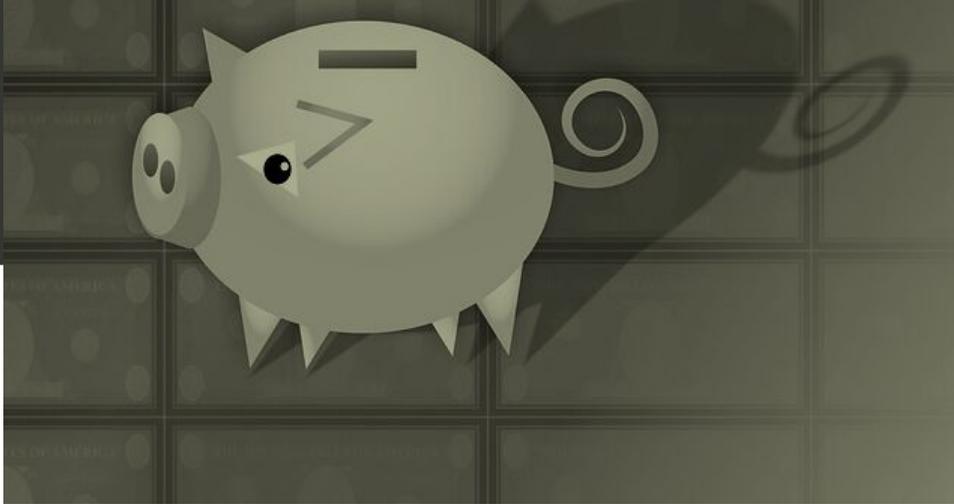


CA Budget FY '24-'25: A Big Deal for Nonprofits

01.29.24 | Linda J. Rosenthal, JD



For the third time in as many years, we're taking a deep dive into California's debate over the state budget for the upcoming fiscal year beginning July 1st.

This six-months long process that began on January 10, 2024, is quite the opposite of the snooze fest you might imagine: bored politicians' review of fiscal minutiae interrupted by periodic flare-ups of partisan temper tantrums.

It's a high-stakes and high-drama ritual, a constitutionally choreographed dance that includes not just the governor and both chambers of the legislature but the general public as well. See *The Budget Process: A Citizen's Guide to Participation*, (updated 2/23), a 20-page and reader-friendly publication by the state Senate. Every known and unknown constituency, interest group, and actual or potential stakeholder joins in the grab-fest. That, of course, includes the state's nonprofit community as well as any one or more of well over a hundred thousand or so 501(c)(3) organizations and charitable trusts.

And no wonder: The "annual state budget is – next to the State Constitution – the most important document in California government [I]f California were a nation," it would rank among "the top ten economies in the world."

This year, the opening proposed budget figure is \$291.5 billion. Gavin Newsom formally released the official Governor's Budget by the annual January 10th deadline. See YouTube, January 10, 2024 (2:14:55) along with all required documents, linked below.

Of course, we're on a (predicted and planned around) financial roller coaster: The first year of our in-depth coverage of this topic featured a blockbuster surplus of some \$98-billion. By the second year, the "correction" had begun. This year, we're faced with a significant deficit.

For the nonprofit sector – California is the nation's largest – this is a very big deal either way.

First, the state government, itself and through counties and cities, relies on nonprofit entities to carry out as well as supplement many of its official policy goals, mandates, programs, and services. The proposed budget includes – potentially – a huge amount of grant and contract money. Often, these funds are a significant part of a nonprofit’s annual budget.

Second, the state’s budget priorities and allocations have a major impact on the fluctuating number of people who must turn to the nonprofit sector for services or benefits. We have not returned entirely to normal – that is, pre-pandemic – levels of community need. Data are showing a continued high level of demand.

What Happens Next?

In a nutshell, the ball is now tossed over to the legislature for a while. The starting point is the Governor’s Budget, “which must be accompanied by a Budget Bill itemizing recommended expenditures which shall be introduced in each house of the Legislature.”

A key feature of California constitutional law is the requirement of “a balanced budget in that, if the proposed expenditures for the budget year exceed estimated revenues, the Governor is required to recommend the sources for the additional funding.” And it all must be wrapped up neatly by June 15th into a final bill, approved by both legislative chambers and signed by the governor.

That’s quite a feat of political magic, but it happens each and every year.

Of course, when California’s Department of Finance opens its online guide titled California’s Budget Process with a warning, you know there’s a rocky road ahead: “Preface. The budget process for California defies a simple concise definition. It is a process rather than a product....Although the size and complexity of California and the dynamics of the process make it difficult to establish and maintain an orderly process, these very reasons necessitate an orderly formalized process.”

Key Documents

The package of documents comprising the Governor’s Budget – and forming the jump-off point for the next six months, include:

- The Governor’s formal presentation: *Governor Gavin Newsom Presents the 2024-25 State Budget*, YouTube (January 10, 2024) 2:14:55
- *2024-25 State Budget Proposal Protects Core Priorities and Ensures Fiscal Stability* (January 10, 2024)
- *Summary of the Governor’s budget proposal* (the “e-budget”)
- *California’s Budget Process*, dof.ca.gov, including its self-described “...relatively simple flow chart.”
- *Overview of the Governor’s Budget* (January 2024) *California Legislative Analyst’s Office*

Conclusion

We’ll pick up from here with this first step of the California budget process for FY ‘2024-’25.

– Linda J. Rosenthal, J.D., FPLG Information & Research Director