

Governor's Proposed 2025-26 Budget

Business Services
2025-26 Budget Workshops
Kick-off Meeting
03/21/2025

125,058

125,487

124,000

154,568

110,000

150,000

35,000

95,054

97,511

99,011

99,216

101,090

101,684

101,962

124,500

125,000

154,000

95,000

154,200

110,000

89,000

50,000

10,700

Governor's 2025-26 Budget Priorities

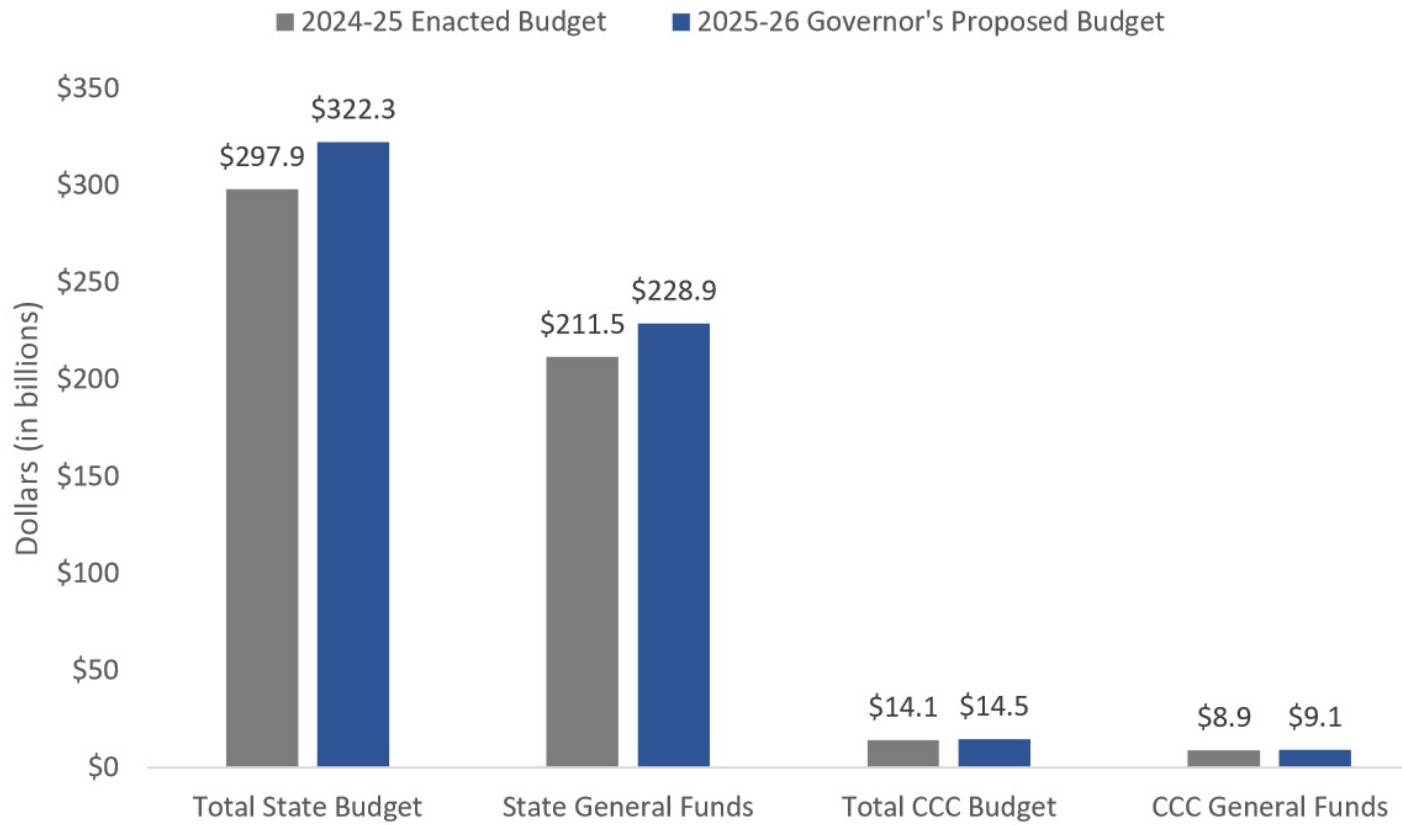
- **Support vital initiatives that improve the lives of Californians:**
 - Education
 - Healthcare
 - Housing
 - Enhancing Economic Development
 - Support Public Safety
- **Continued vigilance to strengthen budget resiliency & fiscal stability even further:**
 - Propose to increase mandatory deposit 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

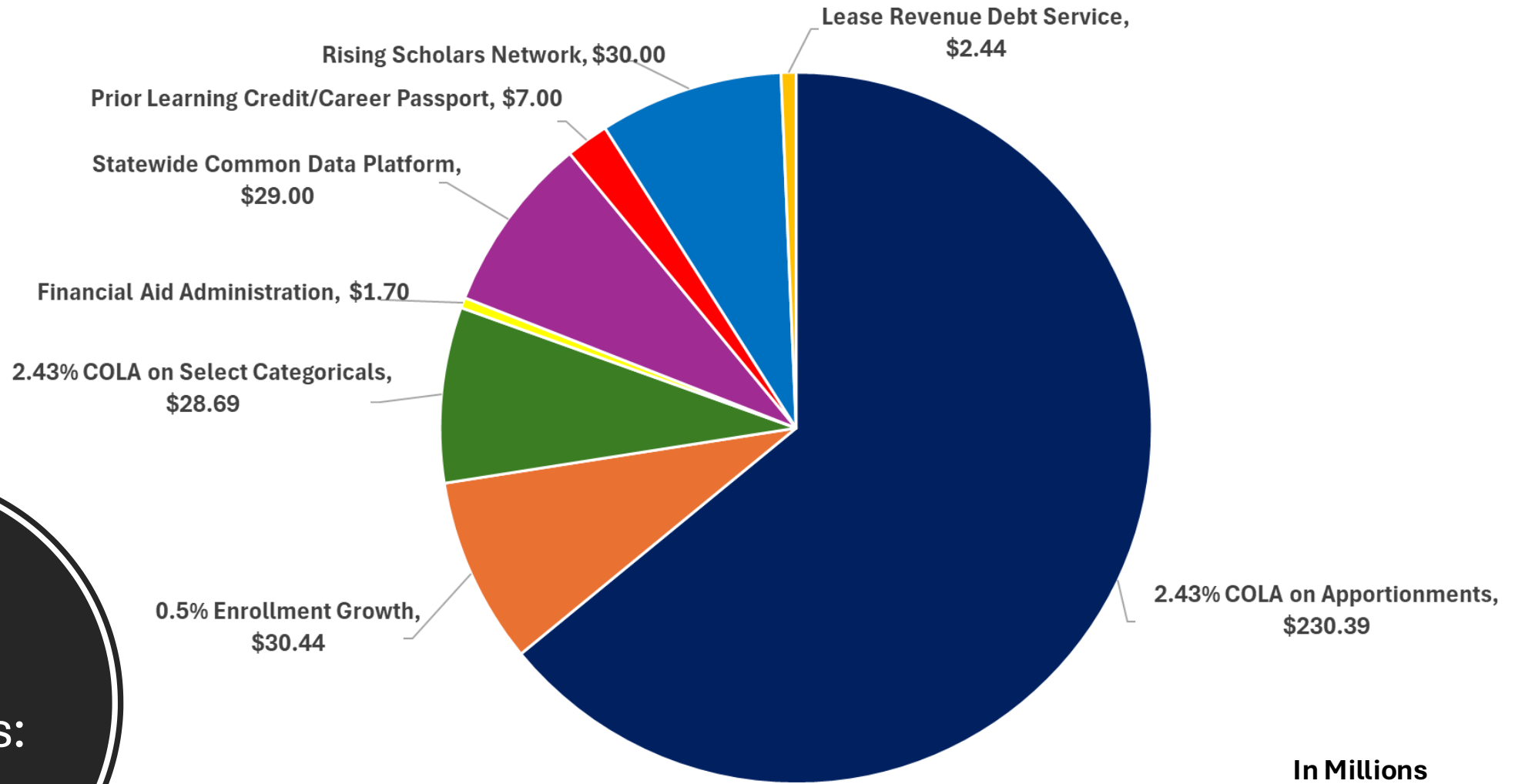
[2, p. 3]

Proposition 98 Funding

| Source | 2023-24 Revised | 2024-25 Revised | 2025-26 Proposed | Change from 2024-25 (Amount) | Change from 2024-25 (Percent) |
|------------------------------------|--------------------|--------------------|---------------------|------------------------------------|-------------------------------------|
| ALL PROPOSITION 98 PROGRAMS | | | | | |
| 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% |
| Totals | \$98,484 | \$119,188 | \$118,923 | (\$265) | -0.2% |
| COMMUNITY COLLEGES ONLY (*) | | | | | |
| General Fund | \$7,410 | \$9,048 | \$9,041 | (\$7) | -0.1% |
| Local Property Tax | \$4,070 | \$4,304 | \$4,538 | \$234 | 5.4% |
| Totals | \$11,480 | \$13,352 | \$13,579 | \$227 | 1.7% |

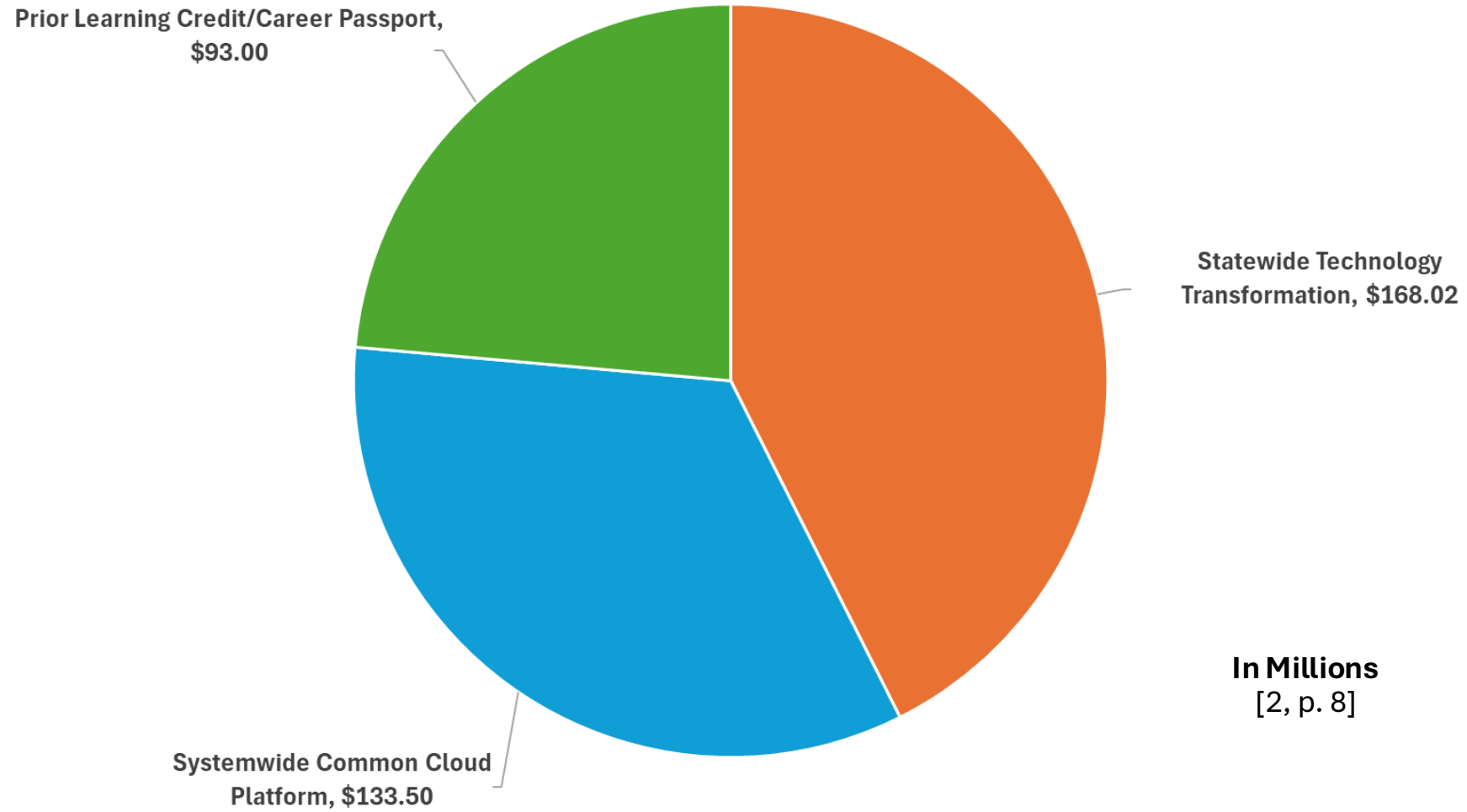
(*) CCC totals include resources that go to the K-12 system via the Adult Education, Apprenticeship, & K-12 Strong Workforce programs.

Ongoing
CCC
Investments:
\$359.66M



In Millions
[2, p. 7]

Onetime CCC Investments: \$394.52M



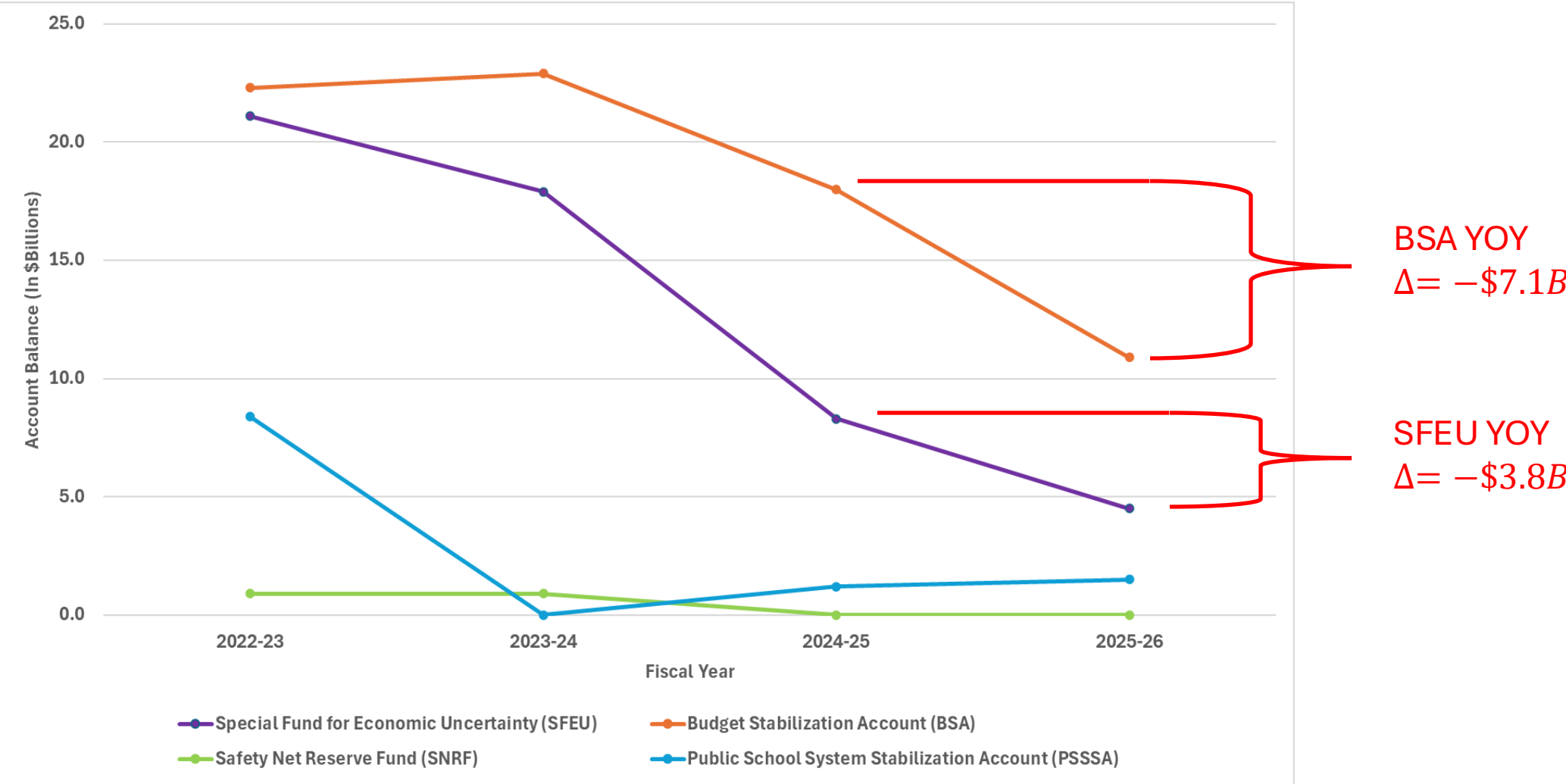
“And although the Budget is balanced and provides significant reserves in the coming fiscal year, it anticipates shortfalls in subsequent fiscal years that are driven by expenditures exceeding revenues.”

-Gov. Newsom

[1, p. 2]



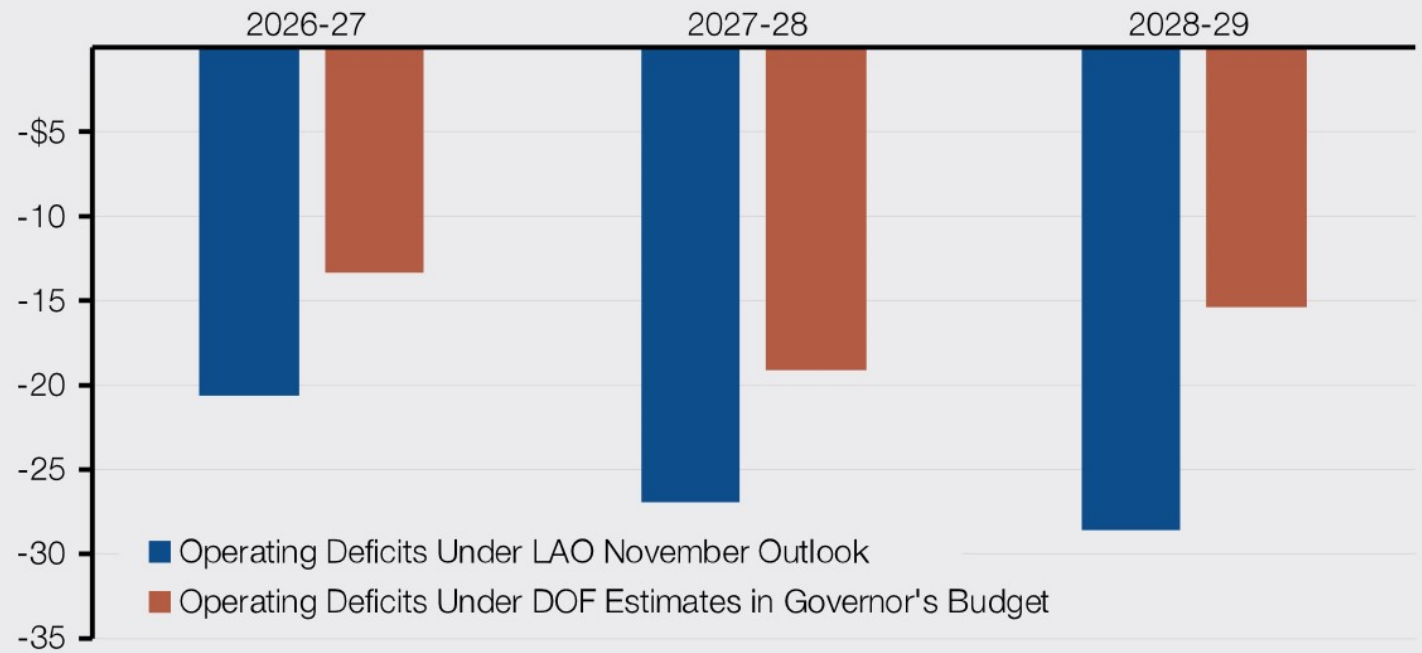
State Budget Reserve Account Conditions



Negative Outlook Past 2025-26 Budget

Multiyear Deficits Persist

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



DOF = Department of Finance.

LAO



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>