

# BUDGET LETTER

<b>SUBJECT:</b> 2026-27 PRICE LETTER	<b>NUMBER:</b> 25-22
<b>REFERENCES:</b> BUDGET LETTERS 25-06 AND 25-16 GOVERNMENT CODE SECTION 11019.10	<b>DATE ISSUED:</b> AUGUST 27, 2025
	<b>SUPERSEDES:</b> BL 24-26

TO: Agency Secretaries  
Department Directors  
Department Budget and Accounting Officers  
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

Chapter 12 of the 2009-10 Fourth Extraordinary Session added Section 11019.10 to the Government Code, specifying that "except as provided in the Budget Act and implementing statutes, no automatic increases shall be provided to the University of California, California State University, the state courts, or to state agency operations, including, but not limited to, annual price increases to state departments and agencies." Therefore, no automatic baseline adjustments to departmental operating budgets for price increases will be made.

Consistent with the 2026-27 Budget Policy (Budget Letter [BL] 25-16) and to improve budget accuracy, transparency, and accountability, each department is expected to adjust its budget to reflect the most realistic assessment of its own expenditures for personal services, staff benefits, and operating expenses and equipment. Departments should use information provided in this BL and knowledge of its own contractual commitments and cost drivers to estimate costs in 2026-27. If the adjusted line-item expenses cannot be funded with the total funding allowed, each department must adjust its expenditure plans to bring them in line with available funding. This may involve creating efficiencies, negotiating price reductions, or reducing activities and operations, including changes in departmental program responsibilities and staffing. Instructions for baseline budget adjustments are provided in BL 25-06 and various employee compensation Budget Letters (at the time of this writing, the employee compensation and retirement budget letters are pending issuance). Departments are responsible for creating effective plans while achieving the department's most important core missions and documenting the plans as part of the base budget development process. The price adjustment factors included in Attachment 1 are provided for departments' reference, planning, and detailed budget-building purposes only. The population projections on Attachment 2 are based on May Revision estimates; updated population data will be available by January 2026.

The Price Letter does not cover the price of goods and services included in the Department of General Services' (DGS) annual Price Book, which is available from the Office of Fiscal Services' [website](#). The Price Book reflecting the rates for the current year and proposed rates for the budget year will be posted by DGS on its website once available. If you have questions regarding the Price Book, please contact DGS, Office of Fiscal Services, Budget and Planning Section, 707 3<sup>rd</sup> Street, West Sacramento, CA 95605, or email Heather Carlson at [Heather.Carlson@dgs.ca.gov](mailto:Heather.Carlson@dgs.ca.gov).

/s/Danamona Adrianarimanana

Danamona Adrianarimanana  
Program Budget Manager

PRICE LETTER STANDARDS  
2026-27

PRICE ADJUSTMENT FACTOR SUMMARY  
(See following text for specific instructions)

Account Category Line-Item Object (AC) Code		2025-26	2026-27
<b>Personal Services</b>			
5150500	OASDI	6.2% of wages. Ceiling of \$179,700 <sup>a</sup> .	6.2% of wages. Ceiling of \$184,650 <sup>a</sup> .
5150450	Medicare	1.45% of wages. No ceiling.	1.45% of wages. No ceiling.
5150350	Health Benefits-Public Employees	CalPERS average rates will increase by 8.21% on January 1, 2026.	
5150600	Retirement-Public Employees	<b>8.14%<sup>b</sup></b>	<b>-0.49%<sup>b</sup></b>
<b>Operating Expenses</b>			
5304700	Telephone	c, d	d
5306100	Postage	d	d
5320230	In-State Travel Per Diem	e	e
5326100	Electricity	d	d
5326400	Natural Gas <sup>f</sup>	41.3%	60.8%
5326300	Liquid Petroleum Gas <sup>f</sup>	-11.6%	-9.5%
5340310	Attorney General Services	d	d
5344000	Data Center Services	d	d
5390150	Clothing and Personal Supplies <sup>f</sup>	7.0%	7.8%
5340290	Medical Care <sup>f</sup>	6.9%	11.4%

<sup>a</sup> The tax base for the calendar year 2025 is \$176,100 per information published on ssa.gov. Wage bases of \$183,300 and \$186,000 are used for calendar years 2026 and 2027, respectively, to determine an average maximum for planning purposes. These numbers reflect a fiscal year equivalent of calendar year estimates.

<sup>b</sup> This is the average year-over-year change for all plans. Instructions for this item are provided in the yearly Employer Retirement Contributions Budget Letter.

<sup>c</sup> Budget at current rates.

<sup>d</sup> See following text for detail.

<sup>e</sup> See the In-State Travel Per Diem section.

<sup>f</sup> See following text for detail. Percentage change from the 2024-25 fiscal year.

PRICE ADJUSTMENT FACTOR SUMMARY  
(See following text for specific instructions)

Account Category (AC) Code	Line-Item Object	2025-26	2026-27
5390250	Foodstuffs <sup>h</sup>	4.0%	7.5%

AC Code	Line-Item Object	2025-26	2026-27 <sup>i</sup>
	<b>Operating Expenses</b>		
5390350	Laundry <sup>g</sup>		
	All institutions.		
	Standard Laundry	\$0.91/lb.	<sup>g</sup>
	Healthcare Laundry	\$0.99/lb	
	California Consumer Price Index - All Urban Consumers <sup>h</sup>	4.2%	7.5%

## OPERATING EXPENSES

### TELEPHONE

The California Department of Technology provides a full range of telecommunications services at competitive rates through its CALNET Next Gen Master Service Agreement. Product descriptions and pricing information are available on the CALNET [website](#).

### POSTAGE

The latest postal rates, which went into effect on January 19, 2025, are available at most post office branches, as well as the United States Postal Service [website](#).

Current major postage rates, effective since January 19, 2025, are as follows:

First-Class letter:	
1 oz.	73 cents
Postcard	56 cents
Priority Mail (Flat Rate Envelope):	\$10.10
Priority Mail Express (Flat Rate Envelope):	\$31.40

<sup>g</sup> See following text for details.

<sup>h</sup> Percentage price Increases are relative to fiscal year 2024-25.

<sup>i</sup> Prices do not include transportation charges, which are based on mileage. See following text for detail.

## IN-STATE TRAVEL PER DIEM

For 2025-26 and 2026-27, the reimbursement for lodging, meals and incidentals, and mileage for Rank and File and all non-represented employees should be budgeted as follows:

### Short Term Lodging Rate

County:	Up to:
Standard Rate applies for all locations without specified rates	\$110
Alameda	\$145
City limits of Santa Monica	\$273
Contra Costa	\$147
El Dorado	\$171
Fresno	\$129
Humboldt	\$172
Inyo / NAWS China Lake	\$142
Kern	\$132
Los Angeles / Orange / Ventura / Edwards AFB less the city of Santa Monica	\$191
Madera	\$135
Marin	\$175
Mariposa	\$181
Mendocino	\$129
Mono	\$139
Monterey	\$279
Napa	\$246
Nevada	\$173
Placer	\$131
Riverside	\$141
Sacramento	\$150
San Bernardino	\$124
San Diego	\$237
San Francisco	\$272
San Joaquin	\$132
San Luis Obispo	\$203
San Mateo	\$183
Santa Barbara	\$262
Santa Clara	\$192
Santa Cruz	\$176
Sonoma	\$157
Tulare	\$131
Yolo	\$142

**Source:** Human Resources Manual 2203 - Allowances and Travel Reimbursements.

Reimbursements will be the actual lodging expense, *supported by a receipt*, up to the amount listed above, plus tax.

### Meals and Incidentals

- up to \$16.00 for breakfast
- up to \$19.00 for lunch

- up to \$28.00 for dinner
- up to \$5.00 for incidentals

**Mileage** 70 cents per mile (Calendar year 2025)

Actual rates are determined by collective bargaining agreements and may vary by bargaining unit. Departments are advised to use the above rates for budgeting purposes but should also monitor related notifications from the California Department of Human Resources for changes resulting from collective bargaining.

## **ELECTRICITY**

All the major electric utilities have several rate schedules, which are based upon the customer's maximum kilowatt demand and tend to increase costs to the customer as maximum demand increases. Departments should verify that they are being billed on the correct schedule and make every reasonable effort to reduce its maximum demand. The utilities are willing and able to offer advice in this area.

The overall electrical rates charged by major investor-owned and municipal utilities are expected to change from 2024-25 rates as follows:

	<b>2025-26</b>	<b>2026-27</b>
Pacific Gas & Electric Company	4.0%	1.5%
Southern California Edison	8.3%	12.3%
San Diego Gas and Electric Company	4.9%	1.4%
Los Angeles Dept. of Water & Power	9.4%	20.8%
Sacramento Municipal Utility District	5.7%	6.5%

## **NATURAL GAS**

Natural gas should be budgeted for 2025-26 and 2026-27 assuming price changes of 41.3 percent and 60.8 percent, respectively, from 2024-25 actual prices. Prices for 2024-25 decreased by 26.1 percent from 2023-24 levels, following a 64.2-percent increase in 2023-24 from 2022-23 levels.

## **LIQUID PETROLEUM GAS**

Departments are advised to budget liquefied petroleum gas in 2025-26 and 2026-27 assuming a price change of -11.6 percent and -9.5 percent from 2024-25 actual prices, respectively. Departments should budget fuel oil at current market rates. Prices for 2024-25 decreased by 11.7 percent from 2023-24 levels, following a 3.0 percent decrease in 2023-24 from 2022-23 levels.

## **ATTORNEY GENERAL SERVICES**

State departments receiving legal services from the Department of Justice are advised to budget \$228 per hour for attorney services, \$213 per hour for paralegal services, and \$202 per hour for analyst services (auditor and research analyst) for 2025-26.

## **CALIFORNIA DEPARTMENT OF TECHNOLOGY**

The California Department of Technology (CDT) billing rate schedule can be found on the department's [website](#).

In addition, the Rates and Cost Recovery Branch personnel are available to assist with cost estimates associated with CDT services. For more information, departments may contact Rates and Cost Recovery at (916) 431-3617 or [billing@state.ca.gov](mailto:billing@state.ca.gov).

Please note: Departments that have significant changes in the utilization of CDT services need to submit budget change proposals to address their needs.

Electronic invoices through CalTABS will be published online 10 business days after the end of each billing period, and an electronic file to the State Controller's Office (SCO) for the direct transfer process will occur 1-3 business days following the release of the invoices.

SCO will provide departmental accounting units with a journal entry upon completion of the direct transfer transaction. Departments electing to continue to process an IAA for the purpose of encumbering funds may do so. For additional information regarding IAAs, departments may contact the IAA Processing Analyst at (916) 857-9656, or by email at [iaaprocessinganalyst@state.ca.gov](mailto:iaaprocessinganalyst@state.ca.gov).

## **CLOTHING AND PERSONAL SUPPLIES**

Clothing and personal supplies should be budgeted for 2025-26 and 2026-27 at 7.0 percent below and 7.8 percent above 2024-25 actual expenditures, respectively.

## **MEDICAL CARE**

Departments should budget contract items at current prices. Budget the remaining items for 2025-26 and 2026-27 at 6.9 percent and 11.4 percent, respectively, above 2024-25 actual expenditures.

## **FOODSTUFFS**

Departments should budget feeding costs for 2025-26 and 2026-27 at 4.0 percent and 7.5 percent, respectively, above 2024-25 actual expenditures.

## **LAUNDRY**

Laundry prices for departments served by state correctional institutions should be budgeted as follows:

<b>Service</b>	<b>2025-26</b>
All institutions	
Standard Laundry	\$0.91/lb
Healthcare Laundry	\$0.99/lb

These prices do not include mileage-based transportation costs and stop fees, which are as follows:

Transportation rates: 1 to 5 full carts \$8.55 (Applies to round trip mileage)

6 to 15 full carts \$6.95 (Applies to round trip mileage)

16 full carts to full trailer \$3.85 (Applies to round trip mileage)

Stop fees: \$80 for each stop point.

At the time this letter was prepared, the Prison Industry Authority did not have the estimated increases for 2026-27 available.

## **CONSUMER PRICE INFLATION**

The Economic Research Unit of the Department of Finance forecasts the California Consumer Price Index for all urban consumers (CPI-U) and several other price indexes in January and May. The most current California CPI-U forecast, based on the 2025-26 May Revision forecast, projects that overall consumer prices will rise by 4.2 percent and 7.5 percent in 2025-26 and 2026-27, respectively, over 2024-25 prices. However, departments are advised that while the CPI-U is believed to represent overall consumer prices, this index may be inappropriate for use in predicting the inflation trends for certain types of purchases. As an alternative, the U.S. state and local government implicit deflator may be used. This index is estimated to increase by 3.4 percent and 6.8 percent in 2025-26 and 2026-27, respectively, over 2024-25 levels. For questions or more information on price indices and cost of living adjustment factors, departments may contact the Economic Research Unit at [Somjita.Mitra@dof.ca.gov](mailto:Somjita.Mitra@dof.ca.gov).

**POPULATION**

California's total population on July 1, 2025, is projected at 39,606,624—an increase of 79,112 over the number residing in the state on the same date in the previous year. The civilian population on July 1, 2025—the essential figure for most budget computations—is projected to reach 39,450,703. Current projections for mid-year 2026 anticipate the civilian population to grow modestly compared to the prior year. The total population as of July 1, 2026, is expected to be 39,697,997, of which 39,542,076 are civilians. These data are summarized in Table 1.

Table 1. ESTIMATED POPULATION OF CALIFORNIA: 2020-2027 (in thousands, rounded down)				
1-Jul	Total Population	Civilian Population	One Year Change	
			Total	Civilian
2020	39,541	39,381		
2021	39,270	39,106	-271	-276
2022	39,261	39,102	-9	-4
2023	39,341	39,185	80	83
2024	39,528	39,372	186	187
2025	39,607	39,451	79	79
2026	39,698	39,542	91	91
2027	39,803	39,647	105	105



Table 2 shows the civilian population for the years 2020 through 2027 distributed by five-year age groups. This distribution is based upon the results of the April 1, 2020, decennial census and the most recent Department of Finance estimates and projection series as of July 2025. For questions or more information on population numbers, departments may contact the Demographic Research Unit at [Walter.Schwarm@dof.ca.gov](mailto:Walter.Schwarm@dof.ca.gov).

Table 2. ESTIMATES OF CALIFORNIA'S CIVILIAN POPULATION BY AGE								
Age in Years	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027
0-4	2,378	2,275	2,204	2,139	2,072	2,018	1,995	1,958
5-9	2,543	2,516	2,492	2,452	2,403	2,339	2,255	2,193
10-14	2,666	2,626	2,578	2,538	2,517	2,512	2,502	2,484
15-19	2,597	2,699	2,811	2,861	2,886	2,881	2,847	2,802
20-24	2,530	2,407	2,361	2,415	2,516	2,661	2,826	2,979
25-29	2,927	2,760	2,609	2,446	2,276	2,133	2,033	1,997
30-34	2,982	2,994	3,008	2,997	2,973	2,872	2,745	2,609
35-39	2,811	2,795	2,800	2,826	2,875	2,920	2,970	2,995
40-44	2,550	2,578	2,623	2,676	2,729	2,754	2,770	2,786
45-49	2,465	2,404	2,390	2,407	2,449	2,489	2,542	2,596
50-54	2,470	2,470	2,466	2,451	2,434	2,398	2,360	2,354
55-59	2,464	2,422	2,390	2,369	2,368	2,379	2,403	2,410
60-64	2,271	2,288	2,306	2,324	2,345	2,340	2,319	2,294
65+	5,727	5,871	6,064	6,284	6,528	6,754	6,975	7,190
Total	39,381	39,106	39,102	39,185	39,372	39,451	39,542	39,647