



# California Senate Republican Caucus

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Governor Gavin Newsom  
1021 O Street, Suite 9000  
Sacramento, California 95814

Senate Pro Tem Monique Limón  
1021 O Street, Suite 8518  
Sacramento, California 95814

Assembly Speaker Rivas  
1021 O Street, Suite 8330  
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RE: Senate Republican Caucus Budget Priorities

Dear Governor Newsom, Pro Tem Limón, and Speaker Rivas,

In November 2025, the nonpartisan Legislative Analyst's Office (LAO) projected that the state will face a budget deficit of \$18 billion for the 2026-27 budget year. Despite this challenging outlook, this letter lays out key priorities that Senate Republicans believe have gone unaddressed during recent years. We believe the state must refocus its efforts on these core, fundamental priorities that will provide Californians with the safety and prosperity they deserve.

**California Has Sufficient Resources to Address Core Needs.** The LAO's prediction of a significant deficit occurs despite their estimate that revenues through the current year will actually exceed the budgeted level. Clearly, a lack of taxpayer revenue is not California's problem. General Fund tax revenues are on pace to be more than \$80 billion higher in 2025-26 compared to 2018-19, the year prior to Governor Newsom's first budget. That astonishing growth occurred during a period when the state population remained essentially flat. However, General Fund spending is higher by nearly \$88 billion, or 63 percent, over the same period.

**Focus on Fundamental Priorities and Actual Outcomes Rather than Spending Levels.** California's problems stem from wasteful and poorly targeted spending that benefits narrow groups and lacks accountability. California must instead focus on achieving actual results and on prioritizing core efforts that benefit Californians broadly. Recent news confirms again that throwing money at problems achieves little without an emphasis on outcomes and results. For example, California spent nearly \$18 billion from 2018-19 through 2023-24 on various housing subsidies, all while rent and housing costs remained unaffordable for many families and housing production remained basically flat. In the arena of public safety, the state spent \$450 million during Governor Newsom's administration to replace its antiquated 9-1-1 system, yet the new system does not work properly. The state now may need to start over.

If California manages its existing funds properly, there should be more than enough money to address priorities that benefit Californians broadly. Senate Republicans believe the issues identified below should be top priorities as California moves into another budget planning cycle.

### **Senate Republican Priorities**

1. ***Fully Fund Treatment and Enforcement Under Proposition 36.*** In November 2024 over 68 percent of California voters approved Proposition 36's treatment-focused approach to reduce crime by breaking cycles of addiction and lowering recidivism. Last year, local law enforcement and mental health providers identified needs for nearly \$350 million annually to fully implement the measure, but despite the clear voter mandate and the demonstrated need, the 2025-26 budget failed to fully fund Proposition 36's implementation. Instead, the budget authorized only \$80 million on a temporary basis. Senate Republicans call for fully funding the ongoing implementation of Proposition 36.
2. ***Prevent Catastrophic Fires.*** The tragic wildfires in Southern California illustrate yet again that California needs to invest more in fire prevention through vegetation and forest management. After decades of neglect, the state of California began to improve on fire prevention in recent years, but even in the surplus years of 2021-22 and 2022-23, most of the prevention funds were only short-term. A recent Stanford report indicates that only about 260,000 acres were treated through prescribed fires in 2023, and that figure declined in 2024. These results are far short of California's 2020 agreement with the federal government that each would treat 500,000 acres annually, for a total of 1 million acres, by 2025. Avoiding wildfires is critical for the environment as well as public safety. Studies found that 2020 wildfire emissions negated 18 years of reductions in greenhouse gas emissions from other sectors.

Senate Republicans call on the Governor and Legislature to commit a minimum of \$2 billion annually toward fire prevention efforts. \$1 billion for this purpose should come from redirecting Cap-and-Invest funds that would otherwise support High-Speed Rail. Fire prevention provides environmental improvements in the near term, while High-Speed Rail's construction, which will continue for decades, actually adds to greenhouse gas emissions. Fire prevention efforts also should include using previously seasonal firefighters. The 2025-26 budget's increase for Cal FIRE is a welcome move, but historically most Cal FIRE dollars have funded fire response and suppression, rather than proactive prevention efforts. Research demonstrates that sustained investment in fuel reduction and prescribed fire is a cost-effective strategy to improve public safety, protect air quality and ecosystems, and reduce long-term General Fund costs.

3. ***Prevent Fraud in Health and Human Services Programs.*** Recent reports have documented widespread fraud in various health and human services programs in other states, including allegations of \$1 billion in fraudulent claims in Minnesota. The Government Accountability Office, a nonpartisan federal watchdog, demonstrated that Affordable Care Act plans in other states did not prevent the establishment of fake accounts that generated taxpayer costs. California previously conducted Medi-Cal error assessments at least every other year, which in some cases showed widespread fraud among some provider types.

California needs to renew this audit and other program integrity efforts to identify and prevent fraud that could cost taxpayers billions of dollars per year. A small administrative cost likely not exceeding several million dollars per year could generate potentially billions of dollars annually in savings by eliminating fraud. Given the dramatic growth in Medi-Cal and other assistance programs in recent years, ensuring these dollars are not fraudulently spent is essential.

4. ***Preserve Health Care Access by Supporting Distressed Hospitals.*** Hospitals around the state face closure due in part to underpayment by the state for Medi-Cal patients. The state should adequately fund the Distressed Hospital Loan program to ensure that at-risk hospitals can continue to operate. (Note that the recently approved federal Rural Health Transformation Fund cannot pay the operating costs that are necessary to keep a hospital's doors open in the short term.) The state funded the loan program at \$300 million in 2023-24 and should restore the program to at least that level.
5. ***Reduce Costs for Renters.*** Expanding the state's renter's tax credit will help ease Californians' housing costs in the short term. Expanding this credit 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. The 2025-26 budget package made increasing the renter's tax credit contingent on a future appropriation, even while the budget enacted a major increase in the Hollywood film tax credit. Thus, the budget gave higher priority to Hollywood film companies than to regular Californians who rent homes. Senate Republicans have called for increasing the renter's tax credit in recent years. The current level of \$60 for individuals (\$120 for spouses filing jointly) could increase to \$250 for those without dependents and to \$500 for those with dependents, irrespective of filing status.
6. ***Focus on Building More Housing for Ownership.*** The fundamental housing policy reforms that are needed to truly address California's housing crisis will require years to have a major impact. While those policy efforts continue, the state can better focus its budgetary housing programs. The CalHome program helps produce housing units that lower-income Californians could actually buy, not just rent. However, the 2025-26 budget did not provide funding for the CalHome program, choosing instead to pay for other programs in other areas of the budget. The state could better optimize its housing support programs by funding CalHome in the range of \$500 million, prioritizing homeownership, not just rental units, for lower-income Californians.
7. ***Support Education by Reversing Cuts to Public Universities.*** The Governor's January 2025 budget proposed to cut funding for the University of California and the California State University by more than \$1.2 billion combined. The enacted 2025-26 budget reduced those cuts somewhat but still slashed \$305 million from the two university systems and withdrew increases totaling \$493 million that the Governor had agreed to provide through university compacts. Senate Republicans call for restoration of these cuts in order to help avoid tuition increases for students and cuts to university programs. Funding for our universities also should be predicated on those systems fulfilling their mission to admit sufficient numbers of California students, not out-of-state applicants, to manage their resources efficiently by holding down operating costs, and, critically, to focus on their traditional goals of preparing

students for the workforce and teaching critical thinking skills rather than ideologically driven agendas.

8. ***Reduce Government-Imposed Unemployment Debt for Job Creators.*** The state still holds a \$21 billion unemployment insurance debt following pandemic-related business shutdowns and the more recent increase in state unemployment. Job creators did not volunteer for this debt, but they began to bear the costs of repaying it through higher taxes in 2023. Those costs will make it more difficult to create new jobs in California, which has the highest unemployment rate among states as of September 2025. Despite a nearly \$98 billion surplus in 2022-23, the state failed to pay off this obligation, even though all other states have now completely retired their unemployment debts. The state has paid \$1.8 billion for interest on this debt from the General Fund since 2021, including \$643 million in 2025-26, an amount that will increase annually absent any action. In addition, the employers who create jobs must pay an ever-increasing tax to pay down the principal. Setting out a payment plan now to eliminate that debt over several years would not only eliminate those interest costs for the state but also help all Californians by clearing the path for more employment opportunities.
9. ***Increase Access to Justice by Speeding Up Court Decisions.*** Long wait times to complete judicial proceedings means that justice is delayed for people awaiting court action. California still has not adequately funded enough judgeships to give people timely access to the justice system. Based on the most recent assessment of need, California still has a shortfall of 98 judges statewide, a glaring deficiency in one of the longstanding, fundamental areas of government service. Providing a sufficient number of judges would cost roughly \$500 million initially, including necessary facility additions, leveling off at around \$200 million per year after facility needs are addressed.
10. ***Improve Water Storage to Prepare for Fire Response and Rain Variability.*** Senate Republicans have called for significant investments in water infrastructure for decades in order to prepare California for its cycle of droughts and rainy seasons. The latest review of California's infrastructure by the American Society of Civil Engineers identifies at least \$76 billion in drinking water and wastewater needs, along with additional statewide costs for stormwater systems, dams, and levees that have gone unaddressed for years. The report also highlights the growing number of high-hazard dams and repeated failures in small water systems, both of which present clear public-safety risks. In contrast, the total water-related share of Proposition 4 is \$3.8 billion, which does little to close the gap. To prevent water systems from further decline and to avoid the much higher costs that come with failures, the state needs to continue providing significant General Fund or Cap-and-Invest resources, rather than assuming the bond can meet needs of this magnitude.
11. ***Fund Critical Air Ambulance Services.*** Air ambulances save lives, connecting the sick or injured with emergency, trauma or specialty care. The state's most vulnerable depend on this emergency medical resource, particularly in rural areas, but recent state budgets have shortchanged these crucial providers. Senate Republicans call upon the Governor and Legislature to fully fund the Medi-Cal base reimbursement rate for air ambulance services

with \$8 million in 2026-27 and \$20 million annually, to reaffirm emergency preparedness for all as a top priority for Californians.

**12. Care for Medically Fragile Children.** Pediatric day health centers are facilities that provide nursing care for severely disabled and medically fragile children while their parents work full-time jobs. Unfortunately, the state has underfunded these facilities. Senate Republicans call for \$4 million General Fund in 2026-27 and \$8 million annually to increase the Medi-Cal provider reimbursement rates to a sustainable level for these essential services.

We share the belief with many majority party lawmakers that substantive policy changes should be made through the proper policy process—one that allows for transparency, public input, and thorough debate—rather than being buried within large budget trailer bills.

California Senate Republicans stand ready to help fix California by focusing on core priorities that remain unaddressed in recent years, along with an emphasis on achieving results, not just touting spending increases. With better prioritization, California can avoid the spiraling cycle of budget deficits that will otherwise plague the state for years to come.

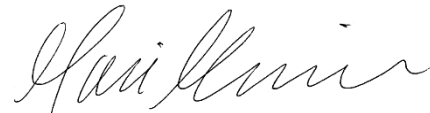
Sincerely,



Roger Niello  
Vice Chair, Senate Budget Committee  
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Brian Jones  
Senate Minority Leader  
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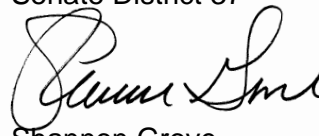
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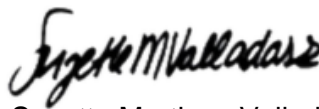
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