

January 12, 2023

To: Matthew Duarte
California Association of Recreation and Park Districts

From: Alyssa Silhi
Director of Government Affairs
Renne Public Policy Group

Re: Governor Newsom FY 23-24 State Budget Proposal

Dear Matthew:

The following is a topline summary of the Newsom Administration's FY 23-24 proposed State budget highlighting specific areas of interest to the California Association of Recreation and Park Districts. In addition to the summary below, you will also see occasional line items that have an "**RPPG Note**". These are specific line items that we have identified based discussions to date where there may be fiscal or policy alignment with the Administration. We look forward to diving into the priorities of CARPD and its member agencies, and hope that you find this broad picture high level view of the full scope of the Governor's proposal of interest.

If there are other areas or line items of interest, please do not hesitate to reach out to our team to ask questions or request additional information.

On January 10, Governor Newsom presented for nearly two hours on the budget in its entirety. The \$297 billion spending plan is a decrease of 1% in total from the 2022-2023 budget. While the projected deficit comes in it at \$22.5 billion, the Governor highlighted the budget's overall resiliency and that many areas will not be cut. Similar to his previous budget, Governor Newsom has proposed few new long-term funding commitments and is instead seeking to bolster current programs and policies centered around what he identified as seven major themes. From those themes, below are the six key areas of impacts to local government:

- 1. Funding Shortfalls**
- 2. Addressing the Homelessness Crisis**
- 3. Housing Affordability**
- 4. Climate Resilience and Transportation**
- 5. Keeping Californians Safe**
- 6. Economic Development and Small Business**

Timing

The Legislature will begin to review the Governor's proposals in their budget subcommittees, which will include input from the Office of Legislative Analyst. In early May, the Administration will produce a revised budget proposal with updated revenue projection and proposed changes. The Legislature must send the Governor an adopted budget by the Constitutional deadline of June 15, to be signed by the Governor by July 1. The passage of various budget trailer bills can occur both in conjunction with the adoption of the

budget, and both before and after the Legislature’s summer recess. The Governors “California Blueprint” 23-24 budget proposal can be found [HERE](#).

Funding Shortfalls

Unlike the previous two years of budget surplus, where the focus has been unveiling new programs with corresponding expenditures, the Administration is projecting a \$22.5 billion deficit and proposing multiple proposed cuts. This year’s budget deficit is heavily influenced by reductions in anticipated personal income tax revenues, combined with an overall slowing economy resulting from high inflation, federal reserve interest rate increases, stock market declines, and the possibility of an economic recession (although a recession is not currently projected in the proposed Budget).

The Governor has proposed to resolve the FY 23-24 Budget shortfall through a range of proposals, including deferrals, reductions, fund shifts, triggered reductions, and some limited revenue generation and borrowing, as follows:

- **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 throughout.
- **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 withdrawal of inflationary adjustments of \$3 billion in FY 2023-24, followed by another \$7 billion over the next two fiscal years, and elimination of a \$750 million Unemployment Trust Fund payment in FY 2023-24.
RPPG Note: If any of CARPD member agencies were allocated earmarks from the 22-23 budget but have yet to receive the funds, it will be critical that we work with their legislative delegation through this year's budget cycle to protect the earmarks for these park-specific projects approved in the 2022 budget.
- **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 in various policy areas of Climate and Transportation (\$3.1 billion), Housing (\$600 million), Parks (\$106 million) and Workforce Training (\$55 million) and subjects them to a “trigger” that would restore them if it were determined that sufficient funds are available in the 2024 Governor’s budget. The trigger relies on various factors including baseline adjustments, enrollment, caseload, and population adjustments, constitutional obligations, and the cost of funding all items included in the trigger.
- **Limited Revenue Generation and Borrowing – \$1.2 billion:** The Budget augments General Fund resources in the 2023-24 fiscal year through loans from special funds and the renewal of the Managed Care Organization Tax.

Parks and Recreation

- **Trigger Reductions:** \$106 million in trigger reductions for parks programs.
- **Unencumbered Maintenance Funding:** \$31 million will be reverted to the General Fund to address the projected decline in General Fund revenues.
- **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. *RPPG Note: A reduction in funding will make the program, which is already highly competitive, more competitive and make it more difficult to secure funding in the upcoming grant cycle.*

RPPG Note: We look forward to diving deeper into the program funding streams of most interest to CARPD. Until then, this is the high-level status of funding reductions proposed in the Governor's January 2023-24 Budget in the parks space.

Addressing the Homelessness Crisis

RPPG Note: As forecasted by RPPG in CARPD's end of year report—both and homelessness and housing sections of the Governor's budget proposal contain stern warnings for local agencies. As detailed further, both sections express signs of frustration, an increased need for accountability including pointed statements calling into question local agencies' willingness and/or capability to address these incredibly complex challenges.

We anticipate legislative proposals that call for stronger enforcement, stronger penalties, increased state intervention on local government—and if needed, litigation for those agencies who lack sufficient progress in these challenging policy areas. Please see “additional narrative section” for more context.

Homelessness was identified as an issue of priority by the CARPD legislative committee, and we will continue to provide update and look for opportunities where there is a nexus to park and recreation district impacts.

Homelessness: The Budget includes \$3.4 billion in FY 2023-24 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 Homeless Housing, Assistance, and Prevention (HHAP) grants. Funding also included 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. Related criteria include:

- Conditioning funding on proposed statutory changes requiring greater accountability in the planning and expenditure of these critical homelessness resources.
- The Administration intends to focus HHAP on highest priority needs, especially reducing unsheltered homelessness, and pursue statutory changes 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.
- 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, in 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.

Additional Narrative Re: Homelessness

Additional narrative pulled directly from the budget proposal increased state confrontation and more aggressive policies toward local agencies:

- *“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. “*
- *“...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 “*
- *“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.”*

Housing Affordability

The Budget calculates the state has invested \$21.5 billion in housing over the past two years, along with deploying a comprehensive set of strategies including improving financing programs, targeting investments, providing technical assistance and leveraging land use tools. Still, as with other policy areas in this year’s Budget, various reductions are proposed totaling \$600 million. These reductions are subject to potential restoration based upon a 2024 budgetary trigger as follows:

- \$200 million (out of a total of \$500 million) approved for the Dream for All homeownership assistance program for FY 23-24 at the California Housing Finance Agency.
- \$100 million (out of a total of \$350 million) allocated in the FY 2022-23 Budget to the CalHome program, which provides local agencies and nonprofits grants to assist low- and very-low-income first-time homebuyers with housing assistance, counseling and technical assistance.
- \$50 million allocated to the California Housing Finance Agency for an Accessory Dwelling Unit program.
- \$250 million to seismically retrofit “soft story” multifamily housing, where the first floor of the structure, due to garages and other features, is vulnerable to collapse.
- Updating General Plan Guidelines: The Housing section of the Budget states that “resources” (unknown amount) will be provided to the Office of Planning and Research (OPR) to update local Government’s General Plan guidelines, to assist with meeting shared housing, transportation, infrastructure, and climate goals.

Additional Narrative Re: Housing

In addition to the cuts outlined above, the remaining housing narrative of the Governor’s budget proposal contains tones and statements that suggest local agencies should be prepared for extensive additional state actions directed at local authority and enforcement. Budget document statements that reflect these sentiments include:

- *“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.”

- *“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.”*
- *“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.”*

Climate Resilience and Transportation

The Governor’s proposed budget eliminates previously funded expenditures and includes “trigger” cuts that could be reversed next year if the state revenues increase. Those cuts are most concentrated in climate and transportation investments, with a reduction of \$6 billion for climate initiatives and \$3.3 billion of cuts from the state’s clean transportation initiatives. With substantial funding adjustments of consequence to local climate programs, including Zero-emission vehicle credits and infrastructure program cuts, there could be impacts in the transition to electrified vehicles, particularly in heavy duty truck infrastructure. Overall, 89% of the state’s \$54 billion in climate investments from the 2022 budget remain funded under this proposal. With the state under an onslaught of deadly winter storms, new investments in flood preparedness and response as well as levee repair and upgrades are included in the Governor’s proposal. ***RPPG Note: The majority of cuts exist in the climate and transportation space and will impact many programs of import to local government, particularly in the transition to electrified fleets and heavy-duty truck infrastructure.***

Fire and Forest Health:

- **\$2.7 billion in funding for forest health and fire protection:** investments in forest health and fire prevention and protection, and wildfire response. This includes funding to support forest and landscapes, wildfire fuel breaks, community hardening, regional and community investments, and science-based management. \$91 million in reductions across various programs, which are partially offset by a \$14 million shift to Proposition 98.
- **Reductions:**
 - Reduction of \$10 million in Climate Catalyst Fund.
 - Reduction of \$10 million in Stewardship of State-Owned Land.
 - Reduction of \$5 million in Defensible Space Inspections.
 - Reduction of \$5 million in Monitoring and Research.
 - Reduction of \$15 million in Workforce Training.

Drought and Flood Resilience: ***RPPG Note: Given the impacts to localities statewide from the severe winter storms this month, please note the new funding proposed for flood risk reduction and levee upgrades that could potentially be of interest to some member agencies.***

- **\$8.6 billion in funding for drought and flood resilience:** to minimize the immediate economic and environmental damage from the current drought and support hundreds of local water projects to prepare for future droughts. \$194 million in reductions across various programs.
 - \$1.9 billion for habitat and watersheds.
 - \$1.5 billion for immediate drought support.
 - \$738 million for flood protection and control operations.
 - \$521 million for conservation and agriculture.
- **New:**
 - \$125 million in 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.
 - \$7 million 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.
 - \$202 million in new investments for flood resiliency:
 - \$135.5 million for urban flood risk reduction.
 - \$40.6 million for delta levees.
 - \$25 million for Central Valley flood protection.
- **Reductions:**
 - Reduction of \$24 million and delay of an additional \$270 million in Watershed Resilience Programs.
 - Reduction of \$70 million in Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) Cleanup.
 - Reduction of \$40 million in Water Recycling.
 - Reduction of \$40 million in the State Water Efficiency and Enhancement Program.
 - Reduction of \$15 million in Aqueduct Solar Panels.

Climate:

- **Extreme Heat: \$444 million of extreme heat funding and \$1.6 billion of community resilience funding:** for investments over multiple years to advance climate resilience in low-income and underrepresented communities. \$194 million in reductions across various programs.
- **Reductions:**
 - Reduction of \$100 million in Urban Greening Program.
 - Reduction of \$25 million in Extreme Heat and Community Resilience Program.
 - Reduction of \$20 million in Urban Forestry Program.
 - Delay of \$85 million in Community Resilience Centers. *RPPG Note: This delayed funding may be a program districts with community resilience centers had interest in.*
 - Reduction of \$25 million in Regional Climate Resilience.
 - Reduction of \$65 million in Transformative Climate Communities Program.
 - Reduction of \$50 million in Community Air Protection Program.
- **Coastal: \$1.3 billion of nature-based solutions funding and \$734 million of coastal resilience funding:** to conserve 30 percent of lands and coastal water, protect biodiversity, expand equitable

access to nature and its benefits, combat climate change, and build resilience to climate impacts, including sea level rise and flooding. \$779 million in reductions across various programs.

- **Reductions:**
 - Reduction of \$35 million in Protecting Fish and Wildlife from Changing Climate.
 - Reduction of \$100 million in State Conservancy Nature-Based Solutions.
 - Reduction of \$6 million General Fund in Natural Community Conservation Program Planning and Land Acquisition.
 - Reduction of \$4 million in Climate Smart Land Management Program.
 - Reduction of \$12.5 million in Local and Tribal Nature-Based Solutions Corps.
 - Reduction of \$40 million in San Joaquin Valley Flood Plain Restoration.
 - Reduction of \$10.4 million in San Francisco Bay Wetlands Support.
 - Reduction of \$175 million in 2022-23, \$297 million in 2023-24, and \$9 million in 2024-25 in Coastal Protection and Adaptation.

Transportation:

- **Additional \$8.9 billion of ZEV investments:** 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. \$2.5 billion in reductions across various ZEV programs, which are partially offset by approximately \$1.4 billion in fund shifts to Cap and Trade funds.
- **Reductions:**
 - Reduction of \$745 million in Equitable Zero-Emission Vehicles and Infrastructure, which is partially offset by a shift of \$535 million to the Greenhouse Gas Reduction Fund.
 - Reduction of \$1.5 billion in Heavy-Duty Zero-Emission Vehicles and Supporting Infrastructure, which is partially offset by a shift of \$839 million to the Greenhouse Gas Reduction Fund.
 - Reduction of \$184 million in Zero-Emission Mobility, which is partially offset by a shift of \$25 million to the Greenhouse Gas Reduction Fund.
 - Reduction of \$133 million in Emerging Opportunities and Federal Programs, which is partially offset by a shift of \$40 million to the Greenhouse Gas Reduction Fund.

Keeping Californians Safe

The Budget proposes \$564.4 million to law enforcement to address crime. The state has provided resources to create safer communities over the past few years, including investments in programs to reduce organized retail theft, gun violence, and illegal drugs. Investments for 2023-24 include:

- **CalOES:** \$11 million one-time General Fund for the Office of Emergency Services (Cal OES) to facilitate education and training related to gun violence restraining orders.
- **Proposition 47:** \$101 million of General Fund savings in 2023-24 from Proposition 47 Savings. These funds require 65% be allocated for grants to public agencies to support various recidivism reduction programs, 25% for grants to support truancy and dropout prevention programs, and 10% for grants for victims' services.
- **Officer Wellness:** \$65 million one-time General Fund appropriated for research and grants to support peace officers' physical, mental, and emotional wellness. A Use of Force and De-escalation Training pilot program was established to improve positive policing strategies.

RPPG Note: I believe many CSDs also offer peace officer services to the community, but am not sure where that fits into the CARPD platform. Please let me know if this is not germane.

Economic Development and Small Business

Economic Development

Despite the deficit, the Budget proposed several investments to expand California's economic competitiveness via a continuation of the existing tax credit for California film and television productions and several semiconductor manufacturing incentives to augment recent federal incentives. Several reductions to previously approved allocations to business assistance and workforce development programs are proposed as well:

Proposed Deferrals and Reductions:

- **Broadband Expenditure Deferrals:** Maintains previous levels of funding allocated to expanding broadband middle-mile, last-mile and loan loss reserve activities, but proposes to defer:
 - \$550 million previously allocated in FY 23-24 to the CPUC for last mile infrastructure grants to be allocated over the next three budget years : \$200 million in FY 24-25, \$200 million in 25-26, and \$150 million in FY 26-27.
 - \$200 million from FY 22-23, and \$400 million from FY 23-24 for the Loan Loss Reserve Fund to instead be allocated as follows: \$300 million in FY 24-25, and \$275 million in FY 25-026.
- **Reduces Funding for California Youth Leadership Program:** The Budget proposes to reduce from \$60 to \$40 million the three-year commitment to the California Workforce Development Board to invest in career pathway programs at community colleges. Funding could be restored in 2024 based upon budgetary trigger.

Other Areas of Interest Include:

Children and Childcare: *RPPG Note: As some parks and recreation districts may intersect with provision of affordable childcare, we have included budget developments in this space.*

- **Child Care Providers United:** \$2 billion annualized to expand subsidized childcare slot availability due to an agreement with Child Care Providers United.
- **Free School Meals:** \$1.4 billion towards reimburse two school meals a day for public school students.
- **CalWORKS:** \$7.4 billion for CalWORKs to provide temporary cash assistance to low-income families with children to meet basic needs.
- **DSS Childcare Programs:** \$6.6 billion (\$2.7 billion General Fund) for childcare programs through the Department of Social Services (DSS). DSS administers childcare 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; Resource and Referral and Local Child Care Planning Councils; and the Child and Adult Care Food Program.
- **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 childcare 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.

Seniors and Aging:

- **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.
- **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.

California Volunteers:

- **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.

Legislative Leadership Response to the Governor's Budget Proposal

Below are the statements released by Legislative leadership in response to the Governor's budget proposal. Often these statements provide insights as to where the Legislature's legislative and funding priorities are going to align with the Governor's proposals.

Senator McGuire:

"Governor Newsom has put forward a fiscally responsible early budget that carefully balances the financial uncertainty our state is facing, while maintaining critical investments in many of our state's top priorities – strong public schools and kids, homelessness and housing, making our communities more fire safe and public safety. This economic slowdown we are experiencing is exactly what we've been planning and preparing for over these past many years, and we are committed to making sure the state of California is on strong financial footing, while investing in our future. We're continuing to invest in the future of California, even during these tight-budget times. We're looking forward to working with ProTem Atkins, the Legislature and the Governor in the months to come as this budget progresses."

Senator Atkins:

"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."

Assemblymember Ward:

"The draft state budget outlined by Governor Newsom today aims to limit the amount of cuts necessary due to the projected shortfall," said Assemblymember Chris Ward (D-San Diego). "I am pleased to see continued funding to address homelessness and the ongoing affordable housing shortage, including the full implementation of CARE Court and \$8 million for up to six months of rent or temporary housing for the unhoused. But I am also concerned to see cuts to our climate, green energy, and electric vehicle infrastructure commitments. California needs to move away from its fossil fuel dependence that continues to contribute to the climate crisis. I look forward to working with my legislative colleagues through our committee work to finalize a budget that supports and invests in Californians."

Assemblymember Gallagher:

"Democrat politicians have wasted a record surplus on new social programs and pork projects, while allowing our aging infrastructure to crumble. Now we are faced with a \$22 billion deficit as a result of their fiscal recklessness. It's high time we refocus our budget on the core functions of government. As California bounces between flooding and drought, it is abundantly clear that we need new water storage, and yet there is still no dedicated funding this year or next to meet that need. Instead the Governor protects failed programs that haven't made a dent our state's highest-in-the-nation poverty rate."

No response from Assemblymember Rendon or Senator Jones.

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