

# Fiscal Year 2025/26 State Governor's Budget Proposal Overview

Finance Department

**Finance Committee**  
February 12, 2025

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## BACKGROUND

- The State Constitution requires that the Governor submit a proposed budget to the Legislature annually by January 10 and requires that the Legislature pass a budget bill by June 15.
- Governor Newsom released the Fiscal Year 2025/26 State Governor's Budget proposal on January 10, 2025.
- The Governor's Budget serves as a starting point in the budget process.



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## OVERVIEW

- FY 2025-26 State Governor’s Budget proposal is balanced with a modest “surplus”.
- Assumes continued withdrawals from state budget reserves.
- Includes upgraded revenue forecast compared to the 2024 Budget Act.

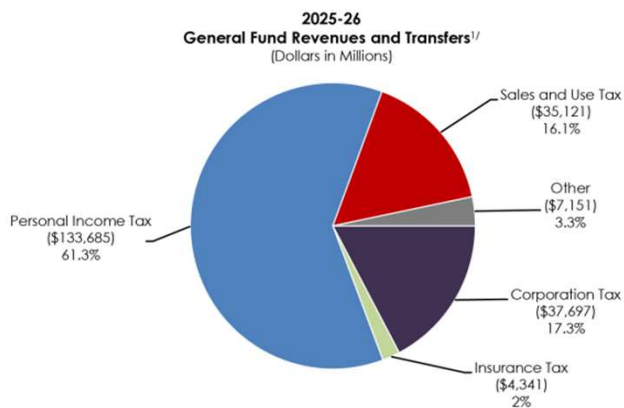
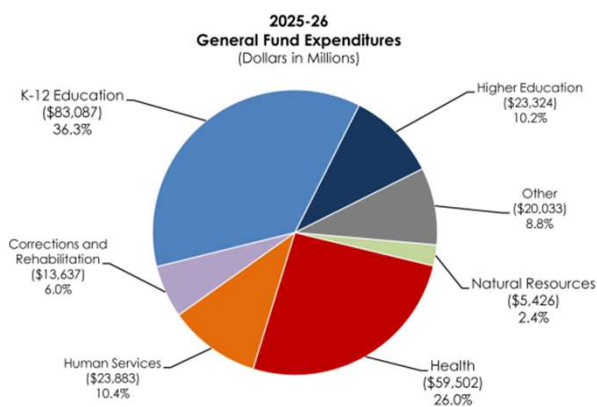


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## FY 2025/26 General Fund Expenditures and Revenues



<sup>1/</sup>Excludes \$7.1 billion transfer in from the Rainy Day Fund.



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## Budget Proposals

- Budget Reserves and Gann Limit Reforms
- Housing and Homelessness
- Climate Bond



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## Economic Forecasts

- **U.S. real GDP** is projected to grow at 1.5% to 2% annually, starting quarter 4 of 2024.
- **Annual average state inflation rate** in 2025 is projected at 2.3%, down from 2.6% in May 2024, due to lower gasoline prices in late 2024.
- **Projected job growth** between 2024 and 2027 is expected to be 0.1% higher than previously forecasted due to stronger-than-expected job growth and resilient labor market conditions.
- **Projected average wage growth** is projected to be 0.5% higher, due to the significant wage growth in the first half of 2024 in certain labor sectors.
- **Personal income growth** is projected to slow from 6.7% in 2024 to 4.2% percent in 2025, stabilizing at 4.6% - 4.7% through 2028.
- **Total housing permits** are projected to be 8% lower than the May 2024 estimate due to subdued permitting in 2024.



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# STRATEGIC PLAN ALIGNMENT

 **HIGH PERFORMING GOVERNMENT**

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## CROSS-CUTTING THREADS

**Community Trust**

**Equity**

**Innovation**


**Fiscal Responsibility**

**Sustainability and Resiliency**

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# RECOMMENDATION

That the Finance Committee receive a report on the Fiscal Year 2025/26 State Governor's Budget proposal.

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