

Policy At A Glance:

California's FY 2024-25 Budget Proposal

On January 10, 2024, Governor Gavin Newsom presented his proposed budget for the fiscal year 2024-25, outlining his preliminary strategy to address the state's fiscal challenges. This policy brief highlights the proposed budget for various housing programs, select health and human services programs, and the Managed Care Organization tax in light of the state's budget deficit.

Introduction

On January 10, 2024, Governor Gavin Newsom presented his proposed 2024-25 state budget of \$291.5 billion, consisting of \$208.7 billion from the General Fund, \$80.8 billion from special funds, and \$2 billion from bond funds, to the California Legislature, reflecting a reduction of approximately \$19 billion compared to the approved budget for 2023-24.^{1,2} This budget proposal aims to protect and maintain advancements achieved in previous budget years, specifically focusing on enhancing economic security and opportunities for Californians with low incomes and minority groups. This includes policy improvements in healthcare, behavioral health, and food assistance despite the reduction in the overall budget from last year.³

The California Health and Human Services Agency (CalHHS) oversees various departments and state entities that provide health and social services to the state's most vulnerable and at-risk population while providing public health services to all Californians. The Governor's budget includes \$253.4 billion (\$73.9 billion in General Fund) for all CalHHS programs in 2024-25.⁴ Furthermore, this budget proposes a total of \$161.1 billion for the support of programs by the Department of Health Care Services (DHCS) within CalHHS.^{1,5}

This policy brief highlights the proposed budget for various housing programs, select CalHHS programs, and the Managed Care Organization tax in light of the state's budget deficit.

Key California Budget Deadline⁶

- January 10** The governor must present a budget for the approaching fiscal year. The budget must be balanced, ensuring that the projected revenues must meet or exceed the proposed expenditures.
- May 14** The governor must release the May revision on or before May 14.
- June 15** The Legislature must pass a budget bill for the upcoming fiscal year by midnight. The budget bill must be balanced, ensuring that the anticipated General Fund revenues either match or surpass General Fund expenditures.

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Proposed Housing Budget Reductions and Affordability Initiatives

Budget Reductions

The proposed budget outlines more than \$1.2 billion in General Fund reductions across multiple years for various housing programs. The reductions include:^{4,7}

- \$300 million for Regional Early Action Planning Grants 2.0 (REAP 2.0).
- \$247.5 million for the Foreclosure Intervention Housing Preservation Program.
- \$250 million for the Multifamily Housing Program.
- \$200 million for the Infill Infrastructure Grant Program.
- \$152.5 million for Cal Home.
- \$50 million for Veteran Housing and Homeless Prevention Program.

Housing Affordability

The budget, however, maintains \$3.4 billion in General Fund allocated in 2023-24.⁷ The budget includes transitioning certain homelessness grant programs from the California Interagency Council on Homelessness to the Department of Housing and Community Development.^{7,8} The proposal maintains \$400 million from the 2023-24 budget for a third phase of encampment resolution grants but suggests delaying \$260 million in funding for Homeless Housing, Assistance and Prevention (HHAP) grants, along with reducing funds for HHAP administrative aids by \$100 million.^{4,7} Furthermore, Governor Newsom proposes deferring all new homelessness funding until this spring and delaying various programs, including the Behavioral Health Continuum Infrastructure Program, Bringing Families Home Program, Home Safe Program, and Housing and Disability Advocacy Program to future budget years due to the current budget deficit.⁴

Managed Care Organization Tax

The 2023-24 budget package renewed the Managed Care Organization (MCO) Tax, a tax on MCOs based on enrollment numbers, until December 2026. The tax aims to secure additional federal funding while imposing a relatively small cost to the MCOs.⁹ To address the budget shortfall within CalHHS, the Administration is seeking early legislative action for federal approval to increase the MCO Tax to achieve \$20.9 billion in total funding, a \$1.5 billion increase.⁴ This approach aims to sustain existing services in the Medi-Cal program while minimizing the need for program reductions.^{4,9}



Select Health and Human Services Programs

The proposed budget includes \$253.4 billion (\$73.9 billion in General Fund) for all health and human services programs in 2024-25.⁴ These funds will implement the State's Master Plan for Aging, address homelessness, expand subsidized childcare, improve behavioral health, and continue the expansion of Medi-Cal to all income eligible Californians.^{4,5,7}

Children and Youth Behavioral Health Initiative (CYBHI) Wellness Coach Benefit

As part of the Master Plan for Kids' Mental Health, the CYBHI is a five-year, \$4.6 billion initiative that aims to support the mental health and wellness of children, youth, and young adults across California.^{10,11} It takes a "whole child" approach to address factors that contribute to the mental health and wellbeing of children and youth.¹¹ The proposed budget allocates \$9.5 million (\$4.1 in General Fund) in 2024-25, increasing annually to \$78 million (\$44.8 million in General Fund) in 2027-28, to implement wellness coach benefits in Medi-Cal starting January 1, 2025. Targeting primarily children and youth, wellness coaches will operate as part of a care team in school-linked settings and across the Medi-Cal behavioral health delivery system.⁴

Behavioral Health Bridge Housing

The Behavioral Health Bridge Housing program, under Assembly Bill 179, grants \$1.5 billion to county behavioral health agencies and tribal entities. This funding supports bridge housing settings for individuals experiencing homelessness with serious behavioral health conditions, such as serious mental illness and/or substance use disorder. Enacted in September 2022, the program's funding extends until June 30, 2027.¹² However, the

budget proposes a shift of \$256 million from the Mental Health Services Fund, initially allocated in the 2023 Budget Act, to the General Fund in 2024-25 due to lower-than-anticipated revenues.

Additionally, it postpones \$235 million in General Fund originally designated for 2024-25 to the following fiscal year. Despite these adjustments, the proposed budget retains \$1.5 billion for the program.⁴

Home and Community-Based Alternatives (HCBA) Waiver Slot Increases

The HCBA Waiver provides alternative care management services to individuals at risk for nursing home or institutional placement. A multidisciplinary care management team, consisting of a nurse and social worker, coordinates various services, including medical, behavioral health, and in-home supportive services.¹³ These services are provided in the participant's community-based residence and include medical equipment operating expenses, transitional care management for medically fragile and technology dependent individuals of any age, and care management/coordination.^{13,14} The proposed budget increases slots for HCBA waivers, leading to a net General Fund savings of \$10.8 million in 2024-25.⁴

CalWORKS

The California Work Opportunity and Responsibility to Kids (CalWORKS) program is the state's version of the federal Temporary Assistance for Needy Families program and provides welfare-to-work services for families.¹⁵ The proposed budget grants \$9.4 billion in expenditures, with approximately 350,000 families using the program each month. Funding for this program will be shared by the state, local, and federal funds.^{4,7}

Conclusion

The proposed budget by Governor Gavin Newsom involves tapping into state reserves and implementing spending cuts in an effort to narrow the state's budget deficit in the coming fiscal year.^{1,16} However, many of the proposals outlined are expected to undergo changes in the coming months as lawmakers evaluate the governor's proposals and recommend their own before the June 15 deadline. Additionally, in May, updated revenue projections and revised spending proposals will be released by the governor based on Californians' personal income taxes paid in April, providing greater certainty for the state's budget starting July 1, 2024.²

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Did you know?

The state of California's healthcare spending was the highest in the nation at \$410.9 billion in 2020, representing 12.2% of the total U.S. personal healthcare spending.¹⁷



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