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California's \$98 Billion Surplus Comes as Warning Signs Loom.

- **Booming stocks, profits have given way to losses, volatility**
- **Newsom, seeking re-election, vows \$18 billion inflation relief**

Wall Street's market turmoil is exposing the pitfalls California faces for banking on the investment fortunes of the state's wealthiest residents to fill its coffers.

While capital gains from booming stocks helped the most populous US state to amass a record \$97.5 billion budget surplus — about half of which Governor Gavin Newsom says is available to spend for any purpose — the S&P 500 and the Nasdaq Composite are off about 17% and 28% this year in reaction to rising inflation, monetary tightening and a land war in Europe.

The stock declines and corresponding concerns of a US recession raise the prospect that the spigot of wealth will soon slow in California, long prone to booms and crippling deficits because of the sensitivity of its revenue to markets. Municipal-bond analysts and the legislature's adviser would like to see more caution in the spending plan that lawmakers must approve by June 15.

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