

Date: August 3, 2023

To: Mayor and Members of the City Council

From: Thomas B. Modica, City Manager



Subject: **Adopted Fiscal Year 2024 State Budget**

On June 27, 2023, Governor Newsom signed the Fiscal Year 2024 (FY 24) State Budget (Budget). The \$310.8 billion Budget includes nearly \$38 billion in budgetary reserves. After two years of unprecedented revenue growth, the State now faces a significant downturn driven by a declining stock market, high inflation, rising interest rates, and job losses in high-wage sectors—all of which have led to slower revenue growth than previously projected for FY 24. The adopted Budget includes various strategies to bridge an approximately \$31.7 billion shortfall through fund shifts, reductions and pullbacks, delays, revenue and internal borrowing, and trigger reductions. Despite budgetary constraints, the adopted Budget continues to maintain key funding of interest to the City of Long Beach (City).

The adopted Budget provides an overarching framework that outlines key areas of investment, but many program-specific details will continue to be finalized through what are referred to as “budget trailer bills,” or legislation necessary to implement the Budget. The Legislature has until September 14th to pass all trailer bills and make any further changes to the Budget framework. The purpose of this memorandum is to provide an overview of the FY 24 State Budget and its impacts to the City.

District Budget Funding

Every year, the City submits priority projects to our legislative delegation for consideration to receive direct funding through the budget process. As outlined in a [memorandum](#) on March 15, 2023, the City’s list was sent to the entire delegation and staff briefed delegation offices on City projects to identify strategic alignment with member priorities. Legislators ultimately decide which projects they would like to submit. And while we anticipated fewer opportunities for State funding due to the significant budget shortfall for FY 24, the City’s delegation members successfully advocated for the adopted Budget to include \$6 million in funding for the following Long Beach projects:

- **\$1.25 million** to bolster the City’s homelessness emergency activities, prevention efforts, and services for community members at risk of or experiencing homelessness;
- **\$750,000** to support the City Prosecutor’s Reentry Services Program, providing services to formerly incarcerated community members and their families; and,
- **\$4 million** to maintain and renew Rancho Los Cerritos and Rancho Los Alamitos

facilities.

The adopted Budget also funds \$10.5 million for the following Long Beach community projects:

- **\$500,000** for arts programs through the Arts Council for Long Beach; and,
- **\$10 million** for the Museum of Latin American Art, which provides educational, cultural, and career growth opportunities within modern and contemporary Latin American and Latino art.

State Budget Items

In addition to these direct funding opportunities, the FY 24 State Budget includes funding in a number of key areas of interest to the City, as outlined below.

Climate Resilience

The previous two State budgets allocated approximately \$54 billion over five years to advance the State's climate agenda. The adopted FY 24 Budget eliminates \$2.6 billion in climate spending from the State's previous multi-year commitment, maintaining \$51.4 billion to fund climate-related actions. \$890 million was added in new climate expenditures for a total of \$52.3 billion over six years. The Budget reflects \$630 million of General Fund reductions and \$85 million in delays across various programs, including but not limited to Community Resilience Centers (\$160 million), Regional Climate Resilience (\$200 million), and Transformative Climate Communities Programs (\$205 million). The adopted Budget maintains \$1.1 billion in coastal resilience spending from the State's previous multi-year commitment, with \$184 million in General Fund reductions for coastal protection and adaptation programs. Due to reductions in spending across important climate programs, many climate-related efforts will be included in a \$15.5 billion climate resilience bond currently under consideration in the Legislature.

Drought Response and Water Resiliency

The adopted Budget maintains \$8.1 billion over multiple years to support drought resilience and response programs. The Budget accounts for \$632 million in General Fund reductions and \$455 million in program delays, including but not limited to initiatives for water recycling, Salton Sea restoration, and water conservation. Building on the Newsom Administration's commitment to address statewide flood impacts, the adopted Budget includes \$436 million one-time General Fund to support at-risk communities. The Budget also includes \$135 million one-time as a flood contingency set aside to support costs associated with preparedness, response, recovery, and other activities related to storms. Furthermore, the Budget includes \$135.5 million General Fund over two years for local agencies working to reduce urban flood risk.

The Circular Economy

The FY 24 Budget maintains \$443 million in investments to support a circular economy that recognizes waste as a resource, shifting the State's focus to a more resilient and renewable economy in California. The adopted Budget includes \$25 million in General Fund reductions across various programs such as composting and recycling feasibility grant programs. The adopted Budget also includes \$2.3 million from various special funds for the Department of Resource Recycling and Recovery to develop a zero-waste plan.

Education

K-12 Education

Due to enrollment increases, the Proposition 98 guarantee increased from \$106.8 billion in the May Revision to \$108.3 billion in the adopted Budget. The Budget maintains the proposed cost-of-living adjustment (COLA) at 8.22 percent from the May Revision. In addition to the updated COLA, the Budget provides \$80 million in ongoing Proposition 98 funding to support county offices of education serving students in juvenile court and other alternative school settings. Furthermore, the adopted Budget funds \$1 million ongoing for the Los Angeles County Office of Education to support professional development and leadership training for education professionals related to anti-bias education and the creation of inclusive and equitable schools. The Budget includes an additional \$154 million ongoing and \$110 million one-time to fully fund the Universal School Meals program in the 2022-23 and 2023-24 fiscal years.

Higher Education

The Budget maintains a five percent, multi-year base increase annually for the California State University and University of California systems, in addition to an increase of \$678 million ongoing for community colleges to reflect a change in the COLA adjustment described above. The Budget also includes \$26.4 million ongoing Proposition 98 General Fund needed to sustain enrollment growth at community colleges. The Budget shifts General Fund support for student housing grants to UC, CSU, and CCC issued bonds, resulting in an increase of \$164 million ongoing for student housing projects. The adopted Budget also appropriates \$200 million one-time General Fund and reflects a plan to provide an additional \$1.5 billion one-time over the next five years to support the California Student Housing Revolving Loan Fund.

Economic Development

Cannabis

To meet the requirements of Proposition 64, the adopted Budget estimates \$567.4 million will be available in 2023-24 for cannabis-related programs, which includes \$150 million General Fund to backfill an estimated decline in revenues. The adopted Budget includes

\$340.4 million to fund youth education, prevention, and treatment of youth substance use disorders and school retention (60 percent); \$113.5 million to address the clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation (20 percent); and \$113.5 million to fund public safety-related activities (20 percent). This reflects a total decrease of \$102.2 million compared to the State's previous forecast.

Workforce Development

The adopted Budget continues to build on earlier investments for workforce development, specifically focused on young adults, women, people of color, and others who face employment barriers. For instance, the adopted Budget maintains \$988.4 million in total funding over multiple fiscal years for health workforce programs. Likewise, the Budget restores \$15 million for the Department of Industrial Relation's Women in Construction Priority Unit.

Additionally, the adopted Budget includes important investments in youth workforce opportunities. Budget negotiations earlier this year threatened to significantly reduce funding for the Youth Jobs Corps, but thanks to strong advocacy from Mayor Richardson and the Big City Mayors coalition, the Budget provides \$78.1 million ongoing to continue the program and expand opportunities to undocumented Californians and tribal communities. Official allocations have not been determined, but we anticipate Long Beach will receive approximately \$3 million annually through this funding source. These funds will help to expand Long Beach's capacity to engage diverse youth between the ages of 16 to 30 in the [Long Beach Youth Climate Corps](#) and other employment opportunities. Furthermore, the Budget allots \$3.8 million General Fund in 2023-2024, and \$3.1 million in 2024-25 through 2029-30, to support the Racial Equity Commission and Youth Empowerment Commission.

Health and Human Services

Healthcare and Behavioral Health

The adopted Budget includes a new Managed Care Organization (MCO) Provider Tax effective April 1, 2023, through December 31, 2026, resulting in \$8.3 billion to support Medi-Cal and achieve a balanced budget. Another \$11.1 billion from the Medi-Cal Provider Payment Reserve Fund will support investments that expand access to Medi-Cal. Additionally, the Budget includes \$19 million in 2023-24 and \$12.5 million in 2024-25 and ongoing to support eligible 988 call center behavioral health crisis services. Furthermore, the adopted Budget provides \$67.3 million General Fund to support county behavioral health department costs for the CARE Act, with an additional one-time \$15 million for Los Angeles County, due to Los Angeles County's announcement that it will begin implementing the CARE Act one year early.

Public Health

The State Budget maintains \$97.5 million over four years to support various public health workforce training and development programs. The adopted Budget also includes \$43 million in 2023-24 one-time to pursue innovative opportunities to address major health problems facing Californians, such as targeting diabetes-related morbidity and mortality, addressing disparities in maternal and infant mortality faced by women and their babies, and preventing and mitigating infectious diseases. Additionally, the adopted Budget includes \$10 million one-time, available over five years, to expand Hepatitis C Virus services, including outreach, testing, linkage, and engagement in care to priority populations such as young people who use drugs, indigenous communities, communities of color, and people experiencing homelessness.

To expand the Naloxone Distribution Project and increase distribution to first responders, law enforcement, community-based organizations, and county agencies, the adopted Budget includes \$159.5 million over the next four budget cycles from the Opioid Settlements Fund. Furthermore, the adopted Budget invests another \$61 million to provide grants to local health jurisdictions and community-based organizations to support syringe exchange and disposal program activities, including treatment navigators. Additionally, the Budget includes \$30 million one-time Opioid Settlements Fund in 2023-24 to support the development of a lower-cost, generic version of a naloxone nasal spray product through the CalRx Naloxone Access Initiative at the Department of Health Care Access and Information.

Homelessness and Housing

Homelessness

The adopted Budget builds on the State's multi-year \$15.3 billion investment to address homelessness with \$3.5 billion in new funding for homelessness programs. The adopted Budget includes \$1 billion in one-time General Fund for a fifth round of Homeless Housing, Assistance and Prevention (HHAP) grants. The legislation authorizing the fifth round of HHAP grants also includes new statutory language focusing on regional coordination and accountability, requiring counties, large cities, and continuums of care (CoCs) to develop and submit regionally coordinated plans that identify their respective roles and responsibilities and outline actions each entity will undertake to collectively deploy resources to reduce homelessness. The first half of the fifth round of HHAP grants will be released in mid-2024, after regional plans have been submitted and approved. The second half will be released in early 2026, after the regions report on their progress in carrying out the respective actions outlined in their regional plans. The adopted Budget also supplements the fifth round of HHAP with \$360 million General Fund in reappropriated funds from prior (third and fourth) HHAP rounds. Cities and counties must have a compliant Housing Element to receive their proportionate share of funding. Long Beach receives funding as both a large city (above 300k in population) and as a

CoC; however, specific allocation amounts will be announced later. The City continues to advocate for a more equitable allocation for Long Beach through this program.

In addition to HHAP grants, the adopted Budget includes \$400 million in one-time General Fund for a third round of Encampment Resolution Funding grants. These grants are awarded on a competitive basis to counties, cities of any size, and CoCs to assist in moving persons from homeless encampments into safe and stable housing. Furthermore, the adopted Budget maintains \$1.5 billion over three years for the Behavioral Health Bridge Housing Program, which provides funding to county behavioral health agencies and tribal entities to operate bridge housing settings to address the immediate and sustainable housing needs of people experiencing homelessness who have serious behavioral health conditions, including serious mental illness and/or substance use disorders. Additionally, the adopted Budget includes \$40.8 million General Fund to support the California Advancing and Innovating Medi-Cal (CalAIM) Transitional Rent Waiver Amendment, which would allow up to six months of rent or temporary housing to individuals experiencing homelessness or at risk of homelessness and transitioning out of institutional levels of care, a correctional facility, or the foster care system and who are at risk of inpatient hospitalization or emergency department visits.

Housing

Despite budgetary constraints, the State continues to make investments in affordable housing production and homeownership. The adopted Budget largely maintains previous multi-year budget commitments and includes a housing package of \$14.7 billion for 2023-24. The Budget invests an additional \$100 million in 2023-24 for the Multifamily Housing Program, which provides loans to individuals, public agencies, or private entities for the development of multifamily rental housing including new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower-income households. Furthermore, the Budget maintains \$500 million for the Dream for All program, which provides shared-appreciation loans to help low- and moderate-income first-time homebuyers achieve homeownership.

The adopted Budget reduces the Department of Housing and Community Development's CalHome program by \$50 million, which provides local agencies and nonprofit agencies with grants to assist low- and very-low-income first-time homebuyers with housing assistance, counseling, and technical assistance. Furthermore, the adopted Budget eliminates \$170 million in funding to the Foreclosure Intervention Housing Prevention Program, which funds various non-profit organizations to acquire foreclosed property and operate as affordable housing. The adopted Budget defers another \$330 million for this program over four fiscal years. Additionally, the adopted Budget reverts \$17.5 million in unspent Downtown Rebound Program, which provides funding for the conversion of commercial and industrial structures into residential housing.

Public Safety

In response to an increase in mass shootings nationwide, the adopted Budget reallocates \$21 million one-time General Fund to the Office of Emergency Services (OES) to work directly with local law enforcement agencies to expedite targeted, coordinated gun buybacks. The adopted Budget also includes \$4 million for OES to conduct outreach and educate members of the public, law enforcement personnel, and others on how to obtain protective orders, such as gun violence restraining orders or domestic violence restraining orders to protect themselves and others from gun violence. The Budget includes \$20 million to provide security assistance to nonprofit organizations at risk of hate-motivated violence, which includes members of the Asian American Pacific Islander, LGBTQIA+, Black, Latinx, and Jewish communities. Furthermore, the adopted Budget invests \$5 million one-time to create the Southern California Reentry Hub in Los Angeles County.

Transportation Infrastructure

Transportation

The adopted Budget includes \$16.1 billion for new transportation infrastructure programs, representing a \$1.1 billion increase compared to the previous budget. The Budget also includes \$5.1 billion for transit infrastructure and zero emission vehicle projects and \$500 million for Active Transportation Program projects, which has been an advocacy priority for Long Beach through the California City Transportation Initiative. However, the Budget delays \$350 million in funding originally allocated for grade separation projects, which will be made available in 2025-2026 instead of 2023-2024. The adopted Budget also proposes statutory changes to expedite infrastructure projects that advance California's climate, equity, and economic goals and maximize the State's share of federal infrastructure spending while maintaining appropriate environmental review.

Zero-Emission Vehicles and Infrastructure

The State recently achieved its goal of 1.5 million Zero Emission Vehicles (ZEVs) on the road, two years ahead of schedule. Building on the Newsom Administration's ambitious climate action plan, the adopted Budget maintains \$10.1 billion over six years in investments to the State's ZEV agenda. In addition to existing funding levels, the adopted Budget includes \$1.1 billion Greenhouse Gas Reduction Fund and Public Transportation Account funding for the new Zero-Emission Transit Capital Program, which will fund zero-emission vehicles and associated infrastructure or transit operations. Additionally, the Budget includes \$2.3 million General Fund investment to support a zero-emission jobs roadmap.

Next Steps

While the framework for the FY 24 State Budget has been enacted, many of the specific details of the funding programs will continue to be finalized in budget trailer bills through

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September 14th, the end of the legislative session. City staff will continue to monitor the impacts of trailer bills on the City and will provide follow-up information as appropriate. If you have any questions, please contact Tyler Bonanno-Curley at (562) 570-5715 or Tyler.Curley@longbeach.gov.

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