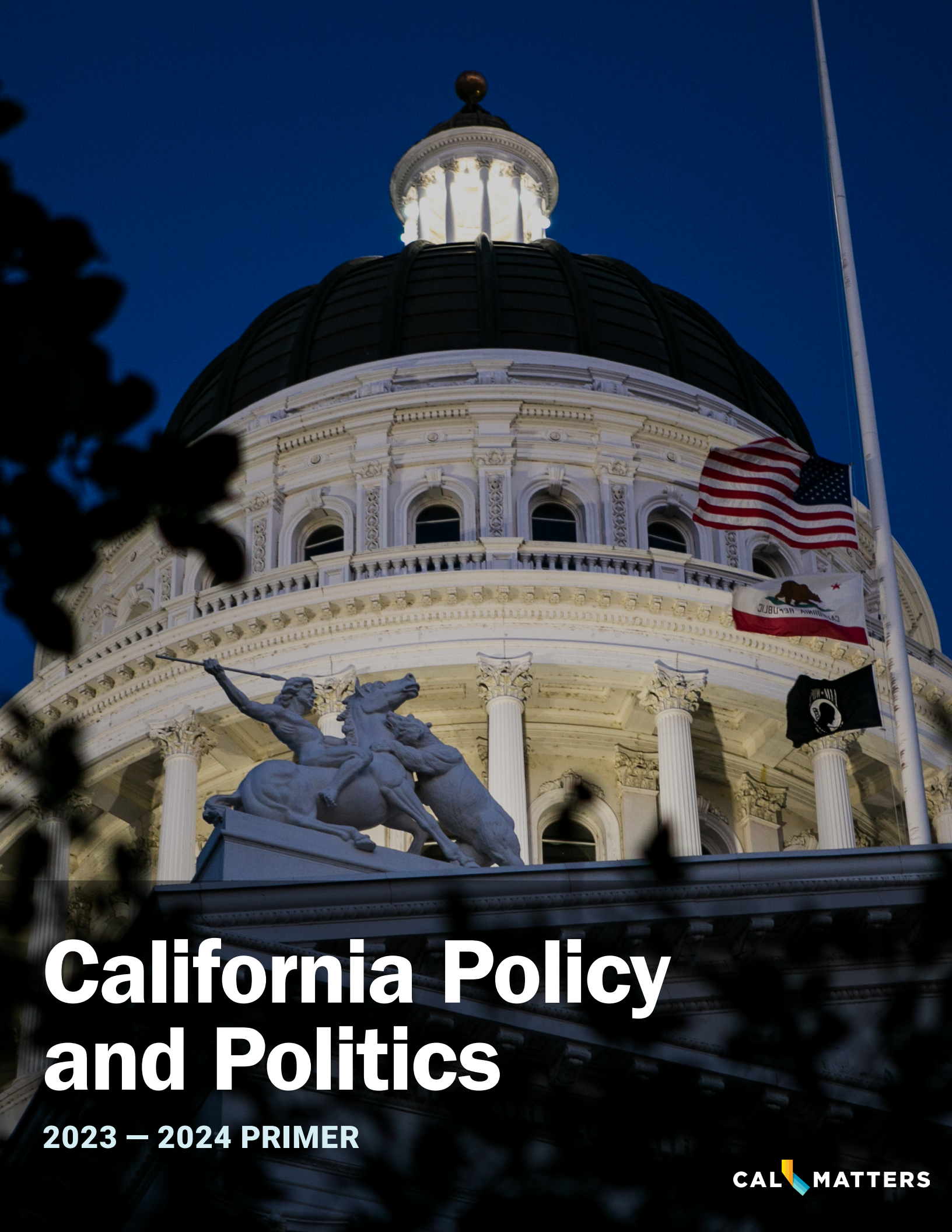

California Policy and Politics

2023 — 2024 PRIMER

CALMATTERS

Contents

CAL MATTERS

ABOUT CALMATTERS

CalMatters is a nonprofit, nonpartisan journalism organization founded in 2015 to cover California policy and politics. Based in Sacramento, CalMatters shares its work at no cost with news organizations across the state. To learn more about the essential work CalMatters does and how you can support it, please visit CalMatters.org/donate.

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The state Capitol in Sacramento on July 6, 2022. Photo by Rahul Lal for CalMatters

Chapter One
Introduction

With the start of 2023, California's Legislature was its most diverse ever. There were a record number of: women, 50; Latinos, a third and LGBTQ lawmakers, 10%.

And for the first time since 2016, there was a new speaker of the state Assembly. Robert Rivas, a Democrat from Salinas, took over the role from Democrat Anthony Rendon of Lakewood in June. Rivas grew up in farmworker housing and was raised by his single mother and grandparents. His lived experiences haven't often been reflected in the state's top leadership and many of his predecessors have often come from Los Angeles or the Bay Area.

Yet for all of the changes in who leads the state and with Gov. Gavin Newsom well into his second and final term, the legislative agenda for California wasn't vastly different. Lawmakers tried to respond to increasing public concerns about crime, homelessness and schools. At the same time, local officials pushed back against the state on affordable housing demands and classroom culture wars.

Unions helped drive legislative efforts and strikes across a multitude of industries. The "hot labor summer" saw Hollywood writers and actors, hotel workers, UPS employees and others take to the picket lines. California saw more strikes in 2023 than the previous two years.

Efforts to raise wages for fast food and health care workers were successfully passed while Newsom vetoed a plan to give unemployment benefits to striking workers after two weeks. Newsom called the bill too costly as the state's unemployment benefit deficit hovers around $20 billion.

Many of the 156 bills Newsom vetoed this year stemmed from their costs. Both the Legislature and governor's office predict deficits ahead of $14 billion to $20 billion. In 2023, the deficit was $32 billion, yet funding for education, public safety, social services and climate were mostly spared.

But across the state, pandemic protections and programs that helped people stay financially afloat ended. The number of renters evicted spiked and the number of people living in poverty increased from last year to nearly 5 million, or 13 percent of the state.

While major cuts were avoided in 2023, with funding bridged by shifting funds, borrowing and delaying some expenses – critics worry the state is just kicking the can down the road, especially as tax revenues are projected to remain flat and a possible recession looms.

Kristen Go
Editor in Chief

Gov. Gavin Newsom, at left, meets with Chinese President Xi Jinping in Beijing, China, on Oct. 25, 2023. Photo by the Office of the California Governor via AP Photo

Chapter Two

Governor

Safely ensconced in his second and final term as California governor, Gavin Newsom shifted his focus beyond the state this year, positioning himself more than ever as a national — and even international — political figure.

Newsom gleefully embraced the role of Democratic attack dog, regularly peppering his public remarks with criticisms of conservative efforts to roll back civil rights. Offering his governance as a liberal bulwark against the "rights regression" — though he rejected several high-profile efforts to expand new protections to marginalized communities in California — Newsom took his show on the road: to boost Democrats in red states on a spring tour, to the spin room of a GOP presidential primary debate in September and to debate Florida's Republican Gov. Ron DeSantis on national television in November.

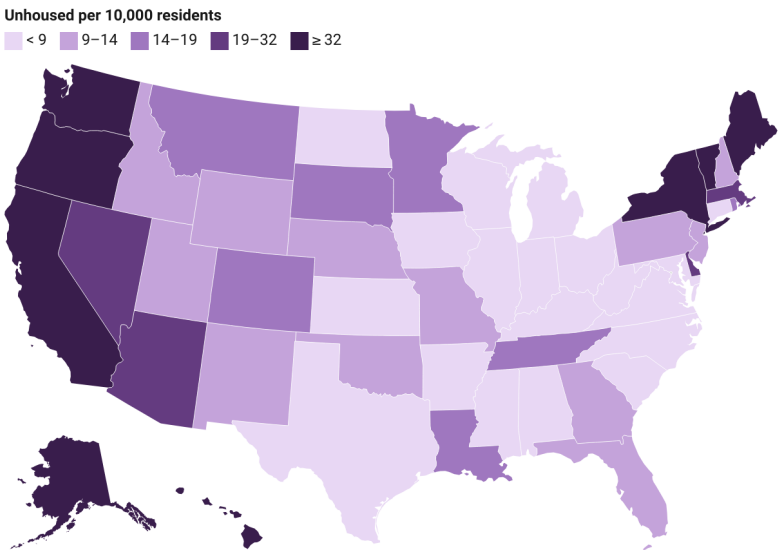
His policy agenda could seem carefully calibrated to appeal to progressive voters in a future presidential campaign that Newsom continues to insist he has no interest in pursuing. Over the summer, the governor launched a crusade to amend gun control into the U.S. Constitution, despite the vanishingly small odds of success and opposition from even some Democratic allies.

While he does not always go as far as environmentalists want, Newsom's support for legislation taking on the oil industry and developing more renewable energy has refashioned him as a climate champion. He further bolstered his credentials this fall, as the only U.S. representative to address a United Nations climate summit in September and during a weeklong tour of China in October promoting cooperation on tackling climate change.

And Newsom continues to take steps to shore up his biggest political liability: California's serious homelessness crisis. As his new behavioral health court program finally rolled out in recent months, the governor pushed another major overhaul through the Legislature. It aims to make it easier to force people with severe mental illnesses — who comprise a small but highly visible fraction of the state's homeless population — off the streets and into treatment.

California has the highest rate of unhoused in the country

For every 10,000 residents in California, at least 44 people were unhoused in 2022, the highest rate closely followed by Vermont (43 per 10,000 people) and Oregon (43 per 10,000).



Map: John Osborn D'Agostino, CalMatters • Source: U.S. Department of Housing and Urban Development, PIT 2007-2022 and American Community Survey, 5-year Estimate, 2017-2021. • Created with Datawrapper

MAJOR ISSUES FOR 2024

The governor's political capital will be put to the test early next year as he seeks to persuade voters to pass an accompanying ballot measure during the March 5 primary. It would fund more behavioral health treatment beds and supportive housing for homeless people, including by redirecting money from a mental health services tax on millionaires. Newsom could also face challenges from California's sluggish economy. With tax revenues coming in lower than anticipated, a projected multibillion-dollar budget deficit may only grow next year, stalling the governor's priorities and forcing him to make difficult decisions about program cuts.

Alexei Koseff
Capitol Reporter

State senators participate in the final session of the year at the state Capitol in Sacramento on Sept. 14, 2023.
Photo by Rahul Lal for CalMatters

Chapter Three

Legislature

The 2023 Legislature returned to close to normal after three years under the ups and downs of the pandemic, and after a 2022 election that brought turnover and the most diverse membership ever.

But it faced a different challenge: After two years of record budget surpluses, it had to navigate a $30 billion deficit, with more choppy financial waters ahead.

Another big change: In June, Assemblymember Robert Rivas, a Democrat from Salinas, took over as speaker from Lakewood Democrat Anthony Rendon in a peaceful transfer of power following an attempted mutiny by some members last year.

The leadership shift didn't significantly impact the Legislative agenda. More so, lawmakers responded to rising public concern about crime, continued worry about homelessness and housing and the "hot labor summer" of union activism.

On crime, legislators passed a package of bills addressing the fentanyl crisis, which has claimed more than 6,000 lives in California this year, though not the tougher sentences sought by Republicans.

But after an initial partisan standoff, the Legislature came together — with some pressure from the governor and new Speaker Rivas– to pass a bill by Bakersfield Republican Sen. Shannon Grove that imposes harsher penalties for child sex trafficking, which some members opposed due to concerns that victims might be punished.

On housing, legislators approved two key bills to spur more production and gave renters a little more power. They signed off on Gov. Gavin Newsom's plan to overhaul mental health care, and acceded to his wishes for a related proposition to have the March 5 ballot all to itself.

On labor, the Legislature passed some key bills signed into law, including one to expand the number of paid sick days from three to five a year and another, after many years of failed attempts, to allow legislative staff to unionize.

How many bills passed by the California Legislature were signed or vetoed by Gov. Gavin Newsom

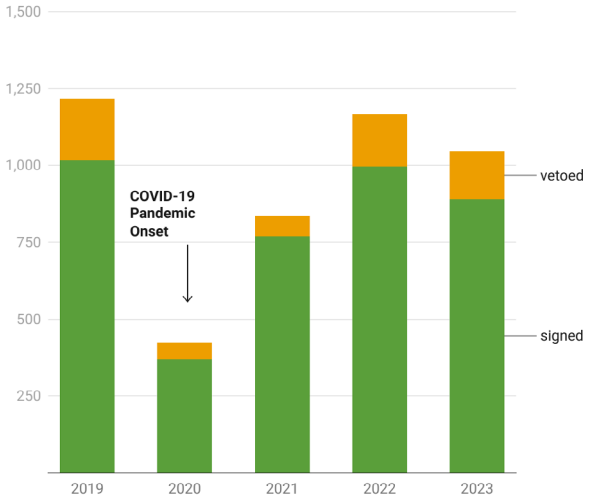


Chart: John Osborn D'Agostino, CalMatters • Source: Chris Micheli, Capitol Lobbyist • Created with Datawrapper

The Democratic majority also gave its blessing to a deal between unions and the fast food industry to increase the minimum wage for workers and another pact that increases pay for the lowest-paid health care workers.

But other labor bills didn't get the stamp of approval from the governor, including one that would have allowed striking workers to get unemployment benefits.

In all, the Legislature passed 1,046 bills this year — down 120 from last session. Gov. Newsom signed 890 into law.

MAJOR ISSUES FOR 2024

After failing to address the home insurance crisis — companies pulling policies due to wildfire and other costs affected by climate change — the Legislature will pick that back up next session. Crime will also be at the top of the priority list: Assembly Speaker Robert Rivas has formed a select committee on retail theft, and Sen. Scott Wiener announced a bill to crack down on car thefts. Other big, continuing issues: the fentanyl crisis, housing and homelessness.

Sameea Kamal
Capitol Reporter

Gov. Gavin Newsom unveils his budget proposal for the 2023-24 fiscal year during a press briefing at the California Natural Resources Agency in Sacramento on Jan. 10, 2023.
Photo by Miguel Gutierrez Jr., CalMatters

Chapter Four
Budget

Two seemingly diametrically opposed things were both true about California's budget in 2023.

The state had to pare down its spending as it confronted a nearly $32 billion deficit for 2023-24. Nonetheless, the final spending plan was still the second largest on record — $308 billion in total. As recently as 2019, the budget was less than $200 billion.

How did the state pull it off despite the colossal revenue dip? Not by raiding its reserves, which this year grew to a record level of $37.8 billion. All that money will be useful in the event state tax revenues fall below projections during the current fiscal year, sparing Sacramento from having to make "drastic reductions to core programs that marked the state's past efforts to close significant deficits," the governor's office wrote after he and lawmakers finalized the spending plan.

The fiscal imprecision stems from a quirk in tax deadlines. Because of natural disasters that ransacked most of the state, the Internal Revenue Service extended the deadline almost all Californians had to file from April to October and then to November. The state Franchise Tax Board followed suit.

That means the money the state typically collects is reaching its coffers later than usual. It's a waiting game that leaves many state agencies worried about mid-year changes to their budgets.

Analysts for both the Legislature and governor's office predict stagnant revenue growth for the next few years and annual deficits ranging from $14 billion to $20 billion. Costs will rise after the Newsom administration negotiated, and legislators approved, a series of generous contracts with state worker unions. And things could get a lot worse if a recession emerges.

California revenue largely dependent on personal income taxes

California has one of the most progressive income taxes in the country, which includes taxes on capital gains (investments like stocks). But that dependence on personal income taxes continues to leave the state vulnerable to stock market downturns as it becomes a growing percentage of major revenue sources.

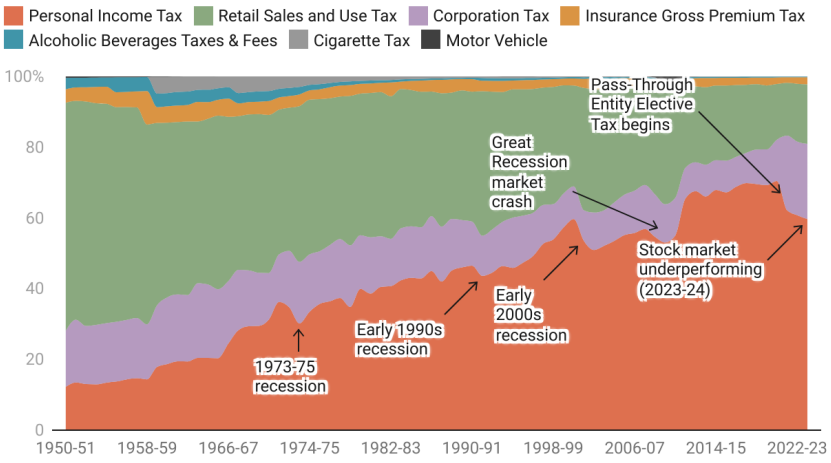


Chart: John Osborn D'Agostino • Source: California Legislative Analyst's Office • Created with Datawrapper

The shaky budget outlook is one reason Newsom vetoed 156 bills, some with large price tags. Instead, he urged lawmakers to propose costly funding plans through the annual budget process — where they can be negotiated, or die quietly.

His stock veto message went something like this: The budget deal avoided "deep program cuts" to education, health care, climate, public safety, and social service programs. "This year, however, the Legislature sent me bills outside of this budget process that, if all enacted, would add nearly $19 billion of unaccounted costs in the budget, of which $11 billion would be ongoing."

Even with that frugality, critics have questioned the state government's narrative of fiscal prudence. The final budget deal reduced actual spending by only $8 billion. The rest of the savings came from borrowing money — or asking another agency to borrow the money — and other maneuvers. For example, rather than giving colleges and universities $2.2 billion upfront to build affordable student housing, the state told the campuses to borrow the money instead and the state will cover the debt payments. Doing that counts as budget savings, but it also grows the cost of the housing program by 1.4 times because of the years of interest payments.

Also built into the budget plan is an escape hatch: Basically, if revenues aren't there, the governor can delay spending on various one-time programs by March of next year.

MAJOR ISSUES FOR 2024

Billions of dollars in planned spending could be delayed by March if revenues fall below forecasts, allowing Newsom to hit the brakes on one-time projects. If deficits linger on, pressure will be on legislators to find the money elsewhere when the next budget is due in late June. That could be through taxes, such as the corporate rate increases the Senate sought in 2023 but that Newsom shot down, spending cuts or dipping into the state's enormous reserves. Regardless, lawmakers' progressive vision may run into fiscal reality, setting up a battle over which marquee programs to fund or shelve.

Mikhail Zinshteyn
Higher Education Reporter

The offices of the Employment Development Department in Sacramento on Jan. 10, 2022.
Photo by Miguel Gutierrez Jr., CalMatters

Chapter Five
Economy

California is ending the year facing a multitude of economic challenges, including a budget deficit, flat tax revenue, sluggish job growth and massive unemployment insurance debt.

The state's budget surplus turned into a $32 billion deficit in 2023 — a result of its heavy reliance on personal income taxes, which are tied to the ups and downs of the stock market. The governor revised the budget in May, shifting money around and delaying spending commitments. In October, the Legislative Analyst's Office provided an updated outlook, saying the state could see a $9.5 billion boost in revenue due in part to increased income-tax withholding and an improving stock market. But the office still foresees flat revenue from personal income, corporate and sales taxes for the next three years, and a $10 billion deficit for the 2024-25 budget.

The state's unemployment rate, which started the year at 4.2%, had climbed to 4.7% as of September, among the highest in the nation, compared with the U.S. unemployment rate of 3.8%. Job growth slowed, with the legislative analyst pointing out that as of September, the state had added less than 10,000 jobs four months in a row. The last time that happened was during the Great Recession.

The types of jobs being added and subtracted are key in a state that depends on income-tax revenue. California's vaunted tech industry continued to shed typically high-wage jobs, with at least 78,000 Golden State-based tech workers laid off for the year, according to Layoffs.fyi, which tracks that information. The jobs that actually grew in the state were in the health sector and in accommodations and food services, with the Public Policy Institute of California noting that those are typically lower-wage jobs.

Another revenue source that has historically helped fill California's coffers is the initial public offering, which can create immense — and taxable — wealth for executives and employees of newly public companies. After 119 IPOs in the state in 2020 and 195 in 2021, public offerings dropped drastically to 31 last year and 25 this year, according to data from PitchBook, which says the venture-capital market remains "under considerable stress" due to economic and geopolitical uncertainty.

One delayed spending commitment as a result of the budget deficit involved addressing the unemployment insurance fund's $20 billion debt, which ballooned because millions of the state's residents lost their jobs during the beginning of the pandemic. The debt could compound the state's financial problems for the next decade, potentially costing $3 billion to $7 billion in interest payments over several years, the legislative analyst projects. The debt also means that employers in California are facing higher required payments into the unemployment insurance fund until it is paid off. Any future instance of mass joblessness and demand for unemployment benefits would mean the state would most likely have to borrow from the federal government again.

California continues to experience lower job growth

Based on the most recent numbers from the Legislative Analyst's Office, California continues a four-month trend where the number of new jobs added by businesses was lower than 10,000 workers.

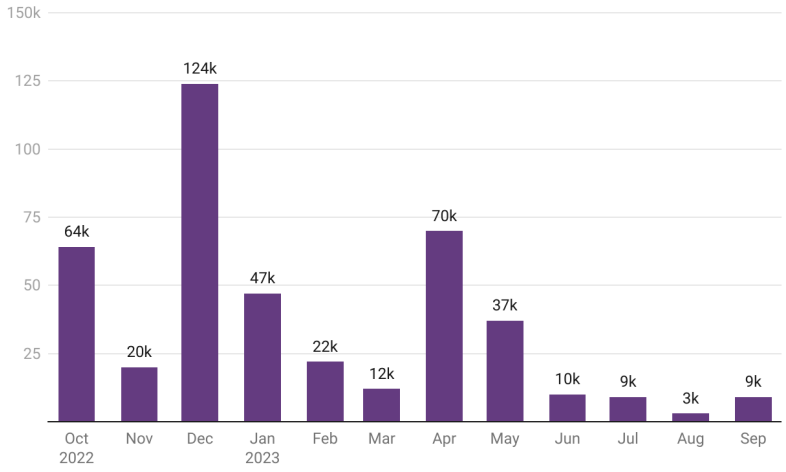


Chart: John Osborn D'Agostino, CalMatters • Source: California Legislative Analyst's Office, Monthly Jobs Report, Oct. 2023 • Created with Datawrapper

California's population — its labor force — has declined since the COVID-19 pandemic's onset in 2020, with Wells Fargo economists forecasting that the state's population probably fell 0.1% in 2023, compared with 0.3% in 2022 and 0.9% in 2021. But in 2024, they expect a 0.2% rise due to increased international migration and people returning to work in the state as remote-work options dwindle.

Experts have varying levels of optimism about the state's economy, but they agree that California is in for a downturn — a "weak" 2024, as Jerry Nickelsburg, senior economist for the UCLA Anderson Forecast, told CalMatters in October. Nickelsburg noted in a presentation about his forecast, though, that the state's job growth is weak in certain regions but strong in others, and that despite layoffs, the tech industry is still adding jobs. Wells Fargo economists, who have been mostly upbeat about the state's economy, said if there is a nationwide recession next year, the "resilient" state will likely experience a contraction.

MAJOR ISSUES FOR 2024

The economic challenges California faced in 2023 will be key issues for the state's lawmakers and governor in 2024. The forecasted budget deficit, flat tax revenue and massive unemployment insurance debt are financial headaches with no quick political cures. Ongoing layoffs and slowdowns in the tech industry and IPOs could also continue to weigh on the state's bottom line — and so could the possibility that people keep moving out of state. Affordability issues such as rising home and auto insurance premiums, as well as housing costs, are bound to play a role in whether the state's residents stay.

Levi Sumagaysay
Economy Reporter

Medical personnel working on her computer in the Hazel Hawkins Memorial Hospital corridor in Hollister on March 30, 2023.
Photo by Larry Valenzuela, CalMatters/CatchLight Local

Chapter Six

Health

When it comes to health and wellness, perhaps few things weigh heavier on the minds of Californians than the mental health crisis and the fentanyl epidemic.

California is undertaking ambitious — and at times controversial — efforts to provide some relief to those in mental health distress. For example, this year, Newsom proposed and lawmakers agreed to back a measure for the March 2024 ballot that would allow additional funds to be used toward housing for people with behavioral health issues.

Specifically, the proposal would authorize a $6.4 billion bond to fund housing for people with mental health illnesses and substance use disorders. The measure also asks voters to allow counties to use 30% of the funds collected from the Mental Health Services Act for housing purposes. This 20-year-old law funds mental health programs through a 1% tax on personal income over $1 million.

Opponents of this proposal have argued that redirecting funds from the millionaire's tax toward housing will result in cuts to current mental health programs and treatment options. In March, voters will have the final say.

Fentanyl overdose deaths continue to dominate opioid overdose deaths overall

The latest preliminary age-adjusted, annualized quarterly data on the rate of opioid overdose deaths for the last quarter of 2022 shows a slight increase compared to the previous year, trending slightly upward overall.

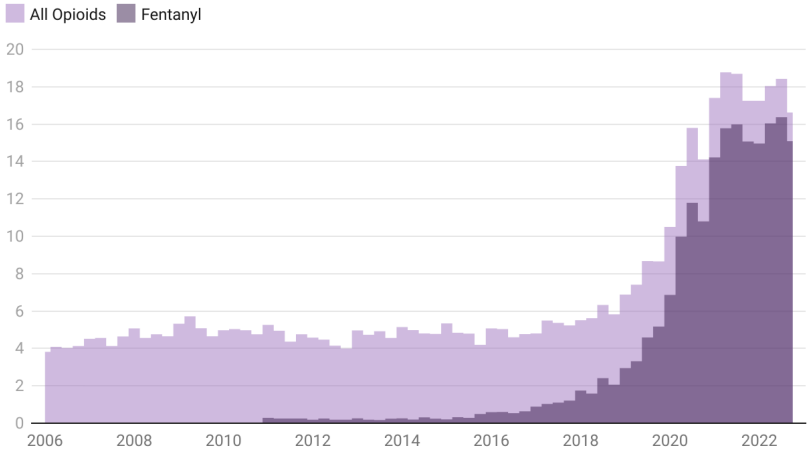


Chart: John Osborn D'Agostino, CalMatters • Source: California Department of Public Health, California Overdose Surveillance Dashboard • Created with Datawrapper

Another public health crisis, fentanyl overdoses, drove impassioned discussions in this year's legislative session as lawmakers tried to address this latest phase of the opioid epidemic. Last year, 6,959 people died from an opioid overdose — a 115% jump from 2019, according to the California Department of Public Health. Much of the growth has been linked to fentanyl, which is known to be 50 times stronger than heroin and 100 times stronger than morphine.

Lawmakers introduced a slew of fentanyl-related bills. Republicans, some Democrats and law enforcement leaders pushed for harsher penalties for fentanyl possession and dealing, but many of those bills were watered down or killed in the legislative process. Among those set to become law is one that requires community colleges and CSUs to

provide fentanyl test strips to students. Another requires amusement parks and concert venues to have overdose antidote naloxone on hand. In the spring, Newsom announced that the state would manufacture its own naloxone as part of its CalRx initiative.

Two other key decisions for lawmakers this year came down to money, with one centering on distressed hospitals and the other lifting up low-paid health care workers.

Following the closure of Madera County's only **general** hospital at the start of 2023, administrators at a handful of community hospitals began to sound the alarm, noting that they, too, were in financial distress. At least two other hospitals filed for bankruptcy; several cut service lines, including maternity wards, directly impacting patient care. Legislators responded by approving close to $300 million in loans that were divided among 17 hospitals.

And, in the last week of the legislative year, labor unions ironed a deal with hospitals and other providers to raise pay for health care workers to at least $25 an hour through a series of pay increases beginning in 2024.

MAJOR ISSUES FOR 2024

We'll continue to watch for how many people lose their Medi-Cal coverage as part of the renewal process that California and other states restarted this year for the first time since the pandemic. This process runs through next June and lapse of coverage for potentially millions is expected. Meanwhile, voters will decide whether to restructure the Mental Health Services Act. And lawmakers are likely to revisit efforts to combat fentanyl. An attempt to authorize psychedelics for therapy will also be back.

Ana B. Ibarra
Health Reporter

Construction on Casa Sueños, an affordable housing complex at 3500 E. 12th St. in Oakland, on Aug 7, 2023.
Photo by Semantha Norris, CalMatters

Chapter Seven

Housing and Homelessness

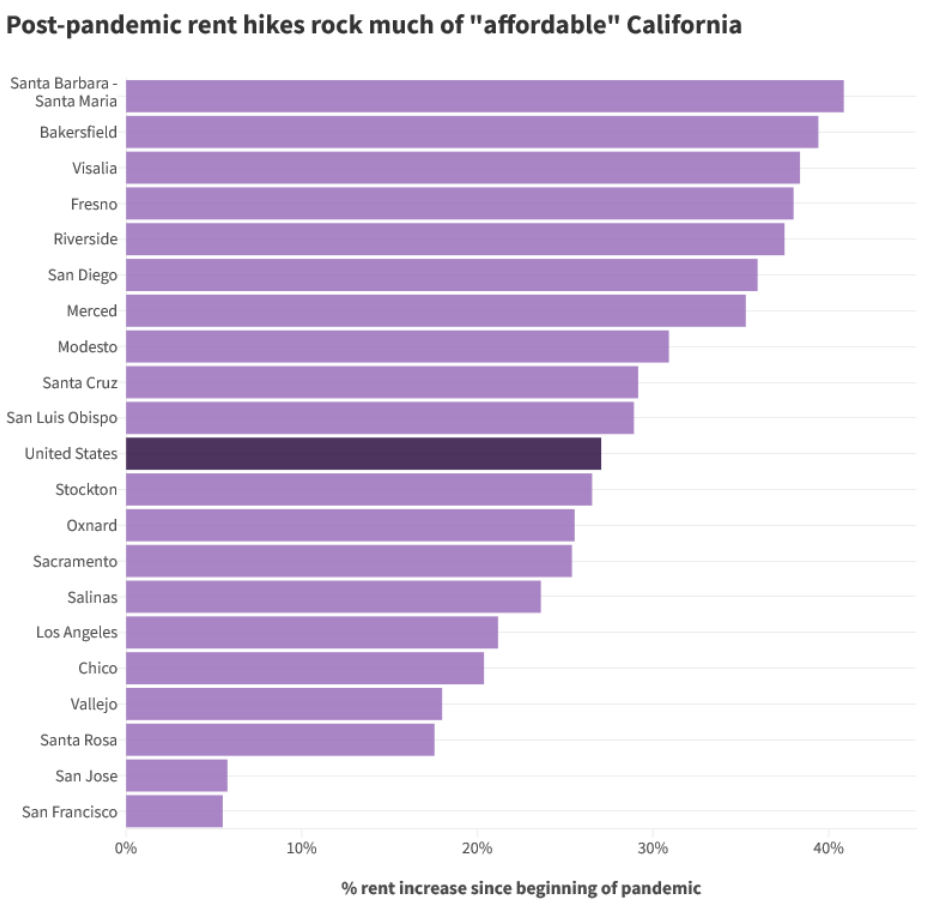
If there was ever any doubt, 2023 made two things very clear. First, California lawmakers are now fully committed to the idea that the state needs to build many more homes to tackle the state's long term housing crisis. Second, that crisis isn't going away anytime soon.

California's steady rise in home prices and rents is the primary reason behind the state's homelessness crisis, which grew even more dire in many parts of the state this year. Housing costs are also the culprit behind California's sky-high poverty rate and its steady decline in population, as middle- and working-class residents seek cheaper places to live.

For years, many lawmakers in Sacramento preferred to leave questions of what gets built, where and under what terms to local governments. No longer.

A throng of state legislation passed in 2023 designed to clear aside local restrictions on construction and to diminish the threat of anti-development lawsuits, all with the goal of supercharging development. Affordable housing set aside for lower income Californians was a particular beneficiary.

The pro-housing shift in the Legislature is largely thanks to the severity of the crisis, but it's also the product of a new pro-development coalition in Sacramento that includes developers, "Yes in my backyard" activists and, perhaps most crucially, the state's unionized carpenters.



The state's executive branch wants to spur production too. The governor's Department of Housing and Community Development spent much of the past year pressuring local governments to plan for enough housing to meet statewide production goals.

In some cases, enforcement has meant promoting an old, but never-before-used state law — the so-called Builder's Remedy — that allows developers to ignore zoning restrictions in cities that don't pass their housing plans on time. In other cases it's meant auditing local approval processes and taking reluctant cities to court, something Attorney General Rob Bonta has done or threatened to do on numerous occasions.

Though 2023 was a (relative) roaring success for pro-building advocates, those concerned about renter protections saw more muted gains. The Legislature passed laws that make it harder for landlords to evict tenants and that limit the size of security deposits — relatively modest changes won over the fierce opposition of the state's powerful landlord lobby. Now that pandemic-era eviction bans enacted by state and local governments during the pandemic have largely lifted, the number of renters being tossed from their homes has shot up, driven by eviction spikes in Los Angeles and the San Francisco Bay Area. Even so, tens of thousands of tenants who turned to the state for rental assistance during the pandemic are still awaiting that help.

The politics around homelessness also took a turn. Growing impatient with the slow pace of progress, Newsom and many progressive lawmakers began embracing policies like clearing encampments and penalizing local governments for inaction, while promoting "tiny homes" as a scalable solution.

The governor has also sunk significant political capital into two of his favored proposals that target the state's overlapping crises of homelessness and mental illness.

The first is the state's new CARE Court, a parallel judicial system that can mandate treatment for those experiencing severe untreated mental illness, while also demanding services and shelter from counties. On the county-by-county roll out schedule, Los Angeles County was listed first up in December.

Newsom's second big push will go before the voters in March: A bond to fund treatment and shelter for homeless Californians with mental health problems. But that's likely to be just one of a slate of housing-related measures California voters can expect to consider in 2024. A series of state and local affordable housing bonds along with a statewide constitutional amendment designed to make it easier for locals to pass them are likely to be on the ballot, as is a third recent attempt to repeal statewide restrictions on local rent control ordinances.

Despite all the new pro-construction legislation, a boom probably isn't in the cards for 2024. High interest rates have put a damper on new construction and those in the business of building affordable housing say insufficient public funding remains an obstacle. Even so, the Legislature isn't likely to let up on the cause of trying to make it easier to build apartments, duplexes and ADUs.

MAJOR ISSUES FOR 2024

Housing will be on the ballot in 2024. In March, voters will weigh in on Gov. Newsom's bond to fund treatment and shelter for homeless Californians with mental health problems. The November ballot will be more crowded with a series of state and local affordable housing bonds, a statewide constitutional amendment aimed at making it easier to pass those bonds, and a third attempt to repeal statewide restrictions on rent control ordinances. In the Legislature, lawmakers aren't likely to let up on the cause of trying to make it easier to build apartments, duplexes and accessory dwelling units and the state's housing department will have its hands full making sure that cities are sticking to their housing plans.

Ben Christopher
Housing Reporter

Bridgette Donald-Blue helps her students read a mathematical question from their notebooks inside her classroom at Coliseum Street Elementary in Los Angeles on Feb. 28, 2023. Students in the first, second, and third grade are taught mathematics under the guidance and support of Donald-Blue, who was recently awarded the California Teacher of the Year award.
Photo by Pablo Unzueta for CalMatters

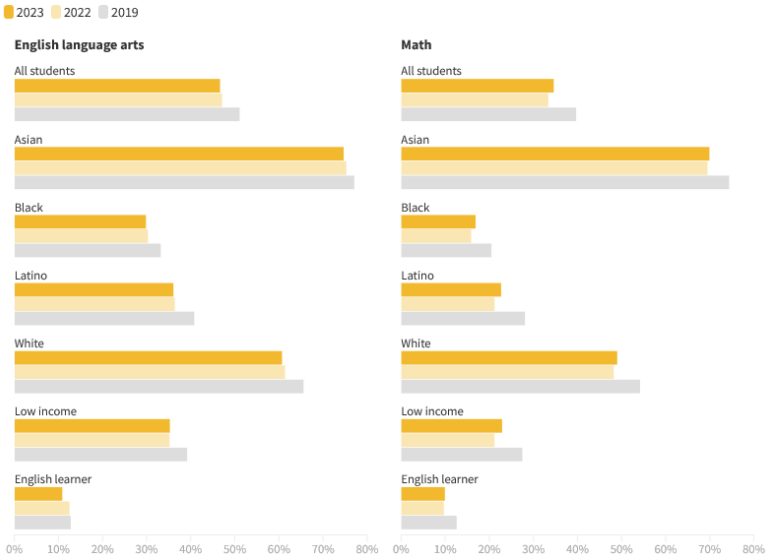
Chapter Eight
K-12 Education

California spent billions of dollars in 2023 to help students rebound academically as well as emotionally from the pandemic, with mixed results. While test scores remained stagnant, efforts to lure students back to the classroom appeared to be working.

Despite school districts investing in tutoring, after-school programs and other academic supports, Smarter Balanced standardized test scores changed little from 2022, and lagged well behind pre-pandemic scores. One explanation: an increase in students living in poverty, who are homeless, in foster care or who have disabilities.

Statewide, 47% of students met English language arts standards, 35% met math standards in 2023

The proportion meeting English language arts standards stayed about the same compared to last year. The number meeting math standards inched up a percentage point. Both remain below pre-pandemic levels.



Source: California Dept. of Education • Chart: Erica Yee, CalMatters
Percents include students who met or exceeded standards. View more detailed results on the state dashboard

Some advocates have grown impatient with the lack of progress, and said that money alone might not be enough to turn around test scores, particularly for students of color and low-income students.

"I'm concerned that there's a sense of complacency about student achievement," said Christopher Nellum, executive director of Education Trust-West, a research and advocacy nonprofit. "Money is important, but we need to put more teeth into our accountability measures. … California is an amazing state, and getting it right matters — not just here, but across the country."

More students did show up for school in 2023, however. The state's dismal attendance rates during the pandemic improved significantly, thanks in part to gourmet meals, expanded transitional kindergarten and other efforts to make schools more welcoming. In some districts, social workers and counselors even went door-to-door, talking to families about the importance of daily school attendance.

Meanwhile, California has made several long-term investments that officials hope will lead to improvements in years to come. Among them are hundreds of new community schools, which offer social services services for students and families; a new math framework, based on techniques used in countries with high math achievement; a new literacy plan and dyslexia testing; and up to $1 billion annually for arts programs through Proposition 28.

The state has also invested in programs to recruit and retain teachers, who have been leaving the profession in droves due to working conditions, which they say have deteriorated since the pandemic. They also say salaries have not kept up with inflation and the high cost of living in California.

Politically, several California school districts made headlines in 2023 after voters elected conservative majorities to local school boards. Chino Valley, Murrieta and Roseville are among a handful of districts that passed "forced outing" policies requiring teachers to inform parents if a student identifies as a different gender. Temecula banned a textbook that mentions gay rights icon Harvey Milk. Although state officials pushed back against these policies, battles over local control and LGBTQ student rights are expected to continue into 2024 as election-year political rhetoric escalates.

"These anti-LGBTQ policies are spreading like wildfire, and people need to realize the harmful impact that these policies have on young people," said Jorge Reyes Salinas, communications director for Equality California, a civil rights organization focusing on LGBTQ issues. "But we are ready to continue fighting, and we're not going to stop until we're victorious."

MAJOR ISSUES FOR 2024

After years of state and federal investments aimed at helping students recover from the pandemic, California schools will face some fiscal uncertainties in 2024. Covid relief money will expire and the state budget may shrink, forcing schools to make difficult decisions about programs, staffing and priorities. The cuts may impact California's efforts to boost test scores and attendance, which remain well below their pre-pandemic levels. Meanwhile, divisive "culture war" issues, particularly those related to LGBTQ+ student rights, are likely to escalate as California heads into an election year.

Carolyn Jones
K-!2 Reporter

Students walking along the walkway to the Academic Village building 2 at the Madera Community College campus on Aug. 28, 2023.
Photo by Larry Valenzuela, CalMatters/CatchLight Local

Chapter Nine

Higher Education

Somehow, in the face of a $30-billion-plus deficit, the state's public universities and financial aid programs got more money in 2023.

The University of California and California State University each received increases of 5% in instructional state support — for the second consecutive year. In exchange, the two systems must increase graduation rates, close the differences in graduation rates among racial and ethnic groups, and meet other conditions. Lawmakers also beefed up support in a key department: housing. The state, after some a, continued its program of giving some campuses access to tens of millions of dollars each to build student housing so that low-income students can pay lower rents.

State lawmakers also preserved the Cal Grant, California's marquee financial aid tool that covers undergraduate tuition at the UC and Cal State and awards about $1,650 in cash to eligible community college students. The program was supersized in 2021 by expanding access to more than 100,000 community college students who were previously ineligible because of age and time-out-of-high-school restrictions. But a plan to expand Cal Grant to an additional 150,000 low-income students can only occur if revenue forecasts next spring say California can afford it. Meanwhile, lawmakers plowed ahead with expanding the Middle Class Scholarship, a revised state program that debuted this year and doled out an average of $2,000 to 300,000 UC and Cal State students, but none to those at community colleges.

General Fund money for higher education grew 50% between the 2017-18 and 2023-24 fiscal years

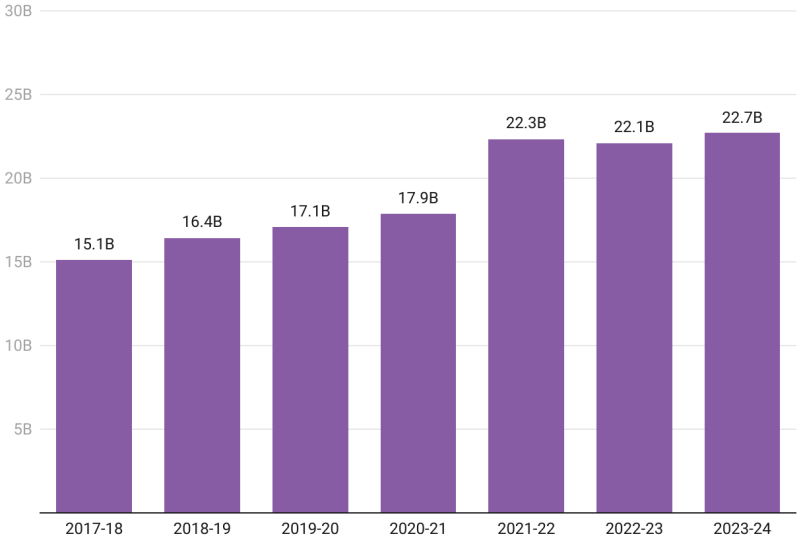


Chart: John Osborn D'Agostino, CalMatters • Source: California Budget • Created with Datawrapper

But the infusion of extra state cash isn't enough to fully fund Cal State's academic missions. In a display of fiduciary dread, the system reported in May that it's short by $1.5 billion a year to properly educate its more than 400,000 students. So the system did what the UC did two years ago: approve multiple years of tuition increases. The Cal State hikes, totaling 34% across five years that kick-in next fall, won't affect about 60% of undergraduate students. That's because their financial aid totally covers tuition. Still, the system's students were furious and protested fiercely.

Siding with Cal State's students were the system's workers, including the largest union at Cal State, the California Faculty Association and its 29,000 members. While the system settled with most of the staff unions, it remains at an impasse with the faculty union, which in October gave its leadership the green light to call a strike if necessary.

How money is spent is a sore spot at the community colleges. The 116 campuses are bound by a law that says half of their primary state support must be spent on instruction. But the needs of students have evolved since 1961, when that rule arose. Internet access, books, emergency food support and so much more doesn't fall under the so-called 50% rule. The colleges are slowly rebounding from the enrollment collapse they suffered since the start of the COVID-19 pandemic. To attract more students, they're also experimenting with new ways of teaching students, such as avoiding classrooms altogether.

MAJOR ISSUES FOR 2024

The governor and legislators vowed in the past two years to beef up financial support for public universities and support more students financially. Those promises arose during an unprecedented revenue windfall. Now the state is eyeing deficits, which will call into question whether California can continue to grow the educational budgets of the public universities while making good on a plan to expand financial aid to mostly community college students. Labor strife may engulf the California State University as its faculty threatens to strike. Enrollment woes at the system and community colleges also remain a concern.

Mikhail Zinshteyn
Higher Education Reporter

Sunset above the flood waters in farmland with submerged tractors and farming equipment in Hansen Ranches south of Corcoran on April 26, 2023.
Photo by Larry Valenzuela, CalMatters/CatchLight Local

Chapter Ten

Environment

California was deluged with storms and floods at the beginning of 2023, bringing home the severity of impacts from climate change, particularly in the low-income communities of Planada in Merced County and Pajaro in Monterey County.

Despite the deluge, California's longstanding groundwater crisis continued. With hundreds of wells in the Tulare Lake groundwater basin at risk of going dry under new groundwater plans, state water officials for the first time moved to crack down on local groundwater managers.

The year opened with California at an impasse with other Western states as they negotiated allocation of the Colorado River's overtapped supplies. But it closed with the federal government poised to greenlight a historic pact by California, Arizona and Nevada to use less water through 2026.

Facing little opposition, the Legislature passed a law that will force businesses and institutions to remove decorative lawns. But the state's new proposals to cut water use in cities and towns were more contentious, with water providers saying they will be costly and difficult to achieve.

The year also brought a major milestone to California's far north, where four aging hydroelectric dams spanning the California-Oregon state line will be removed by the end of 2024. Now tribes and communities along the river wait anxiously to see what the future holds.

California filed suit seeking to hold 'Big Oil' accountable financially for contributing to "climate change-related harms in California," including extreme drought, wildfires and storms. The state alleges that oil companies deceived the public for decades. Newsom also spoke at a United Nations panel on climate change and traveled to China on a climate-themed trip.

On the policy front, California approved two closely-watched, first-in-the-nation bills that will force large companies to disclose their greenhouse gases and the financial risks posed by climate change. California met its goals for new electric car and truck sales ahead of schedule, and announced plans to eliminate its popular electric car rebate program to focus instead on providing subsidies only to lower-income car buyers.

The state also pressed ahead with plans to harness offshore wind, despite many uncertainties about building floating platforms in deep ocean waters off Humboldt County and Morro Bay.

Despite a wet year, households continue to report water shortages at levels similar to the end of the last big drought

Above-average rainfall and hardy snowpack caused by several big rain events in early 2023 helped replenish some groundwater across the state. But households continued to report shortages throughout the year despite that at similar levels compared to 2016, where the previous mega-drought started to recede.

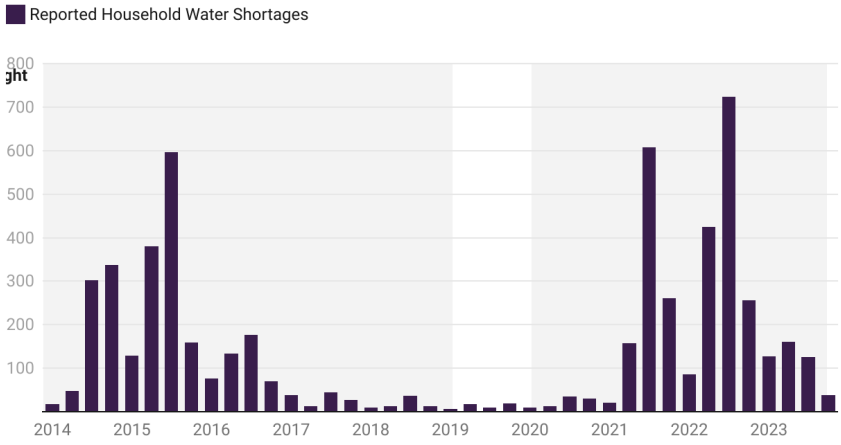


Chart: John Osborn D'Agostino, CalMatters • Source: California Department of Water Resources, Reported Household Water Shortages, 2014-Present • Created with Datawrapper

MAJOR ISSUES FOR 2024

California has set aside $52.3 billion to prepare the state for climate change but fiscal uncertainty could test the state's ability to spend those dollars. Climate activists will be watching closely to see whether two key climate bills passed in 2023 are watered down, with Gov. Gavin Newsom calling for revisions to delay their implementation. California is bracing for what could be another wet year, even as it wrestles with how to manage a drier future. Lawmakers may consider reviving bills taking aim at the state's ancient, byzantine water rights system, and negotiations will continue over how to allocate the Colorado River's dwindling supply after 2026.

Rachel Becker
Water Reporter

Alejandro Lazo
Climate Reporter

Attorney General Rob Bonta addresses the media during a press conference announcing new gun legislation targeting the state's public carry laws on Feb. 2, 2023.
Photo by Miguel Gutierrez Jr., CalMatters

Chapter Eleven
Justice

The long, loud fights over prison closures in 2022 spilled into 2023 as communities dependent on prison dollars continued to argue for their own survival. Despite protests, lobbying and lawsuits by the affected cities, California still plans to close another five prisons by 2027 as inmate populations keep falling.

The long, loud fights over prison closures in 2022 spilled into 2023 as communities dependent on prison dollars continued to argue for their own survival. Despite protests, lobbying and lawsuits by the affected cities, California still plans to close another five prisons by 2027 as inmate populations keep falling.

Gov. Gavin Newsom pledged to transform San Quentin State Prison into a "center for innovation focused on education, rehabilitation and breaking cycles of crime" in an effort to reduce recidivism, but details remain scant on what that looks like.

Attorney General Rob Bonta's unit that investigates police shootings of unarmed people had ruled on just four of its 44 cases by November 2023 as the families of people who were killed started to give up hope that the Justice Department would ever get them a resolution. The Justice Department conceded that it had not even logged every call from a police agency reporting the shooting of an unarmed person.

Florida Gov. Ron DeSantis organized the flights of two groups of migrants into California, prompting Newsom to refer to him as a "small, pathetic man" and insinuated that the state of California could pursue kidnapping charges. The tête-à-tête is expected to continue with a debate on Nov. 30.

Later in the summer, debate over a fairly minor bill log-jammed in an Assembly committee exploded into a three-day maelstrom in which a legislator reported getting death threats. The bill would have reclassified human trafficking of a minor for purposes of a commercial sex act as a "serious felony," something that was proposed and rejected nine times before 2023. Newsom later signed the bill into law.

Many cases of police shooting and killing unarmed people remain unresolved

Following the passage of AB 1506 in 2020, the California Attorney General's Office was tasked with investigating cases where a police officer shot and killed an unarmed person beginning in July 2021. After more than two years, most cases remain unresolved as new cases continue to open.

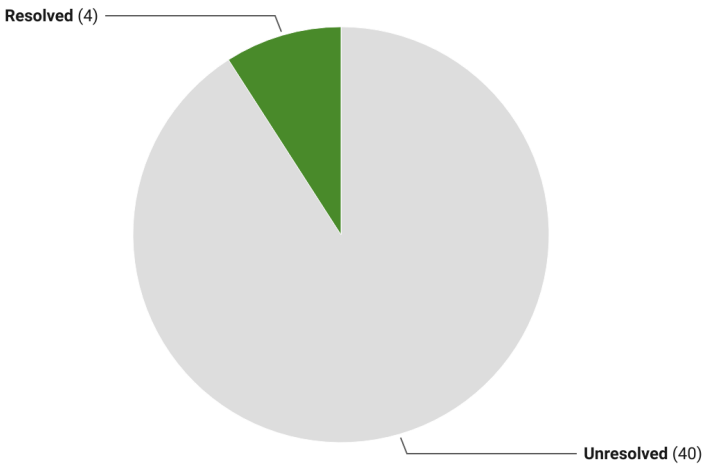


Chart: John Osborn D'Agostino, CalMatters • Source: California Attorney General's Office • Created with Datawrapper

After consecutive years of record deaths in the San Diego jail system, a powerful legislator proposed putting "detention monitors" in each facility in the state. That plan was watered down significantly after opposition from law enforcement groups. The final version of the bill instead created a new position on the Board of State and Community Corrections that reviews in-custody deaths.

MAJOR ISSUES FOR 2024

In 2024, criminal justice reform advocates have pledged to bring back bills vetoed by Gov. Gavin Newsom as the governor himself has moderated his enthusiasm for far-reaching changes to California's criminal justice system. Prisons in Blythe and California City will wind down operations as Newsom looks to shutter even more correctional facilities and yards. Lobbyists for law enforcement will keep a close eye on the waning post-George Floyd legislative enthusiasm for major changes to policing after a year in which they quietly watered down or killed two bills that would have affected prison transfers to immigration facilities and a major overhaul of how counties oversee their sheriffs.

Nigel Duara
Justice Reporter

Screen Actors Guild members and Writers Guild of America members picket at the Amazon Culver Studios in Culver City. June 17, 2023.
Photo by Julie A Hotz for CalMatters.

Chapter Twelve
Poverty

California's poverty rate remains lower than it was pre-pandemic, but the expiration of COVID expanded safety net programs has led to a continued gradual increase compared to 2022.

According to the California Poverty Measure, which takes into account the state's high housing costs and various government anti-poverty programs, the state's poverty rate increased from about 11% in 2021 to 13% in early 2023.

That means about 5 million Californians remain below the poverty line of about $39,900 a year for a family of four, according to the Public Policy Institute of California. The 2019 poverty rate was 16.4%.

Several major social safety net expansions ended in 2023. California, like other states, in the spring began re-evaluating the income eligibility of those enrolled in Medi-Cal, the public health care program for low-income residents, after three years of being barred from kicking anyone off coverage.

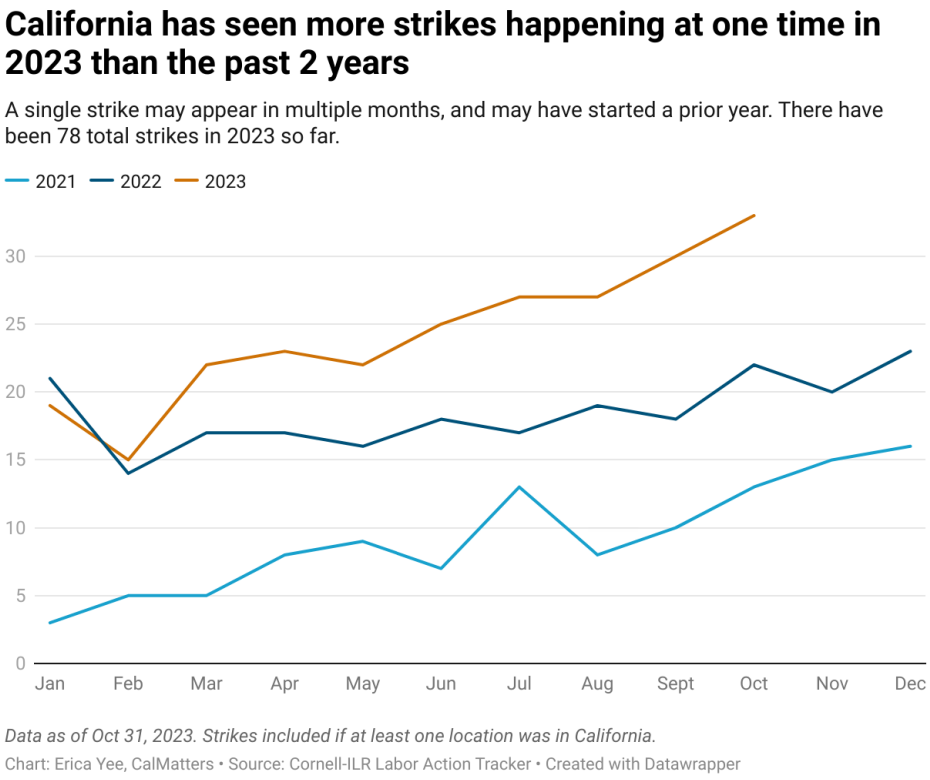
And March was the last month the state issued a boost in CalFresh, or food assistance benefits, which had given every recipient additional monthly funds. Food banks across the state reported increases in clients seeking help, and some served record numbers.

Californians continued to feel the impacts of the pandemic, so many workers felt emboldened to walk out of their jobs to demand better wages as the cost of living increased. Hotel workers, fast food workers, actors, writers, hospital workers, graduate student workers, and teachers all contributed to what labor leaders coined the "hot labor summer."

According to Cornell University's School of Industrial and Labor Relations tracker, there have been 78 labor actions in California this year as of Oct. 31, not counting those that began in 2022.

The strikes were a catalyst for a late-session legislative proposal to pay workers unemployment benefits during work stoppages. It became one of the most contentious bills of the year. Lawmakers passed it, but Gov. Gavin Newsom vetoed it.

Labor groups did score other victories, including higher minimum wages in two major industries: health care, where all workers will get to $25 an hour over the next five years, and fast food, where the minimum will be $20 an hour starting in April.



In both industries, the Service Employees International Union agreed to truces after bitter fights with employers that included the threat of costly statewide ballot measures. Both truces also mean in the near future, the union likely won't pursue any additional local minimum wage increases in the two industries, ensuring a degree of stability sought by employers.

MAJOR ISSUES FOR 2024

Anti-poverty advocates and unions will be watching to see if minimum wage increases passed in 2023 will make a dent in the state's poverty rate in 2024. At the same time, workers still on strike, including hotel workers and actors, continue to negotiate for fair deals that they hope will allow them to keep up with the rising cost of living. The state plans to launch several guaranteed income pilot programs focused on giving no-strings-attached cash to low-income pregnant people or young people leaving foster care, which will be funded with $30 million approved by lawmakers

Alejandra Reyes-Velarde
California Divide Reporter

Jeanne Kuang
California Divide Reporter

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