



NONPROFITS: LEGISLATION

CA Governor Vetoes Grantmaking-Reform Bills

10.01.26 | Linda J. Rosenthal, JD



“Each year in February,” the California Association of Nonprofits “selects and features a number of bills filed in the California Legislature that are of particular interest to” this state’s charitable community, the largest in the nation.

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[**Note – 9/2/26**]: Statement by California Association of Nonprofits in response to the vetoes: Newsom Vetoes Trio of Priority Nonprofit Bills (October 2, 2026), CA Association of Nonprofits]

This year, the Legislation Tracker, published and updated daily by CalNonprofits, highlighted thirteen “sponsored” or (at least) “supported” measures.

By law, the deadline for lawmakers’ voting is midnight on August 31st. It was a busy year: Officials delivered a total of 1,160 bills to Governor Gavin Newsom’s desk for his decision one way or another by midnight on September 30th.

Among those 1,160 bills awaiting an answer by the governor were ten still-active entries showcased on the CalNonprofits Legislation Tracker. [Two measures had been signed into law over the summer; another did not make it to any floor vote at all.]

“Now, all eyes are on” the remaining ten bills, “in particular, SB 1240: “Office of Nonprofit Empowerment.” See Veto Watch for CA Charitable-Sector Legislation (September 3, 2026) FPLG



Blog. This is the marquee measure of 2026 for the charitable-nonprofit sector. It's been discussed prominently as well in [*CA Nonprofit Grantmaking Reform: Exciting New Developments*](#) (May 7, 2026) *FPLG Blog*

The Results: The Excellent News

It wasn't until late yesterday – September 30th – that the [governor's decision was announced](#) on the last one of the ten legislative items watched by CalNonprofits.

Seven of the ten bills “sponsored” or “supported” by the California Association of Nonprofits were “chaptered”: that is, signed into law by Governor Newsom.

They range widely in particulars.

For example, [AB 2221](#), “*Supervision of Trustees and Fundraisers for Charitable Purposes Act*,” authorizes a much-needed redesign of the state DOJ registration/renewal procedure to avoid delays and to limit penalties only to cases of intentional or serious infractions.

[SB 1288](#), “*Property: nonprobate transfer of ownership*,” aka Legacy Fulfillment Act, newly requires financial institutions to notify beneficiaries including charitable organizations of non-probate assets (like IRAs, 401ks) when an account holder passes away, thus ensuring that millions of dollars reach their intended donees.”

See also [AB 1836](#), “*California State Nonprofit Security Grant Program*,” which expands permissible uses of funds to protect people at off-site events. The program has also had a major boost in funding. The next application round will begin in just a few weeks. Since both the federal and state programs require extensive and complex documentation, organizations should not delay in exploring these options and taking all necessary preliminary steps.

Coming up, we'll dive more thoroughly into these new laws as well as the others showcased on the [Legislation Tracker](#) this year.

The Results: The Very Bad News

The title of the September 3rd blog post kicking off our month-long legislative watch party is [Veto Watch for CA Charitable-Sector Legislation](#).

It's a bit tongue-in-cheek. “Veto watch?”

Surely, our hopes for meaningful and much-needed grantmaking reform would not be dashed to pieces for the *fourth* year in a row!

After all, the three bills introduced this year to overhaul the state's inequitable and inefficient system of awarding and funding grants have been carefully planned for over two years. And they have been developed through close cooperation among lawmakers, CalNonprofits and other sector leaders and experts, and the Little Hoover Commission. See [CA Nonprofit Grantmaking Reform: Exciting New Developments](#) (May 7, 2026) *FPLG Blog*.

These three proposed measures are also built on the strong foundation of the CA Nonprofit Equity Initiative. First filed in early 2023 with seven bills in the legislative bundle, only one was signed into



law that year. But proponents tried again in 2024 and 2025, making amendments to accommodate the concerns mentioned by Governor Newsom in his veto messages. There was no further success. See e.g., [*Prompt Payment Act for Nonprofit Grantees: Newsom's Narrow Veto*](#) (October 20, 2023) *FPLG Blog*; [*It's a "No" On Two Key Nonprofit Bills, Says Newsom*](#) (October 1, 2024) *FPLG Blog*.

Undeterred, a new effort began in about mid-2024 to craft a more comprehensive approach, emphasizing the importance of the state's charitable organizations as partners with the State of California in delivering much-needed services and benefits to the public.

Legislative allies held public hearings and wrote significant reports documenting the urgent need for reforms. See, e.g., [*Joint Hearing of CA Senate and Assembly Select Committees on Nonprofits*](#) (August 2025); [*Advancing Institutional Support of Nonprofits to Address Unprecedented Challenges and Threats Facing the Sector; Background Paper*](#).

The Little Hoover Commission was also actively involved in this effort, conducting surveys and publishing important analyses and proposals. The Commissioners developed a 12-point set of recommendations, one of which was the creation of a centralized hub within state government. Included as well among these twelve points was advice to pursue each of the six legislative proposals from the CA Nonprofit Equity Initiative bundle that had been vetoed. Among the significant contributions of LHC are: [*Issue Brief: Survey on California State Funding for Nonprofits*](#), Report #289 (June 2025); [*Shared Priorities, Strained Systems: Modernizing State Grants and Contracts with Nonprofits*](#), Report #291 (January 2026).

The three bills filed in 2026 were successfully shepherded through the California Assembly and the State Senate. The final votes were unanimous. There has been no public opposition.

Nevertheless, last Sunday (August 27th), just after the midnight refresh of the [*Legislation Tracker*](#), the dreaded word popped up on the screen: VETOED. Three times.

- [SB 1240](#): "Office of Nonprofit Empowerment" – VETOED, [[Governor's Veto Message](#)]
- [AB 880](#): "State government grants and contracts: payment of claims and grantees' indirect costs" – VETOED, [[Governor's Veto Message](#)]
- [AB 1039](#): "State-funded assistance grants and contracts: advance payments" – VETOED, [[Governor's Veto Message](#)]

Each day in September, the Governor's Office released a daily list of bills (with links) signed into law followed by those vetoed. See e.g., [*September 30, 2026, gov.ca.gov/*](#)

Of the 1,160 new bills this year presented to Governor Newsom on September 1st, he vetoed about 11% of them.

Conclusion

Over the next days, reaction will undoubtedly be posted online about the deeply disappointing outcome of the effort to authorize and create an Office of Nonprofit Empowerment.

We'll follow up and report on developments including the experts' views on possible next steps.

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