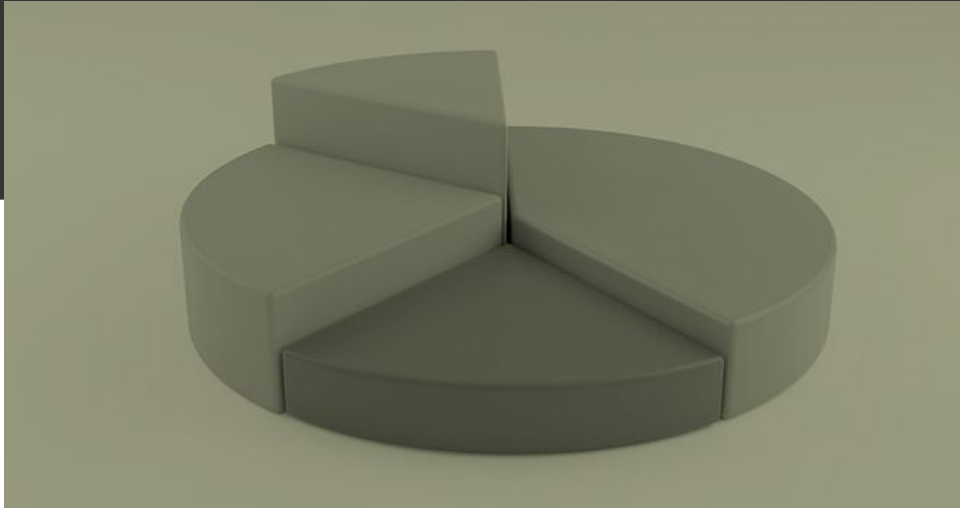


California's Proposed Budget & Nonprofits: Part One

01.18.23 | Linda J. Rosenthal, JD



It's budget season again in California.

Ordinarily, that would conjure up images of “officials and legislators perform[ing] the thankless task of divvying up far less revenue than needed...; snooze fests of reviewing minutiae interrupted by periodic flare-ups of partisan temper tantrums.”

But it's different here in the Golden State.

First, it's a constitutionally mandated, several months' long, high-stakes dance involving the governor and both chambers of the legislature. It starts each January 10th, when the chief executive issues a proposed budget for the next fiscal year beginning July 1st. All parties are required to agree on, vote for, and approve a final budget by June 15th.

Second, this carefully choreographed budget-adoption process expressly mandates and encourages citizen input. See *The Budget Process: A Citizen's Guide to Participation*, 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 a hundred thousand or so individual organizations.

Third, for the past few years, we've had a surplus instead of deficits. Last year's was record setting from the get-go. “Today California [...launches...] back into the perennial debate over how to spread its wealth around – and there are abundant assets to allocate.” Governor Gavin Newsom's January 10th (2022) proposed budget included an extra (projected) \$29-billion. Then, in the (also constitutionally mandated) revised budget project in mid-May 2022, based on actual revenues from the first quarter, the surplus jumped to an astounding \$97-billion.

We discussed all of this in [Nonprofits Reaching for Piece of CA Budget Pie](#) (April 11, 2022) and in [That CA Budget Pie?: Much Bigger Than Expected](#) (May 17, 2022) [\$97-billion: “That’s three times as much pie. Yum.”]

Alas, as we were warned repeatedly by officials and legislators last year, California’s revenues fluctuate. This year’s [initial budget projection](#) for fiscal year 2023-2024 shows a return to a more regular part of that cyclical pattern. It includes an estimated deficit of some \$22.5-billion. (The Governor’s January 10, 2023, initial proposed budget *excludes* some \$35.6-billion in budgetary reserves and other safeguards put in place several years ago to cushion a financial blow if absolutely necessary.)

There is still lots of pie on this year’s feast table. Perhaps not as many varieties as we enjoyed in 2021 and 2022; perhaps just pumpkin pie without whipped cream or second helpings.

But pie is pie. We’re not exactly in Oliver Twist (“Please, sir, I want some more”) territory.

Here’s what you need to know right now.

The Food Fight Begins

“Keep in mind,” that the Governor’s January 10th initial budget is the beginning of the budget drama. “It represents a prelude to a prelude: the [truly important negotiations](#) tend to start after Newsom releases” a required May update, reflecting more solid actual numbers.”

The best information is from the source, and it is abundant in fully-fleshed out, official, versions as well as through helpful summaries and explainers:

- [Watch Governor Newsom’s state budget presentation here](#) (YouTube)
- Full budget summary is available at www.ebudget.ca.gov.
- [Governor’s Budget 2023-24 Fact Sheet](#)

See also: [2023-24 State Budget Invests in Californians while Safeguarding State’s Future](#) (January 10, 2023.) “Governor Gavin Newsom today introduced a 2023-24 state budget proposal that [maintains the state’s unprecedented investments](#) in Californians while fortifying the state’s strong fiscal foundation amid economic and revenue uncertainties ahead.”

And from the [Introduction section of the budget-office presentation](#): While there have been “significant investments” made over the past few budget cycles, “...at the same time, California has recognized the importance of being able to withstand annual fluctuations in state revenues. As 2023 begins, risks to the state’s economic and revenue outlook highlighted in the 2022 Budget have been realized—continued high inflation, multiple federal reserve bank interest rate increases, and further stock market declines.”

That narrative continues: “This last risk is particularly important to California, as market-based compensation—including stock options and bonus payments—greatly influences the incomes of high-income Californians. Combined with a progressive income tax structure, this can have an outsized effect, both good and bad, on state revenues. Given these developments, the revenue outlook is substantially different than seen in the last two years.”

Additional Reaction and Commentary

An official statement by the chair of the California Assembly's Budget Sub 4, State Administration: [Assemblywoman Wendy Carrillo's Statement on Governor Newsom's 2023-2024 Budget Proposal](#) (January 10, 2023).

On and just after the January 10th release of Governor Newsom's budget, there have been numerous media stories, including, for example:

- [Newsom proposes cuts to climate change programs amid cloudy economic outlook](#) (January 10, 2023) Taryn Luna et al., *The Los Angeles Times*
- [Gavin Newsom unveils \\$297 billion California budget with a deficit after years of surplus](#) (January 10, 2023) Maggie Angst and Lindsey Holden, *The Sacramento Bee*
- [Reversal of fortune: Gov. Newsom outlines plan to deal with budget deficit](#) (January 10, 2023) Alexei Koseff, *calmatter.org*
- [Newsom lays out spending cuts as California budget swings from surplus to deficit](#) (January 10, 2023) Jeremy B. White, *Politico*
- [Newsom's 2023 budget proposal includes climate cuts, to tackle fiscal shortfalls](#) (January 10, 2023) Sharon Udasin, *The Hill*

Conclusion

Next up, we'll continue this initial look at the California 2023-2024 budget-approval negotiation process with the official statements by nonprofit leaders, particularly the California Association of Nonprofits, as well as by allies in the California Legislature.

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