

That CA Budget Pie?: Much Bigger Than Expected

05.17.22 | Linda J. Rosenthal, JD



In the usual government budget proceedings, officials and legislators perform the thankless task of divvying up far less revenue than needed. These sessions can fairly be characterized as snooze fests of reviewing minutiae interrupted by periodic flare-ups of partisan temper tantrums.

The rare budget surplus, though, produces a different dynamic.

For the second year in a row, for fiscal year 2022-23 beginning July 1st, California will have more money than predicted. The official estimate released on January 10, 2022, in Governor Gavin Newsom's constitutionally mandated balanced budget proposal, pinned the figure at over \$29-billion.

Everyone is lining up to grab some of it. See [*Nonprofits Reaching for Piece of CA Budget Pie*](#) (April 11, 2022).

But the real kicker this time around is how far off was that original \$29-billion estimate. The recalculation based on current figures – the “May Revision” – indicates there will be an extra \$97-billion.

That's three times as much pie. Yum.

Early Steps

The annual budget process in this state is a carefully prescribed dance that begins in early January ahead of the July 1st start of each new fiscal year. [*The Budget Process: A Citizens' Guide to Participation*](#), California State Senate, is an excellent detailed explanation.

Each year, by January 10th, the governor is required to publish a comprehensive and balanced proposed budget. The original \$29-billion estimate of the surplus was timely published. That figure is above and beyond the tens of billions set aside separately because of long-ago ballot-initiative mandates and under the terms of generous federal COVID-19 funding.

The \$29-billion prediction 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.”

Once the governor’s budget proposal is released, the action switches over for a few months to the Assembly and the Senate. There, legislators in each body consider and debate identical and simultaneous bills based on the governor’s submission. 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....”

“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”) are invited and encouraged to participate” in this “open public process.”

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’.”

The nonprofit community actively engaged. In our April 11th post, we included links to a sampling of the many statements and submissions produced by California’s charitable organizations and community leaders.

But this is a prelude only; the legislative “... 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 release by the governor of the “May Revision,” a required official update which reflects more recent and actual revenue numbers.

Only then will the “truly important negotiations” begin based on the “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.”

May Revision

Governor Newsom timely published the May Revision on Friday, May 13, 2022. See:

- *Budget Summary, 2022-2023, May Revision* (May 2022) Governor Gavin Newsom, ebudget.ca.gov/ [175 pp]
- *Welcome to California’s 2022-23, May Revision to the Governor’s Budget* (May 13, 2022, revised)

See also the official and independent review of the budget proposal – as modified and reflected in the May Revision – by the Legislative Analyst’s Office. See: *The 2022-23 Budget: Initial Comments on the Governor’s May Revision* (May 16, 2022), Legislative Analyst’s Office, lao.ca.gov.

A representative sampling of current news stories and summaries include:

- *California's \$100 billion surplus: What to know about Newsom's spending plan* ([May 13, 2022](#)) Ben Christopher, *calmatters.org*
- *Budget battles intensify amid competing priorities* ([May 12, 2022](#)) Emily Hoeven, *calmatters.org*.
- *California surplus expected to hit unprecedented \$97 billion under Newsom's budget plan* ([May 13, 2022](#)) John Myers, *Los Angeles Times*
- *With California budget surplus projected at \$97 billion, Newsom proposes driver rebates, more reproductive health funding* ([May 13, 2022](#)) Nicole Nixon, *capradio.org*

Follow-Up Deliberations

In a [news article](#) published on the day in January 2022 when Governor Newsom released his proposed budget, the authors emphasized that the budget estimate could be a bit wobbly. Nevertheless, they wrote, the legislative hearings and the public participation during the spring will likely withstand some later budget tweaking in the May Revision. "However much the budget plan morphs between [January 10th] and May, it would take an abrupt economic downturn to reverse the state's trajectory."

The challenge that has developed is the turn in the numbers in an entirely different direction: sharply upward instead of into a downward spiral.

Now that the May Revision is available, the ball has been "[tossed](#)" back to the Legislature. It's already May 17th; the clock is ticking. Much of the important work will be done this week or next.

The public are adjusting to the welcome but strange reality of lots of pie to go around. Members of the nonprofit community are revising their pitches. See, for instance, a small sampling from a Google search:

- *NRDC Statement on Governor Newsom's May Budget Revision* ([May 13, 2022](#)), Natural Resources Defense Council, *Press Release*
- *5 Questions We're Asking Ahead of the May Revision* ([May 6, 2022](#)) California Budget & Policy Center
- *TICAS Statement on California Governor Newsom's May Revision to the 2022-23 State Budget* ([May 13, 2022](#)) Jessica Thompson, *Press Release*, *ticas.org*
- *Joint Analysis Governor's 2022-23 May Revision* ([May 13, 2022](#)) California Community Colleges, *cccco.edu*.

Conclusion

Time, of course, is of the essence. 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.

This is no unimportant matter, the Senate authors of [The Budget Process: A Citizens' Guide to Participation](#) remind us in their opening sentence: "The annual state budget is – next to the State

Constitution – the most important document in California government.” It determines and reflects our state’s highest priorities.

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