



To: CHEAC General Membership

From: [Michelle Gibbons](#), Executive Director  
[Jack Anderson](#), Senior Fiscal & Policy Analyst

Date: May 17, 2024

RE: Governor’s 2024-25 May Revision Budget Addendum  
**NOTE:** This memo supersedes CHEAC’s May 10 May Revision Budget Memo

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## Overview

Following last Friday’s release of Governor Gavin Newsom’s May Revision Budget summary, CHEAC is issuing this budget memo addendum outlining additional details of interest to CHEAC Members and local health departments. The Administration, including state agencies and departments, this week issued budget detail summaries pursuant to the statutory deadline of May 14 to provide updated revenue projections and proposed actions to address the state’s significant budget deficit.

**This memo addendum is intended to supersede CHEAC’s [May Revision Budget Memo issued on May 10, 2024](#).** This addendum includes items identified in last week’s memo with added details released this week, as well as additional items of interest.

## Public Health Workforce & Infrastructure

**Future of Public Health (FoPH).** As a reminder, the Governor proposes eliminating the \$300 million ongoing General Fund investment to rebuild state and local public health workforce and infrastructure, including the \$200 million General Fund allocation to local health departments. The Governor's proposal seeks to additionally eliminate \$52.5 million in the current fiscal year (2023-24) of Future of Public Health funding due to prior savings; the \$52.5 million, \$41.5 million is for state operations and \$11 million is for local assistance.

CHEAC and the California Can't Wait Coalition [express strong opposition](#) to the Administration's proposal which puts at risk over 1,200 local positions created with the funding, with over 900 positions already hired. Now is not the time to turn back the clock on public health readiness and forget the painful lessons learned from the COVID-19 pandemic.

**Public HERO Initiative Funding.** Of note, one-time public health workforce training and development programs secured through the Public Health Equity and Readiness Opportunity (Public HERO) Initiative in the 2022 Budget Act are not proposed to be impacted by the Governor's May Revision.

## Realignment

**1991 Realignment.** The Governor's May Revision projects state sales tax and vehicle license fees to increase by 1.7 percent from 2022-23 to 2023-24 and 1.2 percent from 2023-24 to 2024-25. Realignment projections included in the Governor's May Revision budget proposal are [available here](#).

**AB 85 1991 Realignment Diversions.** The Governor's May Revision updated the estimated redirection from the 2024-25 January budget proposal. The Administration now estimates that \$630.6 million will be redirected in 2024-25, which is an increase from \$617.1 million estimated in January. No update to the estimated net true-up for 2021-22 was provided at May Revision; the Department of Finance (DOF) is anticipated to release these figures this summer.

As a brief background, after the passage of the Affordable Care Act and Medi-Cal expansion, the state anticipated counties would be spending less on indigent care, given more individuals would qualify for insurance through Medi-Cal or Covered California. Under this assumption, the state enacted AB 85 (Chapter 24, Statutes of 2013), which diverted health realignment dollars from the counties to the state. The state diverted either: 1) 60 percent of health realignment funding received in a given year; or 2) a specified amount of health realignment funding received based on a formula that considered county revenues and costs. The state typically estimates the redirection in the Governor's January budget proposal and updates those figures in the May Revision.

AB 85 includes a true-up mechanism two years after the close of the fiscal year to determine what the actual county diversion should have been based on updated county data.

The county-by-county 2024-25 interim redirection figures are [available here](#).

## Public Health Programs

**Maternal, Child, and Adolescent Health (MCAH) Federal Match.** The Administration's May Revision includes \$27.9 million in 2023-24 and \$90.89 million in 2024-25 for Title XIX federal matching funds to be provided to CDPH to support various Maternal, Child, and Adolescent Health (MCAH) programs. This change reflects adjusted projections of anticipated payments and the addition of the CDPH Perinatal Equity Initiative (PEI).

**Proposition 56 State Dental Program Account – General Fund Backfill.** The Governor's May Revision proposes to eliminate a \$4.6 million ongoing General Fund backfill to the CDPH Office of Oral Health. Recall, the 2021 Budget Act included trailer bill language requiring a state General Fund backfill in the event of a decrease in tobacco tax revenue to ensure the State Dental Program account is maintained at a minimum of \$30 million annually. This account supports CDPH Office of Oral Health and local oral health programs operated by LHDs and partners. CDPH is anticipated to release proposed trailer bill eliminating provisions requiring this ongoing General Fund backfill. CHEAC is continuing to work closely with CDPH to understand potential impacts to local oral health programs.

**Mpox Response.** The Governor's May Revision proposes reverting \$1.7 million General Fund from 2023-24 in state operations to support response efforts to mpox. Recall, the 2022 Budget Act appropriated \$41.5 million to state and local health departments in response to the mpox state of emergency.

**CDPH IT Investments.** The Administration seeks to revert and reduce several investments in CDPH information technology systems and initiatives, including but not limited to:

- **Disease Surveillance Readiness, Response, Recovery, and Maintenance:** The Governor proposes to revert \$3.8 million General Fund in 2023-24 and eliminate \$6.9 million General Fund in 2025-26 and ongoing for various CDPH disease surveillance and IT systems. Recall, the 2022 and 2023 budget acts included a series of multiyear General Fund investments in IT systems, including support of CalCONNECT, CalREDIE, and myCAvax, among others.

During budget subcommittee hearings this week, the Department of Finance indicated that CDPH has identified partial support for the continuation of the CalCONNECT system beyond the current fiscal year; despite this mention during the hearing, additional details are not yet available.

- **IT, Data Science, and Informatics Framework for 21<sup>st</sup> Century:** The Governor additionally proposes to reduce \$10 million in 2025-26 for its Information Technology, Data Science, and Informatics Framework for a 21<sup>st</sup> Century Initiative. This funding was

included in the 2022 Budget Act and provided CDPH with \$18.1 million General Fund in 2023-24 and ongoing; with the proposed reduction, approximately \$8.1 million would remain for these purposes.

**CalWORKs Home Visiting Program.** As a reminder, the Governor's May Revision proposes to reduce \$47.1 million General Fund ongoing for the CalWORKs Home Visiting Program.

**Alzheimer's Disease Program.** The May Revision proposes a reversion of \$2.5 million General Fund in 2023-24 appropriated to support the CDPH Alzheimer's Disease Program.

**Various Special Fund Loans to General Fund.** CDPH proposes a series of special fund budgetary loans to the state's General Fund to address the state's budget deficit. These include but are not limited to:

- **Childhood Lead Poisoning Prevention Fund** – \$18 million loan to the General Fund using resources that are not required for currently projected operational or programmatic purposes.
- **AIDS Drug Assistance Program Fund** – Recall, the Administration has proposed a \$500 million loan to the General Fund. The May Revision includes a \$23 million set-aside for ADAP enhancements.
- **Infant Botulism Treatment and Prevention Fund** – \$17 million loan to the General Fund using resources that are not required for currently projected operational or programmatic purposes.
- **Health Statistics Special Fund** – \$17 million loan to the General Fund using resources that are not required for currently projected operational or programmatic purposes.
- **Birth Defects Monitoring Fund** – \$5 million loan to the General Fund using resources not required for currently projected operational or programmatic purposes.
- **Occupational Lead Poisoning Prevention Fund** – \$3 million loan to the General Fund using resources not required for currently projected operational or programmatic purposes.
- **Gambling Addiction Program Fund** – \$2.7 million loan to the General Fund using resources not required for currently projected operational or programmatic purposes.
- **Domestic Violence Training and Education Fund** – \$1.6 million loan to the General Fund using resources not required for currently projected operational or programmatic purposes.

**Proposition 99 Health Education Account.** The Administration's May Revision reflects an increase of \$2 million in Proposition 99 Health Education Account, including an increase of \$1.5 million in state operations and \$500,000 in local assistance as a result of updated revenue projections. This increase includes \$500,000 in state administration, \$500,000 in competitive grants (local assistance), and \$500,000 in competitive grants (state operations). The revenues support a comprehensive statewide tobacco control program that seeks to reduce illness and premature death attributable to tobacco products. Funds are allocated to state and local government agencies, tribes, universities and colleges, community-based organizations and others.

**Proposition 56 Tobacco Prevention and Control Programs Account.** The May Revision reflects a decrease of \$10.6 million in Tobacco Prevention and Control Programs Account. This is an increase of \$5.9 million in state operations and a decrease of \$16.5 million in local assistance. The increase includes \$6.9 million in competitive grants (state operations), \$1 million in state administration, and \$1.5 million in evaluation; this is offset by a decrease of \$3.5 million in media campaign, \$6.8 million in competitive grants (local assistance), and \$9.7 million in local lead agencies. The revenues support the state's comprehensive statewide tobacco control program.

**JUUL Settlement.** The Governor's May Revision proposes trailer bill to reflect a settlement in the matter of People of the State of California v. JUUL Labs, Inc. The Administration proposes \$5.6 million one-time in 2024-25 for activities to help address, prevent, and reduce youth use of electronic cigarette products. Funding increases to \$7.8 million in 2025-26 through 2027-28 and \$7.6 million in 2028-29. With these resources, CDPH is anticipated to expand education for retailers and customers about the statewide flavored tobacco ban, establish a campaign to support vaping cessation among youth and young adults, and establish a campaign to educate retailer workers about existing tobacco laws and dangers of tobacco addiction.

**Flavored Tobacco Enforcement.** CDPH has proposed a May Revision budget change proposal seeking \$2.2 million General Fund in 2024-25 and \$1.9 million in 2025-26 and ongoing to implement flavored tobacco product enforcement as mandated by AB 935 (Chapter 351, Statutes of 2023). The CDPH budget change proposal is [available here](#).

**AIDS Drug Assistance Program (ADAP).** The Governor's May Revision reflects an increase of \$20.1 million in local assistance for the AIDS Drug Assistance Program (ADAP) for 2023-24 from the January budget. This includes a decrease of \$135,000 in Federal Trust Fund and an increase of \$20.2 million in the ADAP Rebate Fund. The increase is primarily due to higher medication expenditures and insurance premium expenditures. The net difference from January is a decrease of approximately \$24 million.

For 2024-25, the May Revision reflects an increase of \$10.7 million in local assistance. This includes a decrease of \$4.4 million in the Federal Trust Fund and an increase of \$15.1 million in the ADAP Rebate Fund. This increase is primarily due to higher medication expenditures. The net difference from January is a decrease of approximately \$21.4 million. Additionally, the May

Revision includes an increase of \$23 million local assistance in the ADAP Rebate Fund to support various program enhancements pursuant to early budget action taken in April.

**LGBTQ Health Equity Initiative Reversion.** The May Revision reflects a reversion of \$2.5 million General Fund in 2023-24 to support the CDPH Lesbian, Bisexual, Transgender, and Queer Health Equity Initiative. This consists of \$714,000 in state operations and \$1.8 million in local assistance.

## COVID-19

**CDPH COVID-19 Response.** The Administration proposes reverting \$15 million General Fund from 2023-24 for CDPH COVID-19 response activities. These resources, according to CDPH, were intended for state operations.

**ELC Increased Reimbursement Authorities.** The Governor's May Revision seeks to increase reimbursement authorities to increase reimbursements to state operations by \$21 million and to increase reimbursements to local assistance by \$160 million to enable CDPH to expend funds associated with the extension of the CDC Epidemiology and Laboratory Capacity Grant (ELC), as well as an agreement with the Emergency Medical Services Authority (EMSA) to support an emergency staffing contract. CHEAC is working to gather additional details on this proposal.

**DHCS COVID-19 Vaccination.** As part of the Administration's May Revision, DHCS proposes modifying existing statute ([WIC 14124.12](#)) related to COVID-19 vaccine administration for Medi-Cal beneficiaries. At the time of publication, the Administration has not released its proposed trailer bill or additional details on this proposal.

**CDCR COVID-19 Response.** The May Revision proposes to revert \$24.3 million General Fund in 2023-24 from the California Department of Corrections and Rehabilitation (CDCR) for COVID-19 response activities within the CDCR system. The May Revision additionally seeks to reduce \$4.1 million General Fund in both 2024-25 and 2025-26 for CDCR COVID-19 testing protocols.

## Climate Health Programs

**Climate & Health Surveillance Program.** The Governor's May Revision seeks to reduce \$3.1 million General Fund in 2024-25 and ongoing for the CDPH Climate and Health Surveillance Program. Funded at \$10 million General Fund ongoing through the 2022 Budget Act, this program aims to provide near real-time notification for public health departments, first responders, and communities for emerging or intensified climate-sensitive morbidity and mortality.

## Nutrition Programs

**Women, Infants, and Children (WIC) Program.** The Administration's May Revision updates WIC program estimates for both 2023-24 and 2024-25. For 2023-24, the May Revision reflects a decrease in food expenditures of \$17.7 million in local assistance from the January budget. This

includes a decrease of \$14.7 million in the Federal Trust Fund and a decrease of \$3.0 million in the WIC Manufacturer Rebate Fund. The decrease in food expenditures is based on a slowing food inflation rate and a decrease in participation from the Governor's January budget. The decrease in WIC Manufacturer Rebate Fund expenditures is attributed to a decrease in projected infant participation from the Governor's January budget. Recall, in January, the Administration reflected an increase of \$7.2 million in local assistance. The net difference from January is a decrease of approximately \$10.5 million.

For 2024-25, the May Revision reflects a decrease of \$7.3 million in local assistance from the January budget. This includes a decrease of \$1 million in the Federal Trust Fund and a decrease of \$6.4 million in the WIC Manufacturer Rebate Fund. The decrease is driven by decreased current year per participant food costs, and the decrease is partially offset by slight increases in the budget year participation projections and food inflation rates from the Governor's January budget. The decrease in rebate revenues is due to a decrease in projected infant participation from the Governor's January budget. Recall, in January, the Administration reflected an increase of \$63.5 million in local assistance. The net difference from January is an increase of approximately \$56.2 million.

**California Food Assistance Program Expansion.** The Governor proposes delaying for two years the planned California Food Assistance Program expansion automation to begin 2026-27 and benefits beginning in 2027-28. This proposed pause and delay results in savings of \$31.2 million General Fund in 2024-25 and \$114.6 million General Fund in 2025-26.

**CalFresh Minimum Nutrition Benefit Pilot.** The Governor's May Revision proposes to eliminate \$15 million General Fund one-time for the CalFresh Minimum Nutrition Benefit Pilot. This program would have provided eligible CalFresh recipients with a minimum monthly benefit of \$50 (instead of the current minimum of \$23) for 12 months beginning in 2024-25.

**CalFresh Reimbursement.** The California Department of Social Services (CDSS) has proposed a May Revision trailer bill that requires the CDSS to use state funds to promptly replace Supplemental Nutrition Assistance Program (SNAP) nutrition benefits that are taken by an unauthorized contact, withdrawal, removal, or use of benefits. The Administration proposes allowing for a maximum of two months' worth of benefits at one time and a maximum of two replacements per federal fiscal year.

## Medi-Cal & Health Care Programs

**Child Health and Disability Prevention Program (CHDP) & Health Care Program for Children in Foster Care (HCPCFC).** Recall, the 2022 Budget Act authorized DHCS to sunset the Child Health and Disability Prevention (CHDP) Program and establish the Health Care Program for Children in Foster Care (HCPCFC) as a standalone program after completion of certain activities and no sooner than July 1, 2024. The May Revision maintains the planned sunset of CHDP and creation of standalone HCPCFC.

The Governor's May Revision proposes to allocate \$23.76 million of the total \$34 million CHDP budget for standalone HCPCFC administrative functions in 2024-25. This figure has increased from \$13.1 million in the Governor's January budget. DHCS continues to propose allocating the remainder of the CHDP budget, \$10.1 million, to the new California Children's Services (CCS) Monitoring & Oversight Initiative that has been delayed to July 1, 2025.

**Managed Care Organization (MCO) Tax.** Recall, in March, the Governor signed into law a revised managed care organization tax, increasing the tax amount levied against managed care plans. The Governor's May Revision proposes a series of modifications to the MCO tax:

- **Amend MCO Tax to Account for Medicare Revenues:** The Administration proposes to again modify the state's MCO tax to more comprehensively account for Medicare revenues in determining the maximum aggregate allowable tax while meeting federal requirements. The May Revision assumes \$689.9 million in net reduced General Fund costs in 2024-25 related to this proposed change, and DHCS is anticipated to propose trailer bill related to this MCO tax amendment.
- **Maintain 2024 Targeted Rate Increases:** The May Revision continues to include \$727 million total funds (\$291 million from the Medi-Cal Provider Payment Reserve Fund) for increasing provider rates for primary care, non-specialty mental health services, and obstetric care (including doulas) services to at least 87.5 percent of Medicare rates. These targeted rate increases went into effect January 1, 2024.
- **Eliminate Outyear Targeted Rate Increases:** The Administration proposes to eliminate \$1.9 billion total funds (\$773.9 million state funds) in 2024-25 and ongoing for additional targeted rate increases for providers to be funded with MCO tax revenues. Instead, these resources would be dedicated to support existing costs in the Medi-Cal program. DHCS is expected to propose trailer bill to implement this elimination of outyear targeted rate increases.
- **Eliminate GME and Workforce Pool Funding:** The May Revision proposes to eliminate MCO tax revenue expenditures in 2023-24, 2024-25, and ongoing for graduate medical education (GME) and workforce pool funding. Instead, the Administration would redirect MCO tax funding to cover existing services in Medi-Cal.

**2022 Trigger Items.** Recall, in the 2022 Budget Act, a series of budget items included trigger provisions specifying investments for certain programs would be included in the 2024 Budget Act if the Department of Finance determined that estimated General Fund resources reflected in the 2024 May Revision could support such ongoing increases over the multiyear period. Given the state's significant budget deficit, the following investments that will not be funded by this trigger include but are not limited to:

- Medi-Cal Share of Cost Reform
- Continuous Medi-Cal Coverage for Children Aged 0-4



**Proposition 56 Supplemental Payments Backfill.** The May Revision proposes to utilize \$145.4 million from MCO tax revenues to support Medi-Cal family planning, women's health, and physician services supplemental Proposition 56 payments in 2024-25. Additionally, the May Revision proposes \$64 million General Fund in 2024-25 to fully fund dental services Proposition 56 supplemental payments. Per DHCS, Proposition 56 revenues have not been sufficient to fully cover the cost of Proposition 56 supplemental payments.

**Health Enrollment Navigators.** The Governor proposes to reduce \$18 million in 2024-25 for the DHCS Health Enrollment Navigators program, as well as \$8 million in 2024-25 for Health Enrollment Navigators for clinics. This program aims to serve hard-to-reach potentially eligible Medi-Cal populations to support outreach, enrollment, and retention in Medi-Cal and health coverage. With these proposed reductions, the Health Enrollment Navigators program would be eliminated.

**Medi-Cal Adult Acupuncture Benefit.** The Administration's May Revision proposes to eliminate the optional Medi-Cal benefit for acupuncture services, resulting in savings of \$5.4 million in 2024-25 and \$13.1 million in 2025-26.

**Quality Sanctions Revenues for Medi-Cal.** The May Revision proposes to utilize revenues collected from quality sanctions assessed on Medi-Cal managed care plans to support existing costs in the Medi-Cal program, estimated at \$1 million in 2024-25. DHCS will propose trailer bill language to implement this change.

**Medi-Cal County Administration Increases.** The Governor's May Revision proposes to freeze funding levels for county administration of Medi-Cal eligibility functions carried out by local social services. The proposed freeze is anticipated to result in reduced General Fund expenditures of \$20.4 million in 2024-25 and ongoing, and DHCS is anticipated to issue trailer bill language to implement this freeze.

**Children's Hospital Directed Payments.** The May Revision proposes new directed payments to children's hospitals in the amount of \$230 million total funds annually (\$115 million federal funds, \$115 million Medi-Cal Provider Payment Reserve Fund). According to DHCS, the directed payments will support access to critical hospital services for California's most vulnerable children being treated for the most serious and life-threatening diseases.

**Public Hospital Funding.** The Administration's May Revision proposes to increase directed payments to public hospitals and health systems such as the Enhanced Payment Program (EPP) and Quality Incentive Pool (QIP). The May Revision proposes to create an administrative fee on intergovernmental transfers related to these directed payment programs, resulting in estimated General Fund reimbursement of \$37 million in 2024-25 and \$74 million in 2025-26 and ongoing while providing additional support for public hospitals.

**Major Risk Medical Insurance Program.** The Administration proposes eliminating the state's Major Risk Medical Insurance Program (MRMIP) that provides health insurance to residents unable to obtain coverage in the individual health insurance market due to pre-existing conditions.

This proposal would provide state savings of \$78.8 million in 2024-25 and \$2.7 million in 2025-26.

**DHCS Free Clinic Augmentation.** The May Revision proposes to eliminate a \$2 million ongoing General Fund investment in free clinics throughout the state. This funding was originally appropriated as part of the 2021 Budget Act.

**DHCS Indian Health Grant Program.** The Administration proposes to eliminate the DHCS Indian Health Program by reducing the General Fund investment of \$23 million annually beginning in 2024-25.

**IHSS for Undocumented Individuals.** The Governor's May Revision proposes to reduce \$94.7 million ongoing by eliminating the In-Home Supportive Services (IHSS) undocumented expansion for IHSS coverage for all ages. Despite the IHSS elimination, the May Revision maintains expansion of full-scope Medi-Cal to all residents regardless of immigration status. The elimination of the IHSS benefit results in General Fund savings of approximately \$433 million, consisting of \$338 million related to lower-than-expected utilization and \$95 million of actual utilization that would be reduced upon elimination of the benefit entirely.

**Health Care Affordability Reserve Fund.** The Governor's May Revision seeks an additional loan of \$62 million in 2024-25 from the Covered California Health Care Affordability Reserve Fund to the General Fund. The May Revision also seeks to delay repayment of the \$600 million loan from the Health Care Affordability Reserve Fund from the General Fund, originally authorized in the 2023 Budget Act, from 2025-26 to phased increments of \$200 million each in 2026-27, 2027-28, and 2028-29. The Health Care Affordability Reserve Fund was established to reduce premium costs for certain enrollees in Covered California beyond the level of support received from existing federal premium subsidies.

**Covered California Individual Mandate Penalty Transfer.** The Governor's May Revision seeks to partially transfer \$109 million from individual mandate penalty revenues to the General Fund in 2025-26. Recall, this penalty was implemented in 2020 and levies a fine against residents without qualifying health insurance coverage. Penalties collected under this requirement are used toward making Covered California health insurance coverage more affordable.

**Specialty Dental Clinic Grant Program.** The Governor's May Revision proposes to reduce \$48.8 million General Fund in 2025-26 for the specialty dental clinic program administered by the California Health Facilities Financing Authority (CHFFA). The Governor's January budget initially proposed delaying these resources from 2023-24 and 2024-25 until 2025-26. This reduction would eliminate the Specialty Dental Clinic Grant Program.

## Health Workforce Investments

**HCAI Health Workforce Programs and Initiatives.** The Governor's May Revision proposes to reduce a number of significant investments in health care workforce programs and

initiatives administered by the Department of Health Care Access and Information (HCAI). Reductions proposed by the Administration include but are not limited to:

- **Community Health Workers:** HCAI proposes reducing \$188.9 million General Fund (\$2.7 million state operations, \$182.3 million local assistance) in 2024-25 and \$57.5 million in 2025-26 for the HCAI workforce development program for community health workers (CHWs).
- **Nursing Initiative:** HCAI proposes reducing \$70 million General Fund (\$2.7 million state operations, \$67.3 million local assistance) in 2023-24, \$70 million (\$7 million state operations, \$63 million local assistance) in 2024-25, and \$70 million in 2025-26 for the HCAI workforce development program for nursing-related professionals. The Governor's January budget originally proposed delaying \$70 million General Fund from 2023-24 until 2025-26.
- **California Medicine Scholars Program:** HCAI proposes reducing \$2.8 million General Fund in 2024-25, 2025-26, and 2026-27 for HCAI medical professional pipeline programs through the California Medicine Scholars Program.
- **Health Professions Career Opportunity Program:** HCAI proposes reducing \$16 million General Fund (\$800,000 state operations, \$15.2 million local assistance) for the HCAI Health Professions Careers Opportunity Program.
- **Song-Brown Nursing and Residencies:** HCAI proposes reducing \$15 million General Fund in 2024-25 for nurse training in the Song-Brown Healthcare Workforce Training Program. Additionally, HCAI proposes reducing \$10 million General Fund in 2024-25 to support residency programs in the Song-Brown Healthcare Workforce Training Program.
- **Prior Year Reductions:** HCAI proposes reducing \$231 million General Fund (\$2.5 million state operations, \$227.5 million local assistance) in 2023-24 to reflect unspent prior year funds and current year savings for various health care workforce programs.

**Equity and Practice Transformation Payments to Providers.** The Governor proposes eliminating \$280 million one-time over multiple years for grants to Medi-Cal providers for quality, health equity, and primary care infrastructure. The May Revision maintains \$70 million General Fund included in the 2022 Budget Act.

## Behavioral Health

**Children and Youth Behavioral Health Initiative (CYBHI).** The Governor's May Revision proposes significant multiyear reversions and reductions to various activities to the state's Children and Youth Behavioral Health Initiative (CYBHI).

- **CDPH Public Education and Change Campaign.** The Governor's May Revision proposes to revert \$28.8 million General Fund in 2023-24, reduce \$40 million General Fund in 2024-25, and reduce \$5 million General Fund in 2025-26 for the CDPH Public Education and Change Campaign as part of the state's broader Children and Youth Behavioral Health Initiative (CYBHI). This funding was appropriated in the 2021 Budget Act to support a statewide public education and change campaign to improve behavioral health literacy and awareness, deploy culturally specific campaigns to reduce stigma and disparities, and enhance capacity of existing educational efforts.
- **CDPH Youth Suicide Reporting and Crisis Response Pilot Program.** The Governor's May Revision seeks to revert \$13.5 million General Fund in 2023-24 and \$1.5 million General Fund in 2024-25 for the CDPH Youth Suicide Reporting and Crisis Response Pilot Program. Established through one-time funding in the 2022 Budget Act, the pilot intended to support models for rapidly and comprehensively responding to youth suicide events by providing crisis services and follow-up in school and community settings. Participating jurisdictions include Alameda, El Dorado, Humboldt, Kern, Los Angeles, Riverside, Sacramento, San Diego, San Joaquin, and Solano.
- **DHCS CYBHI Evidence-Based and Community-Defined Program Grants.** The Governor seeks to reduce \$47.1 million in 2024-25 for the DHCS CYBHI Evidence-Based and Community-Defined Behavioral Health Program Grants. This funding, allocated over multiple rounds, included a round for early childhood wraparound services such as enhanced home visiting programs and services.
- **DHCS CYBHI Services and Supports Platform.** The Administration proposes reducing \$140 million in 2024-25 for the DHCS CYBHI Behavioral Health Services and Supports Platform. According to DHCS, the state's contract structure included tiered payments based on utilization which the Department expects to ramp up over time. Proposed outyear funding allocations for the platform will still be needed to support ongoing operations.

**DHCS Naloxone and MAT Distribution.** The Administration proposes to reduce \$61 million in 2024-25 and ongoing for the Naloxone Distribution Project and medication assisted treatment distribution. This reduction includes \$57.3 million General Fund for local assistance and \$3.7 million in state operations. The proposed reduction reverses funding DHCS secured through a budget change proposal in the 2022 Budget Act.

**Behavioral Health Continuum Infrastructure Program.** The Governor proposes to eliminate \$450.7 million one-time (\$70 million in 2024-25 and \$380.7 million in 2025-26) from the last round of the Behavioral Health Continuum Infrastructure Program while maintaining \$30 million one-time General Fund in 2024-25.

**Behavioral Health Bridge Housing Program.** The Governor's May Revision proposes to reduce \$132.5 million in 2024-25 and \$207.5 million in 2025-26 for the Behavioral Health Bridge Housing Program. Despite the proposed reductions, the Governor would maintain \$132.5 million General Fund in 2024-25 and \$117.5 million (\$90 million Mental Health Services Fund and \$27.5 million General Fund) in 2025-26.

**CalWORKs Mental Health and Substance Abuse Services.** The Governor proposes to reduce \$126.6 million ongoing for the CalWORKs Mental Health and Substance Abuse Services.

**BSCC Medication Assisted Treatment Grants.** The Governor's May Revision proposes to reduce \$10.5 million in 2023-24 for competitive grants to counties to use for various purposes related to the treatment of substance use disorders and provision of medication-assisted treatment. This program is administered by the Board of State and Community Corrections.

## Housing and Homelessness

**Homeless Housing, Assistance, and Prevention Program (HHAP).** The Governor proposes to reduce \$260 million one-time in 2025-26 for HHAP Round 5 supplemental grant funding. Recall, the Governor's January budget proposal sought to delay the \$260 million disbursement until 2025-26; the May Revision now proposes to eliminate this amount instead.

Additionally, while the 2023 Budget Act expressed intent to fund a sixth round of HHAP, a sixth round of funding for this program is not included in the May Revision.

**Multifamily Housing Program.** The May Revision proposes to eliminate \$75 million in 2023-24, as well as retracts the \$250 million proposed in the Governor's January budget, for this program.

## State Administration & Budget Management

**Vacant Position Funding Reduction and Position Elimination.** Early budget action enacted last month via Chapter 9, Statutes of 2024 (AB 106), adopted the Governor's January budget proposal to reduce departmental budgets in 2024-25 by \$1.5 billion (\$762.5 million General Fund) for savings associated with vacant positions. The May Revision proposes making this reduction permanent, eliminating approximately 10,000 positions starting in 2025-26 and ongoing. Per the Administration, the Department of Finance will work with agencies and departments in the fall on appropriate budget reductions beginning in 2024-25.

**Ongoing Reductions to State Operations.** The Governor proposes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all departmental budgets. The planned reduction involves all categories, including personnel, operating costs, and contracting. The Department of Finance will work with agencies and departments in the fall on the appropriate budget reductions.

**Budget Stabilization Account (BSA).** The Governor's May Revision proposes shifting \$8.9 billion of the \$12.2 billion proposed BSA withdrawal from fiscal year 2024-25 to 2025-26. Recall, the Governor's January budget proposed withdrawing \$12.2 billion from the BSA in 2024-25. The May Revision proposes to withdraw \$3.3 billion from the BSA in 2024-25 and \$8.9 billion in 2025-26.

**Savings During Economic Upswings.** During the press conference today, the Governor discussed the significant volatility of the state's revenues and the need to save more funds during economic upswings. As such, the Governor is proposing legislation that would require the state to set aside a portion of anticipated surplus funds to be allocated in a subsequent budget act. This approach is intended to prevent the state from committing certain amounts of future anticipated revenues until such revenues have been realized. The Administration's proposal does not replace the need to explore modifications to Proposition 2 (2014) to allow increased deposits into the state's Budget Stabilization Account (BSA).

## Other Programs & Initiatives

**HHS Innovation Accelerator Initiative.** The Governor's May Revision proposes to revert \$1 million in 2023-24, \$42 million in 2025-26, and \$32 million in 2026-27 for the Health and Human Services Innovation Accelerator, initially enacted in the 2023 Budget Act. At the Governor's January budget, the resources were proposed for delay until 2026-27 and 2027-28, and this delay was approved during the early budget action via AB 106 in April 2024.

**Precision Medicine Initiative.** The California Health and Human Services Agency (CalHHS) proposes to transfer \$31.5 million General Fund from the Governor's Office of Planning and Research in 2024-25 to CalHHS to house the California Initiative to Advance Precision Medicine in CalHHS.

**Office of Community Partnerships and Strategic Communications.** The Governor's May Revision proposes to reduce \$42 million General Fund in 2024-25 and 2025-26 to the Governor's Office of Planning and Research for the Office of Community Partnerships and Strategic Communications. The 2022 Budget Act appropriated \$65 million General Fund in 2022-23 and ongoing to establish this office to manage the state's highest priority public awareness and community outreach campaigns, including on issues related to COVID-19 and extreme heat and resilience.

**Office of Service and Community Engagement.** The May Revision proposes to establish a new Governor's Office of Service and Community Engagement within the Governor's Office of Planning and Research. This new office would house various programs, including but not limited to the Office of Community Partnership and Strategic Communications, the Youth Empowerment Commission, and California Volunteers.

**Juvenile Justice Programs Transfer.** The Governor's May Revision proposes to reduce \$9.4 million in 2024-25 to reflect updates to juvenile justice grant funds to counties. The Administration

also proposes to enact statutory changes to transfer administration of 2011 juvenile realignment grants from the Board of State and Community Corrections (BSCC) to the Office of Youth and Community Restoration (OYCR) within the California Health and Human Services Agency (CalHHS). These proposed changes will effectuate the transfer of the administration of juvenile grants from BSCC to OYCR.

**Violence Prevention.** The Governor's May Revision seeks to reduce \$9 million in 2024-25 from the California Violence Intervention and Prevention (CalVIP) grant program operated by the Board of State and Community Corrections.

**Outdoor Equity Grants.** The Governor's May Revision proposes to reduce \$50 million one-time in 2023-24 for outdoor environmental education and access programs administered through the Outdoor Equity Grants Program, pursuant to Chapter 675, Statutes of 2019 (AB 209). According to the Administration, approximately \$40 million has already been committed for this program.

**Active Transportation Program.** The Governor's May Revision proposes to reduce \$300 million in 2025-26 and \$99 million in 2026-27 for funds appropriated for the state's active transportation grants.

## Budget Resources

### Budget Background

For additional information on the state budget process, we encourage CHEAC Members to view the California Budget & Policy Center (CBPC) "Dollars & Democracy: A Guide to the State Budget Process." This primer provides a succinct overview of key processes, dates, and participants in the California state budget. The resource can be accessed here: <https://calbudgetcenter.org/resources/a-guide-to-the-california-state-budget-process/>.

### Budget Links:

Governor's 2024-25 May Revision Budget: <http://www.ebudget.ca.gov/>

DHCS May Revision Budget Summary: <https://www.dhcs.ca.gov/Budget/Documents/DHCS-FY-2024-25-MR-Highlights.pdf>

CDPH May Revision Budget Summary:  
<https://www.cdph.ca.gov/Documents/CDPH%202024-25%20May%20Revision%20Highlights.pdf>

Senate Budget & Fiscal Review Highlights of Governor's 2024-25 May Revision Budget:  
<https://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/Overview%20of%20the%20Governors%202024-25%20May%20Revision.pdf>

Assembly Preliminary Highlights of Governor's 2024-25 May Revision Budget:  
<https://abgt.assembly.ca.gov/system/files/2024-05/preliminary-summary-of-governor-s-2024-25-may-revision.pdf>

Legislative Analyst's Office (LAO) Initial Comments on Governor's May Revision:  
<https://lao.ca.gov/Publications/Report/4902>

**Next Steps.** Budget subcommittees have begun hearings on updated proposals set forth in the Administration's May Revision. Subcommittees are anticipated to wrap up their work next week and the following as the Legislature progresses toward the June 15 deadline for the Legislature to pass a budget bill. The Governor, Senate President pro Tempore, and Assembly Speaker will continue negotiations as the parties work to finalize a state budget by the beginning of the new fiscal year on July 1.

**Questions.** For questions on the items highlighted above or other budget-related inquiries, please feel free to contact Michelle Gibbons ([mgibbons@cheac.org](mailto:mgibbons@cheac.org)) and Jack Anderson ([janderson@cheac.org](mailto:janderson@cheac.org)) via email.