessments

Assessments levied outside the normal assessment period for the lien date(s) in question.

Exclusions

Qualifying transfers of real property which are excluded from reappraisal if a timely claim is filed with the Assessor's Office.

Exemptions

Legally qualified deductions from the taxable assessed value of the property.

Factored Base Year Value (FBYV)

A property's base value, adjusted annually by the change in the CCPI, not to exceed 2 percent. It is the upper limit of taxable value each year.

Fiscal Year

The period beginning July 1 and ending June 30.

Fixture

Tangible property securely affixed to real property.

Full Cash Value (FCV)

The amount of cash or its equivalent value that property would bring if exposed for sale in the open market, and as further defined in Revenue & Taxation Code §110.

Improvements

Buildings or structures generally attached to the land.

Lien

The amount owed and created by the assessment of the property, or the amount levied against property by a taxing agency or revenue district.

Lien Date

The date when taxes for any fiscal year become a lien on property. The Lien Date for California property is 12:01 a.m., January 1.

* Explanation of terms are provided to simplify assessment terminology, but do not replace legal definitions.

New Construction

The construction of new buildings, additions to existing buildings, or alterations which convert the property to another use or extends the economic life of the improvement.

Personal Property

Any property except real estate, including airplanes, boats, and business property.

Possessory Interest (PI)

Interest of a lessee in government-owned property. Examples of a PI include the exclusive right to use public property at an airport, such as a car rental company's service counter or a concession stand at the county fair. In both cases, the vendors are subject to property taxes.

Proposition 13 (Prop. 13)

Passed by California voters in June 1978, Proposition 13 is a Constitutional amendment that limits the taxation of property and creates a procedure for establishing the current taxable value of locally assessed real property, referencing a base year full cash value.

Proposition 8 (Prop. 8)

Passed by California voters in November 1978, Proposition 8 requires the temporary reduction in the assessed value when there is a decline in market value below the property's factored base year value.

Proposition 19 (Prop. 19)

Passed by California voters in November 2020, Proposition 19 generally expands the ability to transfer assessed value and narrows property tax benefits for intergenerational transfers. New transfer provisions were added for victims of disasters and the severely handicapped.

Real Property

Land that has been legally defined and improvements that have been made to the land.

Secured Roll

Assessment roll on which the taxes are secured by a lien against the real estate.

Special Assessments

Direct charges or flat fees against property which are included in the total tax bill, but are not based upon the Assessor's valuation of the property. Examples are sewer charges or school parcel taxes.

State Board of Equalization (BOE)

The Board consists of four members elected by California voters by district, and the State Controller. Their duties include administering various State taxes and fees, and serving as an appellate body for property, business, and income tax assessments. Through guidelines and rules, the Board promotes uniformity in local assessment practices.

Supplemental Assessment

Upon a change of ownership or completion of new construction, a supplemental assessment is issued in addition to the annual regular assessment and is based on the net difference between the previous assessed values and the new value for the remainder of the assessment year(s).

Tax Rate

The ratio of the tax to the tax base. The minimum ad valorem property tax rate is 1% of the net taxable value of the property. The total tax rate may be higher due to voter-approved general obligation bonds that are secured by property taxes for the annual payment of principle and interest.

Tax Roll

The official list of property subject to property tax, together with the amount of assessed value and the amount of taxes due, as applied and extended by the Auditor/Controller.

Tax Rate Area (TRA)

A geographic area having the same property tax allocation factors.

Transfer of Ownership

Change in ownership or change in manner in which property is held.

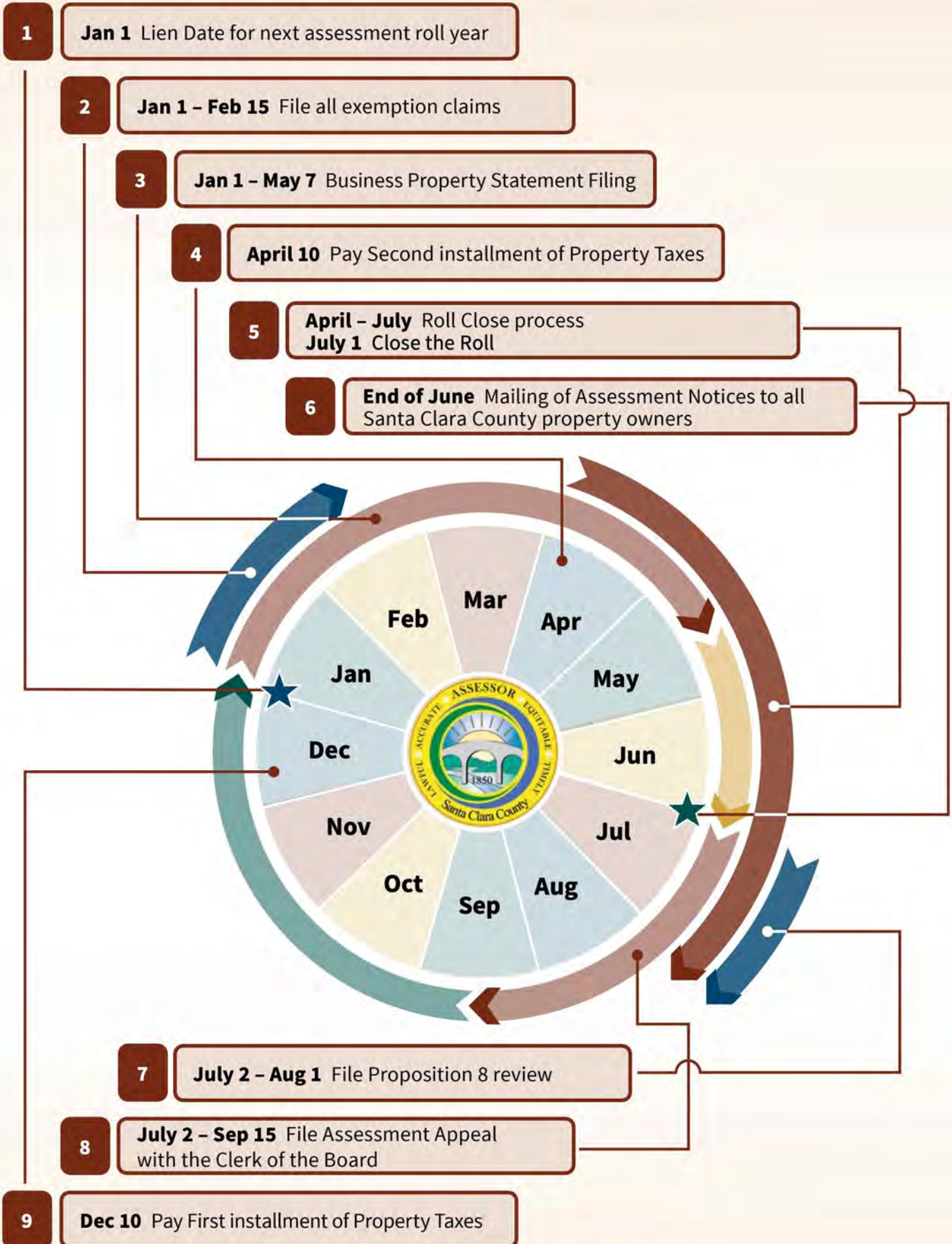
Unsecured Roll

Assessment roll consisting largely of business personal property on which the property taxes are not secured by a lien against the real estate.

For more information, go to
www.sccassessor.org
or scan the QR code
to the right.



Assessment Calendar by Month



Frequently Asked Questions

From aircraft to supplementals – property tax assessment can be a complex and confusing system for property owners. Changes in legislation can make it even more challenging. Below are some frequently asked questions. [Click here](#) or scan the QR code to the right to link to the detailed Frequently Asked Questions page on the Assessor's website.



Q: I am no longer living in the home where I was receiving the Homeowners' Exemption, but I still own it. Do I need to notify the Assessor?

A: Yes. You must notify the Assessor in writing as soon as possible whenever a property you own is no longer eligible for the Homeowner's Exemption. Failure to notify the Assessor will result in escape assessments and penalties if an unauthorized exemption is discovered. The Homeowners' Exemption is required to qualify for the Prop. 19 base year value and intergenerational transfer exclusion.

Q: By what date must a transferee establish the family home as their principal residence to qualify for the Prop. 19 intergenerational transfer exclusion?

A: The transferee must move into the family home and file for the Homeowners' Exemption within one year of the purchase or transfer. If the transfer is because of the death of the transferor, the transfer date is the same as the date of death.

Q: Would an extended stay in a long-term care facility change eligibility for the Homeowners' Exemption?

A: A temporary move to a long-term care facility will not disqualify the property from the exemption if the owner is expected to return. However, according to the State Board of Equalization, an absence of more than one year raises doubt that the owner is expected to return, and eligibility may be terminated. Property owners may want to consult a real estate tax attorney to determine how moving to a long-term care facility may impact Prop. 19 reassessment exclusions.

Q: Who owns a certain parcel? What is my Assessor's Parcel Number? What is the Assessed Value? What school district am I in? Is the property county or city? What is the last recorded document of record? Can you tell me all the property a person owns?

A: The answers to the above questions can be found by [clicking here](#) or scanning this QR code to access the online real property search feature on the Assessor's website.



Don't pay for services provided FREE by the Assessor

- Requests for assessment reductions (Proposition 8)
- Applications for a Homeowners' Exemption

Contact the Assessor's Office before signing a contract or sending money to a provider for these services.

Q: What if I did not receive my Notification of Assessed Value?

A: Notification of Assessed Value (NAV) cards are mailed to all property owners at the end of June annually. If you did not receive your NAV card after the second week of July, you can request a duplicate notice by contacting the Santa Clara County Assessor's Office at assessor@asr.sccgov.org or 408-299-5500. Sign up to get your NAV card and all property assessment information electronically. [Click here](#) or scan this QR code to find out more.



Q: What if I disagree with the Assessor's Value?

A: You should first call the Assessor's Office to discuss the assessment. You may talk directly to the appraiser, and often the matter is settled at that level. If there is still a difference of opinion, you must file an appeal within 60 days of the mailing date shown on the assessment notice.

If you choose to appeal your assessment, you must still pay your tax installments in full by the appropriate deadlines; otherwise, you will incur penalties while the case is in appeals. If your appeal is granted, a refund will be issued to you.

Q: I sold my property months ago. What happens if I get the tax bill for the new owner?

A: You have a few options based on the proximity to tax deadlines. If it is close to tax deadlines (December 10 and April 10), send it to the new property owner. The new property owner's address will be on the tax bill. Or, you can return the tax bill to the Department of Tax and Collections. For assistance with either option, call Tax and Collections at (408) 808-7900.

Q: What kind of personal or business property is taxable?

A: All machinery, equipment, tools, furniture, fixtures, and leasehold improvements held or used by you in connection with a trade or business; boats; aircraft; and mobile homes. Supplies on hand, demonstration equipment, and construction-in-progress are also assessable. All costs before trade-in, including sales tax, freight and installation must be reported on the property statement. For more detail, [click here](#) or scan the QR code to take you to the Business and Personal Property e-File webpage.



Find Out More

The Santa Clara County Office of the Assessor has a variety of online resources available to find out more information about property tax assessment. Stay up to date on legislative changes, important deadlines, learning opportunities and even job openings by joining our social media community. Scan the QR codes below to find out more.




Facebook – @sccassessor
[Click here](#) to go to the website.





LinkedIn @Santa Clara County Assessor's Office
[Click here](#) to go to the website.




YouTube @Santa Clara County Assessor's Office
 For webinars and video resources on the Assessor's website, [click here](#).




Publications
 To find printable resources and publications on a variety of topics on the Assessor's website, [click here](#).



PDF Digital Copy of the 2022 Assessor's Annual Report
 Digital copy includes expanded content and tables. [Click here](#) to go to the website.




Proposition 19 Webinar
[Click here](#) to go to the website.

We aim to speak your language*
 Answers to some of the most frequently asked questions have been translated into seven additional languages and provided on our website. To the right are the languages available for this content.

Chinese – 中文
 Hindi – हिन्दी
 Japanese – 日本語
 Korean – 한글

Spanish – Español
 Tagalog – Tagalog
 Vietnamese – Tiếng Việt

* 6 percent of the staff are certified by the County to provide bilingual service.

The Property Tax Avenger is on Your Side!



A confusing part of buying a new home is the supplemental property tax assessment process. New homeowners often assume their property taxes were taken care of during escrow, or as part of the monthly mortgage payments, only to receive a supplemental assessment followed by a supplemental tax bill. New and prospective homeowners can better understand how supplemental assessments might affect them with the “Tax Avenger.” Find the Tax Avenger video on the Santa Clara County Assessor's Office YouTube channel, [click here](#) or scan the QR code.



The Assessor in the Community

County Assessor Larry Stone enjoys speaking to neighborhood associations, realtors, business organizations, and civic groups like Rotary, City Councils, School Boards and Chambers of Commerce. Last year he delivered over 50 speeches.



Annually, Assessor Larry Stone is invited to address over 60 local and regional groups, as well as state and national conferences ranging in size from 50 to over 5,000 attendees. He is uniquely positioned to discuss a range of topics including:

- Silicon Valley's Economy and Real Estate Markets
- Property Taxes 101
- Public Pension Reform
- Performance Management in Government

To request Assessor Stone to speak at your next event, [click here](#) or scan the QR code below.



Annual Report Acknowledgments

Editors: Greg Monteverde–Assistant Assessor, Autumn Young–Deputy Assessor; Lori Lammle–Confidential Secretary; Robert M. Solis–Graphic Designer; Alana Beltran–Balagso–Assistant Editor

Peer Reviewers: Division Chiefs and Assistant Chiefs, Jeff Barlow, Jeff Kwan, Brett Lunceford, Carmen Valles, Diane Zertuche

City, School and Proposition Data Addendums

Net Secured Assessed Value (AV) and Number of Parcels by City and Property Type											
City	Row Type	Agricultural & Miscellaneous	Industrial & Manufacturing	Mobile Home	Multifamily Housing	Office	Retail	Single Family & Condo Housing	Net Secured	Other Exemption	Homeowner Exemption
Campbell	AV	\$192,929,100	\$796,254,646	\$15,216,461	\$1,652,312,730	\$965,497,550	\$962,940,663	\$8,243,493,791	\$12,828,644,941	\$217,735,211	40,744,200
	APN	155	290	110	756	217	261	10,552	12,341	116	5,731
Cupertino	AV	\$289,650,730	\$1,470,590,138	0	\$1,581,607,960	\$7,818,039,962	\$1,377,131,414	\$17,285,377,881	\$29,822,398,085	\$148,676,572	64,050,000
	APN	225	59	0	579	224	146	15,374	16,607	82	9,151
Gilroy	AV	\$477,479,344	\$694,200,061	\$13,867,568	\$580,504,585	\$104,937,762	\$998,385,504	\$7,775,342,951	\$10,644,717,775	\$398,973,797	45,712,800
	APN	640	226	173	630	98	319	12,825	14,911	156	6,533
Los Altos	AV	\$139,050,929	\$16,837,689	0	\$298,880,949	\$669,560,838	\$456,535,484	\$18,697,038,117	\$20,277,904,006	\$454,297,669	45,277,400
	APN	154	30	0	137	281	176	10,364	11,142	74	6,470
Los Altos Hills	AV	\$241,363,950	\$2,952,725	\$43,019	0	0	0	\$9,685,254,222	\$9,929,613,916	\$37,221,968	12,859,000
	APN	214	21	1	0	0	0	2,999	3,235	14	1,838
Los Gatos	AV	\$351,556,278	\$200,317,580	\$5,427,053	\$763,170,742	\$1,226,343,756	\$604,474,636	\$13,251,999,101	\$16,403,289,146	\$376,137,549	39,691,400
	APN	349	55	59	454	275	211	9,860	11,263	69	5,672
Milpitas	AV	\$565,137,897	\$4,525,147,176	\$31,192,658	\$2,540,577,014	\$312,324,975	\$1,493,966,922	\$12,465,804,416	\$21,934,151,058	\$351,094,544	66,032,400
	APN	353	398	402	372	177	189	18,429	20,320	125	9,436
Monte Sereno	AV	\$25,304,595	\$2,288,321	0	0	0	0	\$2,784,405,518	\$2,811,998,434	\$915,149	5,306,000
	APN	34	2	0	0	0	0	1,257	1,293	1	758
Morgan Hill	AV	\$409,254,389	\$1,039,094,226	\$42,473,196	\$552,208,296	\$137,333,343	\$574,756,493	\$9,208,908,872	\$11,964,028,815	\$379,779,538	49,165,200
	APN	433	240	453	325	96	223	11,912	13,682	146	6,862
Mountain View	AV	\$2,438,523,661	\$5,147,605,351	\$77,858,234	\$6,086,133,039	\$7,042,289,097	\$1,551,709,687	\$16,696,054,194	\$39,040,173,263	\$779,176,512	67,170,600
	APN	303	337	848	1,511	417	380	16,923	20,719	120	9,595
Palo Alto	AV	\$436,978,010	\$1,930,330,690	\$501,823	\$2,575,199,317	\$7,523,487,358	\$2,004,833,661	\$29,956,045,703	\$44,427,376,562	\$7,687,087,370	73,810,800
	APN	475	169	11	851	582	372	18,249	20,709	323	10,547
San Jose	AV	\$5,756,411,606	\$17,340,206,848	\$466,695,998	\$24,612,295,302	\$15,128,711,802	\$12,114,668,236	\$145,062,640,191	\$220,481,629,983	\$6,771,519,923	835,016,600
	APN	3,633	2,818	6,723	11,010	2,173	3,210	218,415	247,982	1,679	119,085
Santa Clara	AV	\$2,083,854,157	\$10,356,482,085	\$163,115	\$7,024,704,332	\$8,286,605,494	\$1,935,922,221	\$18,549,381,677	\$48,237,113,081	\$2,716,766,925	93,109,800
	APN	363	938	1	2,015	291	433	25,844	29,885	260	13,306
Saratoga	AV	\$214,846,368	\$41,584,043	\$65,615	\$11,277,822	\$174,638,070	\$177,126,707	\$18,216,223,725	\$18,835,762,350	\$252,452,184	46,566,800
	APN	343	36	1	23	88	68	10,589	11,148	52	6,654
Sunnyvale	AV	\$722,136,107	\$9,923,849,184	\$278,654,426	\$7,731,488,667	\$11,890,310,112	\$2,323,264,009	\$25,477,752,638	\$58,347,455,143	\$711,327,285	127,152,200
	APN	245	527	2,813	2,126	374	413	29,625	36,123	157	18,168
Unincorporated	AV	\$3,147,684,131	\$229,353,078	\$3,042,575	\$179,854,233	\$32,311,738	\$141,906,112	\$17,809,973,539	\$21,544,125,406	\$8,174,574,905	73,733,800
	APN	6,911	310	54	314	30	121	17,980	25,720	359	10,537

Real Property Distribution of Value by Type Roll Year: 2022

Property Type	Property Value	Value Growth %	% of Total Value	Parcel Count	Parcel %
Single Family, Detached	\$310,815,256,782	8%	54%	338,728	70%
Condominiums	\$60,340,208,748	8%	10%	92,465	19%
Office	\$58,577,682,349	11%	10%	5,323	1%
Apartments, 5+ Units	\$44,698,385,523	7%	8%	5,912	1%
R&D Industrial	\$23,794,681,348	3%	4%	780	<1%
Other Industrial Non-Manufacturing	\$18,427,544,757	8%	3%	3,444	1%
Specialty Retail and Hotels	\$16,894,602,292	4%	3%	5,658	1%
Single Family, 2-4 Units	\$11,216,912,846	8%	2%	15,035	3%
Major Shopping Centers	\$9,497,371,988	1%	2%	859	<1%
Other Urban	\$8,010,325,696	7%	1%	6,316	1%
Public & Quasi-Public	\$6,355,279,450	4%	1%	2,490	1%
Other Industrial Manufacturing	\$3,946,347,859	7%	1%	2,049	<1%
Agricultural	\$2,591,694,277	6%	<1%	5,365	1%
Electronics & Machinery Manufacturing	\$1,675,836,028	-24%	<1%	145	<1%
Residential, Miscellaneous	\$90,682,366	4%	<1%	156	<1%
Total	\$576,932,812,309			484,725	

City, School and Proposition Data Addendums

Net Secured Assessed Value (AV) and Number of Parcels (APN) by High School and Elementary Districts and by Major Property Type

Campbell Union High School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
Burbank	AV	0	\$142,069,955	\$302,178,850	\$83,627,123	\$527,875,928	\$3,724,406	\$531,600,334	\$9,940,602	\$1,855,000	8%
	APN	0	179	597	115	891	0	0	4	265	0
Cambrian	AV	\$5,236,582	\$761,200,166	\$6,132,316,082	\$1,323,295,215	\$8,222,048,045	\$114,450,279	\$8,336,498,324	\$92,243,290	\$32,365,200	8%
	APN	26	473	8,389	492	9,380	0	0	44	4,533	0
Campbell Union	AV	\$15,728,141	\$4,400,262,338	\$17,368,617,119	\$6,824,849,986	\$28,609,457,584	\$805,914,578	\$29,415,372,162	\$733,878,426	\$79,688,000	8%
	APN	137	2,367	21,170	1,526	25,200	0	0	211	11,386	0
Moreland	AV	0	\$1,593,205,025	\$8,615,624,833	\$1,183,038,671	\$11,391,868,529	\$121,353,769	\$11,513,222,298	\$179,161,963	\$43,895,600	7%
	APN	0	1,091	10,777	302	12,170	0	0	60	6,271	0
Union Elementary	AV	\$36,087	\$373,792,119	\$11,312,975,442	\$919,749,628	\$12,606,553,276	\$52,415,046	\$12,658,968,322	\$181,505,872	\$56,368,200	7%
	APN	1	378	13,654	263	14,296	0	0	73	8,056	0

East Side Union High School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
Alum Rock Union	AV	\$6,953,282	\$866,808,824	\$9,080,654,807	\$1,589,333,182	\$11,543,750,095	\$174,474,676	\$11,718,224,771	\$1,027,973,174	\$69,139,600	7%
	APN	136	865	19,782	1,145	21,928	0	0	233	9,661	0
Berryessa Union	AV	\$174,495	\$1,065,577,651	\$13,509,692,447	\$989,929,794	\$15,565,374,387	\$212,660,248	\$15,778,034,635	\$186,089,209	\$83,487,600	7%
	APN	1	98	22,868	477	23,444	0	0	130	11,930	0
Evergreen	AV	\$40,720,825	\$210,279,380	\$19,739,412,968	\$1,559,094,232	\$21,549,507,405	\$201,466,717	\$21,750,974,122	\$286,555,977	\$102,891,600	6%
	APN	583	71	25,694	681	27,029	0	0	151	14,703	0
Franklin McKinley	AV	\$147,532,085	\$970,110,483	\$7,939,354,005	\$3,017,270,201	\$12,074,266,774	\$459,180,899	\$12,533,447,673	\$973,455,729	\$58,311,400	8%
	APN	2,258	938	15,354	1,559	20,109	0	0	140	8,333	0
Mount Pleasant	AV	\$153,584	\$15,005,353	\$2,739,891,179	\$127,107,483	\$2,882,157,599	\$12,157,477	\$2,894,315,076	\$76,324,124	\$17,866,800	5%
	APN	2	28	5,007	177	5,214	0	0	32	2,553	0
Oak Grove	AV	\$107,860,711	\$2,193,441,813	\$15,166,845,011	\$3,466,785,354	\$20,934,932,889	\$1,678,748,099	\$22,613,680,988	\$569,695,162	\$100,430,400	9%
	APN	1,361	517	26,280	568	28,726	0	0	163	14,350	0
Orchard	AV	\$56,553,549	\$1,359,961,453	\$1,773,089,131	\$9,444,691,983	\$12,634,296,116	\$1,544,611,846	\$14,178,907,962	\$146,640,714	\$11,501,000	7%
	APN	919	32	2,378	1,324	4,653	0	0	24	1,643	0

Net Secured Assessed Value (AV) and Number of Parcels (APN) by High School and Elementary Districts and by Major Property Type

Fremont Union High School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
Cupertino Union	AV	0	\$3,370,999,026	\$39,280,568,636	\$9,248,338,184	\$51,899,905,846	\$1,280,894,431	\$53,180,800,277	\$320,099,371	\$155,505,000	7%
	APN	0	1,561	36,418	1,260	39,239	0	0	149	22,216	0
Sunnyvale Elementary	AV	\$98,105,476	\$5,465,286,370	\$14,194,572,586	\$21,187,922,171	\$40,945,886,603	\$3,335,347,486	\$44,281,234,089	\$493,821,856	\$69,190,800	8%
	APN	980	1,351	17,205	1,285	20,821	0	0	117	9,888	0

Gilroy Unified School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
Gilroy Unified	AV	\$14,854,348	\$584,741,223	\$9,112,109,536	\$3,260,045,971	\$12,971,751,078	\$343,220,049	\$13,314,971,127	\$411,052,088	\$53,443,600	7%
	APN	194	643	14,378	3,041	18,256	0	0	174	7,638	0

Los Gatos – Saratoga Union High School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
Lakeside Union	AV	0	\$1,312,372	\$165,712,033	\$26,171,511	\$193,195,916	\$40,644	\$193,236,560	\$1,549,697	\$686,000	9%
	APN	0	1	175	122	298	0	0	2	98	0
Loma Prieta Union	AV	0	\$208,577	\$273,344,194	\$55,347,608	\$328,900,379	\$1,250,018	\$330,150,397	\$1,060,173	\$1,426,600	6%
	APN	0	2	329	244	575	0	0	2	204	0
Los Gatos Union	AV	\$5,427,053	\$461,683,158	\$13,313,128,144	\$2,050,447,436	\$15,830,685,791	\$238,581,270	\$16,069,267,061	\$258,487,516	\$36,265,600	8%
	APN	59	244	8,999	1,397	10,699	0	0	47	5,182	0
Saratoga	AV	\$106,802	\$8,545,196	\$13,981,396,055	\$477,326,463	\$14,467,374,516	\$35,659,402	\$14,503,033,918	\$232,038,669	\$29,778,000	7%
	APN	2	17	6,922	550	7,491	0	0	36	4,255	0

City, School and Proposition Data Addendums

Net Secured Assessed Value (AV) and Number of Parcels (APN) by High School and Elementary Districts and by Major Property Type

Milpitas Unified School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
Milpitas Unified	AV	\$31,248,186	\$1,995,875,171	\$12,267,334,834	\$6,895,491,389	\$21,189,949,580	\$2,171,417,090	\$23,361,366,670	\$336,951,196	\$65,825,200	7%
	APN	403	367	18,253	1,389	20,412	0	0	128	9,406	0

Morgan Hill Unified School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
Morgan Hill Unified	AV	\$44,025,258	\$571,365,573	\$13,479,625,630	\$3,507,039,494	\$17,602,055,955	\$501,532,752	\$18,103,588,707	\$456,018,036	\$71,561,000	7%
	APN	477	345	17,610	3,328	21,760	0	0	207	10,063	0

Mountain View – Los Altos Union High School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
Los Altos Elementary	AV	\$43,019	\$1,800,025,661	\$26,889,385,437	\$2,547,100,056	\$31,236,554,173	\$193,686,555	\$31,430,240,728	\$635,277,228	\$58,938,600	8%
	APN	1	192	13,873	944	15,010	0	0	104	8,422	0
Mountain View Elementary	AV	\$77,858,234	\$4,500,079,575	\$14,025,958,071	\$17,550,492,036	\$36,154,387,916	\$2,167,877,413	\$38,322,265,329	\$765,664,862	\$56,981,400	10%
	APN	848	1,405	14,404	1,402	18,059	0	0	107	8,139	0

Palo Alto Unified School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
Palo Alto Unified	AV	\$501,823	\$2,575,501,448	\$34,450,806,563	\$11,816,820,926	\$48,843,630,760	\$2,174,215,335	\$51,017,846,095	\$15,695,755,638	\$82,555,200	6%
	APN	11	873	20,084	1,783	22,751	0	0	536	11,797	0

Patterson Joint Unified School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
Patterson Joint	AV	0	0	\$662,209	\$39,293,420	\$39,955,629	0	0	\$0	\$154,000	-100%
	APN	0	0	3	430	433	0	0	0	22	0

Net Secured Assessed Value (AV) and Number of Parcels (APN) by High School and Elementary Districts and by Major Property Type

San Benito High School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
North County	AV	0	0	0	\$50,529,901	\$50,529,901	\$892,680	\$51,422,581	\$0	\$42,000	13%
Union Joint	APN	0	0	0	220	220	0	0	0	6	0

San Jose Unified School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
San Jose Unified	AV	\$38,921,683	\$9,047,831,752	\$44,389,291,083	\$13,928,567,041	\$67,404,611,559	\$3,052,717,854	\$70,457,329,413	\$2,436,348,473	\$227,854,200	8%
	APN	473	4,877	60,766	4,564	70,680			565	32,548	0

Santa Clara Unified School District											
School District	Row Type	Mobile Home	Multifamily Housing	Single Family Housing	Non-Residential	Net Secured	Net Unsecured	Grand Total	Other Exemption	Homeowner Exemption	Total Value Growth
Santa Clara Unified	AV	\$243,160,518	\$11,855,045,326	\$21,661,149,651	\$36,069,562,240	\$69,828,917,735	\$11,544,512,600	\$81,373,430,335	\$2,950,148,056	\$117,391,400	8%
	APN	2,777	2,188	29,828	2,543	37,336	0	0	294	16,775	0

Proposition 13 Addendum

Distribution of Assessment Roll by Year and Percentage							
City	% Type	Prior to 1979	1979–1988	1989–1998	1999–2008	2009–2018	2019–to date
Campbell	Gross Assessed Value %	2%	4%	7%	19%	37%	31%
	Parcel %	11%	10%	14%	20%	28%	17%
Cupertino	Gross Assessed Value %	1%	4%	9%	22%	43%	21%
	Parcel %	9%	11%	17%	27%	25%	11%
Gilroy	Gross Assessed Value %	1%	2%	5%	23%	39%	30%
	Parcel %	6%	6%	9%	19%	37%	23%
Los Altos	Gross Assessed Value %	2%	4%	9%	22%	37%	26%
	Parcel %	14%	10%	15%	20%	27%	13%
Los Altos Hills	Gross Assessed Value %	2%	4%	10%	24%	40%	20%
	Parcel %	14%	13%	15%	19%	27%	13%
Los Gatos	Gross Assessed Value %	2%	4%	8%	19%	38%	29%
	Parcel %	11%	10%	13%	18%	28%	19%
Milpitas	Gross Assessed Value %	6%	3%	7%	19%	38%	27%
	Parcel %	9%	8%	14%	19%	31%	19%
Monte Sereno	Gross Assessed Value %	2%	4%	11%	22%	31%	31%
	Parcel %	13%	11%	16%	18%	23%	19%
Morgan Hill	Gross Assessed Value %	1%	3%	7%	21%	34%	34%
	Parcel %	4%	6%	11%	20%	33%	25%
Mountain View	Gross Assessed Value %	1%	3%	4%	14%	46%	30%
	Parcel %	11%	7%	12%	22%	30%	17%
Palo Alto	Gross Assessed Value %	9%	5%	8%	21%	36%	22%
	Parcel %	15%	11%	15%	21%	26%	13%
San Jose	Gross Assessed Value %	2%	3%	7%	22%	37%	28%
	Parcel %	10%	10%	13%	21%	30%	16%
Santa Clara	Gross Assessed Value %	3%	3%	7%	15%	47%	25%
	Parcel %	13%	9%	11%	21%	30%	17%
Saratoga	Gross Assessed Value %	3%	4%	12%	24%	35%	23%
	Parcel %	13%	10%	18%	20%	26%	13%
Sunnyvale	Gross Assessed Value %	2%	3%	6%	17%	47%	25%
	Parcel %	13%	9%	13%	21%	29%	16%
Unincorporated	Gross Assessed Value %	22%	9%	7%	18%	26%	19%
	Parcel %	14%	11%	13%	19%	28%	15%



Office of the County Assessor

Lawrence E. Stone, Assessor
County of Santa Clara Government Center
70 West Hedding Street, East Wing, 5th Floor
San Jose, California 95110-1771

www.sccassessor.org

Santa Clara County Board of Supervisors*

Mike Wasserman, District 1
Cindy Chavez, District 2
Otto Lee, District 3
Susan Ellenberg, District 4
Joe Simitian, District 5

County Executive*

Dr. Jeffrey V. Smith
www.sccgov.org

*Board of Supervisors and County Executive as of June 30, 2022

Questions? Go to www.sccassessor.org to get answers.

Need translation? The Assessor's Office has employees who speak Vietnamese, Spanish and Chinese. Call us at (408) 299-5500.

Cần giúp thông dịch? Văn phòng Giám Định Nhà Đất có nhân viên nói được tiếng Việt. Vui lòng gọi cho chúng tôi ở số (408) 299-5500.

¿No habla inglés? En la oficina del Tasador hay empleados que hablan español. Llámenos al (408) 299-5500.

需要翻譯? 估值官辦公室裡有說中文的工作人員。請致電 (408) 299-5500.

General County financial information, including taxes by tax rate areas and methods of property tax revenue allocation:

Santa Clara County Finance Agency • (408) 299-5200

Santa Clara County Office of the Assessor:

Public Service • (408) 299-5500

Real Property (land and improvements)
(408) 299-5300 • rp@asr.sccgov.org

Personal Property, including Businesses,
Mobile Homes, Boats and Airplanes
(408) 299-5400 • busdiv@asr.sccgov.org

Property Tax Exemptions
(408) 299-6460 • exemptions@asr.sccgov.org

Change in Ownership Issues
(408) 299-5540 • propertytransfer@asr.sccgov.org

Mapping • (408) 299-5550 • mapping@asr.sccgov.org

Administration • (408) 299-5588 • Fax (408) 297-9526

Tax bills, payments, delinquency or the phone number of the appropriate agency to contact about a special assessment:

Santa Clara County Department of Tax and Collections
(408) 808-7900 • www.scctax.org

Filing Assessment Appeals:

Santa Clara County Assessment Appeals Board Clerk
(Clerk of the Board of Supervisors)
(408) 299-5088 • www.sccgov.org/assessmentappeals

Recording Documents:

Office of the County Clerk-Recorder
(408) 299-5688 • www.clerkrecorder.org

California State Board of Equalization:

The State Board of Equalization is responsible for assuring that county property tax assessment practices are equal and uniform throughout the state. Contact the State Board at (916) 274-3400, or www.boe.ca.gov for more information.

**The Assessor's Office
is moving Fall 2023**

**New Address:
130 W. Tasman Dr.
San Jose, CA 95134**

Thank you for requesting a paper copy of the Annual Report.
Please e-mail us at assessor@asr.sccgov.org if your address has changed or to receive the report electronically. [Click here](#) or scan the QR code to download this report in pdf format.

2022 Santa Clara County Assessor's Office

