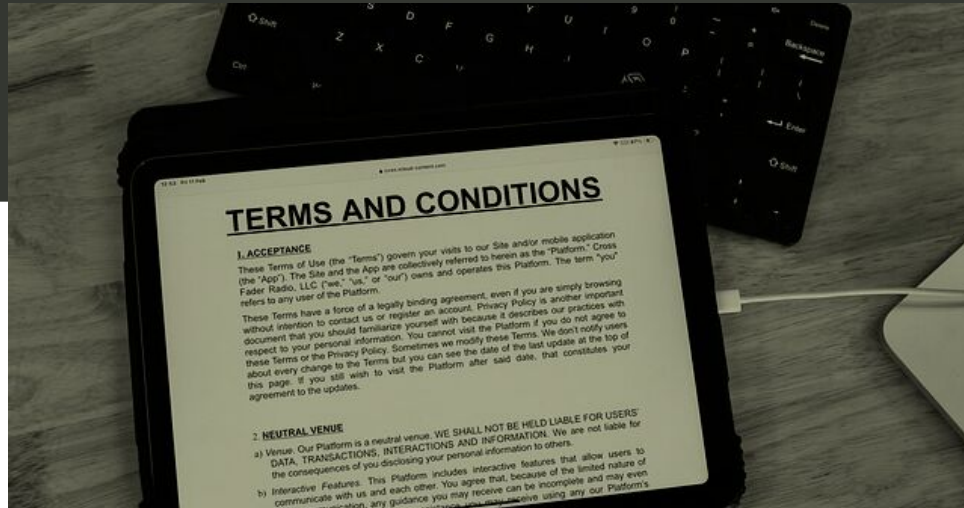


Major Legislative Push in CA To Reform Grantmaking

02.27.23 | 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. The stage is now set for action in the California Legislature on major legislation including “a package of eight new bills” designed to do just that.

The effort in the current legislative session springs from a collaboration of the California Association of Nonprofits (CalNonprofits) and an informal group calling itself the California Nonprofit Contracting Coalition. Last fall, 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 in support.

Government and the nonprofit sector are interdependent in providing crucial services to the people of California. This new legislative package, taken together, is meant to put into place reforms necessary to give nonprofits the resources they need to fulfill their role in this partnership. It is crafted also “to increase fairness and equity in state contracting” as called for in [the October 2022 joint letter](#).

The CA Legislative Process: It’s Different

We’ve [pointed out before](#) that the California legislative process is “decidedly not the same as the ‘how a bill becomes a law’ that generations of high school students studied about the workings of Congress.”

While there are two helpful official guides – [Legislative Process: California State Senate](#) and [Overview of California Legislative Process: counties.org](#) – the process “[is confusing](#) and the average resident doesn’t know how to get involved, so state legislators face few demands for accountability from their constituents [T]hat’s all the more reason why the organized nonprofit community strives to make its voice heard amid the stampede to grab legislators’ ears....”

For some time, nonprofit leaders have urged California's lawmakers to update the grants/contracting system to (a) conform with the less onerous policies already adopted by the federal government, and (b) ensure better access to government funding by smaller and more rural organizations and by those leading and serving historically disadvantaged communities.

During the pandemic, government officials responded to that emergency by easing up on some of the burdensome requirements for procuring and performing contracts and grants. But as the epidemic has waned somewhat over the past year or so, the nonprofit community noticed and has been concerned that some of the crisis changes are not being continued – although they were working well for both the government and the nonprofit grantees.

Call for Action: Fall 2022

By last fall, the need for concerted action became apparent to maintain the emergency reforms as well as to beef them up further.

In October of 2022, the California Association of Nonprofits, which represents some 10,000 members, took the lead along with the nineteen or so members of the ad hoc California Nonprofit Contracting Coalition, to gear up forcefully for the upcoming legislative proceedings in 2023.

The [kick-off letter](#) to the governor and legislative leaders emphasized that “Federal, state, and local governments partner with nonprofit organizations to provide services to communities and complete projects that benefit Californians.” For California nonprofits, government funding comprises about one-third of total revenue.

Government and nonprofits are “interdependent” in the goal of “meeting Californians’ needs.” But in order to be effective as partnerships serving the general public, the terms must be fair. Nonprofits must receive “the resources they need to meet government’s policy, services, and program goals, and provide the government with a strong, diverse supply chain of providers.”

The bottom line is that, to “accomplish their objectives, state agencies and local governments will continue to turn to nonprofit partners to deliver key services as efficiently as possible.” However, “[t]o succeed, nonprofits need contracting terms that set [them] up to partner effectively.”

The eight-page letter presents a clear and forceful explanation of how and why the state’s grantmaking system in existence before the pandemic was not acceptable and should not be reinstated. Moreover, the nonprofit leaders and organizations assert that, while the pandemic changes were a good start, they must be expanded and significantly strengthened.

The letter describes in detail six areas for reform, designating them as “opportunities” and noting that the proposed changes are already “commonplace and standard in federal contracts with nonprofits.” They are:

- 1) Contract startup funds
- 2) Multiyear contracts and prompt renewal
- 3) Prompt payments

- 4) Contract flexibility in emergencies
- 5) Full reimbursement for contracted program costs
- 6) Equitable access to state contract opportunities

Together, these important changes can enhance “the contracting relationship between the state and nonprofit service providers” to ensure consistent, ongoing delivery of quality services....”

Legislation Moving Forward

February 17, 2023, was the final day for bills to be introduced for consideration this year in the California Assembly and Senate.

In “[*Legislation to Improve Government-Nonprofit Contracting Moving Forward*](#),” CalNonprofits explains on its website that among the 2,632 new bills introduced in the California Legislature, there is a package of eight measures “springing from the collaborative effort of CalNonprofits and the California Nonprofit Contracting Coalition.”

These bills closely track the policy recommendations outlined in the [October 2022 letter](#) to the governor and legislative leaders.

“The package of bills addresses a number of issues, each of which is critical to strengthening nonprofits’ ability to assist the state in working to improve the lives of vulnerable members of our communities. Each supports equity in contracting access, sustainability, and takes on racial, economic, and geographic disparities.”

CalNonprofits notes that lawmakers from both parties in the Assembly as well as the Senate “have stepped forward to champion various pieces of the contracting package.”

An [important online resource](#) is the [California Legislation Tracker](#), prepared by the California Association of Nonprofits (“CalNonprofits”) and updated daily. Soon, this resource should begin to include and cover the progress of these pieces of proposed legislation.

Conclusion

The next few months will be critical in moving these bills forward. Since that “will require a sector-wide effort,” CalNonprofits and the California Nonprofit Contracting Coalition are planning a “big public launch” in mid-March.

We’ll follow developments in this effort.

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