



January 10, 2025

TO: Board Members, Madera County Transportation Commission
FROM: Mitch Weiss
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RE: STATE LEGISLATIVE UPDATE – GOVERNOR’S FY 2025-26 STATE BUDGET

This morning, Governor Newsom released his proposed FY 2025-26 State Budget. The 2025-26 Budget, which contains \$228.9 billion in General Fund spending (about 1.3% below 2024-25 levels), is projected to have a General Fund surplus of approximately \$4.5 billion.

The economy has generally performed better than had been projected in the 2024-25 budget, leading to an upgrade to the forecast in the near term and long term. Stronger than anticipated performance of the economy, stock market, and cash receipts, combined with an improved economic outlook have all contributed to upgraded forecasts. Although the budget is balanced and provides for significant reserves in the coming year, it anticipates shortfalls in subsequent fiscal years.

The proposed budget included a \$7.1 billion withdrawal from the Budget Stabilization Account (“Rainy Day Fund”). This withdrawal was assumed as a part of the 2024-25 year budget and will leave the account with a projected balance of \$10.9 billion. The budget proposes statutory changes to allow the state to save more during economic upswings.

Cap-and-Trade

The budget states that Administration and the Legislature will need to consider extending the cap-and-trade program beyond 2030 to achieve carbon neutrality. Although the program does not expire until 2030, extending it sooner would provide greater certainty and stability.

Impact on Transportation

The budget maintains the entirety of the transportation package included in recent budgets. In addition.

Significant Budget Adjustments

- Clean California Program (\$25 million one-time General Fund) to provide matching grants focused on litter remediation and job creation to communities with a Clean California Community designation.
- Stormwater Asset Management (\$35 million annually for two years) to perform inspections, maintenance, and repairs as well as track conditions and effectiveness.

- Bike, Pedestrian, and Transit Priority Facilities Asset Management and project review process (\$4 million on-going) for establishing new transit priority policy, design and operational guidance, and a framework for the development of performance targets and measures for transit priority facilities on the state highway system; establishing an inventory program for the development of appropriate performance targets and measures for bike and pedestrian facilities that contributes to complete streets; developing guidance for conducting and documenting equitable engagement on projects with bike and pedestrian facilities; and establishing a project intake, evaluation, and review process for bike, pedestrian, and transit priority facilities, sponsored by a local jurisdiction or transit agency.