

CA Budget Time Again: Small Surplus is Back But Catastrophic Needs Ahead

01.11.25 | Linda J. Rosenthal, JD



Each year, by January 10th, the California governor must release a proposed budget for the upcoming fiscal year beginning in the summer.

That constitutionally mandated first step starts up a carefully regimented, six-month-long, dance between the state’s executive and legislative branches. By the end of June, there must be a balanced budget enacted and signed into law for the fiscal year from July 1st – June 30th. See [California Budget Process](#).

Remarkably, it happens each year – albeit against dramatic shifts between surpluses and deficits. We’ve covered this annual story for several years. See, most recently, [CA Budget FY ‘24-’25: A Big Deal For Nonprofits](#) (January 29, 2024); [The Governor’s Budget & CA’s Nonprofits](#) (February 5, 2024); [Home Stretch: Nonprofit Advocacy on 2024-25 CA Budget](#) (May 30, 2024); and [CA Balanced-Budget Deal Reached](#) (June 23, 2024). These 2024 posts (record deficits) included: comprehensive explanations of the budget process and requirements; links to posts from 2023 (deficits) and 2022 (record surpluses); and how and why the yearly budget negotiations are followed so closely by the state’s nonprofit sector.

The New Budget

On Monday, January 6, 2025, Governor Gavin Newsom “previewed topline of this year’s state budget – a balanced spending plan that makes government more efficient, increases accountability, and improves the safety, health, and well-being of Californians.” He explained that the state is back in (modest) surplus financial territory. However, the proposed budget with preliminary revenue estimates should be viewed as subject to considerable re-evaluation. Among the reasons for that anticipated flexibility, the governor said, is the expected fallout from the change of administration in

Washington, D.C. There will likely be spending to safeguard California and Californians against threatened federal budget cuts and to push back against new policy initiatives. See [Governor Newsom continues delivering a new bold economic vision for California, previews balanced 2025-26 state budget](#) (January 6, 2025) *Governor's Office News Release*.

On Friday, January 10, 2025, the Governor's Office and the Department of Finance released the official budget-proposal legislative package that is now sent on to the Assembly and Senate for use in beginning their work:

- [Governor Newsom sends 2025-26 budget plan to Legislature](#) (January 10, 2025) *Governor's Office News Release*
- [Governor Newsom's 2025-26 State Budget Proposal](#) (January 10, 2025) *YouTube* (1:50:55) – [California Director of Finance Joe Stephenshaw holds a media briefing to provide details of Governor Gavin Newsom's 2025-26 state budget proposal]
- Governor's Budget summary document (full text) is at www.ebudget.ca.gov.
- [Brace yourselves, here comes another CA budget proposal](#) (January 10, 2025) Lynn La, *Cal Matters*

By then, of course, the enormity of the wildfire disaster (still in progress) in Southern California was unfolding.

Conclusion

In past years, our January coverage began with a deep dive into the proposed figures, the likely contours of the months of negotiations ahead, and early reaction from the nonprofit community, economists, and other experts.

This time, estimates of unprecedented losses as well as overwhelming new needs make the usual first-look commentary of the proposed 2025-2026 budget numbers largely irrelevant for now.

— *Linda J. Rosenthal, J.D., FPLG Information & Research Director*