



OFFICE OF THE GOVERNOR

OCT 08 2023

To the Members of the California State Senate:

I am signing Senate Bill 54.

This bill requires venture capital companies to report to the Civil Rights Department (CRD) on the diversity of the founding members of businesses in which they invested during the prior year.

This bill resonates deeply with my commitment to advance equity and provide for greater economic empowerment of historically underrepresented communities. For example, the California Equal Pay Pledge was launched in 2019 to turn the nation's strongest equal pay laws into the smallest pay gap and has secured more than 100 corporate commitments – reaching hundreds of thousands of employees. Building on this work, I signed legislation last year strengthening the state's pay data reporting requirements in order to shine a bright light on inequities that exist for women – and in particular for women of color – so we can continue our work to address gender and race-based wealth disparities.

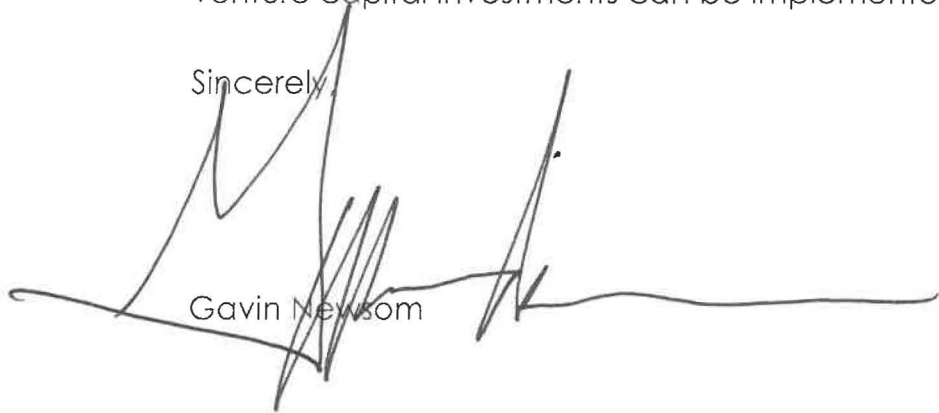
However, this bill contains problematic provisions and unrealistic timelines that could present barriers to successful implementation and enforcement. Within California's large and complex venture capital environment, this bill would require CRD to undertake significant and ongoing investigations just to determine whether any given entity meets the criteria set forth in the bill – and the department is not situated to perform this work. Additionally, establishing this expertise, as well as any resultant work from administering the law, creates significant, ongoing General Fund cost pressures.



Therefore, my Administration will propose cleanup language as part of the 2024-25 Governor's Budget to ensure this important policy to improve the diversity of venture capital investments can be implemented properly.

Sincerely,

Gavin Newsom

A handwritten signature in black ink, appearing to be "Gavin Newsom", is written over the printed name. The signature is stylized and somewhat messy, with several overlapping loops and a long horizontal stroke extending to the right.