



OFFICE OF THE GOVERNOR

SEP 15 2022

To the Members of the California State Assembly:

I am returning Assembly Bill 1951 without my signature.

This bill replaces the current partial manufacturing sales tax exemption with a full exemption until January 1, 2028. This change would result in substantial revenue loss to local governments, which impacts essential health, safety, welfare, and transportation services. Assuming there are no changes in taxpayer behavior, local agencies are estimated to lose over half a billion dollars each year.

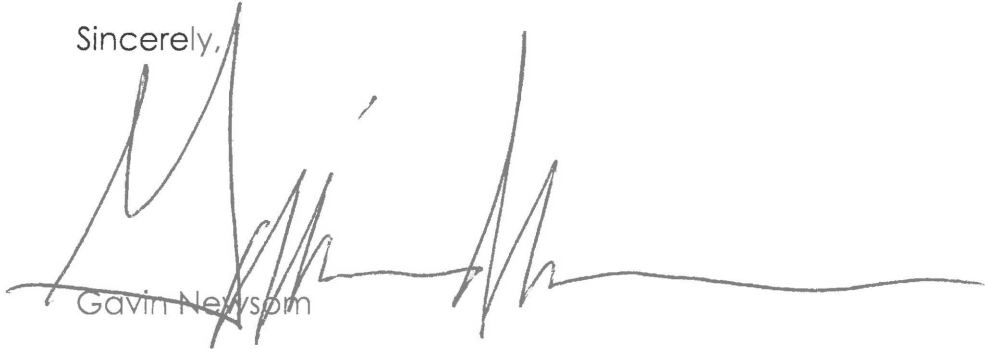
As a strong supporter of California's business climate and manufacturing industry, I agree with the intent of this bill to invest in California's economy, incentivize innovation, and spur a manufacturing marketplace that is competitive nation-wide. However, we cannot ask our local governments to bear this loss in revenue.

With our state facing lower-than-expected revenues over the first few months of this fiscal year, it is important to remain disciplined. The Legislature sent measures with potential costs of well over \$20 billion in one-time spending commitments and more than \$10 billion in ongoing commitments not accounted for in the state budget. Bills with significant cost pressures, such as this measure, should be considered as part of the annual budget process. For these reasons, I cannot sign this bill.



I look forward to working with the Legislature and stakeholders to propose something on this topic next year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gavin Newsom', written over a horizontal line. The signature is stylized and cursive.

Gavin Newsom