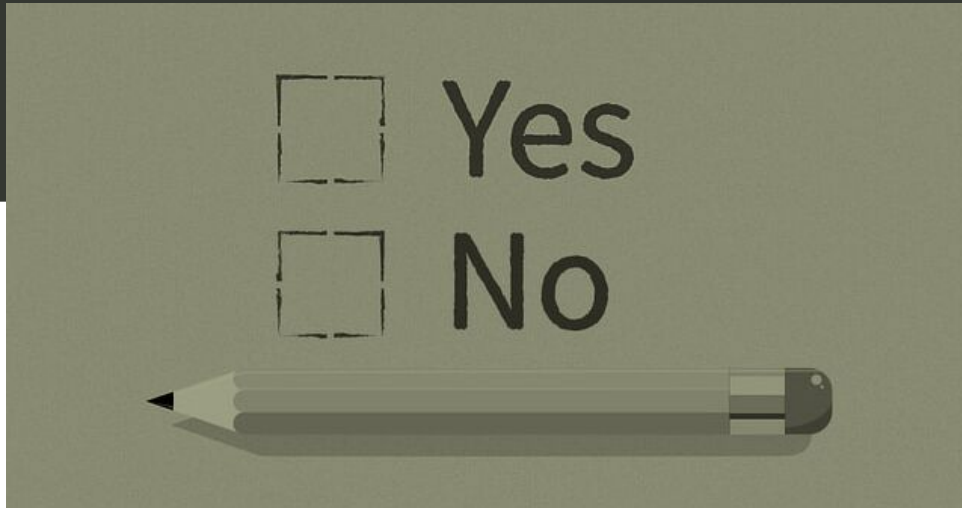


On Gov. Newsom's Desk: Two New Nonprofit Bills

09.05.24 | 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."

This wish list has turned into a concrete legislative agenda: seven distinct bills, together called the California Nonprofit Equity Initiative, working their way through the 2023-24 Legislative Session.

There was one major victory in 2023. AB 590 (Hart) "...pav[ed] the way to advance payments for nonprofits with state grants and contracts." The new statute authorizes "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 is a huge win "for nonprofits and the state." Most of the remaining bills were carried over into 2024.

The final day for voting in the 2024 portion of the two-year legislative cycle was August 31, 2024. By that deadline a week ago, lawmakers had *unanimously* approved two more significant bills from the Initiative.

They are now on the desk of Governor Gavin Newsom who has until September 30, 2024, to act one way or another. And there are no guarantees he will sign into law either or both. So we wait.

Wait ... what?

The outcome is not a sure thing? Not even with Democratic control of state government as well as Deep Blue supermajorities in both legislative chambers strong enough to override an executive veto?

September in Sacramento

Welcome to California. There are disagreements. There is infighting. Vetoes happen more often than you might guess. The “herding cats” meme is not inappropriate in describing California politics.

But here’s the thing: Veto *overrides* don’t happen very often. There’s “...an old Sacramento adage [that] uses baseball imagery to explain the power of California’s chief executive at the end of the legislative process: ‘The governor bats last.’” Reporter John Myers explained this phenomenon a few years ago in *Column: Once California’s governor vetoes a bill, lawmakers almost never challenge the decision* (September 30, 2018) *Los Angeles Times* [“...a vote to override is ‘seen as a significant insult to the governor and major disruption to the balance of power relationship between the three branches.’”]

That’s precisely what happened last year to SB 557 (Limon), a *second* bill from the California Nonprofit Equity Initiative. 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. Around the time of that “pocket veto,” the governor posted a written explanation of his narrowly drawn concerns. There, he expressed 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. The rejected-in-2023 bill disappeared, resurrected in early 2024 with different language and a new bill number: SB 1246 (Limón).

Fast forward to now: One of the two newly – and unanimously – approved 2024 measures from the California Nonprofit Equity Initiative is SB 1246! Surely, Governor Newsom will accept that reworked measure, right?

The California Association of Nonprofits, the prime mover of the California Nonprofit Equity Initiative, isn’t waiting around and taking its chances. CalNonprofits issued a call to action for an immediate and sustained social-media blast – starting right now (and for as long as it takes in September) to help Governor Newsom with his decision-making.

Social-Media Blast: Overview

The marching orders are included in a new message from CalNonprofits: *Take Action! Urge Gov. Newsom to Support CA Nonprofit Equity Bills*. “The legislature adjourned on August 31, and Governor Newsom now has until September 30th to sign or veto legislation – including the two bills from the California Nonprofit Equity Initiative that advanced unanimously through the legislature to his desk.”

Continuing, the message reads: “These two bills are critical to easing the unfair burdens nonprofits face when contracting with the state. SB 1246 (Limón) incentivizes the state to make timely payments, and SB 336 (Umberg) ensures better coverage of indirect costs. We need Governor Newsom to understand how important these bills are to strengthening the nonprofit sector.”

With the pointed reminder that “[y]our voice makes a difference,” CalNonprofits expressly brings up the unfortunate non-veto-veto episode from 2023: “You may recall that the Governor vetoed a bill similar to SB 1246 last year – so his signature is not a sure thing by any means”

Action Steps: How to Support the Campaign

The strategy revolves around twice-weekly posting, using either the “suggested messages” and graphics on the handy [Social Media Content Posting Calendar](#) or creating your own customized messages and images.

CalNonprofits want you to use core hashtags including: #SB336; #SB1246; #PassTheNonprofitEquityInitiative; and #NonProfitEquityInitiative

Most particularly, “blast” the governor. After all, he’s the key audience of one:

- Twitter/X: [@CAGovernor](#) / [@GavinNewsom](#)
- Instagram: [@cagovernor](#)
- Facebook: [facebook.com/CAGovernor](#)
- LinkedIn [@Gavin_Newsom](#)

Background & Recap

Over the past two years, we’ve reported on the development of the California Nonprofit Equity Initiative from its roots as a wish-list for grantmaking reform into a serious and significant legislative package.

The tenacity of the California Association of Nonprofits, working in collaboration with an informal group calling itself the California Nonprofit Contracting Coalition, has been the key to achieving success in such a short period of time. This story begins in the fall of 2022. The key players 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. See [Improving nonprofit-government contracting will benefit communities across California](#) (October 2022) California Coalition on Government Contracting.

For your convenience, here are the links to our seven posts during the 2023-24 Legislative Session providing an excruciating level of detail as well as the usual color commentary:

- [Major Legislative Push in CA To Reform Grantmaking](#) (February 27, 2023)
- [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)
- [Prompt Payment Act for Nonprofit Grantees: Newsom’s Narrow Veto](#) (October 20, 2023);
- [Gov’t Contract Reform in CA, Revisited](#) (February 28, 2024),
- [Urgent Action Item on Nonprofit Legislation Pending in CA](#) (July 17, 2024).

In [Urgent Action Item...](#), we emphasized the July 2024 call to action by CalNonprofits for its members and anyone else wanting to help persuade returning assembly members and state senators to push the (remaining still-viable) Initiative items over the legislative finish line.

At that time, there were three such bills:

- [SB 1246](#) (Limon) Advance payments for all: Incentivizes the state to make timely payments and prevents very small discrepancies from holding up reimbursements. Status: Pending in Assembly Appropriations [Replacement measure for vetoed bill in 2023]

- [SB 336](#) (Umberg) Standardizes indirect cost coverage: Creates a streamlined and fair framework for compensating nonprofit partners for their indirect costs. Status: Passed Assembly Appropriations Committee; on Assembly Floor
- [AB 2322](#) (Hart and Bennett) Streamlines payments: Reduces application and reporting requirements for small grants. Status: Pending in Senate Appropriations

The response for this lobbying effort was impressive. Nevertheless, lawmakers approved only two of the three bills on this list. SB 1246 and SB 336 are now on or around Governor Newsom's desk.

The last known whereabouts of the third item, [AB 2322](#) (Hart and Bennett) are: "8/15/2024 – Failed Deadline pursuant to Rule 61(b)(14). (Last location was APPR. SUSPENSE FILE on 8/5/2024)"

This information is from the enormously valuable [California Legislation Tracker](#), hosted and updated daily by CalNonprofits. That interactive table also includes the fate of the other Initiative bills, which may or may not suddenly reappear again in early January for the 2025-26 Legislative Session.

Conclusion

The California Association of Nonprofits, in its latest messages, has offered some interesting thoughts about why the governor might decide against a certain measure in this California Nonprofit Equity Initiative package. "You may recall that [the Governor vetoed a bill similar](#) to SB 1246 last year – so his signature is not a sure thing by any means...."

The call to action continues: "Help us make it clear to Gov. Newsom that California's nonprofits deserve fairer state contracting practices by passing SB 1246 and SB 336. The Newsom Administration wants to prioritize cost-effective legislation due to the budget shortfall, and the Nonprofit Equity Initiative bills cut waste and streamline contracts. The Federal government already SAVED money with similar reforms nationwide. It's time for California to do the same."

It's certainly true that the fiscal situation of the State of California has changed dramatically and for the worse over the past two years since this legislative package was created in late 2022 to early 2023. What may have seemed like a good program or policy in times of surplus can look different to the decision-makers as they make tough fiscal choices.

A final point: Nonprofit experts and advocates around the nation, along with out-of-state lawmakers, are "[watching](#)" last fall's passage in California of [AB 590](#) that authorizes "advance payments of up to 25%." They see it as "an historic victory" and want to evaluate "the impact and whether to advocate for it in their state."

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