

Influencing the Budget in California

With budget cuts in California showing no signs of slowing, it is vital that nonprofits speak up on behalf of their constituents and communities. Many nonprofits that serve vulnerable populations depend in part on government funding to continue providing services, and the communities they serve and advocate for often rely on government programs for healthcare and other needs. There are many opportunities for nonprofits and members of the community to get involved in helping policymakers and the public understand the very real impact the budget has on all of our lives.

Because the budget counts as legislation, efforts to influence it will likely (but not always) count as [lobbying](#). Nonprofits can and should lobby, but 501(c)(3) public charities need to stay within their annual [lobbying limit](#).¹

The Budget Process in California

There are several points in the process where nonprofit advocacy can have an impact on the budget as it moves from proposal to law. On or before January 10, the governor releases the “Governor’s Budget” to both houses of the legislature and the public. Between March and May legislative subcommittees hold public hearings, where individuals and groups can offer input on budget matters. Most substantive changes will be made at the subcommittee stage and this window is the best opportunity for input. In mid-May, the Governor releases the “May Revise,” an update to the original Governor’s Budget based on changes to the state’s revenues and expenditures. These updated numbers are used by the Budget Subcommittees to draft amendments to the Budget Bills.

Following their hearings with state officials and the public, the Budget Subcommittees approve, revise or disapprove specific items in the Budget Bills. The Assembly and Senate Budget Committees send revised Budget Bills, based on the subcommittees’ reports, to the floor of each respective house for amendments and votes. The Assembly and Senate vote to approve their Budget Bills and send them to the other house for concurrence. The Budget Conference Committee often relies on negotiations with the Governor to work out differences between the two houses’ Budget Bills. The Assembly and Senate meet to vote on the final Budget Bill, which can no longer be amended.

The Governor must receive the approved Budget Bill from the Legislature by June 15, per the State Constitution and must sign or veto the budget within 12 working days. The Governor can use the Line Item Veto to reduce or eliminate any appropriation in the budget. The Legislature can override the Line Item Veto with a two-thirds vote of both Houses. Following the Governor’s signing, the Budget Bill goes into effect on July 1. For more detailed information see [The Budget Process: A Citizen’s Guide to Participation](#).

Ways to Impact the Budgeting Process

There are a number of ways in which nonprofit organizations commonly influence the budget process. Whether each of these actions counts towards the organization’s lobbying limit depends on whether the organization uses the [501\(h\) expenditure test](#) or the insubstantial part test. The major distinction between the two is that under 501(h), only the organization’s expenditures count against the lobbying

¹ In addition, organizations must comply with California’s lobbying disclosure law. For more information on how your nonprofit can comply with California’s lobbying disclosure law, view our publication [Shaping the Future: A Compliance Guide for Nonprofits Influencing Public Policy in California](#).

limit. Under the insubstantial part test, the total amount of time and money spent (this includes volunteer time) influencing legislation counts against the limit.

- **Attend Public Hearings:** Between March and May various legislative subcommittees conduct hearings where individuals and representatives from groups can attend to voice their thoughts and concerns. The California Partnership organizes trips for low income residents to testify at the state’s budget hearings. In 2011, members of the California Partnership made several dozen visits to the state legislature, helping to advance the organization’s efforts to save several important programs, including CalWORKS, child care, and economic support for immigrants. 501(c)(3) public charities should be aware that under the 501(h) expenditure test, only the staff time and expenses associated with sending representatives to testify at public hearings will count towards the organization’s lobbying limits. Under the insubstantial part test, the time spent by volunteers will count as well.
- **Direct Lobbying:** The California Immigrant Policy Center organized “Immigrant Day 2012” where more than 400 participants from across the state traveled to Sacramento and participated in more than 100 visits with state representatives. This is direct lobbying under both tests, but under the [501\(h\) expenditure test](#) the time of volunteers does not count towards your lobbying limit.
- **Calls to Action:** CALPIRG directs visitors to contact their state representatives to voice their support for a bill to end various corporate tax loopholes through a “Take Action” section of their website. This type of activity will likely count as grassroots lobbying under 501(h), but with so few costs associated with this type of work it will hardly register against the lobbying limit. Under the insubstantial part test, these costs would likely count against the organization’s lobbying limit, but there is no distinction between direct and grassroots lobbying.
- **Educating Budget Committees:** Legislators occasionally seek out expert testimony, or nonprofits may decide to offer their views to legislative committees. In February 2012, Disability Rights California provided testimony to a joint legislative committee on the topic of restructuring the state’s behavioral health system. If a 501(c)(3) organization is invited in writing by someone who is authorized to act on behalf of the committee to present its views to a budget committee, this activity may not count towards the 501(c)(3) organization’s annual lobbying limit, since it could be considered within the technical assistance exception to the [definitions](#) of lobbying under 501(h). The insubstantial part test offers a similar, but more limited, exception that excludes testimony only when the analysis is a fair representation of both sides of the issue and the organization does not advocate the adoption or rejection of the legislation.
- **Educating the Public:** Health Access produces fact sheets that break down the impact of proposed California budget measures. Since budgets are often large and extremely complex documents, providing fact sheets that simplify budgetary issues can help raise awareness about the ways in which budgetary issues impact vulnerable communities. Under both 501(h) and the insubstantial part test, educating the public in a fair and non-partisan manner without asking them to take action on the budget will likely not count as lobbying.

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