

Date of Hearing: May 21, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 944 (Macedo) – As Introduced February 19, 2025

Policy Committee: Emergency Management

Vote: 7 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill allows, during a state of emergency or war emergency, a nonprofit entity to adjust how contracted services are provided to a state agency, as long as the purpose of the contract is served, while requiring the state agency to continue paying for canceled services, closed programs, or reduced service levels.

Specifically, this bill:

- 1) Requires a state agency and nonprofit entity to prepare and sign an addendum to a contract modified during a state emergency, establishing the terms and conditions of the mutually agreed upon modification. The modified services are prohibited from exceeding the contract budget, unless the nonprofit entity and state agency agree to such a budget change.
- 2) Requires a nonprofit entity to notify each state agency from which the nonprofit entity receives funding of a closure or impacted program, as well as retain documentation to justify expenses and support claiming continued state funding.
- 3) Requires a state agency that receives such notification from a nonprofit entity to ensure funding is available to pay for canceled services, closed programs, or reduced service levels.
- 4) Allows, when a disruption not caused by a state of emergency or war emergency occurs, a nonprofit entity to submit a written request for contract flexibility to the impacted state agency. The state agency may approve the request if deemed reasonable.

FISCAL EFFECT:

Costs of an unknown, but potentially significant amount, to the state if this bill requires state agencies to continue paying for services that are no longer being performed (General Fund or special fund). The magnitude of costs depends on the duration of the emergency, the effect the emergency has on the nonprofit entity's ability to provide services, and how the entity decides to work around the limitations imposed by the emergency. If the state guarantees the nonprofit entity will be paid regardless of services provided, continued funding may reduce incentives for the entity to find alternative ways to deliver the full range of services envisioned by the contract. A state agency and nonprofit entity may also disagree over whether and to what extent "the purpose of the contract" is still being served.

Additional costs to state agencies for staff workload depend on the volume of contracts and substance of contract amendments subject to review and approval. Such costs may be minor and

absorbable for a state agency with few disrupted nonprofit contracts, but significant for other state agencies.

COMMENTS:

- 1) **Purpose.** According to the author:

In a declared emergency, [nonprofit organizations] are often constrained and do not have the flexibility to adapt their programs to quickly serve those in need. Nonprofit leaders lose valuable time going through lengthy approval processes – time much better spent directing services to victims. AB 944 will ensure that essential services will continue without unnecessary administrative barriers.

This bill is supported by a large coalition of nonprofit organizations, led by the California Association of Nonprofits (CalNonprofits).

- 2) **Impact of COVID-19 on Nonprofit Contracts.** A 2020 CalNonprofits survey of more than 600 nonprofits across 44 counties during the COVID-19 pandemic found 86% of respondents needed their state contract deliverable requirements changed due to the pandemic's impact on their work. Additionally, 68% of respondents reported receiving inconsistent guidelines on how to best fulfill their contract and 69% expressed needing to move funds from one line item to another.

Like it did for all other organizations, the COVID-19 pandemic shifted how nonprofit entities across the state could operate, with most in-person programs and other services subject to closure or cancellation. Nonprofit entities contracted with the state to provide specific services prevented by pandemic guidelines were still legally required to provide those services per the agreed upon contracts, or risked losing funding. Such rigidity also prevented nonprofit entities from being able to use funding to serve clients in other needed ways. This bill allows a nonprofit entity, without first completing a lengthy budget modification process, to request flexibility in servicing a state contract during a state of emergency, while requiring the state agency to ensure funding is available to pay for modified services. This bill also allows a nonprofit entity to submit a simpler written request for contract flexibility during a disruption not caused by a state of emergency, but does not require continued payments in such circumstances.

- 3) **Prior Legislation.** AB 619 (Vince Fong), of the 2023-24 Legislative Session, was identical to this bill. AB 619 was held on the Senate Appropriations Committee's suspense file.

SB 784 (Glazer), of the 2021-22 Legislative Session, was substantially similar to this bill. SB 784 was pending concurrence in Assembly amendments, but was ordered to the Senate Inactive File by the author.

Analysis Prepared by: Irene Ho / APPR. / (916) 319-2081