

# California State Senate

SENATE MINORITY LEADER BRIAN W. JONES  
FORTIETH SENATE DISTRICT



Governor Gavin Newsom  
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Senate Pro Tem Atkins  
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Assembly Speaker Rendon  
1021 O Street, Suite 8330  
Sacramento, California 94249-0062

January 9, 2023

## Re: Senate Republican Budget Priorities

Dear Governor Newsom, Pro Tem Atkins, and Speaker Rendon:

When the COVID-19 pandemic first struck in March 2020, initial expectations were that the California budget would enter a deficit. Instead, a flood of federal assistance funding and extraordinary California capital gains pumped unexpected surplus revenues into our state coffers. Now, after three years of surpluses, California's budget appears to be taking an unfortunate turn to deficits. While California's budget surplus has disappeared, the problems facing Californians have not.

**Projected Deficit Could Still Get Worse.** The nonpartisan Legislative Analyst's Office (LAO) projects that California's revenues will be \$41 billion lower than assumed in the 2022 Budget Act, and that the state will need to address a \$25 billion budget deficit by June 2024. This deficit would worsen dramatically, by potentially tens of billions of dollars, if an actual recession appears. While the state's budget reserves have improved in recent years, thanks largely to a bipartisan 2014 ballot measure, the LAO recommends that the state address the deficit without tapping into reserves, and instead reassess current spending. Senate Republicans believe these recommendations are a prudent path forward.

**Spending Smarter Instead of Spending More.** State spending increased dramatically in the recent revenue surge, including an increase of \$80 billion in non-education spending over a five-year period from 2017-18 to 2022-23. We believe that the current budget outlook provides an opportunity to evaluate whether those spending increases have actually achieved results in the effort to combat California's major challenges, or should instead be redirected or adjusted.

The LAO pointed out the following: "...in light of the magnitude of the recent augmentations, programs may not be working as expected, capacity issues may have constrained implementation, or other

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unforeseen challenges may have emerged. To address the budget problem for the upcoming year, these cases might provide the Legislature with areas for pause, delay, or reassessment.” We agree with this assessment. It is likely that we can balance the budget by cutting ineffective spending, or by halting previously approved funds that have not yet been actually spent, and thus balance the budget without negatively affecting the people of California.

**Unmet Budget Priorities.** Recent budgets have taken some steps forward in addressing California’s challenges. Going forward, as we seek to evaluate and redirect California’s spending toward the highest needs, Senate Republicans believe that budget priorities should include the following issues that have not been sufficiently addressed despite the recent surpluses:

- **Lowering the Cost of Transportation.** Although gas prices have declined somewhat in recent weeks, the state average gas price of \$4.44 continues to exceed the national average by \$1.15 per gallon (35 percent). Senate Republicans have been calling for a suspension of the state’s gas tax since 2021. It remains the case that reducing what we pay for gas will help state residents, and lower-income residents in particular, deal with California’s unaffordable cost of living.
- **Reducing Costs for Renters.** Expanding the state’s renter’s tax credit will help ease Californians’ housing costs. This has been a bipartisan proposal in recent years to help offset the damaging effects of misguided state policies that have driven the cost of housing sky-high.
- **Addressing Wildfires.** Studies have found that wildfire emissions in 2020 negated 18 years of reductions in greenhouse gas emissions from other sectors. Recent funding increases for forest management are a positive step, but California needs to go further to provide adequate resources to prevent and fight wildfire. Doing this effectively offers essential benefits both for saving human lives and for reducing harmful air pollution.
- **Providing Water to Families and Farms.** Expanding water storage remains essential. The current wave of storms highlights the importance of building the Sites Reservoir and providing water conveyance in critical areas of the state. This will provide water storage for 1.5 million homes per year and promote much-needed water access for California’s food producers.
- **Avoiding Cuts to Education.** Any budget-balancing actions should avoid cutting education spending. Schools are facing dramatic challenges already to recover from learning losses stemming from pandemic closures. Additionally, the budget should provide equal treatment for charter schools, whose enrollment grew during the pandemic even as public school enrollment overall declined. Fortunately, the LAO projects that education budget reserves should be sufficient to maintain education resources.
- **Fighting Crime and Improving Public Safety.** Too many cities are seeing crime trends move in the wrong direction. The state needs to ensure that law enforcement has enough resources to battle the epidemic of fentanyl and concerning trends in retail theft and other crimes. In addition, efforts to close prisons are misguided at a time when violent crime is on the rise.

- **Empowering Job Creators.** California still owes an unemployment debt of more than \$18 billion following the pandemic-related shutdowns, even though 46 other states have eliminated their debts entirely. Under the status quo, job creators will bear the costs of repaying that debt through higher taxes, beginning this year. Those costs will make it more difficult to create new jobs in California, which still faces an unemployment rate higher than the vast majority of other states.
- **Improving the Effectiveness of Mental Health and Homelessness Spending.** New federal data shows that homelessness in California is still increasing. To continue efforts to combat homelessness during the deficit, the state could expand options for local governments to use their Mental Health Services Fund resources in more flexible ways, at their discretion, including treating the mentally ill homeless population.

In summary, far too many hardworking Californians continue to struggle to pay for rent, food, and other bills. They worry about practical needs like water and safe communities. As we move forward, the state budget should focus on fixing these basic issues. Senate Republicans have proposed a variety of practical solutions for these problems, and we look forward to continue working with you for the betterment of Californians.

Sincerely,



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Senate Minority Leader  
40<sup>th</sup> Senate District



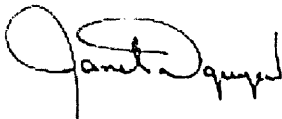
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