

BUDGET LETTER

	NUMBER: BL 25-01
SUBJECT: 2025-26 BUDGET CHANGE LETTERS (SPRING FINANCE LETTERS) UPDATE	DATE ISSUED: January 23, 2025
REFERENCES: BL 24-08 , BL 24-21 , AND BL 23-27	SUPERSEDES: BL 24-02

TO: Agency Secretaries
Agency Information Officers
Department Directors
Department Budget Officers
Department Chief Information Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

NOTE: Each department with a Capital Outlay program should provide a copy of this Budget Letter (BL) to its facility manager.

This BL informs agencies and departments of revisions to the 2025-26 Budget Preparation Guidelines regarding the spring process previously established in [BL 24-08](#), as well as Budget policy criteria described in [BL 24-21](#).

On January 10, the Governor released his 2025-26 proposed budget to the Legislature. While the 2025-26 Governor's Budget is balanced and reflects minor revenue growth over the three-year budget window, there are projected operating deficits for future years. Additionally, the recent devastating fires in southern California have resulted in the federal government delayed tax filings for Los Angeles and Ventura counties until November 15, introducing a level of uncertainty to the revenue forecast. All of this underscores the need for continued vigilance to strengthen budget resiliency and fiscal stability to protect and preserve essential programs.

Given the projected structural deficits in future years and fiscal uncertainty the state continues to face, the Administration will not propose any April 1 Finance Letter spending adjustments or May 1 capital outlay adjustments to the Legislature. Further, the May Revision process will be modified, as outlined below.

Evaluation of May Revision Requests

As a result of the conditions noted above, the Department of Finance will evaluate May Revision budget changes within the context of a workload budget, based on the merits of each proposal, and ultimately subject to the availability of funding. This includes all potential adjustments to be included in the May Revision, as well as previously approved adjustments incorporated in the Governor's Budget or previous Budget Acts. This reevaluation applies to all support and local assistance adjustments, inclusive of Capital Outlay, information technology projects, and estimate, caseload, and population updates. It also applies to all funds and all departments, including those departments not directly under the Governor's authority.

Government Code Section 13308.05 defines a workload budget as "the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, or all these changes and any of the following:

- (a) Statutory cost-of-living adjustments.
- (b) Chaptered legislation.
- (c) One-time expenditures.
- (d) The full-year costs of partial-year programs.
- (e) Costs incurred pursuant to constitutional requirements.
- (f) Federal mandates.
- (g) Court-ordered mandates.
- (h) State employee merit salary adjustments.
- (i) State agency operating expense and equipment cost adjustments to reflect price increases."

As indicated above, Finance will evaluate requests within this definition of workload budget. This definition is intended to provide a general framework for evaluating both new and existing proposals and adjustments. Resource constraints may ultimately force prioritization even within this definition. As a result, agencies and departments should have no expectation of full funding for either new or existing proposals and adjustments. Per the timelines outlined in [BL 24-08](#), the due date for all Spring Budget Change Proposal requests remains February 7, 2025, and the due date for the Capital Outlay requests remains February 10, 2025.

Any requests that are not consistent with these parameters may be returned without review.

If you have questions regarding this BL, please contact your Program Budget Manager.

/s/ Joe Stephenshaw

JOE STEPHENSHAW
Director