

BUDGET LETTER

		NUMBER: 26-21
SUBJECT:	2027-28 PRICE LETTER	DATE ISSUED: September 1, 2026
REFERENCES:	BUDGET LETTERS 26-06 AND 26-10 GOVERNMENT CODE SECTION 11019.10	SUPERSEDES: BL 25-22

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 2027-28 Budget Policy (Budget Letter [BL] 26-10) 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 the information provided in this BL and their knowledge of their own contractual commitments and cost drivers to estimate costs in 2027-28. 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. Instructions for baseline budget adjustments are provided in BL 26-06 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 2027.

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 3rd Street, West Sacramento, CA 95605, or email Heather Carlson at Heather.Carlson@dgs.ca.gov.

/s/Danamona Andrianarimanana

Danamona Andrianarimanana
Program Budget Manager

Attachment

PRICE LETTER STANDARDS
2027-28

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

Account Category (AC) Code	Line-Item Object	2026-27	2027-28
Personal Services			
5150500	OASDI	6.2% of wages. Ceiling of \$187,500 ^a .	6.2% of wages. Ceiling of \$193,050 ^a .
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 4.98% on January 1, 2027.	
5150600	Retirement-Public Employees	-0.70%^b	0.62%^b
Operating Expenses			
5304700	Telephone	c, d	d
5306100	Postage	d	d
5320230	In-State Travel Per Diem	e	e
5326100	Electricity	d	d
5326400	Natural Gas ^f	13.6%	35.7%
5326300	Liquid Petroleum Gas ^f	-6.7%	-13.7%
5340310	Attorney General Services	d	d
5344000	Data Center Services	d	d
5390150	Clothing and Personal Supplies ^f	3.2%	4.3%
5340290	Medical Care ^f	3.9%	7.2%
5390250	Foodstuffs ^h	3.7%	7.2%

^a The tax base for the calendar year 2026 is \$184,500 per information published on ssa.gov. Wage bases of \$190,500 and \$195,600 are used for calendar years 2027 and 2028, respectively, to determine an average maximum for planning purposes. These numbers reflect a fiscal year equivalent of calendar year estimates.

^b 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.

^c Budget at current rates.

^d See following text for detail.

^e See the In-State Travel Per Diem section.

^f See following text for detail. Percentage change from the 2025-26 fiscal year.

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

Account Category (AC) Code	Line-Item Object	2026-27	2027-28
	Operating Expenses		
5390350	Laundry ¹		
	All institutions.		
	Standard Laundry	\$0.91/lb.	^g
	Healthcare Laundry	\$0.99/lb.	
	California Consumer Price Index - All Urban Consumers ^h	3.9%	6.9%

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 July 12, 2026, are available at most post office branches, as well as on the United States Postal Service [website](#).

Current major postage rates, effective since July 12, 2026, are as follows:

First-Class letter:	
1 oz.	82 cents
Postcard	65 cents
Priority Mail (Flat Rate Envelope):	\$12.90
Priority Mail Express (Flat Rate Envelope):	\$35.90

^g See following text for details.

^h Percentage price Increases are relative to fiscal year 2025-26.

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

IN-STATE TRAVEL PER DIEM

The latest maximum rates reimbursement for lodging, meals and incidentals, and mileage for Rank and File and all non-represented employees can be found in the [Human Resources Manual 2203 – Allowances and Travel Reimbursements](#). Reimbursements will be the actual expense, supported by a receipt, up to the maximum rate found in the Human Resources Manual.

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 their 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 2025-26 rates as follows:

	2026-27	2027-28
Pacific Gas & Electric Company	4.6%	3.6%
Southern California Edison	0.5%	4.4%
San Diego Gas and Electric Company	5.4%	6.5%
Los Angeles Dept. of Water & Power	10.2%	31.3%
Sacramento Municipal Utility District	3.0%	6.1%

NATURAL GAS

Natural gas should be budgeted for 2026-27 and 2027-28, assuming price changes of 13.6 percent and 35.7 percent, respectively, from 2025-26 actual prices. Prices for 2025-26 decreased by 7.6 percent from 2024-25 levels, following a 20.6-percent increase in 2024-25 from 2023-24 levels.

LIQUID PETROLEUM GAS

Departments are advised to budget liquefied petroleum gas in 2026-27 and 2027-28, assuming a price change of -6.7 percent and -13.7 percent from 2025-26 actual prices, respectively. Prices for 2025-26 increased by 4.6 percent from 2024-25 levels, following a 10.6-percent decrease in 2024-25 from 2023-24 levels.

Departments should budget fuel oil at current market rates.

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 2026-27.

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.

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.

CLOTHING AND PERSONAL SUPPLIES

Clothing and personal supplies should be budgeted for 2026-27 and 2027-28 at 3.2 percent above and 4.3 percent above 2025-26 actual expenditures, respectively.

MEDICAL CARE

Departments should budget contract items at current prices. Budget the remaining items for 2026-27 and 2027-28 at 3.9 percent and 7.2 percent, respectively, above 2025-26 actual expenditures.

FOODSTUFFS

Departments should budget feeding costs for 2026-27 and 2027-28 at 3.7 percent and 7.2percent, respectively, above 2025-26 actual expenditures.

LAUNDRY

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

Service	2026-27
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 2027-28 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 2026-27 May Revision forecast, projects that overall consumer prices will rise by 3.9 percent and 6.9 percent in 2026-27 and 2027-28, respectively, over 2025-26 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 3.0 percent in 2026-27 over 2025-26 levels and 3.1 percent in 2027-28 over 2026-27 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.

POPULATION

California's total population on July 1, 2026, is projected at 39,633,107—an increase of 38,418 over the number residing in the state on the same date in the previous year. The civilian population on July 1, 2026—the essential figure for most budget computations—is projected to reach 39,477,186. Current projections for mid-year 2027 anticipate the civilian population to grow modestly compared to the prior year. The total population as of July 1, 2027, is expected to be 39,691,688, of which 39,535,767 are civilians. These data are summarized in Table 1.

Table 1. ESTIMATED POPULATION OF CALIFORNIA: 2021-2028 (in thousands, rounded down)				
1-Jul	Total Population	Civilian Population	One Year Change	
			Total	Civilian
2021	39,261	39,097		
2022	39,213	39,055	-48	-42
2023	39,348	39,191	134	137
2024	39,595	39,439	247	248
2025	39,595	39,439	0	0
2026	39,633	39,477	38	38
2027	39,692	39,536	59	59
2028	39,766	39,610	74	74

Table 2 shows the civilian population for the years 2021 through 2028 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 2026. For questions or more information on population numbers, departments may contact the Demographic Research Unit at Walter.Schwarm@dof.ca.gov.

Table 2. ESTIMATES OF CALIFORNIA'S CIVILIAN POPULATION BY AGE								
Age in Years	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
0-4	2,386	2,283	2,212	2,150	2,095	2,041	2,010	1,975
5-9	2,546	2,522	2,500	2,466	2,429	2,365	2,279	2,214
10-14	2,673	2,634	2,587	2,551	2,541	2,533	2,518	2,498
15-19	2,612	2,713	2,821	2,874	2,921	2,930	2,907	2,854
20-24	2,524	2,405	2,367	2,427	2,543	2,663	2,805	2,948
25-29	2,914	2,752	2,606	2,462	2,314	2,160	2,049	1,998
30-34	2,979	2,990	2,997	2,991	2,958	2,845	2,717	2,584
35-39	2,801	2,785	2,788	2,819	2,871	2,907	2,952	2,973
40-44	2,544	2,571	2,610	2,665	2,715	2,727	2,743	2,758
45-49	2,458	2,396	2,376	2,393	2,429	2,460	2,511	2,562
50-54	2,462	2,460	2,450	2,437	2,413	2,367	2,327	2,319
55-59	2,468	2,421	2,381	2,358	2,353	2,357	2,375	2,376
60-64	2,277	2,290	2,303	2,323	2,344	2,336	2,310	2,281
65+	5,737	5,876	6,056	6,275	6,514	6,747	6,974	7,195
Total	39,382	39,097	39,055	39,191	39,439	39,439	39,477	39,536