

Gov't Contract Reform in CA, Revisited

02.28.24 | Linda J. Rosenthal, JD



“Improving [how state government contracts with nonprofits](#) is a question of equity – for our most vulnerable communities and for the nonprofits that serve them.”

That’s been the goal for the last 18 months of the California Association of Nonprofits (CalNonprofits) and a coalition of organizations around the state. They developed and cosponsored a package of seven bills, the [California Nonprofit Equity Initiative](#), to accomplish much-needed reforms. See [Major Legislative Push in CA To Reform Grantmaking](#) (February 27, 2023).

In the first year of the 2023-2024 legislative session, this coalition achieved a key objective: the governor signed into law [Assembly Bill 590](#) Hart (D-Santa Barbara) that “paved the way for advanced payments for all nonprofits doing business with the state.” See [Important Update on CA Nonprofit Legislation](#) (October 12, 2023) and [Upfront Grant Money in CA To Start Soon](#) (October 16, 2023).

However, Governor Gavin Newsom vetoed a related bill, [SB 557](#), Limon (D-Santa Barbara). It would have “extend[ed] the state’s Prompt Payment Act to all state contracts with nonprofits by removing the current \$500,000 cap, [set] a minimum discrepancy amount and remov[ed] the existing eligibility cap on nonprofit contracts....” It would also have “incentivize[d] the state to make timely payments and prevent[ed] very small discrepancies from holding up disbursements.” See [Prompt Payment Act for Nonprofit Grantees: Newsom’s Narrow Veto](#) (October 20, 2023).

In his signing statement accompanying the veto, the governor made clear that his decision was [based on minor matters](#) that he was confident could be worked out in new legislation in the session’s second year.

Several other bills in the [Initiative](#) were in limbo over the winter: They remained briefly eligible for revival or reintroduction after the reconvening of the Legislature on January 3, 2024. But [the](#)

deadlines have passed for resurrecting held-over items from 2023 and for adding new ones for 2024. The dust has now cleared for renewed efforts by the California Nonprofit Equity Initiative.

A Bit of (CA) Political Science

It's important to understand that the California legislative process is not the same as the federal "how a bill becomes a law" information you learned in school. Put aside that little chart stuck in the back of your mind; substitute the one in California Legislative History and Advocacy (last updated Dec. 4, 2023) *libguides.law.ucla.edu*.

By way of brief review, we're now in the second part of the 2023-2024 Session. Like the first part, the legislative schedule is a series of tightly compacted – successive – steps over several months. It's certainly not a free-for-all for lawmakers to introduce bills at any time. In 2024, all of the action from lawmakers, including voting, ends by late August. See Overview of Legislative Process, *leginfo.ca.gov*; and 2024 Legislative Calendar and Deadlines (pdf version).

Last October, when the first part of the 2023-2024 Session wrapped up, lawmakers as well as interest groups and stakeholders did not take a few months' snooze. "Bill ideas are hatched in late winter Lawmakers begin to collect ideas for legislation for the following year." They also consider what to do with the unfinished measures held over from 2023. It's not uncommon for lawmakers to "... meet with advocates, policy experts, and lobbyists who propose bill ideas.

"While bills are authored by legislators, organizations can co-sponsor legislation and commit to helping the author to shepherd it through the legislative process using their own resources (e.g. policy expertise, lobbying influence, grassroots power, communications prowess, etc)."

CalNonprofits and the coalition of nonprofits that had developed the California Nonprofit Equity Initiative were cosponsors of those seven bills introduced in early 2023.

Reforms: Take Two

CalNonprofits and the other coalition members have been actively at work since last October, along with legislative allies, in fashioning the strategy for the 2024 push.

January 31st was the last day for determining the fate of the held-over measures; February 16th was the deadline for filing new bills.

In a February 26, 2024, update titled "Contracting Reform Efforts, Re-Charging for 2024," the California Association of Nonprofits announced: "Buoyed by the success of Assembly Bill 590, Senator Gregg Hart's legislation that paved the way for advanced payments for all nonprofits doing business with the state, we are continuing our push to improve government-nonprofit partnerships through the California Nonprofit Equity Initiative."

There will be two *new* bills:

- Senate Bill 1246, Monique Limon (D-Santa Barbara): This is the replacement measure for the bill on prompt payments that was (narrowly) vetoed by the governor. It will "continue her effort to strengthen and expand the scope of the California Prompt Payment Act..."

- [Assembly Bill 2322](#), Steve Bennett (D-Oxnard) and Gregg Hart (D-Santa Barbara): This bill replaces last year's effort in [AB 860](#), which was not resurrected by the January 31st deadline. It will "reduce the application and reporting requirements for grants of \$20,000 or less."

CalNonprofits maintains and updates each day an invaluable online resource, the [California Legislation Tracker](#). In spreadsheet format, it includes all pertinent details and links including the positions and actions of CalNonprofits under the categories: "Sponsor," "Support," and "Watch."

The Tracker, as of today, still includes information about last year's legislative items. Note, though, that the new bills – SB 1246 and AB 2322 – are now listed under the category: "Support."

"We are fortunate," said Geoff Green, the new CEO of CalNonprofits, "to have nonprofit champions in Sacramento ... leading the charge to bring meaningful change and greater equity to nonprofits and the communities they serve." There will be updates on developments in the coming months.

CalNonprofits will focus as well on implementation of last year's legislative victory: AB [590](#), "State-funded assistance grants and contracts: advance payments." They urge the nonprofit community to "be on the lookout for educational and advocacy opportunities soon."

Conclusion

Progress on the California State Budget for FY 2024-2025 is also something that the nonprofit sector – (along with lawmakers and the governor, who must reach agreement by June 15th) – will closely monitor. See [The Governor's Budget & CA's Nonprofits](#) (February 5, 2024)

There are already worrying developments already that may possibly have affected decisions by all concerned on which bills to offer and champion this year. See [California lawmakers face a ballooning budget deficit](#) (February 20, 2024) Sameea Kamal, CalMatters, [calmatters.org](#) ["The biggest challenge facing lawmakers and Gov. Gavin Newsom is the state budget deficit – and it just got bigger" than the January estimate.]

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