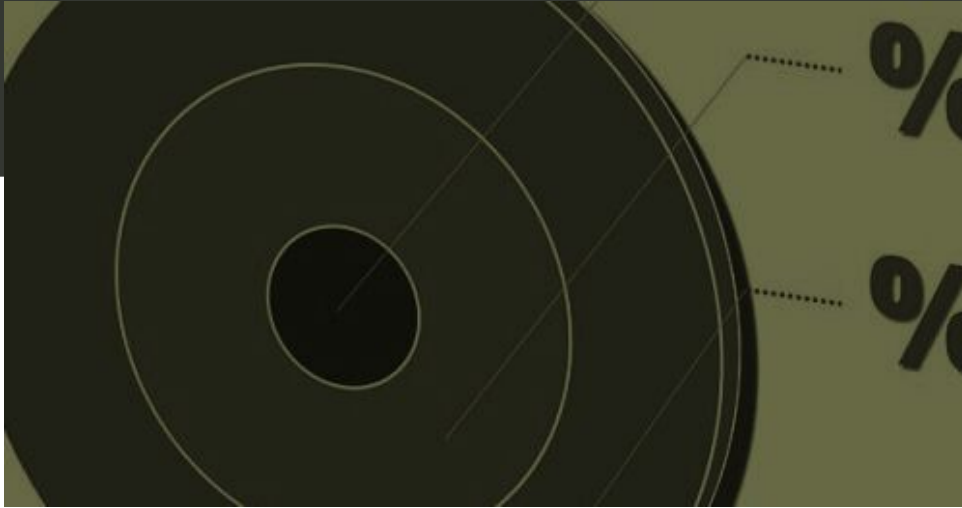


## Nonprofits Reaching for Piece of CA Budget Pie

04.11.22 | Linda J. Rosenthal, JD



“The annual state budget is – next to the State Constitution – the most important document in California government.”

That’s how Senate writers in Sacramento open the helpful 20-page PDF booklet titled *The Budget Process: A Citizens’ Guide to Participation*. Next, they remind us that if “... California were a nation,” it would rank among “the top ten economies in the world.”

Each year, this “open public process” of approving the budget ahead of the start of the fiscal year on July 1st “gets going with intensity when the governor presents a constitutionally mandated proposed balanced budget on or before each January 10th.”

The ball is then tossed to the Legislature which has until June 15th to act on it. “This five-month period—a comparatively short time frame for consideration and passage of the state’s multi-billion dollar general fund budget—is the critical period for public comment on the state’s spending priorities.”

And “so it begins,” wrote Jeremy B. White and his co-authors at *Politico* on the morning of January 10, 2022, in *California begins its budget dance*: “Like the return of migratory birds to rice fields, an annual California politics ritual will occur this morning as Gov. Gavin Newsom unveils his budget proposal for the next fiscal year.” See *The 2022-23 Governor’s Budget*, showing a huge surplus.

Wait. What? There are rice fields in California?

### ***A Big Deal***



The Politico reporters continue: “Today California [...launches...] back into the perennial debate over how to spread its wealth around – and there are abundant assets to allocate.”

“Keep in mind,” they add, “that this 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. But, however “much the budget plan morphs between [January 10th] and May, it would take an abrupt economic downturn to reverse the state’s trajectory.”

This is “no ordinary year; ... the defining fiscal dimension is that we’re in a time of plenty.” For FY 2021-22, California enjoyed a record surplus resulting in a \$262-billion state budget. Now, just in time for the 2022-23 budget negotiations, “California’s coffers are once again overflowing, with a surplus in the tens of billions.” (Note: Most other U.S. jurisdictions are also suddenly experiencing surpluses; a development almost unimaginable until just recently.)

The \$29-billion surplus to allocate “does not include about \$13 billion set aside, through a constitutional mandate, for schools and community colleges.” This is “an excess ample enough that California could breach the spending cap known as the Gann limit, which would force the state to return some of that money to taxpayers.”

The total financial picture in California is also buoyed by California’s largest-in-the-nation share of The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, a part of the American Rescue Plan that “delivers \$350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency.”

These funds are available to be disbursed over a few years and for a broad range of allowable purposes. For the record, in most if not all U.S. jurisdictions, there’s plenty of money left in that Fund for valid reasons. It’s: (a) how the multi-year program was set up; and (b) predictably challenging for state and local governments to quickly scale up to accept, process, and disburse huge cash windfalls.

### ***Budget Watching***

The California Association of Nonprofits (CalNonprofits) has recently reminded us that springtime is when our community must pay close attention not only to purely legislative developments in the Senate and Assembly but also to budget deliberations in the relevant committees. See CA Nonprofit Legislative Update (April 5, 2022), linking to the CalNonprofits article titled Bills & Budget Asks Supported by CalNonprofits in 2022 (March 2022).

There are two specific budget proposals that CalNonprofits is supporting as of right now: (a) a \$10 million outreach and sub-grant program regarding the federal student loan forgiveness program and waivers; and (b) funding for a \$100-million annual “community-based approach to health equity and racial justice.”

#### **PSLF Outreach**

The federal Public Service Loan Forgiveness program has received a great deal of attention in the last year or so. The PSLF statute approved in 2007 was complex and confusing. The program’s administration all along has been inept and unfair. See our discussion in Public Service Loan



Forgiveness: Glitches (April 15, 2019).

This program was created in 2007 as an “excellent way to help both struggling college grads as well as the nation’s government agencies and nonprofit organizations to lure needed talent away from the private sector which – generally – pays better than public service jobs....” But at the end of the 10-year-period when the first of the loan cancellations should have occurred, few applicants were granted the statutory relief.

The Biden Administration has taken significant steps to revamp it to achieve the original purpose; see Nonprofits & Student-Loan Forgiveness: Action Needed (August 24, 2021), and Student Loan Forgiveness Program: “Transformational” Fixes (October 7, 2021).

But it’s still difficult to navigate the new processes. CalNonprofits created the Nonprofit Student Debt Project, an “initiative to educate nonprofit staff and employers, advocate for public policy changes, and engage [the nonprofit] community on the problem of student debt and its impact on the nonprofit workforce – and what we can do about it.”

And now, CalNonprofits is supporting a \$10 million request by the CA Department of Financial Protection and Innovation “to do outreach, and sub-grant funds to nonprofits to do outreach, on the federal PSLF program and waiver.” CalNonprofits is “part of a coalition of organizations working to bring better information and support to student loan borrowers.” In 2020, the organization supported a bill (AB 376 – Stone) that provides an ombudsperson and other resources for student borrowers in California.

- **Public Health Advocacy**

CalNonprofits also supports a request to fund a community-based approach to health equity and racial justice. “A statewide coalition of nonprofit advocates that engage in public health advocacy on behalf of underserved communities is requesting at least \$100 million a year to support public-private partnerships to improve a wide range of public health outcomes in communities with less access to resources.”

The Health Equity and Racial Justice Fund explains its mission: “As the pandemic rages on, California must invest in addressing the root causes of health inequities and racial injustices by directing resources to communities that have long-standing health inequities that have only been exacerbated by COVID-19....” The Fund would provide money “directly to community-based organizations, clinics, and tribal organizations (CBOs) to identify the most pressing health and racial justice issues in their communities and develop solutions to address them.” Funding priorities could include “food security, environmental justice, community safety, and more.”

CalNonprofits explains that “this broad definition of public health outcomes means that many types of nonprofits can support local efforts ....”

### ***A Piece of the Pie***

The most intriguing – and little known – aspect of the annual California budget “dance” is how significantly the general public (either individually or collectively through interest groups or as organizational “stakeholders”) is invited and encouraged to participate in the process.



Between the reveal of the governor's budget (by January 10th at the latest) and the "release of the May Revision ..., the Legislature's Senate and Assembly Budget Committees and their policy-specific sub-committees will invite the Department of Finance and State Departments to present the Governor's January Budget to those committees...."

More particularly, they "will also allow for stakeholders to provide public comment on the Governor's proposals as well as present their own 'stakeholder proposals'."

It's important to understand, though, that "... these committees will not take any action on the Governor's budget proposals or on the stakeholder proposals and will instead 'hold them open' until after the May Revision is released." That's why the Politico article made clear that "... the truly important negotiations tend to start after Newsom releases" the required May budget update and "revised fiscal outlook."

After that, "the Legislature's Budget subcommittees and Full Budget committees will meet and either approve or reject the Governor's and stakeholders' proposals. The Legislature and the Governor will then negotiate to produce a final budget."

A simple Google search reveals considerable input already by many California nonprofits. A quick peek at one or more of the following examples shows how much there is for our sector to chew on within the proposed budget:

- ***ITUP (Insure the Uninsured Project):*** *Governor's FY 2022-23 Budget Proposal: Key Highlights* (January 20, 2022) [this submission includes valuable links to online resources for understanding Governor Newsom's budget proposal, including breakdowns into individual topic areas including – for instance – health care, climate change, and education]
- ***California State Parks Foundation:*** *Governor Newsom's proposed 2022-23 budget prioritizes climate resiliency, equal access to state parks*
- ***Disability Rights California:*** *Disability Rights California's Summary of The Governor's Proposed 2022-23 Budget* (January 19, 2022)
- ***United Ways of California:*** *Statement by Peter Manzo, President & CEO of United Ways of California Regarding Governor Newsom's January 2022 Budget Proposal* (January 10, 2022)
- ***California Housing Partnership:*** *2022-23 Investments in Housing Affordability and Homelessness* (February 4, 2022)
- ***Early Edge California:*** *2022-23 California State Budget Proposal Summary of Early Learning and Care Provisions* (January 19, 2022)

## Conclusion

The Legislature must produce a "balanced budget" by majority vote of both the Senate and the Assembly by Wednesday, June 15, 2022. Governor Newsom will then have 15 days to sign it so that it will be law by Friday, July 1, 2022, the start of the new fiscal year.

It should be quite an interesting few months.

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