



GOVERNOR
Gavin Newsom

January 10, 2023

To the members of the Senate and the Assembly of the California Legislature:

Over the last four years, we have come together to pass state budgets that reflect California's values and invest in California's future, expanding childcare, universal transitional kindergarten for all four-year-olds and making healthcare affordable and accessible to all, regardless of immigration status. At the same time, these budgets recognized the need to ensure that our state would be well-positioned to withstand annual fluctuations in state revenues.

Revenues for the coming fiscal year are significantly lower than previously anticipated—mainly due to declines in withholding and capital gains taxes, which are inherently volatile. But with careful planning and your partnership, we find ourselves in a strong position to withstand this dip in revenues while maintaining funding for programs and services that are relied on by millions of Californians.

I am so proud of what we have accomplished together—keeping our state safe during a deadly pandemic, passing the largest economic relief and recovery package in the nation, providing short-term support to millions of Californians and making billions in longer-term investments that will benefit workers, businesses and families decades into the future.

We made historic investments to protect against the escalating impacts of a changed climate, preparing for extreme weather, the more severe droughts, floods and wildfires that come with it, while increasing support for first responders on the front lines. All while ensuring our state was prepared for a downturn in revenues by building historic reserves and limiting state spending obligations in future years.

The resilience we have built into previous budgets will help us weather the current storm, and continue to make progress on our most-stubborn challenges: addressing homelessness, building more housing and driving down costs for the nearly 40 million people who call California home.

In addition to the tens of billions in the state rainy day fund, we set aside billions in early debt repayments and multi-year investments that can easily be delayed or preempted to address this year's shortfall without dramatic cuts in the services and programs Californians value most.

I am confident that with our continued partnership, we will continue our work together to build a better California.

With respect,

/s/ Gavin Newsom

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