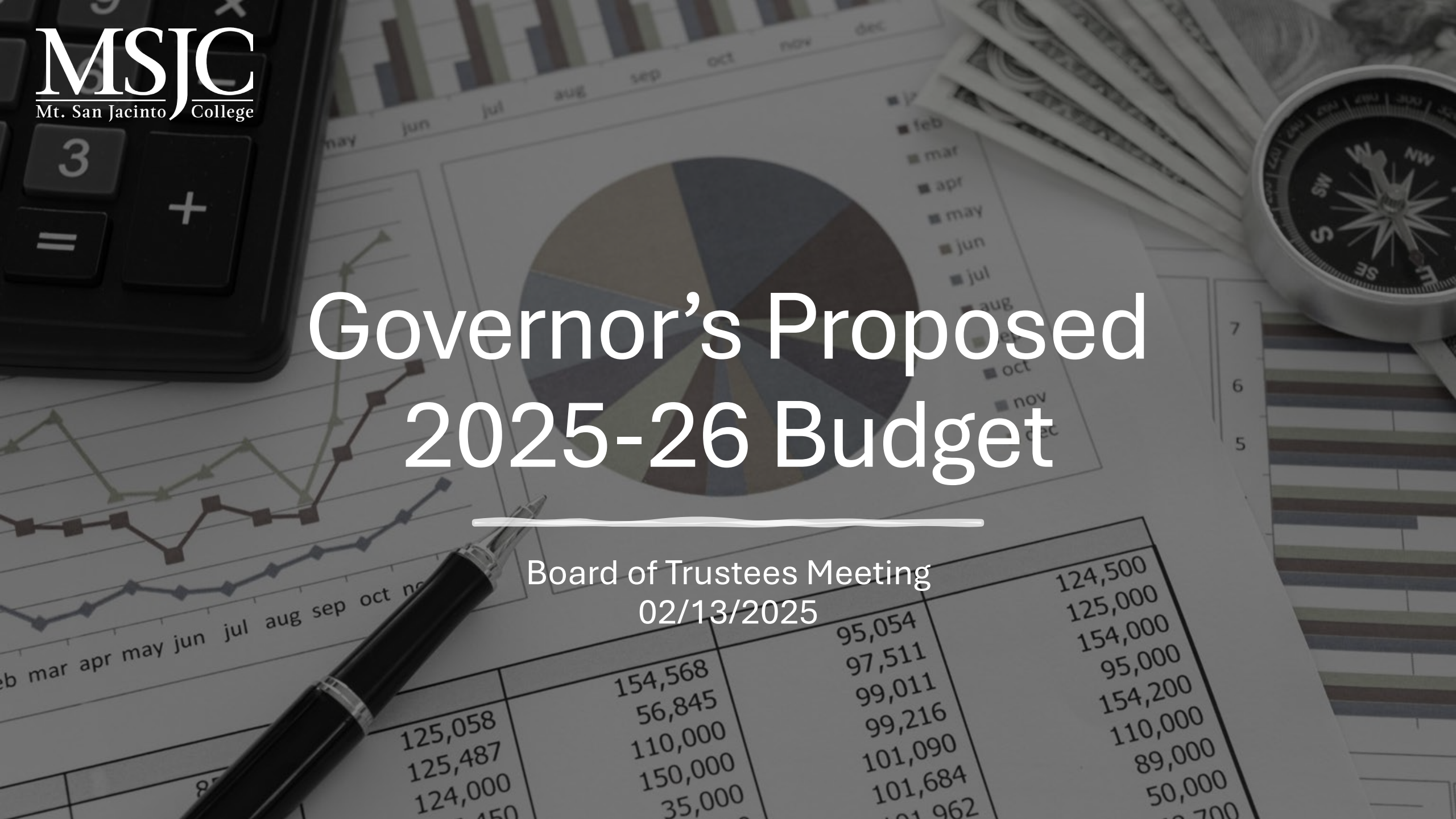


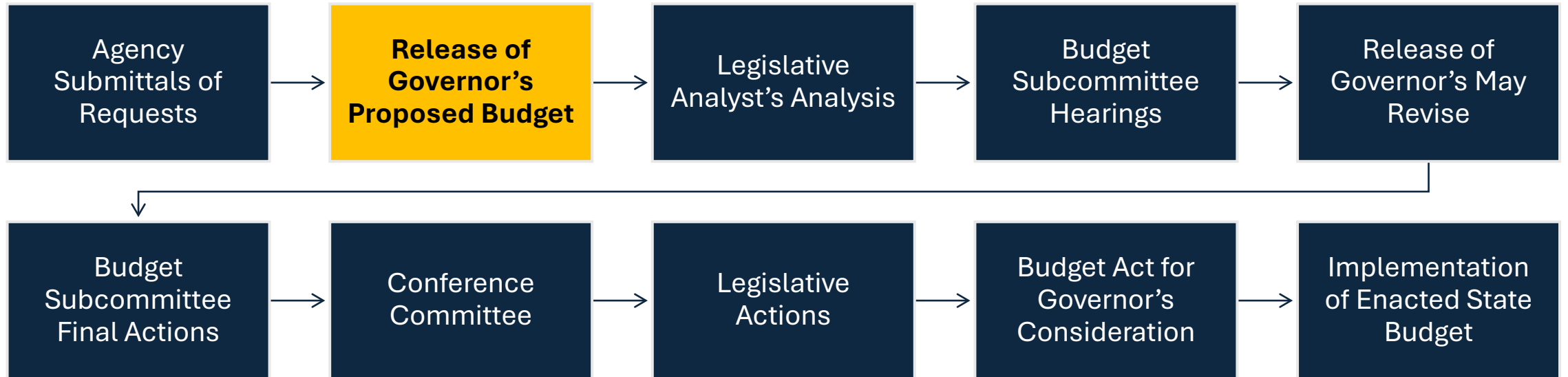
# Governor's Proposed 2025-26 Budget

---

Board of Trustees Meeting  
02/13/2025



# State Budget Development Process



# Governor's 2025-26 Budget Priorities

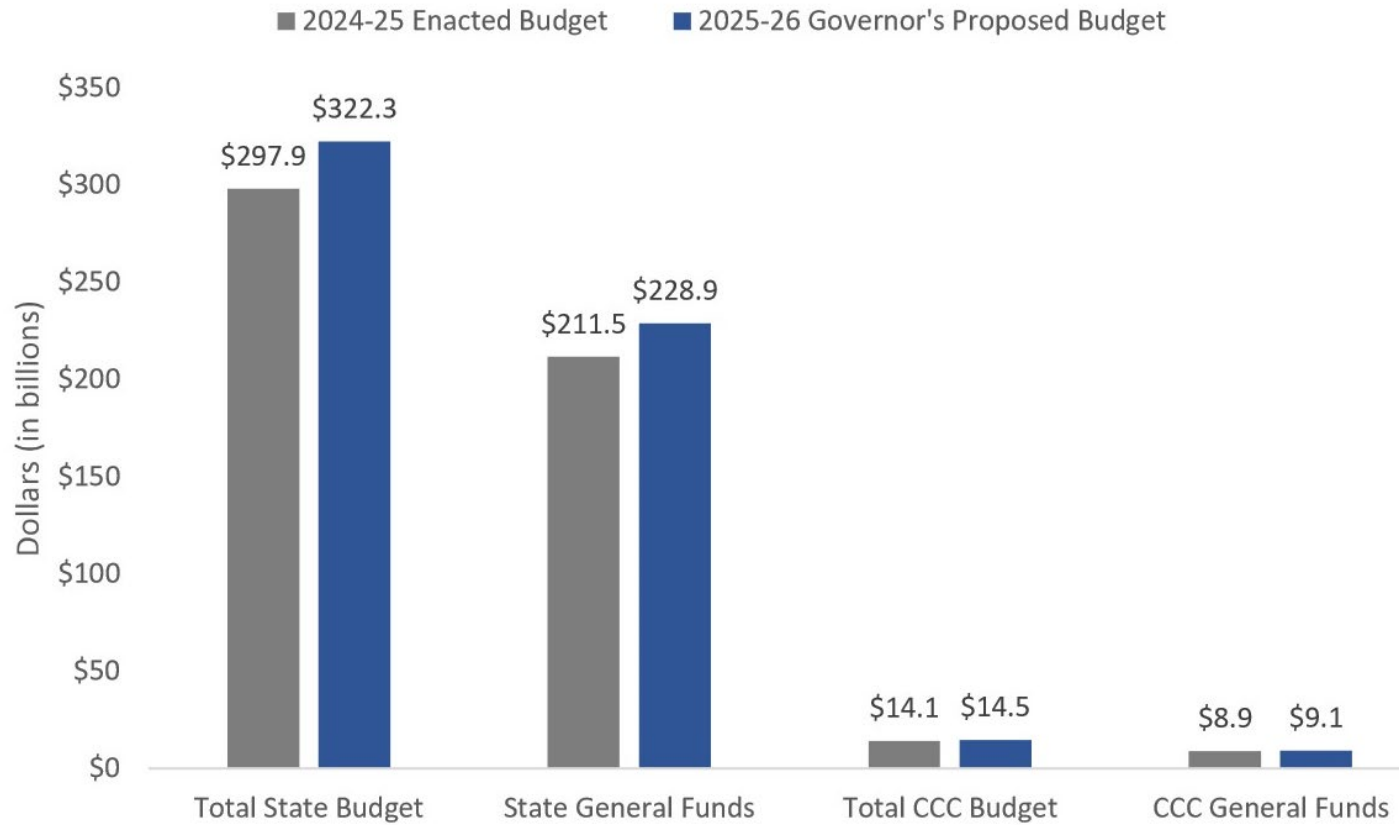
- **Support vital initiatives that improve the lives of Californians:**
  - Education
  - Healthcare
  - Housing
  - Enhancing Economic Development
  - Support Public Safety
- **Continued vigilance to strengthen budget resiliency & fiscal stability even further:**
  - Propose to increase mandatory deposit level in Budget Stabilization Account (BSA) from current 10% to 20% of General Fund revenues & exempt such deposits from State Appropriations Limit.

# Economic Forecast

## Economic growth is expected to continue driven by strong but slowing personal consumption.

[1, p. 108]

- **Forecast Economic Assumptions:**
  - Job growth slows to 0.6% YOY in the second half of 2026 [1, p. 110]
  - CA's unemployment rate declines to 4.7% in 2028 [1, p. 112]
  - U.S. real GDP annual growth rate of 1.5% to 2% [1, p. 105]
  - U.S. inflation at 2.2%-2.3% with CA at 2.6% [1, pp. 105-106]
  - Target federal funds rate of 2.5%-2.75% over the long term [1, p. 106]
- **Potential Risk Factors to the Forecast:**
  - Stock market/asset price volatility & declines [1, p. 2]
  - Potential paths of inflation and interest rates [1, p. 116]
  - Federal policy changes negatively impacting CA's economy – especially international trade, immigration, & healthcare [1, p. 3]
  - Geopolitical instability [1, p. 2]



# 2025-26 Proposed v. 2024-25 Enacted Budget

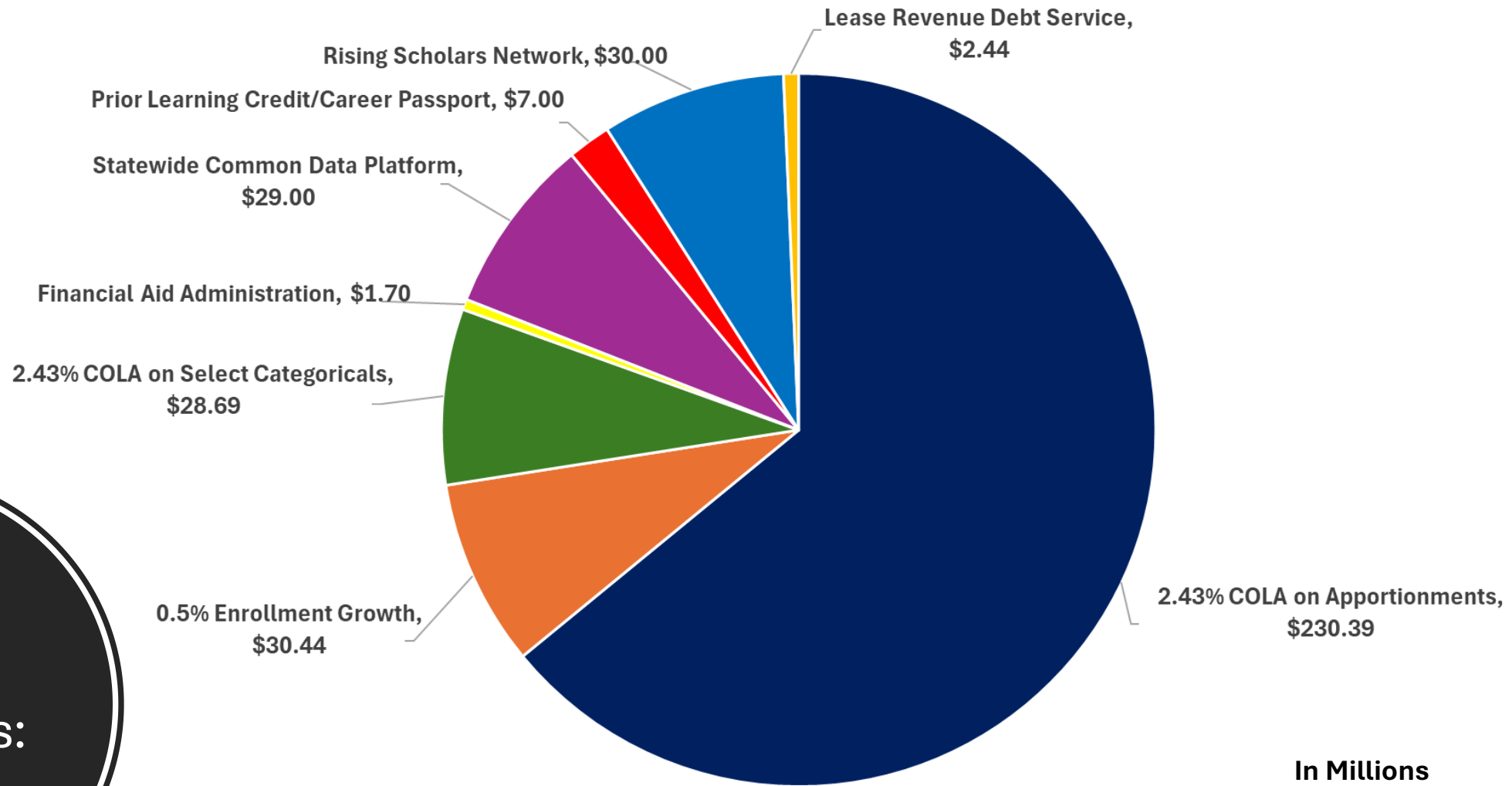
[2, p. 3]

# Proposition 98 Funding

Source	2023-24 Revised	2024-25 Revised	2025-26 Proposed	Change from 2024-25 (Amount)	Change from 2024-25 (Percent)
<b>ALL PROPOSITION 98 PROGRAMS</b>					
General Fund	\$67,093	\$86,619	\$84,603	(\$2,016)	-2.3%
Local Property Tax	\$31,392	\$32,569	\$34,321	\$1,752	5.4%
<b>Totals</b>	<b>\$98,484</b>	<b>\$119,188</b>	<b>\$118,923</b>	<b>(\$265)</b>	<b>-0.2%</b>
<b>COMMUNITY COLLEGES ONLY (*)</b>					
General Fund	\$7,410	\$9,048	\$9,041	(\$7)	-0.1%
Local Property Tax	\$4,070	\$4,304	\$4,538	\$234	5.4%
<b>Totals</b>	<b>\$11,480</b>	<b>\$13,352</b>	<b>\$13,579</b>	<b>\$227</b>	<b>1.7%</b>

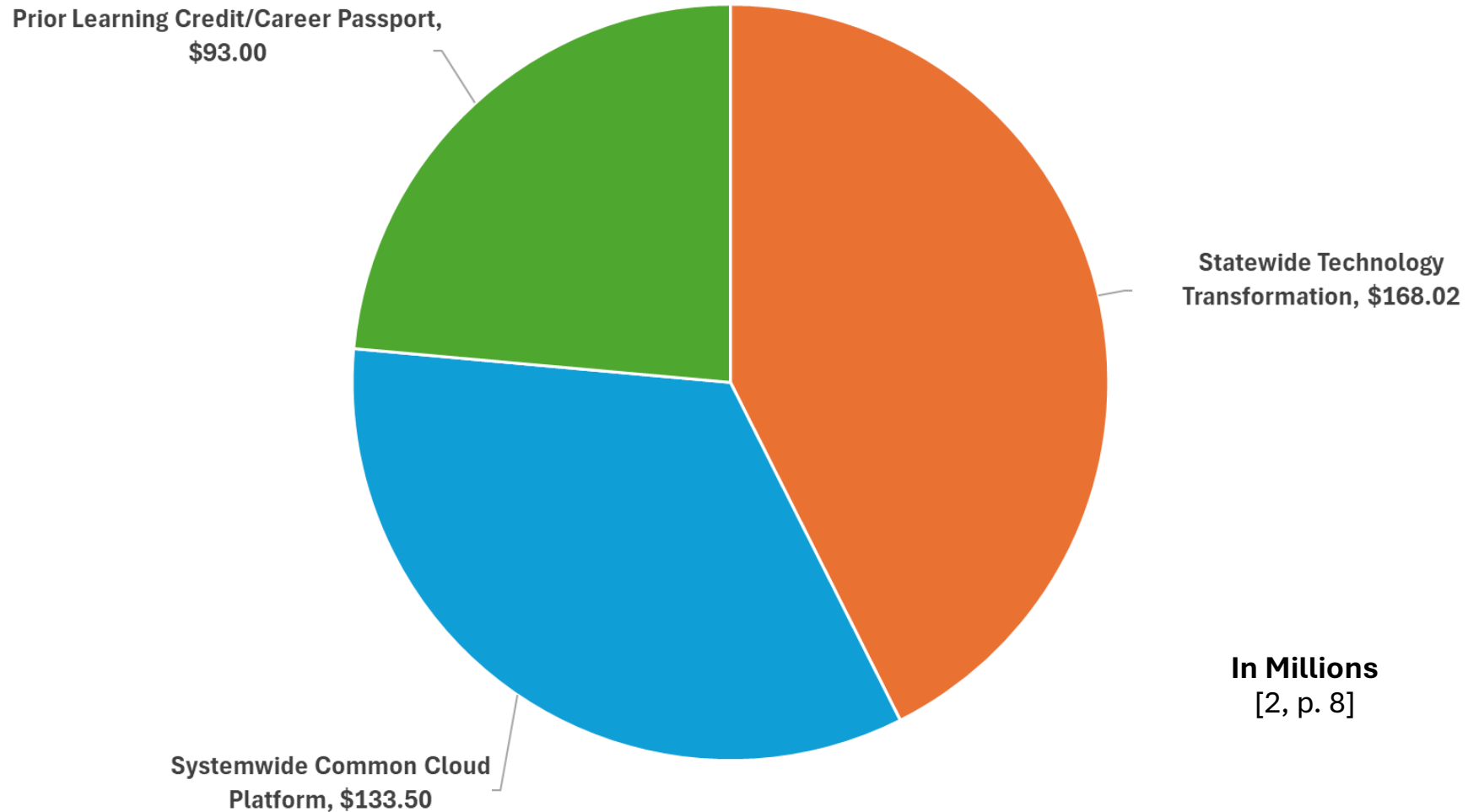
(\*) CCC totals include resources that go to the K-12 system via the Adult Education, Apprenticeship, & K-12 Strong Workforce programs.

Ongoing  
CCC  
Investments:  
\$359.66M



In Millions  
[2, p. 7]

# Onetime CCC Investments: \$394.52M





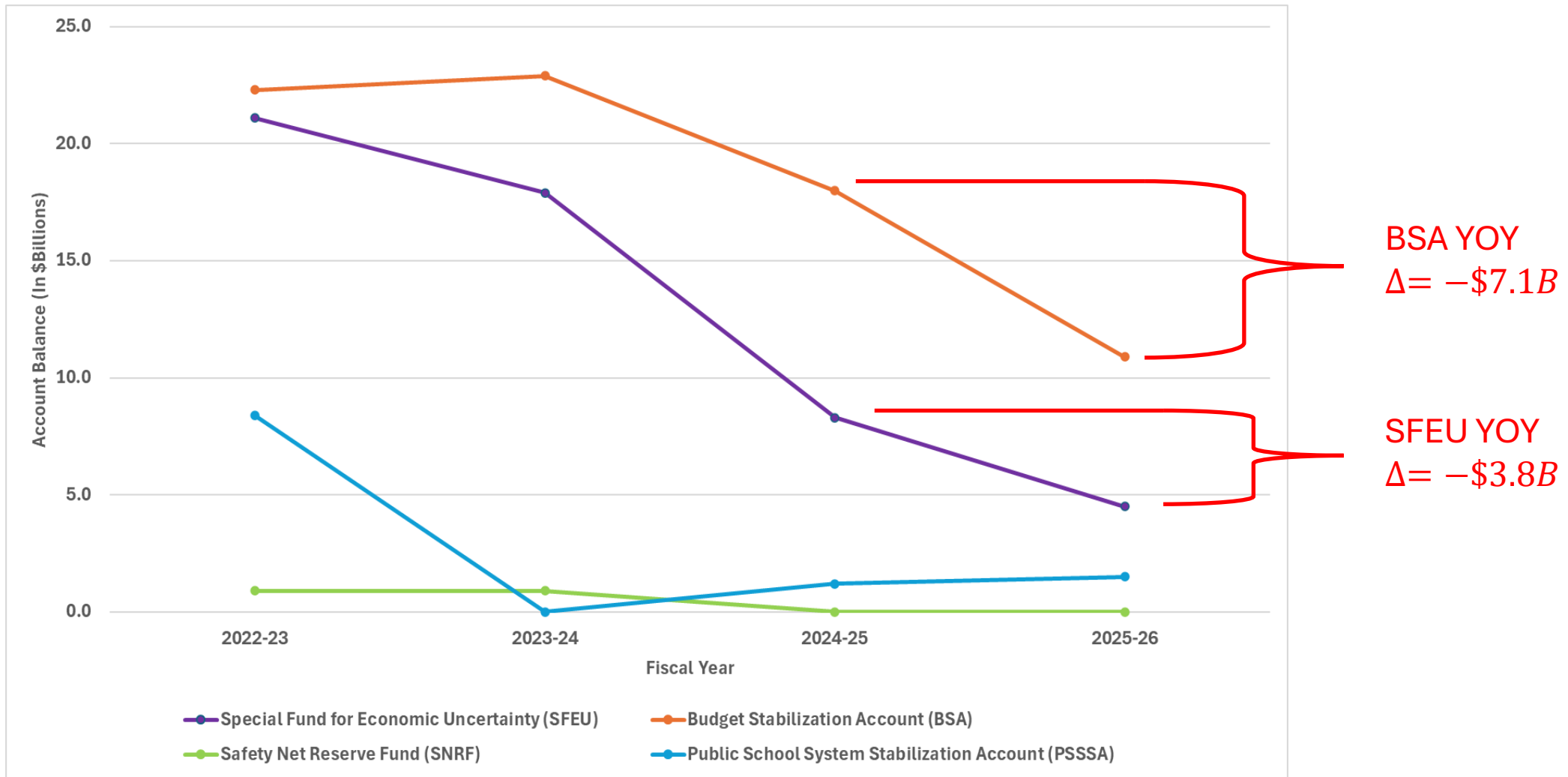
**“And although the Budget is balanced and provides significant reserves in the coming fiscal year, it anticipates shortfalls in subsequent fiscal years that are driven by expenditures exceeding revenues.”**

**-Gov. Newsom**

[1, p. 2]



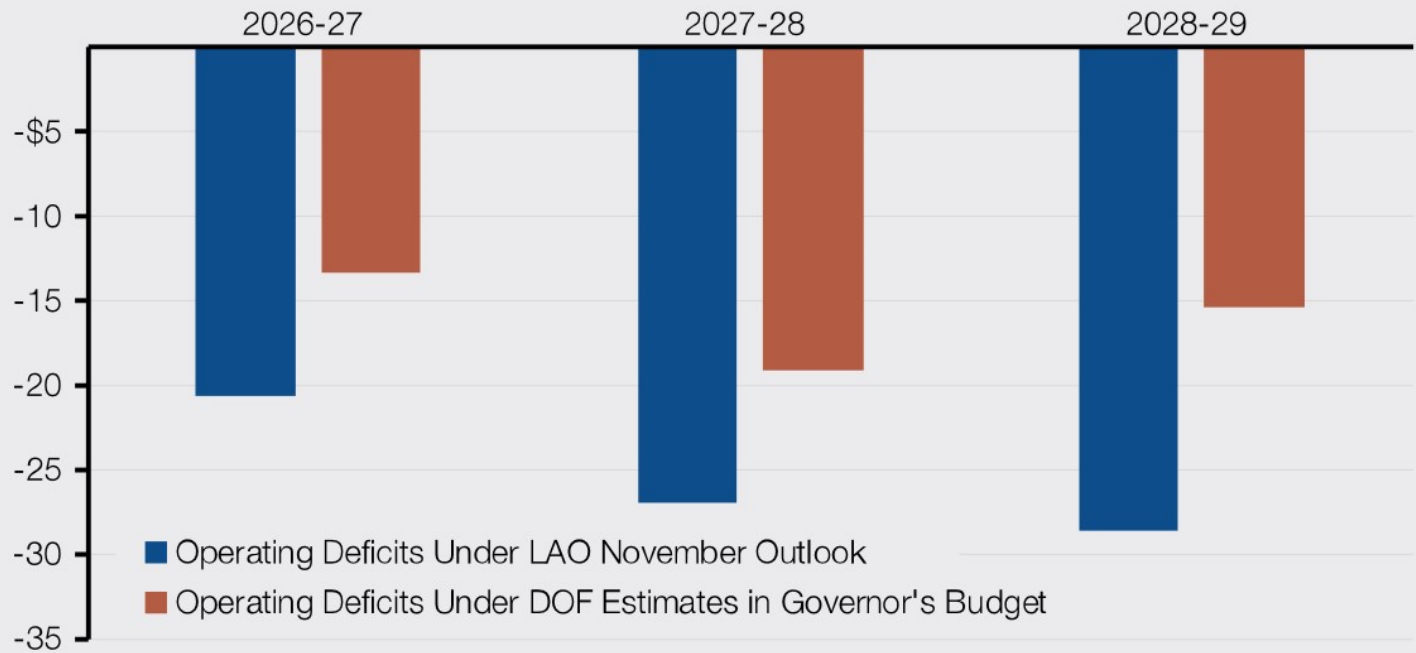
# State Budget Reserve Account Conditions



# Negative Outlook Past 2025-26 Budget

## Multiyear Deficits Persist

LAO and DOF Estimates of Multiyear Budget Condition (In Billions)



DOF = Department of Finance.



Questions?





# Sources

[1] Newsom, Gavin; Governor. Governor's Budget Summary: 2025-26

<https://ebudget.ca.gov/2025-26/pdf/BudgetSummary/FullBudgetSummary.pdf>

[2] CCC, ACBO, ACCCA, CCLC Joint Analysis – Governor's January Budget

<https://www.cccco.edu/-/media/CCCCO-Website/docs/report/2025-joint-analysis-governors-budget.pdf?la=en&hash=7EC37C067B80ABDA36595463F69FA45E6D995806>