

CA Balanced-Budget Deal Reached

06.23.24 | Linda J. Rosenthal, JD



Yesterday morning, Governor Gavin Newsom and California legislative leaders announced that they've reached the constitutionally required balanced budget-deal for FY 2024-25 that begins on July 1st. See [California leaders announce 2024 state budget agreement](#) (June 22, 2024) Office of the Governor, *News Release*; [2024 Budget Agreement](#) [5 pp. PDF summary].

It's all done except for the formality of voting next week in each legislative chamber [on 19 budget bills](#) – (three had already been enacted) – and the governor's signature. This process is expected to be wrapped up by Thursday, June 27, 2024.

It was a particularly challenging process: Budget negotiators faced the second-in-a-row cycle of substantial deficits. See [Home Stretch: Nonprofit Advocacy on 2024-25 CA Budget](#) (May 30, 2024) *FPLG Blog*; [CA Budget FY '24-'25: A Big Deal for Nonprofits](#) (January 29, 2024) *FPLG Blog*; and [The Governor's Budget & CA's Nonprofits](#) (February 5, 2024) *FPLG Blog*.

This (not unexpected) downturn followed two years of soaring budget surpluses. See, e.g., See [Nonprofits Reaching for Piece of CA Budget Pie](#) (April 11, 2022) [\$29-billion surplus; "...a time of plenty."] *FPLG Blog*; and [That CA Budget Pie?: Much Bigger Than Expected](#) (May 17, 2022) [January revenue estimate way understated; actual surplus is \$97-billion. "That's three times as much pie. Yum."], *FPLG Blog*.

Why All This Matters to Nonprofits

In [The Budget Process: A Citizen's Guide to Participation](#), [senate.ca.gov](#), the authors point out that "[i]f California were a nation, it would have among the top ten economies in the world. The annual state budget is – next to the State Constitution – the most important document in California government."

A budget deal that emerges between lawmakers and the executive branch “... spells out how budget dollars are distributed. Education, assistance for people with disabilities, tax relief, fire protection, road building and other public services are evaluated in an open public process that takes up much of the year – and frequently makes headlines.”

Even in a deficit year, when the negotiating atmosphere sometimes resembles a Dickensian drama – “Please, sir, I want some more....” – there’s a huge amount of money to divvy up. In the deal just reached for FY 2024-25, total expenditures are \$297.9 billion.

California is home to more 501(c)(3) organizations than anywhere else in the U.S. It’s well recognized that they are vital partners in fulfilling the government’s promises and priorities. For many in the charitable sector, government money is a major source of annual revenue.

“Each year, the charitable community in California – the nation’s largest – takes a keen interest and active role in the state’s six-months-long budget cycle. In January 2024, at the beginning of this year’s 6-month budget marathon, the CEO of the California Association of Nonprofits, Geoff Green, issued an urgent call to action. “As we begin the new year, all eyes are on the state budget...,” he wrote. “CalNonprofits’ focus on policy advocacy helps to ensure that all levels of our government take action to help, not harm, the nonprofit community on which they increasingly rely.”

The problem this cycle, Mr. Green explained, is that “California is expecting the worst budget cycle in a decade.” And the Governor’s recent budget proposal for the upcoming fiscal year includes some “... spending cuts and delays” that “would pose significant challenges to progress on accessible childcare, climate resilience, and affordable housing, just to name a few.”

In a deficit year like this, making budget decisions is not an open-ended, anything goes, process. It’s more like a high-stakes “game of chess. There are clear rules: which ways you can move, and which ways you can’t. And those rules are largely mandated by the state Constitution.” See Guide to the California State Budget Process (May 2024) Scott Graves, *California Budget & Policy Center*.

Key Points of Budget Deal

“Governor Gavin Newsom, Senate President pro Tempore Mike McGuire and Speaker of the Assembly Robert Rivas today announced that they have reached an agreement on the 2024 state budget, which will support the state’s fiscal stability while preserving key programs that Californians depend on.” California leaders announce 2024 state budget agreement (June 22, 2024) Office of the Governor, *News Release*.

Notably, explain the governor and top legislative leaders, the budget deal –

- keeps “the multi-year fiscal structure proposed by the Governor in the May Revision to balance the budget in both 2024-25 and 2025-26, based on current revenue and spending projections”;
- proposes additional legislation in August requiring the state to set aside a portion of anticipated surplus funds to be allocated in a subsequent budget act, so that the state does not commit certain amounts of future anticipated revenues until those revenues have been realized; and

- includes the stated intention of the executive and legislative branches to pursue a 2026 constitutional amendment to grow the state’s Rainy Day Fund.

“This agreement sets the state on a path for long-term fiscal stability – addressing the current shortfall and strengthening budget resilience down the road,” says Governor Newsom. “We’re making sure to preserve programs that serve millions of Californians, including key funding for education, health care, expanded behavioral health services, and combatting homelessness...”

“Make no mistake: This is a tough budget year, but it also isn’t the budget situation we were originally fearing,” adds Senate President pro Tempore Mike McGuire (D-North Coast). “Thanks to hard work, tough decisions, and early actions, we’ve been able to shrink the shortfall, protect our progress, and maintain responsible reserves. This balanced budget helps tackle some of our toughest challenges with resources to combat the homelessness crisis, investments in housing, and funding to fight wildfires and retail theft. And we’ve come together to lift up our kids and public schools with record funding, help the most vulnerable in our communities, and address the climate crisis.”

Assembly Speaker Robert Rivas (D-Salinas) explains: “The Assembly fought hard to protect the public services that matter most to Californians, and we are delivering a budget that prioritizes affordability and long-term stability. We secured crucial investments to lower housing costs and keep people in their homes, and to sustain essential programs that help vulnerable families thrive. Students will grow and succeed because we kept classroom spending whole. And by balancing our budget this year and next, while preserving half the Rainy Day Fund, we are prepared for the future....”

This news release includes “an overview of the 2024 state budget agreement.” This [5 pp. PDS summary](#) includes three sections: “Solutions”; “Maintains Core Programs” and “Continuing Priorities.”

Under “Solutions,” there is further breakdown into several subcategories: “Reductions”—\$16.0 billion; Reserves—\$6.0 billion; Fund Shifts—\$6.0 billion; Delays and Pauses—\$3.1 billion; Deferrals—\$2.1 billion. This is important because – (recall the chess game analogy) – there are strict limits on how budget deficits can be solved in order to reach the constitutionally prescribed “balanced budget.”

Earliest Media Reports

- [Newsom, lawmakers use cuts, reserves and ‘fiscal emergency’ declaration to solve budget deficit](#) (June 22, 2024, Updated 1:22 pm PT) Taryn Luna, *The Los Angeles Times*
- [What you need to know about the California budget deal](#) (June 22, 2024) Alexei Koseff, *Cal Matters*
- [California Narrowly Dodges a Budget Shortfall](#) (June 13, 2024, updated June 22, 2024) Shawn Hubler, *The New York Times*
- [California Democrats, Gavin Newsom reach budget deal to close major deficit. Here’s their plan](#) (updated June 22, 2024, 3:43 pm) Lindsey Holden & Stephen Hobbs, *The*

Sacramento Bee

- [California governor, key lawmakers reach budget agreement](#) (June 22, 2024) Alan Riquelmy, *Courthouse News Service*

Conclusion

More detail will be available, perhaps by the end of this weekend in print form, in connection with the separate budget bills comprising the specifics of this compromise deal.

And, once it's all signed and sealed by July 1, 2024, the Department of Finance will update the third column – “Enacted Budget (Summer)” – of its master [FY 2024-25 Budget web hub](#). That hub includes a deep dive into specifics in 16 separate chapter tabs.

Just so you know, there's no lull in the action in the summer months. The entire process starts up again after July 1st for FY 2025-26. During the first half of the fiscal year, the dedicated staff of the California Department of Finance will, as usual, get going crunching more numbers and data – so that the governor will be ready to publish the next proposed budget due on or before January 10, 2025.

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