

# BUDGET LETTER

<b>NUMBER:</b> 24-26	
<b>SUBJECT:</b> 2025-26 PRICE LETTER	<b>DATE ISSUED:</b> September 16, 2024
<b>REFERENCES:</b> BUDGET LETTERS 24-08, 24-09, 24-10, AND 24-21 GOVERNMENT CODE SECTION 11019.10	<b>SUPERSEDES:</b> BL 23-22

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 2025-26 Budget Policy (Budget Letter [BL] 24-21) 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 2025-26. 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. In line with Budget Letter [BL] 24-10 Government Efficiency Reductions, beginning in 2024-25 and ongoing, agencies and departments' state operations budgets will be reduced by up to 7.95 percent, which includes, but is not limited to, personal services, operating expenses and equipment, and consulting and professional services funded through General Fund and/or Other Funds. Instructions for baseline budget adjustments are provided in BL 24-09 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 2025.

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/Erica Gonzales

Erica Gonzales  
Program Budget Manager

PRICE LETTER STANDARDS  
2025-26

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

<b>Account Category (AC) Code</b>	<b>Line-Item Object</b>	<b>2024-25</b>	<b>2025-26</b>
<b>Personal Services</b>			
5150500	OASDI	6.2% of wages. Ceiling of \$171,750 <sup>a</sup> .	6.2% of wages. Ceiling of \$176,700 <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 10.79% on January 1, 2025.	
5150600	Retirement-Public Employees	<b>-8.19%</b> <sup>b</sup>	<b>7.99%</b> <sup>b</sup>
<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>	-5.5%	16%
5326300	Liquid Petroleum Gas <sup>f</sup>	-5.3%	-8.7%

<sup>a</sup> The tax base for the calendar year 2024 is \$168,600 per information published on ssa.gov. Wage bases of \$174,900 and \$178,500 are used for calendar years 2025 and 2026, 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> Prices do not include transportation charges, which are based on mileage. See following text for detail. Percentage change from the 2023-24 fiscal year unless specified otherwise.

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

Account Category (AC) Code	Line-Item Object	2024-25	2025-26
5340310	Attorney General Services	g	g
5344000	Data Center Services	g	g
5390150	Clothing and Personal Supplies <sup>h</sup>	-0.9%	-2.5%
5340290	Medical Care <sup>h</sup>	3.8%	7.6%
5390250	Foodstuffs <sup>h</sup>	2.7%	5.2%

AC Code	Line-Item Object	2024-25	2025-26 <sup>i</sup>
	<b>Operating Expenses</b>		
5390350	Laundry <sup>i</sup>		
	All institutions except for CVSP, ISP, & PBSP.		
	Standard Laundry	\$0.81/lb	g
	Healthcare Laundry	\$0.93/lb	
	For CVSP, ISP, PBSP, and institutions using CALPIA as a backup laundry service.		
	Standard Laundry	\$0.85/lb	g
	Healthcare Laundry	\$0.97/lb	
	California Consumer Price Index - All Urban Consumers <sup>h</sup>	3.0%	5.7%

**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 14, 2024, are available at most post office branches, as well as the United States Postal Service [website](#).

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

<sup>h</sup> Percentage price Increases are relative to fiscal year 2023-24, unless otherwise specified.

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

Current major postage rates, effective since July 14, 2024, are as follows:

First-Class letter: 1 oz.	73 cents
Postcard	56 cents
Priority Mail (Flat Rate Envelope):	\$9.85
Priority Mail Express (Flat Rate Envelope):	\$30.45

## IN-STATE TRAVEL PER DIEM

For 2024-25 and 2025-26, 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

- **All counties/cities located in California** (except for those noted separately below):  
Actual lodging expense, supported by a receipt, up to **\$107/night**, plus tax.
- **Alameda County**  
Actual lodging expense, supported by a receipt, up to **\$189/night**, plus tax.
- **City of Santa Monica**  
Actual lodging expense, supported by a receipt, up to **\$270/night**, plus tax.
- **Los Angeles, Orange, and Ventura Counties and Edwards Air Force Base**, excluding the city of Santa Monica. Actual lodging expense, supported by a receipt, up to **\$169/night**, plus tax.
- **Marin County**  
Actual lodging expense, supported by a receipt, up to **\$166/night**, plus tax.
- **Monterey County**  
Actual lodging expense, supported by a receipt, up to **\$184/night**, plus tax.
- **Napa County**  
Actual lodging expense, supported by a receipt, up to **\$195/night**, plus tax.
- **Riverside County**  
Actual lodging expense, supported by a receipt, up to **\$142/night**, plus tax.
- **Sacramento County**  
Actual lodging expense, supported by a receipt, up to **\$145/night**, plus tax.
- **San Diego County**

Actual lodging expense, supported by a receipt, up to **\$194/night**, plus tax.

- **San Francisco City and County**  
Actual lodging expense, supported by a receipt, up to **\$270/night**, plus tax.
- **San Mateo County**  
Actual lodging expense, supported by a receipt, up to **\$222/night**, plus tax.
- **Santa Clara County**  
Actual lodging expense, supported by a receipt, up to **\$245/night**, plus tax.

**Meals and Incidentals**

- up to \$13.00 for breakfast
- up to \$15.00 for lunch
- up to \$26.00 for dinner
- up to \$5.00 for incidentals

**Mileage** 67 cents per mile (Calendar year 2024)

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 2023-24 rates as follows:

	<b>2024-25</b>	<b>2025-26</b>
Pacific Gas & Electric Company	2.6%	-5.6%
Southern California Edison	1.4%	9.5%
San Diego Gas and Electric Company	5.9%	14.6%
Los Angeles Dept. of Water & Power	5.3%	16.7%
Sacramento Municipal Utility District	5.7%	6.5%

**NATURAL GAS**

Natural gas should be budgeted for 2024-25 and 2025-26 assuming price changes of -5.5 percent and 16.0 percent, respectively, from 2023-24 actual prices. Prices for 2023-24 decreased by 64.2 percent from 2022-23 levels, following a 73.8-percent increase in 2022-23 from 2021-22 levels.

## **LIQUID PETROLEUM GAS**

Departments are advised to budget liquefied petroleum gas in 2024-25 and 2025-26 assuming a price change of -5.3 percent and -8.7 percent from 2023-24 actual prices, respectively. Departments should budget fuel oil at current market rates. Prices for 2023-24 decreased by 1.1 percent from 2022-23 levels, following a 6.0-percent decrease in 2022-23 from 2021-22 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 2024-25.

## **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 [ciobilling@state.ca.gov](mailto:ciobilling@state.ca.gov). Please note: Departments that have significant changes in the utilization of CDT services need to submit budget change proposals to address its 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 2024-25 and 2025-26 at 0.9 percent below and 2.5 percent below 2023-24 actual expenditures, respectively.

## **MEDICAL CARE**

Departments should budget contract items at current prices. Budget the remaining items for 2024-25 and 2025-26 at 3.8 percent and 7.6 percent, respectively, above 2023-24 actual expenditures.

## FOODSTUFFS

Departments should budget feeding costs for 2024-25 and 2025-26 at 2.7 percent and 5.2 percent, respectively, above 2023-24 actual expenditures.

## LAUNDRY

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

<b>Service</b>	<b>2024-25</b>
All institutions except for CVSP, ISP, & PBSP.	
Standard Laundry	\$0.81/lb
Healthcare Laundry	\$0.93/lb
For CVSP, ISP, PBSP, and institutions using CALPIA as a backup laundry service.	
Standard Laundry	\$0.85/lb
Healthcare Laundry	\$0.97/lb

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

Transportation rates: 1 to 5 full carts \$8.15 (Applies to round trip mileage)

6 to 15 full carts \$6.55 (Applies to round trip mileage)

16 full carts to full trailer \$3.40 (Applies to round trip mileage)

Stop fees: \$70 for each stop point.

At the time this letter was prepared, the Prison Industry Authority did not have the estimated increases for 2025-26 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 2024-25 May Revision forecast, projects that overall consumer prices will rise by 3.0 percent and 5.7 percent in 2024-25 and 2025-26, respectively, over 2023-24 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 from rise by 2.9 percent and 6.2 percent in 2024-25 and 2025-26, respectively, over 2023-24 prices. 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, 2024, is projected at 39,132,060—an increase of 13,560 over the number residing in the state on the same date in the previous year. The civilian population on July 1, 2024—the essential figure for most budget computations—is projected to reach 38,975,650. Current projections for mid-year 2025 anticipate the civilian population to be roughly flat compared to the prior year. The total population as of July 1, 2025, is expected to be 39,170,380, of which 39,013,970 are civilians. These data are summarized in Table 1.

Table 1. ESTIMATED POPULATION OF CALIFORNIA: 2019-2026 (in thousands)					
1-Jul	Total Population	Civilian Population	One Year Change		
			Total	Civilian	
2019	39,530	39,376			
2020	39,542	39,382	12	6	
2021	39,245	39,081	-296	-301	
2022	39,141	38,982	-104	-99	
2023	39,119	38,962	-22	-20	
2024	39,132	38,976	14	14	
2025	39,170	39,014	38	38	
2026	39,259	39,103	89	89	



Table 2 shows the civilian population for the years 2019-26 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 August 2024. 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 (in thousands)								
Age in Years	7/1/2019	7/1/2020	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026
0-4	2,357	2,498	2,369	2,272	2,178	2,096	2,032	2,016
5-9	2,492	2,656	2,631	2,606	2,567	2,518	2,444	2,335
10-14	2,545	2,753	2,716	2,671	2,630	2,607	2,601	2,590
15-19	2,552	2,644	2,770	2,892	2,943	2,951	2,931	2,905
20-24	2,713	2,540	2,415	2,373	2,429	2,551	2,711	2,888
25-29	2,704	2,907	2,739	2,580	2,417	2,251	2,123	2,032
30-34	2,585	2,972	2,985	2,988	2,972	2,925	2,821	2,696
35-39	2,674	2,779	2,767	2,769	2,795	2,829	2,878	2,928
40-44	2,485	2,514	2,540	2,580	2,629	2,666	2,686	2,706
45-49	2,555	2,404	2,345	2,329	2,344	2,371	2,416	2,468
50-54	2,519	2,408	2,403	2,390	2,371	2,335	2,295	2,262
55-59	2,598	2,412	2,363	2,319	2,288	2,269	2,276	2,295
60-64	2,391	2,230	2,242	2,255	2,261	2,269	2,256	2,230
65+	6,207	5,665	5,795	5,958	6,140	6,337	6,544	6,753
Total	39,376	39,382	39,081	38,982	38,962	38,976	39,014	39,103