

CA Grant Reform: Third Time's a Charm?

04.07.25 | Linda J. Rosenthal, JD



“For years, reform of the state’s grantmaking policies and procedures has been high on the wish list of California’s nonprofit community.”

We wrote optimistically about this important development in *Major Legislative Push in CA To Reform Grantmaking* (February 27, 2023). “The stage is now set for action....”

Months earlier, in the fall of 2022, the California Association of Nonprofits, together with an informal group known as the California Nonprofit Contracting Coalition, had joined forces to galvanize interest. They wrote an 8-page joint letter to Governor Gavin Newsom and all of the state’s legislative leaders. Over 500 nonprofit organizations signed on as supporters. See *Improving nonprofit-government contracting will benefit communities across California* (October 2022) California Coalition on Government Contracting.

In time for the start of the first half of the 2023-2024 legislative session, these key players had turned the wish list into a serious and significant legislative agenda. There were now seven distinct bills – together called the California Nonprofit Equity Initiative – formally filed and on their way.

Unfortunately, this excitement, hard work, and broad-based support coincided with a nosedive in California’s financial picture: Gone were the roaring and record-setting surpluses in 2021 and 2022. By 2023, the governor and lawmakers were dealing with a substantial deficit, followed by one worse still in 2024.

When lawmakers went home at the close of the 2023-2024 Session, the results for the California Nonprofit Equity Agenda were less than the charitable community had wanted and needed. The 2025-2026 legislative session is now underway with a slimmed-down wish list for nonprofit grant



reform.

CalNonprofits urges all of this state's charitable nonprofits and their donors, supporters, and stakeholders to join in collective action over the next two weeks to persuade lawmakers to take positive action as committees consider and take action on these urgently needed bills for grant reform.

What Happened Previously

2023

As we explained that year in excruciating detail over the several months that the Legislature was in session, there was one major victory. See our [February 27th post](#) along with: [Formal Launch of CA Grantmaking-Reform Legislation](#) (March 22, 2023); [Important Update on CA Nonprofit Legislation](#) (October 12, 2023); [Upfront Grant Money in CA To Start Soon](#) (October 16, 2023); and [Prompt Payment Act for Nonprofit Grantees: Newsom's Narrow Veto](#) (October 20, 2023).

[AB 590](#) (Hart) became law. It “...pav[ed] the way to advance payments for nonprofits with state grants and contracts.” This new statute authorized “state agencies to provide nonprofits up to 25% of contracted funds up front, with a priority on nonprofits serving vulnerable communities or those with modest reserves. This was a huge win “for nonprofits and the state.”

Most of the remaining bills in the California Nonprofit Equity Initiative, however, were carried over into 2024.” The lack of a more comprehensive victory in 2023 had much less to do with the merits of the popular legislation and a great deal to do with the budgetary disaster on the horizon.

That disappointment included [SB 557](#) (Limon). “Lawmakers approved it. The measure made it all the way to the governor’s desk – but not beyond. He didn’t outright veto the bill, but let the deadline pass without signing it.” The governor posted a written explanation of his narrowly drawn concerns, “expressing confidence that the differences could be worked out amicably with the bill’s sponsors with a view to substituting a reworked version in early 2024.”

“There was no unseemly veto-override battle. Senator Monique Limon’s rejected SB 557 disappeared. But it was tweaked and resurrected in early 2024 with a new bill number: [SB 1246](#) (Limón).

2024

For the second year, it was a nailbiter for the California Nonprofit Equity Initiative up to the very last minute in early fall 2024. See [Gov’t Contract Reform in CA, Revisited](#) (February 28, 2024); [Urgent Action Item on Nonprofit Legislation Pending in CA](#) (July 17, 2024); [On Gov. Newsom’s Desk: Two New Nonprofit Bills](#) (September 5, 2024); [It’s a “No” On Two Key Nonprofit Bills, Says Newsom](#) (October 1, 2024).

“The final day for voting in the 2024 portion of the two-year legislative cycle was August 31, 2024. By that deadline, ... lawmakers had unanimously approved two more significant bills” from the grant-reform Initiative. One of these two newly approved 2024 measures was SB 1246; namely, the renumbered SB 577 that had been narrowly vetoed in 2023. “



Surely, Governor Newsom would accept that reworked measure, right?”

No. He did not. See our [October 1, 2024 post](#).

The Current Legislative Agenda

As it has done for several years, the California Association of Nonprofits maintains the [California Legislative Tracker](#): a chart (updated daily) that lists the bills in the California Legislature of interest to the charitable sector. There is substantial information about each measure that CalNonprofits sponsors, supports, watches, or opposes.

Updated to April 8, 2025, there are two bills from the California Nonprofit Equity Initiative that CalNonprofits is supporting as “high priority” legislation.

AB 880 (Bennett – D)

Titled “State government grants and contracts: payment of claims and grantees’ indirect costs,” this 2025 bill combines parts of two of the original seven-bill package from 2023-2024. It “extends the Prompt Payment Act to all state contracts with nonprofits, sets a discrepancy threshold for delaying payments, and removes the eligibility cap on nonprofit contracts.” It also “requires the state to pay a nonprofit contractor its negotiated federal rate (if it has one) or other agreed upon rate to cover indirect costs.”

The measure “incentivizes the state to make timely payments and prevents very small discrepancies from holding up disbursements. Aligning state reimbursement rates and processes for nonprofits with those of the federal government will simplify paperwork and accounting for the state and nonprofits.”

AB 1039 (Hart – D)

Titled “State-funded assistance grants and contracts: advance payments,” this 2025 bill “accelerates implementation of AB 590 (2023), which authorized up to 25% advance pay for state grants and contracts with nonprofits.” It requires “that all new grants and contracts offer advance pay by Jan. 1 2026; require[s] greater transparency about advance pay on grants.ca.gov and in contract RFPs.”

CalNonprofits urges action on this measure because “nonprofits need contracting terms that set us up to partner effectively [with the state] and deliver on putting critical policies into action. The implementation of advance pay provisions is among the key strategies that enable nonprofits to better collaborate with the executive branch in delivering on key policy priorities.

Call to Action

At this critical point on the legislative calendar when bills are making their way through committees, the California Association of Nonprofits reminds the charitable sector that it is “advancing three critical bills this legislative session to ease the inequitable burdens nonprofits face when contracting with the state. These bills will break down administrative barriers, eliminate redundant requirements, and ensure that resources reach communities in need.”



They ask that you “complete the sign-on form by April 25th to be included on letters supporting AB 880 (Bennett) and AB 1039 (Hart).”

Included in this call to action is a third bill – AB 944 (Macedo). Titled “State government: emergency services: nonprofit service providers,” the bill “provides nonprofits flexibility during a state of emergency when contracted to provide services so that the nonprofit can modify the method in which it provides those services so long as the purpose of the contract is served.” This legislation is needed to provide “flexibility during emergencies with respect to services and funding pursuant to a contract in order to best serve vulnerable Californians.” See California Legislation Tracker.

Conclusion

The California Legislation Tracker includes several additional and important items in the categories of “Support” and “Sponsor.” There are also a number of bills in the “Watch” category as well as one measure which the California Association of Nonprofits opposes.

Notwithstanding that the current year’s proposed budget by California’s governor reflects a small (and welcome!) surplus, there are strong countervailing developments – fiscal and political – at the state *and* federal levels that may create hazards and difficulties. Much of the funding for this state and every other one comes from the federal budget in the form of “block grants” and other appropriations. The prognosis for federal grant making is grim – and worsening by the day. See CA Budget Time Again: Small Surplus is Back But Catastrophic Needs Ahead (January 11, 2025) *FPLG Blog*.

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