

California's January revenues lower than expected amid uncertain budget outlook

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SACRAMENTO, California — The state's revenues in January came in \$361 million lower than expected, partially due to delayed tax deadlines for Los Angeles County residents, as California braces for an uncertain budget picture this year.

The Department of Finance [estimated on Wednesday](#) that cash receipts were 1.5 percent below Gov. Gavin Newsom's budget forecast, though revenues remain \$2.2 billion higher than anticipated since the fiscal year began in July.

Impact: The dip is modest, but comes as the budget could experience swings in 2025 due to stock market fluctuation, cuts to federal funding and delays in tax revenue from Los Angeles County residents due to the wildfires. Newsom in January [proposed a budget](#) with a small surplus as the state crawls out of a massive deficit, but warned of uncertainty.

Key context: Revenue from income, corporate and sales taxes were all below forecast in January, with cash receipts from corporation taxes coming in 18.4 percent lower than expected. Income taxes remain nearly 3 percent above projections, but corporate and sales taxes are slightly below expectations for the fiscal year.

State Controller Malia Cohen warned last week that Newsom and lawmakers “face a challenging road ahead in addressing the uncertain fiscal impacts of the devastating Los Angeles County wildfires, the state's financial commitments to recovery and rebuilding efforts, and the unpredictability of federal funding for California's programs and services.”

Cohen said the state's cash position remains strong partially due to its reserve funds. Newsom has proposed spending \$7.1 billion from the state's main reserve account for the coming fiscal year.

What's next: The data comes as state officials begin haggling over funding in legislative hearings. This week, higher education system leaders [criticized Newsom's proposed cuts](#) to the University of California and California State University systems and lawmakers pressed the administration on [implementing a single-rate structure](#) for childcare reimbursement by a July 1 deadline — even if it may increase costs.

“We are going to be facing yet another challenging budget year, but that never tells me that we can't do something,” Assemblymember Corey Jackson, a Democrat who chairs the Assembly Budget Subcommittee on Human Services, said during a Wednesday hearing.

Budget discussions will continue in the coming months ahead of Newsom releasing a revised proposal in May.