

California's Proposed Budget & Nonprofits: Part Two

01.23.23 | Linda J. Rosenthal, JD



"And so it begins: "Like the return of migratory birds to rice fields, an annual California politics ritual [...occurs...] each year by the tenth day of the first month, as the governor "... unveils his budget proposal for the next fiscal year."

On January 10, 2023, Governor Gavin Newsom (D) dutifully took this first step in the constitutionally choreographed, high-stakes and high-drama, half-year long finance dance with the Legislature.

Between now and then:

- "The Constitution requires that the Governor's proposal be introduced in both the Assembly and the Senate as identical budget bills."
- Discussion, debate, and negotiation occurs through the spring months.
- California law expressly mandates and encourages citizen input. See *The Budget Process: A Citizen's Guide to Participation*, a 20-page, reader-friendly, publication by the state Senate.
- The budget gurus issue a "mid-May revision," reflecting updated (actual) numbers from the first months of 2023, supplanting the estimates available in early January.
- Both chambers and the state's chief executive must come to an agreement by June 15th on the final budget for fiscal year 2023-2024 that starts on July 1st.

What's Up Next?

"It's budget season again in California," we wrote a few days ago in Part One of this series.

The ball has been tossed into the hands of state assembly representatives and senators. While it's true that there are Democratic supermajorities in both chambers, that doesn't mean there is quick

agreement among themselves or with the Democratic governor. No particular outcome is assured.

And the public chimes in right away: Some official statements and press releases were issued on January 10th, almost as soon as Gavin Newsom's 2-hour [YouTube video presentation](#) was posted. Every known and unknown constituency, interest group, and actual or potential stakeholder will eventually join in the conversation. That, of course, includes the state's nonprofit community as well as any one or more of a hundred thousand or so individual organizations.

"Keep in mind that this represents a prelude to a prelude: the [truly important negotiations tend to start](#) after Newsom releases his May update, which reflects more recent revenue numbers."

However, this year's ritual is shaping up much differently than last year's. California has enjoyed surpluses for several cycles; last year's was record-setting. See [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."]

The current financial picture, by contrast, includes an estimated deficit of some \$22.5 billion. While officials and legislatures prudently took some precautions over the past several years, including creating a reserve that currently totals about \$35 billion, Governor Newsom's January 10th proposed budget does not dip into that cache.

CalNonprofits' Statement

The highly influential California Association of Nonprofits (CalNonprofits) is, as usual, out front in reacting to the governor's proposed budget and planning for future participation in the budget-deliberations process.

See particularly:

- [A Critical First Step Toward Stronger State Government Partnerships with Nonprofits](#), CalNonprofits website; and
- [Press Release](#) (January 11, 2023)

The response by CalNonprofits focuses less on the particulars of the proposed budget than on its key wish-list item of the last year or so; namely, progress in "[more equitable contracting practices](#)" with the government.

By way of background, in 2022 more than 550 nonprofit and community leaders – led by CalNonprofits and in conjunction with a group called the California Contracting Coalition – wrote to Governor Newsom and lawmakers. They explained "... [the ways state contracting issues](#) are impeding nonprofits' abilities to hire and retain a qualified workforce, secure grant and contract dollars in a prompt manner, cover critical costs associated with achieving grant and service outcomes, and generate meaningful access to state funding for organizations led by and serving BIPOC and vulnerable communities."

Both the Assembly and the Senate have select committees on the nonprofit sector. In February of last year, they held a joint hearing "to explore ways for the state to ensure nonprofits continue to thrive as partners to the state in the delivery of services to millions of Californians."

CalNonprofits and leaders of the California Contracting Coalition also “have met with numerous Administration officials to discuss these imperatives in great detail.”

The governor’s recently issued proposed budget includes these “few simple words”: “The Administration will consider changes to address issues within the nonprofit sector to support the sector’s ability to deliver on meeting goals in state programs.”

Jan Masaoka, CEO of CalNonprofits, sees this language as “signal[ing] an important acknowledgement from the Governor and his administration of the call for change from our sector and opens up new opportunities for collaboration and change.” CalNonprofits views the governor’s comments as a “... remarkable, explicit commitment to work toward improving how government and nonprofits work together;” further, that it “demonstrates his administration’s awareness that the Governor’s ambitious goals for California lean heavily on nonprofits to provide their services and their hearts.”

Assemblymember Luz Rivas (D-San Fernando Valley) and Senator Monique Limon (D-Santa Barbara), chairs of the select committees, concur.

Work had already begun, before the publication of the 2023-2024 proposed budget, on developing a “legislative package that will propose statutory changes to address these issues.”

Nonprofits React

Among the published statements of various nonprofit organizations around California are these representative – early – samples:

- [*Analysis Of Governor Newsom’s 2023-2024 California Budget Proposal*](#) (January 11, 2023) Western Center on Law and Poverty [“...delays funding for new programs, and in some cases ties new program implementation to future year revenue....It avoids major cuts, retains significant budget reserves, and maintains investments from previous budgets, including Medi-Cal expansion ..., grant adjustments for CalWORKs and SSI/SSP, and many housing and homelessness investments. While not austere, ... [it is] conservative in its ambition to meet the needs of low-income Californians”]
- [*California’s Gov. Newsom releases 2023-2024 budget with Medi-Cal as priority, but advocates say it’s not enough*](#) (January 12, 2023) State of Reform
- [*State Budget Update*](#) (January 10, 2023), California Pan-Ethnic Health Network [“\$297 billion budget ... advances California toward universal health care coverage but fails to provide necessary investments in health equity”]
- [*California’s Proposed 2023-24 Budget Must Continue our Progress Towards Equity*](#) (January 10, 2023) Press Release, Catalyst California
- [*California Association of Food Banks Respond to Governor’s January 2023-24 State Budget Proposal*](#) (January 12, 2023) [“...deeply grateful ... for protecting many critical anti-hunger and anti-poverty investments despite the estimated \$22.5 state budget deficit”]
- [*Advocates Disappointed by Lack of New Investments for Food4All in Governor Newsom’s Budget Proposal, Call for Removal of Harmful Exclusions*](#) (January 11, 2023) California Immigrant Policy Center [“... deeply disappointed (it) lacks new investments to remove

exclusions to the California Food Assistance Program (CFAP) for Californians ages 54 and under, regardless of immigration status, while delaying the implementation date for the historic expansion of CFAP for all Californians ages 55 and older by four years”]

- CA EDGE Coalition’s Summary of the Governor’s 2023-24 State Budget Proposal (January 18, 2023) California EDGE Coalition [“Despite this year’s budget shortfall, the ... proposal largely maintains historic investments made in last year’s budget ... however, addresses the \$22.5 billion deficit through various ‘trigger’ cuts, funding delays, and several reductions of one-time spending that were approved within the last two years”]

Conclusion

In the coming months, we’ll follow discussions and developments about progress on the California budget, focusing particularly on the perspectives and views of the organized nonprofit sector as well as those of selected (representative) individual organizations.

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