



# HIGHLIGHTS OF GOVERNOR'S PROPOSED 2025-2026 BUDGET

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## OVERVIEW

As required by the State Constitution, Governor Newsom submitted his proposed 2025-26 state budget plan to the Legislature on January 10, 2025.

As the budget was being proposed, firefighters and first responders are working to help Southern Californians address major wildfires that have destroyed thousands of homes and resulted in fatalities and injuries. The Assembly will scrutinize the Governor's budget proposal in the coming months, but for now, attention remains focused on the wildfires. Issues related to the fires likely will be one reason the May Revision differs significantly from the January 10 budget proposal.

***Implements Two-Year Budget Plan Passed Last Year.*** The budget is in a far stronger position than last year because the Governor and the Legislature joined to balance the budget over a two-year period in 2024, including a planned withdrawal—fully implemented in this year's budget proposal—of about half of the state's main rainy day fund.

***Revenues Up, and So Are Spending Commitments.*** While revenues are up \$16.5 billion from last year's projections over the three-year "budget window" (2023-24, 2024-25, and 2025-26), spending on previously enacted programs is also up considerably from prior projections. For example, General Fund Medi-Cal costs in 2024-25 are up \$2.8 billion compared to 2024 budget projections, driven by higher enrollment and higher-than-projected caseload and pharmacy costs. Moreover, the administration projects overall General Fund Medi-Cal expenditures to rise to \$42.1 billion in 2025-26, an increase of \$4.5 billion compared to revised 2024-25 expenditures.

***Proposition 98 School Funding Rises.*** School funding also rises in line with Proposition 98 constitutional requirements. Revised Proposition 98 levels increase approximately \$7.5 billion over the three-year budget window with a \$118.9 billion Proposition 98 funding level for 2025-26. The budget includes a Local Control Funding Formula cost-of-living adjustment for schools of 2.43%. Budgetary deferrals of \$246.6 million for TK-12 education are fully repaid in 2025-26, according to the Department of Finance. Further, the 2025-26 proposal provides a total of \$2.4 billion ongoing Proposition 98 General Fund to support full implementation of universal transitional kindergarten. \$100 million one-time Proposition 98 funding is proposed to advance the Governor's proposed Master Plan for Career Education.

***Planned Rainy Day Fund Drawdown.*** The budget proposes about \$17 billion of total reserves for 2025-26, including a \$3.5 billion addition to previously planned deposits to the General Fund's regular reserve, the Special Fund for Economic Uncertainties. Rainy day fund balances make up \$11 billion of that \$17 billion total, including a \$7 billion rainy day fund withdrawal planned in the 2024 two-year balanced budget plan.

***Small Surplus: Estimates Will Vary.*** All told, the administration estimates the General Fund has a \$363 million surplus for 2025-26, which the Governor proposes spending on a variety of new measures, including continuation of some programs' previously planned one-time funding and some new spending. (For example, the Governor proposes \$7.4 million in 2025-26 and \$12.5 million in 2026-27 to provide a three-month supply of diapers to California families with newborn babies.) It is important to note that there are various ways to calculate the surplus, and LAO likely will assess the surplus to be a different number. A different surplus estimate from LAO likely does not mean there is more or less money to spend. Rather, it likely would just be a different calculation of the Governor's discretionary decisions in his proposal. Given the administration's revenue estimates, even if the surplus is calculated differently, adding new spending would require cutting spending proposed by the Governor, reducing reserves, and/or increasing taxes. In contrast to the 2025-26 surplus, the administration's multiyear budget forecast anticipates \$13 billion to \$19 billion annual operating deficits annually over the subsequent three fiscal years.

***Big Decisions Ahead on Housing and Homelessness Programs.*** The Governor proposes creating a new Housing and Homelessness Agency via the Government Reorganization Plan process in the Constitution. The Governor also is unveiling a new website with metrics on housing and homelessness performance at the local level, including metrics collected as a result of Assembly budget action in recent years. While the administration says it will require "additional accountability on existing funds," initial reports are that the budget includes very little or no new money for housing and homelessness programs, and much of the existing funding for those programs is now set to expire.

## HEALTH

### Department of Health Care Services

- Maintains \$174.6 billion (\$37.6 billion General Fund) in 2024-25 and \$188.1 billion (\$42.1 billion General Fund) in 2025-26 for the Medi-Cal program. Projects enrollment of 15 million Californians in 2024-25 and 14.5 million in 2025-26. The Budget represents an increase in Medi-Cal expenditures of approximately \$2.8 billion General in 2024-25 compared to the 2024 Budget Act.
- Projects \$7.9 billion in 2024-25; \$4.4 billion in 2025-26 and \$3.3 billion in 2026-27 in Managed Care Organization tax revenues. Compared to the 2024 Budget Act, this is an increase of \$1 billion in 2024-25 and decreases of \$2.2 billion in 2025-26 and \$1.8 billion in 2026-27 to support the Medi-Cal program.
- Renders specific provider payment increases and investments included in the 2024 Budget Act inoperable as of January 1, 2025 due to the passage of Proposition 35 (2024).
- Reflects Proposition 35 expenditures for 2025 and 2026, including provider rate increases for primary care, maternal care, and non-specialty mental health services implemented in 2024. Notes that final spending plan is subject to consultation with the stakeholder advisory committee established through Proposition 35.

### California Department of Health Care Access and Information

- Provides \$7.4 million General Fund in 2025-26 and \$12.5 million in 2026-27 to HCAI to contract for the provision of a 3 month supply of diapers at no cost to California families with newborn babies via hospital systems.
- Notes the approval by the federal government of the Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Demonstration Waiver. The waiver will provide \$8 billion (combined state, local, and federal funds) to support activities administered by the Department of Health Care Access in Information, the Department of Health Care Services, and the Department of Social Services. These activities include expansion of behavioral health continuum for Medi-Cal members with a focus on children and youth, individuals experiencing or at risk of homelessness, and justice involved individuals, as well as workforce development initiatives.

**California Department of Public Health**

- Includes \$8.5 million in 2025-26 and ongoing from the ADAP Special fund for enhancements to ADAP and the Pre-Exposure Prophylaxis Assistance Program, effective January 2025. Budget will propose to reimburse Medicare Part B premium payment program for ADAP enrollees. Compared to 2024-25, the Budget increases total fund for ADAP to \$42.3 million in 2025-26.

## HUMAN SERVICES

### Department of Social Services (DSS)

#### CalWORKs

- Includes a statement that the Administration continues to assess further opportunities to advance the vision of the CalWORKs Work and Family Well-Being Pilot, which is a federal pilot for which California was selected to participate. State statute adopted as part of the 2024 Budget last year specified that the Department of Social Services (DSS) shall provide to the Legislature a set of any necessary statutory changes no later than January 10, 2025, in order to align state policy to the goals of the federal pilot program, including comprehensive cost estimates by policy changes, or other changes as part of the state's application, for the 2025-26 fiscal year and ongoing. The Administration has indicated that the required report is pending and will be available by the end of January, in part due to the late selection of the state, which occurred in November 2024.
- Includes a projected 0.2 percent increase to CalWORKs Maximum Aid Payment (MAP) levels, with an estimated cost of \$9.1 million, projected to begin October 1, 2025. These increased costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the 1991 Local Revenue Fund and will be updated at the May Revision. This increase is on top of the grant level increases that were approved as part of prior budget agreements.

#### DSS Housing and Homelessness Programs

- Omits additional resources for the DSS-administered Housing and Homeless service programs beyond what was included in prior budgets. For some programs, such as Bringing Families Home and Home Safe, this will result in the near-term elimination of resources for these programs.

#### Immigration Services

- Maintains baseline spending for DSS-administered immigration services program, including almost \$45 million for the Immigration Services Funding Program.

#### Foster Care and Child Welfare

- Includes no major changes from baseline workload budget for foster care and child welfare services.

## **Food and Hunger**

- Includes no major changes for CalFresh or emergency food programs. This results in the CalFood budget, which includes funding for food banks and pantries across the state, reverting from the current \$60 million augmented amount to the \$8 million baseline amount starting July 1, 2025.

## **In-Home Supportive Services (IHSS)**

- Includes no major changes to the IHSS program. A report regarding the possible change to IHSS statewide collective bargaining is due to the Legislature with this Governor's Budget and is pending.

## **Supplemental Security Income/State Supplementary Payment (SSI/SSP)**

- Includes no major changes to the SSI/SSP program.

## **Department of Developmental Services (DDS)**

- Anticipates the release of the report from the Master Plan for Developmental Services effort in March 2025. State statute adopted with the 2024 Budget specified a due date for the report of March 15, 2025.
- Includes \$199.5 million (\$17.5 million General Fund and \$182.1 million Public Buildings Construction Fund) over the next five years for the design and construction of residence buildings and the expansion of the control room at the Porterville Developmental Center to address space and infrastructure deficiencies.

## **Department of Community Services and Development (CSD)**

- Includes no major changes at the time of this writing.

## **Department of Aging**

- Includes additional funding being from the Health Information and Counseling Advocacy Program (HICAP) fund to be used toward the modernization of the program.

## **Vacant Positions and Operational Efficiencies**

- Specifies that information broken down by department will be released with the details of the Governor's Budget.

## PK-12 PUBLIC EDUCATION AND EARLY EDUCATION

### Proposition 98 Funding: Early Education, TK-12, and Community Colleges

- Estimates a Proposition 98 General Fund funding level of \$98.5 billion in 2023-24, \$119.2 billion in 2024-25, and \$118.9 billion for the 2025-26 Budget Year.
- Estimates \$118.9 billion for Proposition 98 funding for 2025-26, which meets the Test One guarantee level, for state preschool, TK-12 public education, and community colleges. Proposes to rebench the guarantee to reflect the final year of Universal Transitional Kindergarten enrollment growth.
- Proposes to not appropriate \$1.6 billion in new 2024-25 Proposition 98 funding due to revenue estimate uncertainties.
- Increases Proposition 98 funding by \$3.9 billion in the 2024-25 Current Year compared to the enacted 2024-25 Budget Act.
- Continues to recognize the suspension of Proposition 98 in the 2023-24 fiscal year, at a level of \$98.5 billion, while continuing to provide \$106.8 billion in actual funding to TK-14 schools.
- Increases the projected Proposition 98 “Rainy Day” fund, the Public School System Stabilization Account, to \$1.5 billion through the Budget year. Projects a revised \$1.2 billion in total and required one-time contributions in the 2024-25 fiscal year, and \$376 million in 2025-26. This level of funding does not trigger the statutory 10% cap on local school district reserves in either fiscal year.
- Pays off the final Proposition 98 funding deferrals in the Budget Year.

### Major Budget Act PreK-12 Education Proposals

- For the 2025-26 Budget Year, projects TK-12 per-pupil spending to be \$137.1 Billion from all funding sources.
- Per-pupil funding grows in the Governor’s Budget to a funding rate of \$24,764 per student. Proposition 98 TK-12 funding per student is proposed to grow to \$18,918 in 2025-26.
- Increases Proposition 98 funding for the Local Control Funding Formula (LCFF) by \$2.5 billion, reflecting declining enrollment, UTK and a 2.43% percent cost-of-living adjustment (COLA) in 2025-26. Provides an increase of \$12.2 million for County Office of Education LCFF costs and COLA.



- Provides \$204 million for a 2.43% COLA to statutorily-required TK-12 programs, including nutrition and preschool.
- Recognizes the \$10 billion School and Community College Facility Bond passed by California voters in November 2024 under Proposition 2, including the policy changes across TK-12 school modernization and new construction programs.
- Proposes a \$1.8 billion, one-time Student Support and Discretionary Block Grant, that includes support for dual enrollment, career pathways approaches, and professional development for educators in English Language Arts and mathematics.
- Provides increased funding for the final year of Universal Transitional Kindergarten (UTK) implementation, including an additional \$2.02 billion ongoing for 10:1 UTK child to staff ratios.
- Increases the Expanded Learning Opportunities Program by \$435 million, for the projected cost of full program implementation and increased costs to serve all unduplicated pupils, grades TK-6, in all local education agencies.
- Increases and expands the Literacy Coaches program with an additional \$500 million one-time Proposition 98 and the addition of mathematics coaching.
- Expands the existing Learning Recovery Emergency Block Grant with \$378.6 million one-time funding through 2027-28.
- Proposes a new Teacher Recruitment Incentive Grant Program with \$150 million one-time Proposition 98 funding.
- Extends the National Board Certification Incentive Program with \$100 million one-time Proposition 98 funding.
- Provides an increase of \$50 million one-time General Fund to the Golden State Teachers Grant program, for program applicants in 2025-26.
- Maintains the California universal meals commitment with an increase of \$106.3 million in annual Proposition 98 funding, to maintain two free daily meals for all students.
- Proposes a one-time increase of \$150 million for the existing Kitchen Infrastructure and Training program.
- Provides \$40 million one-time Proposition 98 for the implementation costs in 2025-26 for the new Dyslexia screener.

- Proposes \$10 million one-time Proposition 98 to support use of English language proficiency screeners for TK dual-language learners.
- Proposes \$5 million, one-time Proposition 98 through 2029-30, for a new Literacy Network in the Statewide System of Support.
- Proposes \$1.5 million ongoing Proposition 98 to continue state Homeless Education Technical Assistance Centers.
- Proposes ongoing \$5 million General Fund for a new state education planning and coordinating body for TK-12 education, higher education, and other state labor agencies, at the Government Operations Agency, and an additional \$4 million one-time General Fund to support regional coordination of Career Education.
- Provides an increase of \$3 million ongoing Proposition 98 for the California College Guidance Initiative and the Cradle to Career Data System.
- Provides an ongoing increase of \$3.5 million Proposition 98 for the K-12 High Speed Network.
- Provides \$2 million on-time for the digitization and multi-language translation of the Individualized Education Program template.
- Proposes \$1 million one-time Proposition 98 to evaluate the state's curricula adoption process.
- Provides \$300,000 one-time general fund to support the California Department of Education (CDE) implementation of new personal finance curricula.
- Proposes to streamline Career Technical Education program applications through the Department of Education.
- Authorizes the Instructional Quality Commission to initiate a new adoption cycle for English Language Arts & English Language Development instructional materials.

**Major Early Education and Child Care Proposals**

- Continues the state's ongoing \$7.1 billion commitment in funding to state-subsidized child care programs, including a total of \$4.6 billion in general fund.
- Maintains the prior year commitments to 146,000 new child care slots, compared to the 2021-22 Budget Act, but does not propose any new child care services in the 2025-26 Budget Year.

- Maintains existing reimbursement rates across all child care programs, backfilling expiring federal funds.
- Recognizes plan to move to the Alternative Methodology reimbursement rate system in future, across all child care programs, and ongoing bargaining with Child Care Providers United for a new agreement.
- Provides state preschool and child care nutrition programs a 2.43 percent COLA.

## HIGHER EDUCATION

### Master Plan for Career Education

- Provides \$100 million one-time Proposition 98 General Fund to the California Community Colleges to expand credit-for-prior-learning and begin building the Career Passport program.
- Provides \$5 million ongoing for the Government Operations Agency to establish a state planning body for TK-12 education, higher education, and state economic and labor agencies, to coordinate career education programming.
- Provides \$4 million one-time General Fund to support regional coordination for career education and training.

### University of California

- Maintains a 2024 Budget Act agreement to defer \$240.8 million ongoing General Fund to support a 5% base increase until 2027-28.
- Maintains a 2024 Budget Act agreement to defer \$31 million ongoing General Fund to continue the 5-year program to replace nonresident students with California students at the Berkeley, Los Angeles and San Diego campuses until 2027-28.
- Maintains a 2024 Budget Act agreement to reduce operational funding by \$396.6 million ongoing General Fund, or 7.95%.

### California State University

- Maintains a 2024 Budget Act agreement to defer \$252.3 million ongoing General Fund to support a 5% base increase until 2027-28.
- Maintains a 2024 Budget Act agreement to reduce operational funding by \$375.2 million ongoing General Fund, or 7.95%.
- Provides \$1.3 million ongoing General Fund to support a salary increase for Capitol Fellows.
- Provides \$345,000 ongoing General Fund to support implementation of legislation requiring CSU to provide drug test devices at every campus.

### California Community Colleges

- Provides \$230.4 million ongoing Proposition 98 General Fund to support a 2.43% cost-of-living adjustment for Student Centered Funding Formula apportionments.

- Provides \$30.4 million ongoing Proposition 98 General Fund to support 0.5% enrollment growth.
- Provides \$168 million one-time Proposition 98 General Fund to complete the Statewide Technology Transformation project, which will standardize and streamline data collection across the system.
- Provides \$162.5 million Proposition 98 General Fund, of which \$29 million is ongoing, for scaling of a common cloud data platform across the system.
- Provides \$51.5 million one-time Proposition 2 bond funds to support 28 community college facilities projects.
- Provides \$30 million ongoing Proposition 98 General Fund to support the expansion of the Rising Scholars Network.
- Provides \$16 million ongoing Proposition 98 General Fund to support a 2.43% cost-of-living adjustment for select categorical programs, including adult education.

**California Student Aid Commission**

- Does not propose any changes to the Cal Grant program.
- Maintains a 2024 Budget Act agreement to reduce funding for the Middle Class Scholarship program, providing \$527.2 million ongoing General Fund.
- Includes \$50 million one-time General Fund to support the Golden State Teacher Grant program.

**California State Library**

- Provides \$332,000 one-time General Fund and \$282,000 ongoing thereafter to support cybersecurity infrastructure.

**College of the Law, San Francisco**

- Provides \$2.4 million ongoing General Fund to support a 3% base increase.
- Maintains a 2024 Budget Act agreement to reduce operational support by \$1.8 million ongoing General Fund.
- Provides \$10.1 million ongoing General Fund to support debt service costs associated with the second phase of the McAllister Tower renovation.

# CLIMATE CHANGE AND ENVIRONMENT

## Proposition 4

- Includes a \$9.1 billion multi-year expenditure plan to implement the \$10 billion Climate Bond (Proposition 4) approved by the voters in November 2024 with \$2.6 billion in 2025-26 as follows:

**Climate Bond Expenditure Plan**  
(\$ in Millions)

Investment Category	Bond Allocation	Proposed 2025-26	Out-Years	Pending Allocation
Safe Drinking Water, Drought, Flood & Water Resilience	\$3,800	\$1,074	\$2,716	\$10
Wildfire & Forest Resilience	\$1,500	\$325	\$1,086	\$89
Coastal Resilience	\$1,200	\$173	\$1,027	\$0
Extreme Heat Mitigation	\$450	\$102	\$348	\$0
Biodiversity & Nature-Based Solutions	\$1,200	\$286	\$813	\$101
Climate Smart Agriculture	\$300	\$134	\$106	\$60
Outdoor Access	\$700	\$286	\$183	\$231
Clean Air & Energy	\$850	\$275	\$252	\$323
<b>Total</b>	<b>\$10,000</b>	<b>\$2,655</b>	<b>\$6,531</b>	<b>\$814</b>

## Backfilling General Fund Cuts with Prop. 4 Funding

The Administration proposes to cut General Fund from the following programs and backfill those investments with Prop. 4 funds:

- \$68 million General Fund for Stewardship of State-owned land.
- \$51 million General Fund for Water Recycling.
- \$47 million General Fund for Dam Safety.
- \$32 million General Fund for Watershed Climate Resilience.
- \$18 million General Fund for the Demand-Side Grid Support Program.
- \$15 million General Fund for the Systemwide Flood Risk Reduction Program.
- \$15 million General Fund for Community Resilience and Extreme Heat Program.
- \$14 million General Fund for State Parks Deferred Maintenance.
- \$13 million General Fund for Home hardening.

**Safe Drinking Water, Drought, Flood, and Water Resilience**

- Appropriates \$231.5 million of Prop. 4 bond funds for the Dam Safety and Climate Resilience Local Assistance program.
- Appropriates \$183.2 million of Prop. 4 funds for grants and loans to improve water quality and provide safe drinking water; \$11.1 million of the \$183.2 million is dedicated to tribal water infrastructure projects.
- Appropriates \$173.1 million of Prop. 4 funds for flood control projects a part of the State Plan of Flood Control, and for the Flood Control Subventions Program.
- Cuts \$15 million of previously appropriated General Fund for the Systemwide Flood Risk Reduction Program and backfills it with Prop. 4 funds.
- Appropriates \$153.4 million of Prop. 4 funds for water reuse and recycling projects.
- Cuts \$51 million of previously appropriated General Fund for Water Recycling and backfills it with Prop. 4 funds.
- Appropriates \$148.2 million of Prop. 4 funds to implement the Salton Sea Management Plan.
- Appropriates \$173.4 million of Prop. 4 funds for other programs to improve water storage, replenish groundwater, improve conditions in streams and rivers, and complete various water resilience projects.
- Includes plans to establish the Salton Sea Conservancy in the spring.

**Wildfire and Forest Resilience**

- Appropriates \$82.2 million of Prop. 4 funds for the Forest Health Program.
- Appropriates \$79.5 million of Prop. 4 funds for block grants to implement landscape-scale, multi-benefit projects developed by forest collaboratives in high-risk regions.
- Appropriates \$59.1 million of Prop. 4 funds for the Wildfire Prevention Grants Program.
- Appropriates \$33.4 million of Prop. 4 funds to restore 3.8 million acres of state-owned lands.

- Cuts \$68 million General Fund for the stewardship of state-owned land and backfills it with Prop. 4 funds.
- Appropriates \$22.4 million of Prop. 4 funds for various state conservancies for watershed improvement and wildfire resilience programs.
- Cuts \$32 million of previously appropriated General Fund for Watershed Climate Resilience and backfills it with Prop. 4 funds.
- Appropriates \$9.1 million for the Wildfire Mitigation Program administered by the Office of Emergency Services and CalFire, which offers financial assistance to vulnerable populations in wildfire-prone areas throughout the state for home hardening and defensible space and vegetation management activities.
- Appropriates \$39.3 million of Prop. 4 funds for other wildfire and forest resilience projects, including defensible space, home hardening, reforestation, and wood utilization.
- Cuts \$13 million previously appropriated General Fund for Home Hardening and backfills it with Prop. 4 funds.
- Includes \$137.9 million - \$14.3 million General Fund and \$123.6 million Public Buildings Construction Fund – for the continuation and addition of capital projects, including the replacement of various fire stations, unit headquarters, helitack bases, and air attack bases for CalFire.

**Coastal Resilience**

- Appropriates \$30.8 million of Prop. 4 funds for coastal resilience projects, including an additional \$20 million projects consistent with the San Francisco Bay Restoration Authority Act or the SF Bay Area Conservancy Program.
- Appropriates \$20.3 million of Prop. 4 funds for sea level rise mitigation and adaptation projects and \$7.5 million for grants to support and project marine wildlife.
- Appropriates \$8.5 million of Prop. 4 funds for dam removal and related infrastructure.
- Appropriates \$85.9 million of Prop. 4 funds for other coastal resilience and sea level rise adaptation programs.



### **Biodiversity and Nature Based Solutions**

- Appropriates \$176 million of Prop. 4 funds for projects to protect and enhance fish and wildlife resources.
- Appropriates \$79.9 million of Prop. 4 funds to the State's various conservancies for nature-based solutions projects.
- Appropriates \$9.4 million of Prop. 4 funds for the Tribal-Nature Based Solutions Program.
- Appropriates \$20.7 million of Prop. 4 funds for other biodiversity and nature-based solutions programs.

### **Extreme Heat and Community Resilience**

- Appropriates \$46.8 million of Prop. 4 funds for the Urban Greening Program.
- Appropriates \$37.6 million of Prop. 4 funds to modify or upgrade fairgrounds.
- Appropriates \$16.1 million of Prop. 4 funds for the Extreme Heat and Community Resilience Program.
- Cuts \$15 million of previously appropriated General Fund for Community Resilience and Extreme Heat Program and backfill it with Prop. 4 funds.
- Appropriates \$1.5 million of Prop. 4 funds for other extreme heat mitigation projects and programs.

### **Sustainable Agriculture**

- Adds \$24.9 million one-time General Fund for the Farm-to-School Program.
- Appropriates \$37.6 million of Prop. 4 funds for the State Water Efficiency and Enhancement Program.
- Appropriates \$35.9 million of Prop. 4 funds for the Healthy Soils Program.
- Appropriates \$19.9 million of Prop. 4 funds for invasive species projects.

### **Outdoor Access**

- Adds \$6.8 million one-time General Funds for the continuation of the CA State Library Parks Pass Program.

- Appropriates \$190 million of Prop. 4 funds for the Statewide Park Program.
- Appropriates \$84.4 million of Prop. 4 funds for Deferred Maintenance throughout the State Park System.
- Appropriates \$11 million of Prop. 4 funds to enhance visitor access, improve accessibility of trails and facilities, and complete other wildfire mitigation projects.
- Cuts \$14 million previously appropriated General Fund for State Parks Deferred Maintenance and backfills it with Prop. 4 funds.
- Includes \$17 million - \$2 million GO bond funds and \$15 million other funds - for projects at Hollister Hills State Vehicular Recreation Area, R.H. Meyer Memorial State Beach, Border Field State Park, Candlestick Point State Recreation Area and the California Indian Heritage Center.

**Other Climate and Natural Resources-Related Budget Adjustments**

- Includes \$6 million from the Natural Resources and Parks Preservation Fund and \$3 million in reimbursement authority from the State Parks and Recreation Fund to continue work on the California Indian Heritage Center.
- Includes \$8.7 million (\$2.0 million in General Obligation bond funds and \$6.7 million other funds) over the next five years to the Tahoe Conservancy to implement the Environmental Improvement Program; of the \$8.7 million, \$6.5 million is proposed in the 25-26 budget.
- Includes \$1.7 million in special funds over the next five years for projects at the Silverado Fisheries Base and the Fish Springs Hatchery.
- Includes \$242,000 General Fund for the initial phase of the Meadowview Biological Control Office for repairs and replacement of laboratory space used by the Biological Control Program under the California Department of Food and Agriculture.

**Energy**

- Appropriates \$228.2 million of Proposition 4 bond funds for port upgrades to support the development of offshore wind generation.
- Allocates \$50 million of Proposition 4 bond funds for the Demand Side Grid Support Program at the Energy Commission for backup generation during extreme weather events.

- Cuts \$18 million General Fund from the Demand Side Grid Support Program at the Energy Commission, which is offset by bond funding.
- Cuts \$32 million Greenhouse Gas Reduction Fund set aside for the Clean Energy Reliability Investment Plan to the Climate Bond (Proposition 4) to address a deficit within the Motor Vehicle Account.
- References the need to make statutory changes to reduce electric rates.

**California Air Resources Board**

- Provides \$2.3 million special funds to the Air Resources Board to evaluate and implement regulatory changes to increase the use of Ethanol from a 10 percent blend to a 15 percent blend at gasoline fuel stations.
- References extending the Cap and Trade program past 2030.
- Transfers \$81 million from the Greenhouse Gas Reduction Fund to the Department of Motor Vehicles to backfill a deficit in the Motor Vehicle Account.
- Transfers \$85 million from the Air Pollution Control Fund to the Department of Motor Vehicles to backfill a deficit in the Motor Vehicle Account.

## TRANSPORTATION

### Department of Motor Vehicles

- Transfers \$166 million from various climate special funds to the Department of Motor Vehicles to backfill the Motor Vehicle Account. This includes:
  - \$81 million transfer from the Greenhouse Gas Reduction Fund.
  - \$85 million transfer from the Air Pollution Control Fund.
- Allocates \$173.2 million (\$44.3 million General Fund, \$2 million Motor Vehicle Account, and \$126.9 million Public Buildings Construction Fund) over the next five years for one continuing office replacement project, three new office replacement projects, and Statewide Planning and Site Identification funding.

### California Highway Patrol

- Proposes \$548.6 million (\$83 million General Fund, \$5 million Motor Vehicle Account, and \$460.6 million Public Buildings Construction Fund) for a 5 year spending plan for various facility replacement projects, including 5 continuing office replacements and 12 future office replacements.
- Proposes \$1 million Motor Vehicle Account for Statewide Planning and Site Identification funding.
- Appropriates \$5 million ongoing General Fund to expand the Computer Crimes Investigation Unit focused on Child Sexual Abuse Material throughout California.

### Department of Transportation (CalTrans)

- Appropriates \$25 million General Fund to the Clean California Program for Community Cleanup and Employment Pathways Grant Program to reduce litter.

## GENERAL GOVERNMENT

### Housing

- Does not include new funding for housing and does not propose funding for the Low Income Housing Tax Credit.
- Proposes to establish a new California Housing and Homelessness Agency, which will be released in the spring through a Reorganization Plan submitted to the Little Hoover Commission.
- Puts forth housing policy principles that would reduce costs, enhance accountability and coordinate housing and transportation.

### Homelessness

- Includes \$100 million for Encampment Resolution Fund grants.
- States that any future homelessness funding for local governments include stronger accountability policies.
- Provides that the Administration will increase accountability efforts around the implementation of the HHAPP Funds by:
  - Additional accountability on existing funds
  - In-Depth Local Reviews
  - Regional Convenings
  - Increased Enforcement

### California Consumer Protection Agency

- The Governor's Budget Summary notes the recent creation of the California Consumer Protection Agency, with additional details to be provided in the spring via a plan submitted to the Little Hoover Commission.

### Governor's Office of Business and Economic Development

- Proposes \$60 million one-time General Fund to award new grants in 2025-26 for California Competes, created in 2021 Budget Act.

- Proposes \$25 million one-time General Fund in 2025-26 to reimburse Natcast for capital expenditures to build the Creating Helpful Incentives to Produce Semiconductors (CHIPS) for American Design and Collaboration Facility (DCF) in Sunnyvale.

**Government Operations Agency**

- Transfers the California Education Learning Lab (Learning Lab) from the Governor's Office of Land Use and Climate Innovation (LCI) to GovOps to further streamline efforts and enable LCI to focus on its core responsibilities. Specifically, the Budget proposes a net-zero transfer of resources totaling \$5.5 million General Fund in 2025-26, and \$4 million General Fund in 2026-27 and ongoing, and one position.
- Provides \$5 million in General Fund in 2025-26 and ongoing for GovOps to establish a planning and coordinating entity to bring together TK-12 education, higher education and state economic and labor agencies to improve coordination of resources and initiatives across state government in alignment with recommendations from the Master Plan for Career Education.
- Provides an update on the five pilot projects using GenAI applications from 2024. The first cohort is now completing initial Proof-of-Concept testing and evaluation. In addition, CDT along with GovOps, ODI, DGS, and the Department of Finance are reviewing the current project approval lifecycle process for technology projects to streamline the project delivery lifecycle and provide meaningful and timely oversight of projects. Additional details will be provided in the spring.

**Labor and Workforce Development Agency**

- Proposes \$4 million in one-time General Fund for the Labor and Workforce Development Agency to evaluate how regional coordination models can be expanded to create sustainable forums where educators, workforce training providers, and employers can work to align programs with employer needs.

**Agricultural Labor Relations Board**

- Provides \$1.9 million from the Labor and Workforce Development Fund ongoing for the Agricultural Labor Relations Board to address unanticipated workload and support the implementation of the majority support petition process more efficiently.

## **Employment Development**

- Proposes \$634.3 million in one-time General Fund to pay the annual interest payment on the state's Unemployment Insurance loan balance. The 2024 Budget Act included \$50 million from the Employment Training Fund to pay a portion of this interest payment in 2025-26; however, it has since been determined that the Employment Training Fund is unable to support this payment without reductions to existing programs and the payment is not included in the Budget.
- Proposes \$124.2 million in one-time, of which \$62.1 million is General Fund, to continue the planning and development of EDDNext, for the fourth year of a multi-year plan to modernize benefit systems and enhance customer service at the Employment Development Department (EDD).

## **Department of Industrial Relations**

- Provides \$25.8 million in one-time from the Labor and Workforce Development Fund for the Department of Industrial Relations to continue the Electronic Adjudication Management System.
- Provides \$18.2 million in one-time from the Labor and Workforce Development Fund for the Department of Industrial Relations to continue the Cal/OSHA data modernization information technology project to upgrade outdated systems and processes.

## **Governor's Office of Service and Community Engagement**

- Proposes \$5 million in General Fund in 2025-26, and \$83.6 million ongoing in General Fund beginning in 2026-27, to continue and expand the College Corps program that would otherwise end July 30, 2026.
- Proposes \$5 million in one-time General Fund for the Office of Community Partnerships and Strategic Communications to launch a Belonging Campaign by January 2026.

## **Employee Compensation and Collective Bargaining**

- Includes \$917.8 million of which \$368.2 million in General Fund, for increased employee compensation, health care costs for active state employees, and retiree health care prefunding contributions for active employees in 2025-26. Included in these costs are collectively bargained salary and benefit increases resulting from contracts and side letter negotiations. The Budget also includes funding for the

2026 calendar year projected increases in health care and dental premiums and enrollment.

- Notes that the Administration commence collective bargaining negotiations with seven bargaining units representing Attorneys and Hearing Officers; Correctional Officers; Professional Engineers; Stationary Engineers; Physicians, Dentists, and Podiatrists; Psychiatric Technicians; and Health and Social Services/Professionals, whose contracts or side letter agreements will expire in summer 2025.

### **California Public Employees' Retirement System and California State Teachers' Retirement System**

- Provides \$9.1 billion, of which \$4.9 billion is General Fund, for the statutorily required annual contribution to CalPERS for state pension costs in 2025-26. This is an increase of \$2.3 billion, of which \$1.5 billion General Fund, as compared to the 2024 Budget Act. The 2024 Budget Act reflects the application of the one-time \$1.7 billion Proposition 2 supplemental pension payment made to CalPERS in 2023 toward state plans' unfunded liabilities, resulting in lower required contributions in 2024-25.
  - Of the \$9.1 billion in state contributions for 2025-26, \$744.1 million in General Fund are included for California State University retirement costs. Additionally, the Budget includes \$1.5 billion one-time Proposition 2 debt repayment funding as a supplemental payment toward the state plans' unfunded liabilities.
- Provides \$4.6 billion in General Fund for the statutorily required annual state contribution to CalSTRS in 2025-26. The roughly \$367 million increase from the 2024 Budget Act is due to higher-than-anticipated growth in creditable compensation from 2022-23 to 2023-24.
- Provides \$385 million in one-time Proposition 2 debt repayment funding in 2025-26 for the employer's share of contributions to pay for future retiree health benefits.

### **Government Efficiency and Cost Saving Measures**

- Reflects \$617.6 million (\$234.4 million General Fund) in savings from the elimination of 6,500 vacant positions.
- Includes \$2 billion (\$1.2 billion General Fund) from the state operation efficiency savings that was begun as part of the 2024 budget.



**Department of General Services**

- Includes \$378.7 million, of which \$46.5 million is General Fund and \$322.2 million is from the Public Building Construction Fund, over the next five years for projects in the Sacramento Region to reconfigure the 10th & O Building, renovate the Warren-Alquist Energy Building, and to exercise an option to purchase the State Printing Plant.

**Museum of Tolerance**

- Provides \$10 million for the modernization and expansion of the Museum of Tolerance.

**Cannabis**

- Allocates \$468.2 million from the Cannabis Tax Fund for Allocation 3 programs:
  - \$281 million (60 percent) for education, prevention, and treatment of youth substance use disorders and school retention.
  - \$93.6 million (20 percent) for clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation.
  - \$93.6 million (20 percent) for public safety-related activities.

## REVENUES AND TAXATION

### Tax Proposals

- Proposes several tax proposals that are estimated to increase General Fund revenues by a total of \$186 million in 2025-26 including:
  - Proposes to increase the total annual California Film and Television Tax Credit 4.0 award cap from \$330 million to \$750 million for fiscal years 2025-26 through 2029-30.
  - Proposes to exclude from income for state tax purposes: (1) retirement pay received by a taxpayer from the federal government for service in the uniformed services; (2) annuity payment received by a qualified taxpayer pursuant to a Department of Defense Survivor Benefit Plan. Would apply the exemption for up to \$20,000 of military retirement income. Estimated to reduce revenues by \$130 million in 2025-26 and by \$85 million annually thereafter.
  - Proposes to move financial institutions to single sales factor apportionment, aligning financial institutions with nearly all other corporations and rewarding businesses for locating in the state. Estimated to increase revenues by \$330 million in 2025-26 and by more than \$250 million annually thereafter.
  - Exempts all wildfire settlements from state taxation for settlements paid in tax years 2025 through 2029, regardless of when the fire occurred.
  - Provides that the pass-through entity elective tax (PTET) will continue to be available to California taxpayers if a state and local tax (SALT) cap remains in effect, the budget proposes to extend the PTET, subject to the federal SALT cap being extended.

### Personal Income Tax

- Forecasts the PIT to be \$12.6 billion or 3.6 percent higher through the budget window compared to the 2024 Budget Act forecast, due to upward revisions of \$2.2 billion in 2023-24, \$4.6 billion in 2024-25, and \$5.9 billion in 2025-26. The higher actual cash receipts, capital gains, withholding, and a stronger economic forecast.

**Corporation Tax**

- Forecasts the Corporation Tax to be higher by \$2.5 billion or 2.2 percent, in the budget window from 2023-24 to 2025-26. Corporation tax cash receipts exceeded the 2024 Budget Act forecast by \$2 billion through November despite higher refunds of nearly \$800 million.
- Provides that the primary driver of higher corporation tax revenues, contributing about \$2.4 billion, is the lower expected use of business tax credits and NOL deductions, due mainly to higher anticipated revenue from the 2024 Budget Act policy to temporarily limit the use of the business tax credits.

**Sales and Use Tax**

- Forecasts the sales tax to be 1 percent or just under \$200 million, higher in the budget window relative to the 2024 Budget Act forecast. The small upward revision in the sales tax forecast was due to a slight upgrade in the economic outlook that has pushed taxable sales growth rates in 2024-25 and 2025-26 about a tenth of a percentage point higher.

## PUBLIC SAFETY

### Department of Corrections and Rehabilitation

- Provides \$13.9 billion (\$13.5 billion General Fund and \$365.4 million other funds) for CDCR in 2025-26, of which \$4.1 billion is for healthcare services for incarcerated individuals.
- Projects the average daily incarcerated population for 2024-25 to be 91,672 and 93,278 in 2025-26. However, even with the expected increase from Proposition 36, the population is still projected to continue its overall long-term downward trend to 90,998 in 2027-28. By comparison, the adult incarcerated prison population was 134,433 on January 1, 2025.
- Projects the average parolee population to be 34,940 in 2024-25 and is expected to decline to 35,671 in 2025-26. Proposition 36 is projected to slightly increase the parole population, which is anticipated to remain relatively stable over the next few years, falling to 33,756 by June 30, 2029.
- Excludes any new facility reductions or closures. Previously scheduled and completed closures and contract terminations since 2019 has resulted in approximately \$900 million in annual General Fund savings.
- Includes a commitment to “right sizing California’s prison system as the prison population declines, and to addressing space needs as the state transforms the carceral system to one more focused on rehabilitation.”
- Proposes \$7.8 million General Fund in 2025-26 and \$13 million in 2026-27 and ongoing for the San Quentin Rehabilitation Center to increase staffing, and add/expand rehabilitative programs, professional development, and dynamic security that embody the “California Model.”
- Includes a plan to offer increased levels of single celled housing at San Quentin, California Correctional Women’s Facility, and California Institution for Women.
- Includes \$32 million General Fund, growing to \$42.9 million in 2029-30 to increase contract rates and provide annual adjustments for 14 parole reentry contracts which include Day Reporting Centers, the Long-Term offender Reentry Recovery Program, Specialized Treatment for Optimized Programming (STOP), and community correctional reentry centers.

- Includes \$12.9 million General Fund in 2025-26 and 2026-27 to continue the Returning Home Well program to support transitional housing for people released from state prison.
- Provides the following increases to CDCR's existing initiatives:
  - \$37.1 million General Fund in 2025-26 and \$32.1 million ongoing thereafter for increased food costs and to implement California grown agricultural products as required by Chapter 576, Statutes of 2022 (AB 778).
  - \$23.6 million General Fund in 2025-26 and \$45.4 million in 2026-27 to initiate a pilot program at four prisons for an air cooling pilot program to evaluate the effectiveness of various air cooling alternatives.
  - \$23.1 million one-time General Fund in 2025-26 to complete ADA improvements at six prisons.
  - \$19.8 million ongoing General Fund beginning 2025-26 to replace and update existing public safety radio and communications equipment to meet operational and safety related standards.
- Provides the following increases related to health care:
  - \$13.5 million ongoing General Fund to address suicide watch workload, including funding overtime.
  - \$12.8 million one-time General Fund in 2025-26 for COVID-19 mitigation costs.
  - \$3 million General Fund and 13.4 positions in 2025-26 and \$4.4 million and 20.4 positions ongoing thereafter to staff the California Institution for Men 50 bed mental health crisis facility.
- Includes, as part of the 5 year infrastructure plan, \$102.1 million General Fund for study funds and seven projects related to fire and life safety upgrades.
- Proposes \$14.1 million General Fund for the California Health Care Facility Stockton-Potable Water treatment System, Ironwood State Prison potable water wells, Valley State Prison potable water wells, and statewide budget packages and advanced planning.
- Includes the following proposed efficiencies that total \$267.6 million in 2024-25, \$185.8 million in 2025-26, and \$193.6 million ongoing. The 2024 Budget Act included \$750 million in General Fund solutions from 2022-23 to 2024-25, and of

this amount, \$392.1 million was anticipated to be achieved through various efficiency reductions.

- \$14.2 million General Fund and 441.5 positions in 2024-25 and ongoing to eliminate vacant positions across various programs.
- \$33.1 million General Fund in 2024-25 and \$65.5 million ongoing thereafter for deactivations of one facility each at Wasco, North Kern, and Calipatria state prisons, and portions of two facilities at High Desert State Prison. The 2024 Budget Act had included an estimate of \$80 million ongoing savings from facility deactivations.
- \$17.2 million General Fund in 2024-25 and \$25.2 million ongoing thereafter to convert seven day posts to five day posts, resulting in the deactivation of third watch yard time.
- \$11.8 million General Fund in 2024-25 and \$15.4 million ongoing thereafter to reduce 93.9 positions that physically staff public entrances at most prisons.
- \$7.4 million in 2025-26 and \$15.3 million ongoing thereafter to transition 180 beds at the California Health Care Facility from the Correctional Treatment Center level to Long Term Care to better align with the needs of the patient population.
- \$5.3 million General fund in 2024-25 and \$7 million ongoing thereafter to convert restricted housing units to General Population at Corcoran State Prison.
- \$854,000 General Fund in 2024-25 and \$2 million ongoing thereafter for the conversion of a Restricted Custody General Population unit to an Enhanced Outpatient Program unit.
- \$1.2 million General Fund in 2024-25 and \$2.3 million ongoing thereafter for the Division of Adult Parole Operations redistricting plan by aligning staffing with caseloads within geographic areas.
- \$11 million General Fund in 2024-25 and \$22 million ongoing thereafter to implement various nursing training efficiencies; \$347,000 ongoing to standardize onboarding requirements and training for registry staff; and \$285,000 ongoing to facilitate more efficient delivery of leadership training.
- \$5.9 million General Fund in 2024-25 and \$11.8 million ongoing thereafter to phase out the golden legacy contract for medical parole.
- \$1.8 million ongoing to eliminate the Council on Criminal Justice and Behavioral Health.

- \$114 million one-time General Fund reversion in 2024-25 for previously appropriated funds for roof projects. These projects have not get begun and funds have been retained for the most urgent and critical needs.
- \$20.8 million one-time General Fund in 2024-25 for projected savings associated with the Integrated Substance Use Disorder Treatment Program.
- \$18.5 million one-time General Fund in 2024-25 for Hepatitis C treatment due to a reduction in projected patients.
- \$6.2 million one-time General Fund in 2024-25 to adjust Academy levels to align with current operations.
- \$4.6 million one-time General Fund in 2024-25 to delay the purchase of non-critical equipment related to healthcare information technology.
- \$95,000 one-time General Fund in 2024-25 for travel and training.
- \$2.3 million General Fund in 2023-24 and \$10.6 million ongoing thereafter for other efficiency measures related to unnecessary IT contracts, reducing use of leased vehicles, etc.

**Office of Inspector General**

- Provides \$52.4 million General Fund for the Office of Inspector General in 2025-26.
- Proposes \$3.6 million General Fund and 22 positions in 2025-26 and \$5.7 million and 29 positions ongoing thereafter for the implementation of Chapter 1012, Statutes of 2024 (SB 1069) to expand the monitoring of staff complaints of staff sexual misconduct filed by incarcerated people.

**Judicial Branch**

- Provides \$5 billion (\$3.1 billion General Fund and \$1.9 billion other funds) in 2025-26 for Judicial Branch operations, of which \$2.9 billion will support trial court operations.
- Includes \$6.3 million ongoing General Fund to support an increase to the hourly rate of appointed counsel at the Supreme Court and Courts of Appeal.
- Includes \$40 million ongoing General Fund for increased trial court operations costs.

- Separately, the 2024 Budget Act included a reduction of \$97 million General Fund to trial courts beginning in 2024-25 as part of the statewide operations reductions and the Administration now proposes to restore \$42 million of the proposed reduction beginning in 2024-25 by utilizing available reserves in the Trial Court Trust Fund on a one-time basis. The Administration intends to reassess the condition of the Trial Court Trust Fund in the spring to evaluate the need for a General Fund backfill.
- Includes an increase of \$28.7 million ongoing General Fund for trial court employee health benefits.
- Includes \$9.5 million one-time General Fund in 2025-26 for increased construction costs for the San Diego Hall of Justice, which is in addition to the \$29.7 million provided in the 2022 Budget Act.
- Includes \$5.4 million one-time General Fund in 2025-26 to complete the build out of lactation rooms in court facilities as required by Chapter 200, Statutes of 2022 (AB 1576).
- Includes, as part of the five-year infrastructure plan, \$2.5 billion (\$117.6 million General Fund and \$2.3 billion Public Building Construction Fund) over the next five years for study funds and eleven Judicial Branch projects identified as the most critical in the 2019 Facilities Reassessment.
- Includes \$39.8 million General Fund for the courthouse in the Juvenile Hall Addition and Renovation in Butte County, the new Solano Hall of Justice in Fairfield, the new Fresno Courthouse, the new San Luis Obispo Courthouse, the new Tracy Courthouse in San Joaquin County and statewide budget package and advanced planning.

**Department of Justice**

- Provides \$1.3 billion, including \$496 million General Fund, to support the Department of Justice.
- Provides \$3.2 million (\$2.7 million General Fund and \$519,000 Fingerprint Fees Account) and 26 positions in 2025-26 and ongoing for the Bureau of Firearms related to increased workload associated with the an increased number of concealed carry weapon permit applications as a result of the New York State Rifle & Pistol Association v. Bruen U.S Supreme Court decision.



- Provides \$11.4 million General Fund in 2025-26 for stage 3 of the Project Approval Lifecycle Process and initiated stage 4 for the Firearms Information Technology Systems Modernization Project.
- Includes \$2.54 million (\$2.3 million General Fund and \$100,000 special funds) and 7 positions in 2025-26 and \$1.2 million ongoing thereafter to implement recently chaptered legislation related to the storage, sale, transfer, and relinquishment of firearms.
- Proposes \$37 million General Fund in 2026-27, \$36 million in 2027-28, and \$35 million ongoing thereafter to backfill the DNA Identification Fund. The 2023 Budget Act provided a three year backfill through 2025-26.
- Includes \$1.9 million Special Fund (\$1.1 million Indian Gaming Special Distribution Fund and \$800,000 Gambling Control Fund) and 3 positions ongoing for DOJ to finish the License 2000 System Replacement Project and transition the project into maintenance and operations phase.
- Includes \$2.2 million (\$597,000 General Fund and \$1.6 million Unfair Competition Law Fund) and 9 positions in 2025-26, \$2.2 million in 2026-27, and ongoing thereafter to address workload from recently chaptered legislation related to Public Rights.

**Local Public Safety**

- Notes previous investments of approximately \$1.6 billion in public safety efforts since 2022-23 including the following:
  - \$532 million for community public safety
  - \$369.9 million for organized retail theft
  - \$311.8 million for gun violence
  - \$308.3 million for victim services
  - \$88 million to combat illicit drugs
- Estimates General Fund savings of \$88.3 million in Proposition 47 savings in 2025-26.
- Proposes \$126.5 million General Fund for county probation departments for the community Corrections Performance Incentive Grant and indicates an intention to

refine the SB 678 formula consistent with the goals of the original legislation, Chapter 608, Statutes of 2009 (SB 678).

**Office of Emergency Services**

- Maintains \$80 million one-time General Fund to implement the California State Nonprofit Security Grant Program, consistent with two-year funding commitment in the 2024 budget agreement. This program supports physical security enhancements to nonprofit organizations that have historically been targets of hate-motivated violence.
- Provides \$9.1 million from the Climate Bond for the Wildfire Mitigation Program, administered by the Office of Emergency Services and the Department of Forestry and Fire Protection, which offers financial assistance to vulnerable populations in wildfire-prone areas throughout the state for cost-effective structure hardening and retrofitting to create fire-resistant homes, as well as defensible space and vegetation management activities.
- Provides \$5 million ongoing General Fund to maintain the existing level of funding for the California Internet Crimes Against Children Task Forces, which helps state and local law enforcement agencies develop an effective response to child sexual exploitation facilitated by technology and combating underground child pornography rings.
- Shifts \$13 million prior General Fund obligation for Home Hardening to Climate Bond funding.
- Proposes \$3.2 million General Fund for the continuing Mather-Security Checkpoint Enhancement Project.

**Military Department**

- Includes, as part of the five year infrastructure plan, \$15.8 million (\$14.3 million General Fund and \$1.5 million Armory Fund) over the next five years for two readiness center projects and one youth classroom project.
- Includes \$1.2 million (\$419,000 General Fund and \$750,000 Armory Fund) for two projects at the Los Alamitos facility, including the STARBASE classroom building and the new Battalion Headquarters Readiness Center.

## SUMMARY OF CHARTS

### 2025-26 Governor's Budget General Fund Budget Summary

(Dollars in millions)

	2024-25	2025-26
<b>Prior Year Balance</b>	\$35,877	\$26,299
Revenues and Transfers	\$222,473	\$225,095
<b>Total Resources Available</b>	<b>\$258,350</b>	<b>\$251,394</b>
Non-Proposition 98 Expenditures	\$146,998	\$144,290
Proposition 98 Expenditures	\$85,053	\$84,602
<b>Total Expenditures</b>	<b>\$232,051</b>	<b>\$228,892</b>
<b>Fund Balance</b>	<b>\$26,299</b>	<b>\$22,502</b>
Reserve for Liquidation of Encumbrances	\$18,001	\$18,001
Special Fund for Economic Uncertainties	\$8,298	\$4,501
<b>Public School System Stabilization Account</b>	<b>\$1,157</b>	<b>\$1,533</b>
<b>Safety Net Reserve</b>	-	-
<b>Budget Stabilization Account / Rainy Day Fund</b>	<b>\$18,045</b>	<b>\$10,945</b>

**General Fund Expenditures by Agency**

(Dollars in millions)

	2024-25	2025-26	Dollar Change From 2024-25
Legislative, Judicial, Executive	\$10,862	\$8,198	-\$2,664
Business, Consumer Services & Housing	3,951	517	-3,434
Transportation	721	754	33
Natural Resources	8,164	5,426	-2,738
Environmental Protection	594	137	-457
Health and Human Services	76,248	83,385	7,137
Corrections and Rehabilitation	14,044	13,637	-407
K-12 Education	84,135	83,087	-1,048
Higher Education	23,064	23,324	260
Labor and Workforce Development	1,121	963	-158
Governmental Operations	3,778	3,590	-188
General Government:			
Non-Agency Departments	2,413	1,303	-1,110
Tax Relief/Local Government	653	556	-97
Statewide Expenditures	2,303	4,016	1,713
<b>Total</b>	<b>\$232,051</b>	<b>\$228,892</b>	<b>-\$3,159</b>

**General Fund Revenue Sources**

(Dollars in millions)

	2024-25	2025-26	Change from 2024-25	
			Dollar Change	Percent Change
Personal Income Tax	\$121,106	\$133,685	\$12,579	10.4%
Sales and Use Tax	34,110	35,121	1,011	3.0%
Corporation Tax	43,199	37,697	-5,502	-12.7%
Insurance Tax	4,064	4,341	277	6.8%
Alcoholic Beverage Taxes and Fees	423	428	5	1.2%
Cigarette Tax	37	35	-2	-5.4%
Motor Vehicle Fees	46	46	0	0.0%
Other	14,631	6,642	-7,989	-54.6%
<b>Subtotal</b>	<b>\$217,616</b>	<b>\$217,616</b>	<b>\$379</b>	<b>0.2%</b>
Transfer to the Budget Stabilization Account/Rainy Day Fund	4,857	7,100	2,243	46.2%
<b>Total</b>	<b>\$222,473</b>	<b>\$225,095</b>	<b>\$2,622</b>	<b>1.2%</b>