



To: CLEARS

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Subject: **Governor Newsom Releases Proposed 2023-24 State Budget**

Today, Governor Newsom released his proposed 2023-24 state budget. The budget proposes approximately \$223.6 billion in General Fund (GF) spending and \$297 billion in total spending. The budget includes a projected shortfall of \$22.5 billion in the budget year, which is addressed through funding delays, spending cuts, fund shifts, and borrowing. The spending plan retains \$35.6 billion in total budgetary reserves. Given the economic shortfall, there are fewer new programs and investments proposed than have been in the prior two budgets. While many programs funded in the 2022-23 Budget are noted as being preserved, this summary focuses mainly on new or revised budget proposals.

The Governor notes in his budget summary that 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.

The Administration further notes that 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.

It is important to note that funds for Public Safety Realignment are projected to increase since the adoption of the 2022-23 budget, including subventions to law enforcement agencies. Crucial law enforcement programs like COPS and Rural Sheriffs are funded and there is more than \$356 million predicted to be available for realignment growth funding for law enforcement services for the current year. There is continued funding for court security needs and peace officer training.

Given overall economic uncertainties, we expect the spring budget hearing process and the May Revision will shed significantly more light on what the spending plan will ultimately reflect. The final budget is due to the Governor by June 15 and must be signed into law by July 1, 2023.

The Governor's budget summary can be accessed here:

<https://ebudget.ca.gov/FullBudgetSummary.pdf>

REALIGNMENT

Realignment Base Funding

The budget assumes funding for the AB 109 Community Corrections Subaccount of \$1.893 billion for 2022-23 and \$1.913 billion for 2023-24. Additionally, projected funding in the Law Enforcement Activities Account is \$489.9 million for 2022-23 as well as 2023-24 (this base number is fixed). Finally, projected funding for the Trial Court Security Subaccount is \$637.3 million in 2022-23 and \$640 million in 2023-24.

Realignment Growth Funding

The budget anticipates that the growth in the AB 109 Community Corrections Subaccount is \$20.1 million for 2022-23 and \$49.5 million in 2023-24. Additionally, projected growth in the Law Enforcement Activities Account is \$329.3 million for 2022-23 and \$324.8 million for 2023-24. Finally, projected growth for the Trial Court Security Subaccount is \$2.7 million for 2022-23 and \$6.6 million for 2023-24.

All told, the budget predicts \$356 million in growth funding to law enforcement services pursuant to realignment in 2022-23 and \$390.8 million in 2023-24. You will note that these figures are projected (subject to change) and dependent upon the actual collection of sales tax and vehicle license fees. For this reason, growth funds are not actually distributed until the fall after the close of the fiscal year. For example, 2022-23 growth will not actually be paid until October or November of 2023.

LOCAL PUBLIC SAFETY

Law Enforcement Mutual Aid

The 2022-23 budget included \$25 million ongoing to provide local law enforcement support during disasters and emergencies. This funding will reduce local costs, accelerate response time, and provide sustainable participation of all 58 counties within the State Law Enforcement Mutual Aid system by minimizing funding considerations from the decision-making process. The proposed 2023-24 budget preserves this funding.

Officer Wellness Grants

Supporting peace officers' physical, mental, and emotional health is fundamental to creating safer communities and building meaningful relationships. The 2022-23 budget included \$50 million one-time to fund grants intended to improve general officer health and well-being, build resiliency, decrease stress and trauma, and improve community trust and relations. These funds built on \$5 million one-time included in the 2022-23 budget for the Commission on Peace Officer Standards and Training to develop a Law Enforcement Wellness Program to support officers' overall health. The grant allocations have been finalized and will soon be distributed by the Board of State and Community Corrections to counties and cities to support eligible programs. This funding is not impacted by the current budget proposal.

County Probation Departments

The Community Corrections Performance Incentive Grant (SB 678) was created to provide incentives for counties to reduce the number of felony probationers sent to state prison. The budget contains \$123.8 million one-time to support the incentive program.

Post-Release Community Supervision

The budget includes \$8.2 million one-time in 2023-24, for county probation departments to supervise the temporary increase in the average daily population of offenders on Post-Release Community Supervision because of the implementation of Proposition 57.

CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION (CDCR)

The budget proposes total funding of \$14.5 billion for the California Department of Corrections and Rehabilitation (CDCR) in 2023-24, including \$3.8 billion for health care services. The average daily adult incarcerated population for 2022-23 is now projected to be 96,157, a decrease of 6.6% 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 parole population is projected to decline to 36,473 by June 30, 2027.

Prison Capacity and Closures

According to the Administration, 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 September 2021, CDCR closed the Deuel Vocational Institution in Tracy, resulting in savings of \$150.3 million 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 yield 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 savings as a result of these facility deactivations.

Per the budget summary, 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.

Statewide Correctional Video Surveillance

In addition to prior year investments, the budget includes \$87.7 million one-time in 2023-24, and \$14.7 million ongoing, to install fixed cameras at the remaining CDCR institutions.

Division of Juvenile Justice

Pursuant to previous budget language, the Division of Juvenile Justice (DJJ) will close on June 30, 2023. DJJ ceased intake of new youth on July 1, 2021, with limited exceptions. 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 included \$100 million 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 associated with the closure of DJJ.

State Savings from Proposition 47

As part of Proposition 47, the Department of Finance is required to calculate the state savings created by the implementation of the measure. That money is then distributed pursuant to a formula contained in Prop 47 – 25% to the Department of Education to administer a grant program to public agencies to reduce truancy and support students who are at risk of dropping out or are crime victims; 10% to the Victim Compensation and Government Claims Board to make grants to trauma recovery centers; and 65% to the Board of State and Community Corrections (BSCC) to administer a grant program to public agencies aimed at supporting mental health treatment, substance abuse treatment, and diversion programs for people in the criminal justice system. The Department of Finance has estimated that Prop 47 will result in net state savings of \$101 million for 2023-24.

HEALTH AND HUMAN SERVICES

Department of State Hospitals

The budget includes \$3.2 billion in 2023-24 to support the Department of State Hospitals (DSH), which administers the state mental hospital system, forensic mental health commitments (sexually violent predators and mentally disordered offenders), and the treatment of other committed patients. 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.

Incompetent to Stand Trial Population

The budget maintains \$535.5 million in 2022-23, increasing to \$638 million in 2025-26 and ongoing for DSH 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.

CARE Courts

The budget includes \$16.5 million in 2023-24, \$66.5 million in 2024-25, \$108.5 million in 2025-26 and annually thereafter to support estimated county behavioral health department costs for the CARE Act. 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.

JUDICIAL BRANCH

The budget includes \$5.1 billion in 2023-24 for the Judicial Branch. \$2.9 billion of this total is allocated for trial court operations.

Court Security Funding

The budget includes \$10 million to fund supplemental court security needs created by the opening of newly constructed courthouses. This is ongoing funding that addresses court security needs created by capital court projects.

Judgeships

The 2022 budget included \$42.6 million in 2022-23 and \$42.3 million ongoing for 23 additional superior court judgeships, including associated security costs. The judges will be allocated based on the Judicial Council's 2020 Judicial Needs Assessment. With this augmentation, the Judicial Branch will be fully funded to fill all judgeships authorized under law. The proposed budget protects this funding but does not add to it.

Courthouse Construction

The budget includes \$172.2 million in 2023-24 to fund two new projects and continue the next phase of previously approved projects:

- New Projects:
 - Nevada County – New Nevada City Courthouse – \$8.1 million for Acquisition
 - Santa Clara County – Court of Appeal, New Sixth Appellate District Courthouse – \$2.8 million for Performance Criteria
- Additional Funding for Previously Approved Projects:
 - Monterey County – New Fort Ord Courthouse – \$153 million for Design-Build
 - San Bernardino County – Juvenile Dependency Courthouse Addition and Renovation – \$8.3 million for Construction

State Court Facilities Construction Fund Backfill

To backfill a projected shortfall in the State Court Facilities Construction Fund and to maintain existing service levels, the budget includes \$89.5 million in 2023-24, \$175.5 million in 2024-25, and \$174.5 million ongoing.

CARE Courts

In addition to budget funding for the behavioral health side of this initiative, the budget provides the judicial branch \$23.8 million 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 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.

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.
- \$4 million to support innovative approaches to make fentanyl test strips and naloxone more widely available.

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.

DEPARTMENT OF JUSTICE

Police Use of Force Investigations

AB 1506 requires a state prosecutor to investigate incidents of an officer-involved shooting resulting in the death of an unarmed civilian and makes the Attorney General the state prosecutor unless otherwise specified or named. The 2022 budget included \$2.3 million in 2022-23, and \$1.6 million ongoing, to investigate qualifying incidents. The 2023-24 budget plan proposes \$1.8 million ongoing to establish the Police Practices Division to review the use of deadly force policies and make best practice recommendations pursuant to AB 1506.

Bureau of Forensic Services

The budget includes \$53.4 million ongoing 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.

Fee Increase for Missing Persons DNA Program

The budget proposes \$1.5 million 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.

Firearms

The budget includes the following adjustments related to DOJ's implementation of firearms legislation:

- \$2.8 million 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.
- \$797,000 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
- \$648,000 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.
- \$177,000 in 2023-24, and \$164,000 in 2024-25, to promulgate regulations and update existing procedures for operating a firearm dealer business.
- \$408,000 in 2023-24, decreasing to \$191,000 ongoing, to address increased gun show enforcement and related reporting requirements.
- \$911,000 one-time to address increased workload to process firearm manufacturer applications and make changes to the Unique Serial Number Application process.

OTHER ITEMS

Office of Emergency Services

The budget proposes \$28.7 million and 40 positions across various departments to maintain and enhance the capabilities of the California Cybersecurity Integration Center (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.

CHP Body-Worn Cameras

The budget proposes \$9.8 million for the CHP to implement a statewide body-worn camera program. Building on a pilot program in the Oakland and Stockton areas, the budget asserts 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.

Cannabis

Proposition 64 specified 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 allocated to: (1) youth education, prevention, early intervention, and treatment; (2) environmental protection; and (3) public safety-related activities. The law requires these programs to be funded at a baseline of approximately \$670 million. To meet this requirement, the budget includes \$95.4 million 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).