



## Analysis Of Governor Newsom’s May Revision of California’s 2024-2025 Budget

May 10, 2024

The Governor released his [May Revision](#) on May 10, estimating that the budget shortfall for the 2024-25 fiscal year grew by approximately \$7 billion from the January Proposal to approximately \$44.9 billion. This differs from the Legislative Analyst’s Office earlier estimate of \$73 billion, with differences attributed to higher revenue projections and different Proposition 98 calculations. After accounting for the early action budget package that included \$17.3 billion of solutions, the remaining budget problem is approximately \$27.6 billion.

Western Center on Law and Poverty appreciates that the Governor maintains some of the previous expansions and grants proposed in the January budget. However, we oppose the Governor’s approach to address the current budget shortfall through cuts to critical safety net programs. This approach balances the budget on the backs of low-income Californians through over \$3 billion in cuts. Instead of considering additional revenue solutions, the Governor proposes to cut In-Home Supportive Services for people who were previously excluded from Medi-Cal due to their immigration status, deeper CalWORKs cuts, and continued housing cuts. We look forward to working with the Governor and Legislature on a final budget that reflects our values and protects vulnerable Californians.

### HEALTH CARE

**Cuts In-Home Supportive Services for Undocumented Individuals** — Despite historic investments in Medi-Cal expansions, the May Revision proposes treating people who were previously excluded due to their immigration status differently. Specifically, the May Revision cut IHSS services for those who were previously excluded at a reduction of \$94.7 million. IHSS allows seniors and people with disabilities to safely stay in their home.

**Managed Care Organization (MCO) Tax** — Sweeps \$6.7 billion over multiple years from the Medi-Cal provider rate increases, Medi-Cal workforce funding, and equity payments planned for January 2025 and proposes amendment to include Medicare health plan revenue resulting in an additional \$9.7 billion in total MCO Tax funds over multiple years. The related November ballot initiative raises uncertainty. If the measure passes, billions of dollars could be diverted, resulting in budget deficit that may result in future cuts to safety net programs.

**Cuts Acupuncture as Medi-Cal Benefit** — Eliminates acupuncture as a Medi-Cal benefit starting January 2025 at reduction of \$5.4 million this budget year and \$13 million ongoing.

**Healthcare Workforce Reduction**— Eliminates about \$900 million various healthcare workforce initiatives including community health workers, nursing, social work, Song-Brown residencies, Health Professions Career Opportunity Program, and California Medicine Scholars Program as well as eliminates \$189.4 million Mental Health Services Fund for programs proposed to be delayed to 2025-26 at Governor’s Budget.



**Children and Youth Behavioral Health Initiative Reduction**— Reduces \$72.3 million one-time in 2023-24, \$348.6 million in 2024-25, and \$5 million in 2025-26 for school-linked health partnerships and grants, behavioral health services and supports platform, public education campaign, and youth suicide reporting and crisis response pilot.

**Eliminates Behavioral Health Continuum Infrastructure Program and Reduces Bridge Housing Program**— Eliminates \$450.7 million from the last round of the Behavioral Health Continuum Infrastructure Program and reduces funding for the Behavioral Health Bridge Housing Program.

**Eliminates Public Health Funding**—Eliminates \$52.5 million in 2023-24 and \$300 million ongoing for state and local public health.

**2022 Health Trigger Investments not Included:**

- Share of Cost Reform so that seniors and people with disabilities can afford to access needed Medi-Cal services
- Continuous Medi-Cal Coverage for Children Aged 0 through 4

**HOUSING**

One of the highest priorities for California lawmakers and residents is the housing and homelessness crisis, which requires more investment in affordable housing and homelessness prevention programs. We are concerned about the proposed cuts to these crucial programs, especially as Californians are grappling with housing insecurity and the continued legal attacks on our unhoused neighbors.

The May Revision proposes a total \$1.76 billion in continued cuts to the following program (with additional cuts to January Proposal noted):

- Adaptive Reuse Program – additional \$127.5 million cut
- Foreclosure Intervention Housing Preservation Program – additional \$236.5 million cut
- Multifamily Housing Program – additional \$75 million cut
- Infill Infrastructure Grant Program - additional \$35 million cut
- Homeless Housing Assistance Program (HHAP) - additional \$260 million cut
- Veteran Housing and Homeless Prevention Program - additional \$26.3 million cut

The May Revision will include funding of \$500 million to the state LIHTC (Low Income Housing Tax Credits) program.

**PUBLIC BENEFITS AND ACCESS TO JUSTICE**

**CalWORKs**

While the May Revision does not propose to cut CalWORKs grants, the proposal continues the deep cuts proposed in January, including:



- The elimination of the Family Stabilization Program (FSP), which provides housing assistance, mental health, substance use and domestic violence services. This is a core program within CalWORKs that keeps people housed, safe, and well.
- The elimination of the Subsidized Employment Program, which provides additional job opportunities to participants to provide job experience and a path to unsubsidized employment.
- The draining of the safety net reserve, which was created to protect human services programs against cuts. The use of these funds results in a double cut to the CalWORKs program.

#### **Additional cuts to CalWORKs include:**

- The reduction of \$47.1 million for the CalWORKs home visiting program ongoing, which is a cut of 45%. This highly effective program, which pairs professionals with new parents, prepares families for new infant household members and provides early supports to ensure a successful transition to new and increased parenting responsibilities. This cut could result in new referrals to child welfare services.
- The permanent elimination of the CalWORKs Mental Health and Substance Abuse Services program which is a cut of \$126.6 million. These are critical services that stabilize a family and can also prevent referrals to child welfare services.

#### **SSI/SSP**

The Governor's proposed budget did not propose a cut to SSI/SSP grants, but additional investments are still needed for this program which provides grants to seniors and people living with disabilities. The grant for individuals is currently 94% of the 2024 Federal Poverty Level (FPL). We hope to work with the administration in future budget years to strengthen these programs to bring the individual grant to at least 100% of the poverty line and to reinstate the annual cost of living increase. We would also request a revival of the special circumstances program to assist SSI recipients with unexpected expenses.

#### **Child Support**

Despite 2022 budget trigger language, the May Revision did not include a provision to fund full pass-through of child support payments to currently assisted CalWORKs families. Based upon current revenue, this trigger was not pulled and there is a need to renew this language in the 2024-25 budget.

#### **Child Care Slots**

The May Revision pauses the promised expansion of child care slots and keeps them at the current level. By pausing this expansion, the state will reduce support for California's working families by \$489 million in 2024-25 and \$951 million in 2025-26.



## **In-Home Supportive Services for Undocumented Individuals**

As previously mentioned, the May Revision cut IHSS services for people who were previously excluded from Medi-Cal due to their immigration status at a reduction of \$94.7 million. IHSS allows seniors and people with disabilities to safely stay in their home.

## **California Food Assistance Program Expansion**

- The May Revision delays the promised expansion of the California Food Assistance Program (CFAP) for two years, pushing benefits back to the 2027-28 budget year. CFAP is the state-funded CalFresh counterpart that serves some immigrants who are excluded from CalFresh due to their immigration status.
- This delay prevents California from fulfilling the promise to expand food benefits to undocumented older adults, therefore perpetuating poverty, food insecurity, and again inflicting harm specifically on California's low-income immigrant communities.

### **For questions, contact:**

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