

CA's New Budget: Boon to Nonprofit Sector

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Gavin Newsom began his term as governor of California in January 2019, having served for the previous eight years as lieutenant governor while fellow Dem, Jerry Brown, was the Golden State's chief executive.

It's not just the weather that's sunnier in California than in most of the nation: Newsom inherited a massive, \$22-billion, surplus along with a Democratic supermajority in both houses of the legislature. That doesn't mean, though, that hammering out a new budget was all smooth sailing. A "preliminary consensus" reached in mid-June with Democratic legislative leaders was "stalled for two weeks" primarily over how the state's housing crisis would be addressed.

The governor got much, though not all, of what he wanted. On top of that, the state faces numerous challenges and social problems which government money and action must address. The bottom line is that he persuaded legislators to go along with his plan to grow state programs "in ways that don't necessarily commit the state to years of additional spending — ensuring what he called the budget's 'resiliency' to weather future fiscal storms."

Increased Spending under California Budget

The budget deal, signed near the end of June 2019, is \$214.8 billion – the "largest in state history." For the most part, it goes into effect immediately, on July 1, 2019, with a few delays for some new state services in a cost-savings effort.

In announcing the final deal, Gov. Newsom said he is following the course of his predecessor; there will be increased spending as well as a mechanism to retain some funds "to weather a future economic downturn" or other cause that will deplete the state's ability to function well.

Highlights of the budget include:

Education

There is \$103.4 billion – a “**record high**” – for education from kindergarten through 12th grade, helping out embattled school districts still reeling from budget slashes during the last economic downturn. It includes \$300 million to expand full-day kindergarten classes statewide. Enrollment capacity at public institutions of higher education will be expanded. Continuing a program that began in 2017, lawmakers included a waiver of all fees for up to two years of community college. There will also be a jump in funding for competitive Cal Grant awards. Low-income students will get additional help in taking care of college costs including housing.

Childcare

There will be \$143.3 million to add 12,400 new openings in child-care centers statewide; next April, preschool services will grow with 10,000 more slots. Most will be reserved for low-income families. There will also be more child-care help for parents first enrolled in CalWorks. This new money will come from taxes collected from the state’s legal marijuana industry.

Healthcare

“The new budget’s most sweeping plan aims to shore up the expansion of government-subsidized healthcare” expanded under the ACA but **shrunk by federal action** in the last two years. Beginning January 1, 2020, there will be a state version of the individual mandate for at least “**minimal essential coverage.**” There will also be subsidies for low- and middle-income Californians to purchase coverage on the (ACA) Covered California exchange; for the poorest applicants, there will be enough help to cover their entire month premiums. “Recession-era cuts to Medi-Cal are restored, and **coverage will extend** to thousands in the U.S. illegally.”

Housing

There will be \$650 million to “**divvy up**” among “major cities, counties and regional homelessness prevention agencies.” There will also be incentives to “cities and counties to make it easier for developers to build” as well as “penalties for local governments that violate state laws requiring them to plan for growth.”

Tax Policy Changes

A key aspect of the tax-policy part of the new budget involves bringing certain California tax rules into alignment with the changes made to federal laws in the Tax Cuts and Jobs Act of 2017. The adjustments made, particularly in connection with tax breaks formerly available to big banks and companies, will bring in \$1.6 billion in state revenue.

About \$1 billion of that new money will be spent on a broad expansion of California’s earned income tax credit for taxpayers who earn up to \$30,000 a year. There will also be a new, \$1,000, rebate to low-income families with children under age 6. It’s estimated these benefits will help 3 million households across the state.

New Liaison Position

In separate news, Governor Newsom appointed **Kathleen Kelly Janus** to a new job as his “senior adviser on social innovation,” bridging “the work of **nonprofits and state government.**” The establishment of this position was announced earlier. She is the co-founder of Spark, “a **network of more than 10,000 millennial donors.**”

She describes her key priorities as coordinating efforts to “ensure a full count in the 2020 census” and steering money “to the most promising relief efforts following natural disasters.” Her work be broader, though; she “expects homelessness to be a key focus” as well as “identifying promising social entrepreneurs — who run nonprofits and for-profit organizations alike — and connecting them with government.” She will go on a “listening tour” this summer.

Throwing a big bucket of cool water on this news is Jan Masaoka, the well-known chief executive of the California Association of Nonprofits, who “doesn’t necessarily expect Janus to make a lot of headway” in a position without a staff and that “lacks a clear focus.” She remains “hopeful,” though.

Conclusion

These recent developments are good news in any event for the general public in California as well as for the state’s nonprofit organizations that provide needed services to so many people.