

Home Stretch: Nonprofit Advocacy on 2024-25 CA Budget

05.30.24 | Linda J. Rosenthal, JD



It's crunch time in California's annual six-months-long budget dance between the governor and the legislature.

This high-stakes ritual must start no later than January 10th and conclude by June 15th with a balanced budget approved by both chambers of the Legislature and signed into law by the governor. It's all carefully choreographed under the state constitution.

This year, Governor Gavin Newsom timely presented the required proposed budget for the upcoming FY 2024-24 that begins on July 1st. Based on the preliminary revenue and economic data then available, this proposal (along with draft legislation) is the executive branch's "opening bid" of \$291.5 billion. The action then moves for the next several months over to lawmakers for review and debate. See our reporting: [CA Budget FY '24-'25: A Big Deal for Nonprofits](#) (January 29, 2024) and [The Governor's Budget & CA's Nonprofits](#) (February 5, 2024).

In each budget cycle, there is a break in this process on or around May 15th when the governor is required to publish a recalculated budget proposal based on updated revenue figures. On May 10, 2024, Governor Gavin Newsom released this "Mid-May Revision," kicking off the frenzied final leg of the budget negotiations.

This budget cycle is particularly challenging: Following the heady days of record surpluses in 2021 and 2022, we are now in the second year of (predicted and planned-around) budget deficits.

The Government/Nonprofit Partnership

The budget "... is – next to the State Constitution – the most important document in California government ... [I]f California were a nation," it would rank among "the top ten economies in the

world.”

“California’s state budget is the product of a multi-month, multi-step process that involves the governor, the Legislature, lobbyists, interest groups and the public — with lots of debate, number-crunching and negotiation along the way.” See The Annual Budget Process, California Department of Finance flow chart.

The Golden State is home to the largest number of nonprofit organizations in the nation. The state government, itself and through the counties and municipalities, relies on our sector “... to carry out as well as supplement many of its official policy goals, mandates, programs, and services. The proposed budget includes – potentially – a huge amount of grant and contract money. Often, these funds are a significant part of a nonprofit’s annual budget.”

As Geoff Green, the new CEO of the California Association of Nonprofits, pointed out months ago at the start of the FY 2024-25 budget cycle, “it’s never too late” for nonprofit leaders around the state “...to engage with our elected representatives on budget issues!”

Gearing Up for the Final Push

Something unusual happened this year during the spring negotiations between the legislative and executive branches. Governor Newsom and the lawmakers from both chambers recognized the daunting challenge of closing an even larger budget deficit than predicted in January. They made a partial deal in April of some \$17 billion in cuts as a first step in reaching the mandatory June 15th balanced-budget deadline. See Early Action Agreement Overview (April 4, 2024); see also Newsom and Democratic lawmakers detail first California budget cuts totaling \$17 billion (April 4, 2024) Taryn Luna, *The Los Angeles Times*, and Anticipating Newsom’s 2024-25 May Revision: Safeguarding Progress Demands Revenue Boost to Amend Shortfall (May 6, 2024) Mauricio Torres, Jr., *California Budget & Policy Center*.

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Governor’s Budget

The key documents and supporting materials from the Governor’s Office presenting and explaining the updated budget proposal are:

- *Governor Newsom unveils revised state budget, prioritizing balanced solutions for a leaner, more efficient government* (May 10, 2024) Governor Gavin Newsom, *Press Release*, [gov.ca.gov](https://www.gov.ca.gov)
- *Watch Governor Newsom’s May Revise presentation here*, YouTube video [2:02:25]
- *Fact Sheet: Governor Newsom’s Revised 2024-25 State Budget* [“A Balanced Budget that Cuts Spending, Makes Government Leaner, and Preserves Core Services – Without Proposing New Taxes on Hardworking Californians”]

Of the four “key takeaways” offered in the Fact Sheet, the most significant is the first: “The Governor is solving two years of budget problems in a single budget, ...By addressing the shortfall for this budget year — and next year — the Governor is eliminating the 2024-25 deficit and

eliminating a projected deficit for the 2025-26 budget year that is \$27.6 billion (after taking an early budget action) and \$28.4 billion respectively....By making tough and responsible decisions now, the state is projected to have a positive operating reserve balance over the next two fiscal years.”

Department of Finance’s E-Budget

Another key player in the budget process from the Executive Branch is the California Department of Finance which worked diligently, mostly behind the scenes, for many months leading up to the presentation of the January 10th Proposed Budget.

This agency creates a comprehensive and highly detailed E-Budget, with line-by-line specifics. See ebudget.ca.gov. The home page reads: “The California Department of Finance welcomes you to the California Budget 2024-25.”

Divided into three columns, it is now ¾ complete. On the left is: “Governor’s Proposed Budget (January). The Budget proposed by the Governor. [Summary](#). [Detail](#).” The middle column reads: “May Revision. (May) Changes to the Governor’s Budget due to latest economic forecasts. [Summary](#). [Detail](#).”

The right column currently reads: “Enacted Budget. (Summer). The Budget passed by the Legislature and signed by the Governor.” The details are not yet included, but will be filled in at or near June 15, 2024.

Response – Legislative Analyst’s Office

“The Legislative Analyst’s Office (LAO) has provided fiscal and policy advice to the Legislature for [75 years](#). It is known for its fiscal and programmatic expertise and nonpartisan analyses of the state budget. The office serves as the ‘eyes and ears’ for the Legislature to ensure that the executive branch is implementing legislative policy in a cost efficient and effective manner.”

See: [The 2024-25 Budget Initial Comments on the Governor’s May Revision](#) (May 17, 2024) Legislative Analyst’s Office (LAO).

The LAO’s “key takeaways” are:

- “We Estimate Governor Addressed a \$55 Billion Budget Problem.
- The Governor Addresses the Deficit by Adjusting Spending.
- Proposed Budget Structure Puts the State on Better Fiscal Footing.
- Next Steps for the Legislature; Four key areas of consideration”

Reaction – Legislators

A reminder: Along with the Democratic governor, both of California’s legislative chambers have Democratic super-majorities. That doesn’t mean they regularly fall in line and agree. Here, coming to an agreement on a “balanced budget” (as specified by the California Constitution) will be like herding cats, but it *will* happen. The June 15th deadline is a hard deadline.

- [Overview of the Governor’s 2024-25 May Revision](#) (May 10, 2024, 26 pp. PDF), Senate Committee on Budget and Fiscal Review, Senator Scott D. Wiener, Chair

- [Newsom's Budget May Revision is balanced on hopes and prayers](#) (May 10, 2024) *California Senate Republicans Caucus*
- [California Democrats aren't sold on Gavin Newsom's plan to cut the budget deficit. How they disagree](#) (May 28, 2024) Lindsey Holden, *Merced Sun-Star via AOL* ["Assembly Democrats are at odds with California Gov. Gavin Newsom on a handful of big issues — including proposed cuts to Medi-Cal provider rate increases and tax deduction suspensions — as lawmakers negotiate a budget to close an estimated \$45 billion deficit."]
- [Legislative Leaders Respond to Newsom's May Revise Budget](#) (May 15, 2024) Andrew Scheeler, *The Sacramento Bee*

More Commentary

- ***California Budget & Policy Center***

"The California Budget & Policy Center (Budget Center) is a nonpartisan, research and analysis nonprofit...." See [First Look: Understanding the Governor's 2024-25 May Revision](#) (May 2024, 45 pp. PDF). [The Governor "... proposes to close the budget gap through the partial use of reserves, spending cuts, and delays or deferrals of spending authorized in earlier years. While the \$201 billion General Fund spending plan would protect many investments made in prior years, it also includes cuts and delays to programs and services that affect the day-to-day lives of Californians, particularly foster youth, Californians with disabilities, immigrant communities, students, and families with young children. Notably, the administration's strategy demonstrates continued resistance to adopting long-term revenue solutions,"]

- ***Cal Matters***

"CalMatters is a nonpartisan and nonprofit news organization ... covering America's biggest state, 39 million Californians and the world's fifth largest economy." See [Big cuts, no new taxes: Gov. Newsom's plan to fix California's budget deficit](#) (May 10, 2024) Alexei Koseff, *Cal Matters* ["Gavin Newsom proposes a mix of spending cuts and using reserves to balance the state budget. He says that core services will be largely untouched, but some existing programs would be affected....Faced with ongoing weaknesses in state finances, [he] put forward a [revised budget plan](#) today that he said aims to stabilize California in the longer term by addressing a "sizable deficit" estimated at \$56 billion over the next two fiscal years."]

"We are encouraged that the Governor's May Revision improves budget prospects for future years and saves rainy-day reserves," Assembly Speaker [Robert Rivas](#) of Salinas and Budget Committee chairperson [Jesse Gabriel](#) of Encino, said in a joint statement, but they added they "will continue to fight to protect core programs for California's most vulnerable residents and essential classroom funding."

Additional Media

- [Here are the winners and losers in California Gov. Gavin Newsom's May Revise budget](#) (updated May 11, 2024) Andrew Sheeler & Nicole Nixon, *The Sacramento Bee*

- *Gavin Newsom's budget proposal ditches promise to fund 5 years of growth for UC and Cal State* (May 16, 2024) Mikhail Zinshteyn, KPBS

Conclusion

In the California Budget & Policy Center's excellent new publication, *Guide to the California State Budget Process* (May 2024), Scott Graves explains in plain English why closing a budget deficit in this state is not unlike a 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.

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