

Overview of Governor’s Fiscal Year 2025-2026 Proposed Budget *County Administrative Office* *January 29, 2025*

On January 10, 2025, Governor Newsom released a \$322.2 billion budget proposal, a 10.6% increase from last year, that maintains continuity with significant multiyear program investments from recent budgets largely owing to a projected 2.7% revenue upgrade since the 2024 Budget Act attributable mostly to wage growth. The Governor’s Proposal delivers a balanced budget, however, by withdrawing \$7.1 billion from the Budget Stabilization Account (Rainy Day Fund), as planned during last year’s two-year budget framework. This amount represents 52% of the total available balance of \$23.3 billion over two years. The State did not need to identify additional one-time solutions beyond the \$11.9 billion reduction in spending or shifts in sources of funding, \$7.2 billion in delayed or deferred capital projects, and \$5.7 billion loan from special funds that it proposed last year as part of the two-year budget framework. The budget continues to pay down retirement liabilities and reflects remaining reserves of \$10.9 billion in the Budget Stabilization Account (Rainy Day Fund), \$1.5 billion in the Public School System Stabilization Account, and \$4.5 billion in the Special Fund for Economic Uncertainties. Given the uncertain economic outlook, this preserves California’s ability to respond in the event of a recession.

A summary of potential impacts of the Governor’s Fiscal Year 2025-2026 (FY26) Proposed Budget on the County of Monterey follows and includes departmental input. Though time for initial review is limited, state lawmakers’ response will continue to be monitored for relevant local impacts to incorporate throughout the budget process, culminating in the State’s May Revise and our Recommended Budget.

Public Safety

Inmate Intake and Release: Proposition 47 is estimated to produce savings of \$88.3 million due to reclassification of crimes and termination of contracts with prisons, and the existing formula allocates 65% to mental health and substance abuse programs, 25% to truancy dropout prevention, and 10% to victim services..

Community Probation: Funding includes \$126.5 million, an increase of \$12.9 million, in statewide incentive grants allocated under SB 678 revocation rate performance metrics and \$4.4 million for Post Release Community Supervision.

Cannabis Proposition 64: The Governor’s Budget Proposal estimates \$468.2 million, a decrease of \$100.7 million, will be available to fund youth education and treatment (60%), environmental enforcement and clean up from illegal cultivation (20%) and public safety activities (20%) according to an existing formula.

Health and Human Services

CalWORKS & IHSS: The monthly CalWORKS program caseload is estimated to be 361,834 families with expenditures of \$6.4 billion and a 0.2% increase to Maximum Aid Payment levels at a cost of \$9.1 million from the 1991 Local Revenue Fund Child Poverty and Family Supplemental Support Subaccount. A \$44.5 million decrease in CalWORKS Single Allocation due to lower projected Employment Services caseloads. The proposal estimates an IHSS budget of \$28.5 billion with an increased caseload of 771,650.

Climate Change and Infrastructure

In past budgets, Governor Newsom proposed a broad vision for pandemic economic recovery centered around multifaceted infrastructure investments that support climate goals, housing, and workforce development. Most of last year’s solutions to balance the budget targeted these areas, with approximately \$11 billion in reductions, deferrals and loans under climate and transportation programs. Voters passed Proposition 4 in November, however, providing \$10 billion in funding for these priorities.

Climate Change Mitigation: The Governor proposes implementing \$2.7 billion in the first year of the bond for water and wildfire resilience, including \$231.5 million for local dam safety project grants and \$510.1 million for infrastructure and treatment to support safe and reliable drinking water. Another \$220.8 is suggested for various local grant programs to address wildfire resilience and \$64.4 million for community resilience to extreme heat efforts.

Smart Agriculture: The proposal plans to provide \$134 million from the climate bond to aid farmers and ranchers in transitioning to more efficient practices by replacing equipment or implementing irrigation systems, soil carbon sequestration, livestock methane reduction and pollinator habitats.

This overview serves to briefly highlight significant areas of potential impact to Monterey County from the Governor’s FY26 Proposed Budget and is not an exhaustive analysis. A more thorough summary from the California State Association of Counties (CSAC) is attached. Departments can also provide more detailed insight of potential impacts to their corresponding programmatic areas.