



NONPROFITS: LEGISLATION

Veto Watch for CA Charitable-Sector Legislation

09.03.26 | Linda J. Rosenthal, JD



The [Legislation Tracker](#) – published (and updated daily) by the California Association of Nonprofits – is an invaluable resource for California’s charitable community.

Each year in February, CalNonprofits selects and features a number of bills filed in the California Legislature that are of particular interest to our sector. Some are “sponsored” or at least “supported.” Others may be “watched” or “opposed.” See [CA Nonprofit Grantmaking Reform: Exciting New Developments](#) (May 7, 2026) [FPLG Blog](#). See also recent progress reports: [CA Legislature Winding Up Crucial Voting](#) (August 24, 2026) [FPLG Blog](#) and [More Legislative Progress for CA Nonprofits](#) (August 28, 2026 [Blog](#)).

In even-numbered years, lawmakers must complete all voting no later than 11:59 pm on August 31st. Earlier this week, the [Legislation Tracker](#) for September 1st included the final results for this “regular season.”

Twelve of the thirteen bills on the 2026 “sponsored” or “supported” wish lists of CalNonprofits have passed both chambers. Two of the twelve items had been approved earlier in the session and are marked “Chaptered” on the [Legislation Tracker](#).

Now, all eyes are on the remaining ten; in particular, [SB 1240](#): “*Office of Nonprofit Empowerment*.” This bill is the marquee measure of 2026, highlighted prominently in the [May 7th blog](#) post about “exciting new developments” in “CA Nonprofit Grantmaking Reform.”

Of course – it “[ain’t over till the fat lady sings](#).”



An Uncertain September

That would be Governor Gavin Newsom, winding up the final year of his two terms as governor. He has until September 30, 2026, to decide the fate of each of hundreds of measures passed by lawmakers during the August crunch that are now (or soon to be) on his desk.

This year, there was a heavier than usual stack of proposed legislation, according to a mid-week [Instagram post](#) from [Senate President pro Tempore, Monique Limon](#), (D-Santa Barbara). Senator Limon has been a dedicated ally of the charitable sector for years, including service as the former Chair of the Senate Select Committee on the Nonprofit Sector.

So we wait and watch – keeping in mind “...[an old Sacramento adage](#) [also] using baseball imagery to explain the power of California’s chief executive at the end of the legislative process: ‘The governor bats last.’” A veteran *Los Angeles Times* reporter had explained this phenomenon in [Column: Once California’s governor vetoes a bill, lawmakers almost never challenge the decision](#) (September 30, 2018) [“...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.’”]

A Veto in All-Blue California Government?

It happened in 2023 and 2024. There were shocking vetoes of key measures of the groundbreaking seven-part legislative package called the [CA Nonprofit Equity Initiative](#). Crafted by CalNonprofits and a coalition of sector leaders in late 2022, it was an ambitious project to overhaul the state’s unduly complex and inequitable grantmaking system.

But no override votes were attempted, notwithstanding the blue supermajorities in both the Assembly and the Senate. Despite the pressing need for reform as well as the popularity of the legislative bundle among lawmakers, only a single measure (in 2023) made it over the finish line to be signed into law. See [Upfront Grant Money in CA To Start Soon](#) (October 16, 2023) *FPLG Blog*; compare with [Prompt Payment Act for Nonprofit Grantees: Newsom’s Narrow Veto](#) (October 20, 2023) *FPLG Blog*.

Again in 2024, there was “[no joy in Mudville](#)” – even on a do-over of the key bill from 2023 that was vetoed narrowly. It was refiled in February ’24 under a new number, and approved by lawmakers. See [On Gov. Newsom’s Desk: Two New Nonprofit Bills](#) (September 5, 2024) *FPLG Blog*. But see [It’s a “No” On Two Key Nonprofit Bills, Says Newsom](#) (October 1, 2024) *FPLG Blog*.

Renewed efforts in 2025 died early in the session. Inquiring minds wondered if the CA Nonprofit Equity Initiative was quietly disappearing, never to be heard from again.

A Strategic Pivot: New SB 1240

Good news in 2026: There’s [a whole new ball game](#).

The [May 7th post](#) explained how and why charitable-sector leaders, key lawmakers, and the distinguished members of California’s Little Hoover Commission (LHC) have worked together since mid-2024 (largely under the radar) to develop a comprehensive new strategy that not only includes all of the proposed reforms from the CA Nonprofit Equity Initiative but is bigger and better.



The Little Hoover Commission? Not ringing a bell?

Read all about this critical player in the [May 7th post](#) and, of course, on the [Commission's website](#). Created in 1962, the mission of this “independent state oversight agency” is “to investigate state government operations and policy, and – through reports and legislative proposals – make recommendations to the Governor and Legislature to promote economy, efficiency and improved service in state operations.”

This year, the game-changing legislation is [Senate Bill \(SB\) 1240](#), “Office of Nonprofit Empowerment,” (D-McNerny: San Joaquin, Alameda). It has, indeed, been the “hot ticket” to watch over the summer months in Sacramento. And when the dust settled on August 31st, it had been approved overwhelmingly by both chambers.

Veto Watch Begins

Now begins “veto watch” for the [SB 1240's Office of Nonprofit Empowerment](#). (Of course, it also commences for the other nine newly-approved bills sponsored or at least supported by the California Association of Nonprofits.)

For more information right away on any of these measures, switch over from the CalNonprofits' [Legislation Tracker](#) to the official government legislative portal: [California Legislative Information](#). While the CalNonprofits site has important linked information including lengthy sponsor/supporter statements, the government portal has much more.

For each piece of legislation to be searched (whether still in approved-only status or signed into law), enter the bill number in the search-query box on the Home page. Up pops a staggering menu of linked documents and information. The available tabs are: “Text, Votes, History, Bill Analysis, Today's Law As Amended, Compare Versions, Status, and Comments to Author.”

Summing up: [SB 1240](#) is a critical legislative reform that is popular among lawmakers of both parties including leadership. See, for instance, [Senate Standing Committee Hearing on Government Organization](#) (March 24, 2026).

See also: [Joint Hearing of CA Senate and Assembly Select Committees on Nonprofits](#) (August 2025): [Advancing Institutional Support of Nonprofits to Address Unprecedented Challenges and Threats Facing the Sector](#), [Background Paper](#).

In addition to solid enthusiasm by assembly members and senators (who would be the voters on any override move, if that unfortunate choice were to become necessary), there is also heavyweight support from California's impressive and influential [Little Hoover Commission](#) (LHC). The Commissioners have worked diligently for two years, producing extensive supporting evidence of the need for this major change and how this plan will accomplish the goals of government and the state's over 100,000+ 501(c)(3) organizations.

See, for example: [Issue Brief: Survey on California State Funding for Nonprofits](#), Report #289 (June 2025); [Shared Priorities, Strained Systems: Modernizing State Grants and Contracts with Nonprofits](#), Report #291 (January 2026).



Preview: The Significance of SB 1240

The next post will include a much deeper dive into the particulars of SB 1240.

In the meantime, consider a preview of the many and varied reasons why it will be landmark legislation. Two points, however, are key.

Repairing the Social Compact

First, it addresses the disgraceful – and unconscionable – federal trend since January 20, 2025, of shattering the traditional social compact between the government and the charitable community.

“Starting in the mid-1960s,” explained Daniel Stid, Senior Fellow at the American Enterprise Institute in *The Collapse of Federal Funding for Non-Profits* (June 22, 2026), “the federal government increasingly relied on and funded non-profit service providers to implement a range of policies and programs that Congress had passed. The government has supported these non-profits directly, through federal grants and contracts, and indirectly, through funding streams that pass through state and local government. Now, this hybrid system of federally funded, non-profit-provided services has collapsed.”]

See also: *1 in 3 US nonprofits that serve communities lost government funding in early 2025* (October 23, 2025) Prof. Lewis Faulk & Prof. Mirae Kim, *theconveration.com*; and *Nonprofit Leaders: Federal Funding Cuts Are Driving Service Disruptions and Harming Communities Across the Country* (February 23, 2026) Press Release, National Council of Nonprofits.

Shift in Power Dynamics

Second, this bill is the culmination of a trend that has intensified over the past three years or so. The power dynamics between the state government and the charitable community have shifted towards a more equally balanced partnership relationship. It’s subtle, of course, but if you’re looking for it, it’s dramatic.

Don’t let the bland title of SB 1240 mislead you: This “Office of Nonprofit Empowerment” proposal is not a polite request for a token “liaison” with the state government. Nor is it a retreat from the overarching goals set out in the earlier – and ambitious – California Nonprofit Equity Initiative.

It is the long-overdue acknowledgment that what is needed is more than a window-dressing, surface-level, improvement in communications between the (state) government and California’s largest-in-the-nation charitable sector.

See, for example, a quote from October 2023 in a grantmaker report that could have come from any one of a number of sources: “Many nonprofits feel as though they are treated like an afterthought”....[even though]...the pandemic demonstrated why the nonprofit sector ... must have a voice and decision-making power.... “

Compare the emerging tone and content in various already cited official reports and publications from 2024-2026:

- Legislators, 2024: “Neither nonprofits nor the government can be effective without a strong, thriving relationship with each other. While nonprofits have endured contracting



and administrative challenges for decades, we must continually strive to improve government practices, technology systems, and policies in order to strengthen government-nonprofit partnerships....”

- Legislators, 2025: “California’s nonprofitsare essential partners for state and local governments....[The sector]... is also a major economic force and a crucial employer. *** [P]artnering with nonprofits is a core strategy at every level of government....As California faces uncertainty at the federal level, the state will increasingly rely on nonprofits to keep communities safe, healthy, and vibrant.”
- Little Hoover Commission, June 2025: “...There is ... persistent cash flow instability, delayed reimbursements, insufficient cost recovery, and redundant reporting requirements, among other obstacles....These challenges are not abstract.*** “No organization providing services on behalf of the State of California should be forced to subsidize those services from its own reserves, scale back programs, or take out loans simply to meet state requirements. Yet many do....”
- Little Hoover Commission, January 2026: “...[A]t a minimum, there must be an official, institutionalized voice advocating within the state government on behalf of the huge charitable sector that is ‘essential’ to the state government in carrying out its promises and duties to the citizenry. The bottom line: unless the 501(c)(3)s that perform the services for the state’s charitable recipients are paid fully and fairly, the system will collapse.”

And – finally – the Preamble to SB 1240: “...The Legislature finds and declares both of the following:

(a) Nonprofit organizations are critical to the well-being of California’s communities, providing essential services and programs....(b) The creation of a centralized voice for nonprofits in state government is necessary to foster collaboration and partnership between the two sectors, to improve access to resources and technical assistance for nonprofits for the ultimate benefit of program recipients, and to ensure more equity and fairness in service delivery and payment for those services”.

Conclusion

That’s a lot to chew on over the next few nail-biting weeks of September when of these CalNonprofit-favored (and now also Legislature-approved bills), will land on Governor Newsom’s desk.

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