

# EXECUTIVE DEPARTMENT STATE OF CALIFORNIA

## BUDGET EMERGENCY PROCLAMATION

**WHEREAS** the Budget Stabilization Account was approved by the voters to help the state save for a rainy day and mitigate the historic volatility in state revenues, specifically from fluctuations in capital gains; and

**WHEREAS** the Budget Stabilization Account is structured to capture revenue from capital gains during stock market upswings to mitigate the impact of stock market—and corresponding revenue—downswings on the state budget; and

**WHEREAS** since the onset of the COVID-19 pandemic, California has experienced significant revenue volatility—seeing unprecedented revenue growth due in large part to capital gains that was quickly followed by a sharp correction; and

**WHEREAS** in 2021, capital gains realizations spiked to an all-time high of \$349 billion, but the 2024 May Revision forecast projects that capital gains realizations fell to approximately \$156 billion in 2022 and \$137 billion in 2023; and

**WHEREAS** the state's economy has behaved in ways that have defied traditional forecasts and historical precedent so that revenue volatility resulted in the 2021 and 2022 Budget Acts reflecting higher growth assumptions, which created a misalignment between expenditures and revenues in the last two fiscal years that will continue unless corrective action is taken; and

**WHEREAS** significant uncertainty clouded the state's revenue forecast in the 2023 Budget Act due to an unprecedented Internal Revenue Service tax filing and payment postponement—affecting 99 percent of California taxpayers—until November 2023, which delayed cash receipts critical for state budgeting for more than half a year; and

**WHEREAS** now that the revenue picture is clearer for the 2022 and 2023 tax years, estimated revenues are inadequate to fund General Fund expenditures for the 2023-24 and 2024-25 fiscal years, so the 2024 Budget Act must incorporate tens of billions of dollars of budget solutions to balance the budget in 2023-24 and 2024-25; and

**WHEREAS** the state has taken several measures to manage revenue volatility in the past few years, including setting aside a record amount of reserves, focusing most of the surplus on one-time and near-term spending instead of potentially unsustainable long-term and ongoing obligations, and paying tens of billions of dollars toward the state's long-term debt; and

**WHEREAS** the Budget Stabilization Account has \$22.3 billion in reserves after several deposits were made over the past several years when state revenues were higher; and

**WHEREAS** a withdrawal of a portion of the reserves in the Budget Stabilization Account will help the state maintain fiscal stability in the 2024-25 fiscal year, continue funding for core state programs and services, and avoid

more harmful cuts in programs that are essential to the well-being of Californians throughout the state; and

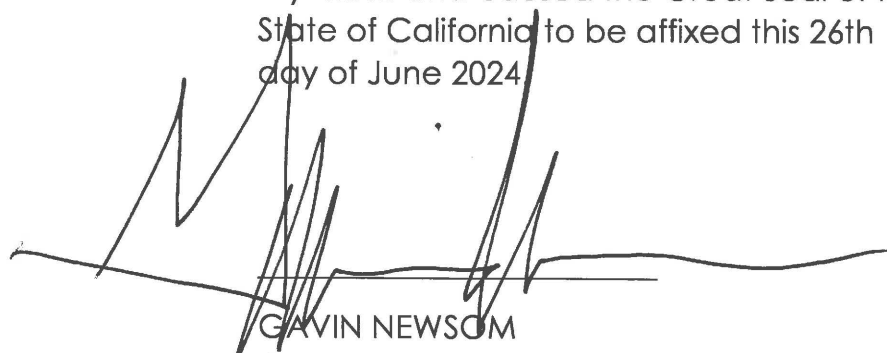
**WHEREAS** upon a proclamation of a budget emergency, the Legislature may pass a bill that (1) suspends for one fiscal year the transfer of moneys from the General Fund to the Budget Stabilization Account required by the Constitution and (2) returns a certain amount of funds that have been transferred to the Budget Stabilization Account to the General Fund for appropriation to address the budget emergency; and

**WHEREAS** a budget emergency may include a determination by the Governor that estimated resources are inadequate to fund General Fund expenditures for the current or ensuing fiscal year, after setting aside funds for the reserve for liquidation of encumbrances, at a level equal to the highest amount of total General Fund expenditures estimated at the time of enactment of any of the three most recent Budget Acts, adjusted for the annual percentage change in the cost of living for the State as measured by the California Consumer Price Index and the annual percentage growth in state population.

**NOW THEREFORE I, GAVIN NEWSOM**, Governor of the State of California, in accordance with the authority vested in me by State Constitution, **DO HEREBY PROCLAIM** that I have determined that estimated resources are inadequate to fund General Fund expenditures for the current or ensuing fiscal year, which constitutes a budget emergency within the meaning of Article XVI, section 22, subdivision (b), paragraph (2), of the State Constitution.

**I FURTHER DIRECT** that as soon as hereafter possible, this proclamation be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this proclamation.

**IN WITNESS WHEREOF** I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 26th day of June 2024



GAVIN NEWSOM  
Governor of California

**ATTEST:**

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SHIRLEY N. WEBBER, PH. D  
Secretary of State