

Important Update on CA Nonprofit Legislation

10.12.23 | 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 early in this year’s session at the state legislature. See [Major Legislative Push in CA To Reform Grantmaking](#) (February 27, 2023). “The stage is now set for action...” we wrote then, on a major legislative package of seven new bills “designed to do just that.”

Now, at the conclusion of the 2023 portion of the Legislature’s two year, 2023-2024, term, [some key results are in](#), reports the California Association of Nonprofits in an email Policy Alert on October 11, 2023. “Responding to unanimous support from the Legislature and from nonprofit, philanthropic, and business leaders from all over California, Governor Newsom signed [AB 590](#) into law – paving the way to advance payments for nonprofits with state grants and contracts.”

But there was disappointing news about another key piece of the legislative package. The Governor vetoed [SB 557](#) the “Equity in Prompt Payments” bill sponsored by Senator Monique Limon, the Chair of the Senate Select Committee on the Nonprofit Sector. It would have “extended the state’s Prompt Payment Act to all state contracts with nonprofits,” including setting “a minimum discrepancy amount,” as well as removing the existing eligibility cap on nonprofit contracts.

Three other bills – “all related to how nonprofits are paid” – were voted through committee and can be acted on when the Legislature meets again in January 2024. The remaining two bills can be reintroduced after the New Year.

Background

In October 2022, “more than 550 nonprofit, philanthropic, and community leaders representing organizations headquartered in 41 counties” wrote to Governor Newsom and state legislative leaders to “request state contracting improvements to bolster the nonprofit sector and outcomes for communities.” See [Improving nonprofit-government contracting will benefit communities across](#)

California (October 2022) California Coalition on Government Contracting.

Members of the driving force behind this letter – the California Coalition on Government Contracting – came together to share ideas for improving the ways nonprofits and the state work together to use taxpayer dollars equitably, fairly, and efficiently in furtherance of our state’s health, human services, environmental, education, and other vital priorities.”

The Coalition’s October 2022 letter specifies a six-point wish list for reform, “designating them as ‘opportunities’ and noting that the proposed changes are already ‘commonplace and standard in federal contracts with nonprofits.’” They are:

- Contract startup funds
- Multiyear contracts and prompt renewal
- Prompt payments
- Contract flexibility in emergencies
- Full reimbursement for contracted program costs
- Equitable access to state contract opportunities

As a legislative bundle, the Coalition emphasized, these important changes can enhance “the contracting relationship between the state and nonprofit service providers” to ensure consistent, ongoing delivery of quality services....”

That’s because California “...relies on nonprofits to help put critical policies into action, partnering with community organizations to help the homeless, build affordable housing, respond to the impacts of climate change, support domestic violence victims, and in countless ways improve the lives of vulnerable members of our communities. To succeed, nonprofits need contracting terms that set us up to partner effectively.”

Delivery of that letter kicked off an intensive effort by CalNonprofits, the Coalition, and members of the nonprofit community to move this effort forward. Coalition representatives met with state leaders including senior members of the Newsom Administration “to request engagement and partnership.”

Included in the supporting materials of the Governor’s January 10, 2023, proposed budget address, was an important “mention” by the state’s chief executive; that is, to “consider changes to address issues within the nonprofit sector to support the sector’s ability to deliver on meeting goals in state programs.”

The Legislative Package

What emerged at the outset of the 2023-2024 term of the Legislature was a package of bills with bipartisan support called the California Nonprofit Equity Initiative.

The California Legislation Tracker is a handy online reference tool by the California Association of Nonprofits. Updated daily, it tracks each and every piece of legislation that CalNonprofits either “sponsors” or “supports.” Today’s edition (October 12, 2023) includes the entire batch of bills in the California Nonprofit Equity Initiative along with other pieces of legislation of interest to the nonprofit sector.

Under each listed bill, CalNonprofits includes links to important reference and background material, as well as public letters to officials sponsoring or supporting that item.

Conclusion

We'll pick up in the next post with a detailed discussion of the successful measure: AB 590, principally sponsored by Assembly Member Gregg Hart (D-Santa Barbara) and signed into law on October 8, 2023.

It declares “the intent of the Legislature to improve and expand the state’s existing advance payment practices for state grants and contracts with nonprofits.”

And in another subsequent post, we’ll examine why the Governor vetoed Senator Limon’s SB 557, “Equity in prompt payments.”

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