

Proposed January 2025-2026 Budget Overview

The Governor's Proposed Budget was released on January 10, 2025. The January proposal functions as a jumping-off point for discussions between the Governor and the Senate and Assembly and outlines the 2025-2026 fiscal values. The legislature returns the budget to the Governor in June, and the Governor signs the final budget in November. The budget is balanced without a deficit at \$322.2 billion, with \$228.9 billion in General Fund spending and \$17 billion in combined reserves. The Rainy Day Fund was allocated \$11 billion, and the Special Fund for Economic Uncertainties received an extra \$4.5 billion.

For now, the proposed budget is balanced. The state projects higher revenue estimates and higher spending estimates. However, the nonpartisan Legislative Analysts Office is not as optimistic as the Governor's Office, stating that "we are not describing the budget condition as having a surplus or a deficit." Concerns remain high for the LAO because the revenue increase is based on a highly volatile stock market. With as many moving pieces as the state of California's Budget, it is difficult to state anything with certainty. Both the LAO and the Governor's Office expect budget deficits in the years to come.

The budget priorities are increasing the California Film and TV Tax Credit Expansion from \$330 million to \$750 million from 2025 to 2030, utilizing the Climate bond, and making spending cuts in education, housing, public safety, technology, wildfire, and forest resilience.

Here is a brief overview of these priorities. The Climate Bond passed in November 2024, will use \$10 billion from Prop 4 to fund water, climate, wildfire, and natural resource projects. \$231.5 million funds the Dam Safety and Climate Resilience Local Assistance Program for reservoir operations. \$153.4 million funds water reuse and recycling projects supporting treatment and basic infrastructure, including projects for recycled water. Another \$173.5 million is proposed for water storage and \$37.6 million for agricultural irrigation systems.

Education funding primarily comes from Proposition 98, which provides 118.9 billion dollars for elementary education through community colleges. This includes transitional kindergarten, universal school meals, and a relatively new community school model.

The budget proposes a new California Housing and Homelessness Agency to address homelessness and housing.

Public Safety funding is proposed to increase by roughly \$283.6 million to support state and local public safety, including funds to implement new laws.

The budget supports technology as a primary source of improving the economy through job creation. It includes a \$25 million one-time General Fund reimbursement to Natcast,

which is projected to bring in \$1 billion in research funding and create more than 200 jobs in the following ten years.

Wildfire and forestry are proposed to receive an additional \$200 million to improve forest health and fire prevention.

Spending cuts start with eliminating 6,500 vacant government positions, resulting in \$1.2 billion in savings over two years. Reductions in state travel budgets and operational costs will cut an additional \$3.5 billion.

While the budget cuts remain promising, we must remember that the budget is designed as a negotiating tool and will fluctuate. This underscores the need for active participation and collaboration in the budget process. Expect cuts in your local county, city, and school district budgets, and be prepared to engage in the negotiation process.

(2025, January 10). 2025-2026 Governor's Proposed Budget. 2025-2026 Governor's Proposed Budget. <https://ebudget.ca.gov/budget/2025-26/#/BudgetSummary>

(2025, January 13). The 2025-2026 Budget Overview of the Governor's Budget. Legislative Analyst's Office. <https://lao.ca.gov/Publications/Report/4951>

(2025, January 13). California Governor Proposes \$322 B Budget with No Deficit. The California Chamber of Commerce. <https://advocacy.calchamber.com/2025/01/13/california-governor-proposes-322b-budget-with-no-deficit/>