
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1240 (McNerney) - Office of Nonprofit Empowerment

Version: March 25, 2026
Urgency: No
Hearing Date: April 13, 2026

Policy Vote: G.O. 14 - 0
Mandate: No
Consultant: Janelle Miyashiro

Bill Summary: SB 1240 establishes, upon appropriation, the Office of Nonprofit Empowerment (ONE) and tasks the office with overseeing and coordinating state-level policies and strategies that support California's nonprofit organizations.

Fiscal Impact: Unknown, one-time and ongoing annual General Fund costs ranging into the low millions of dollars to establish and operate the office. Costs would include staff (a director and support staff), office space, IT resources, and other operating expenses for policy development and contracting.

Background: In January of this year, the Little Hoover Commission (Commission) released a report titled "Shared Priorities, Strained Systems: Modernizing State Grants and Contracts with Nonprofits." The report notes that California relies on nonprofit organizations to deliver public services, ranging from healthcare to environmental protection programs with more than 109,000 nonprofits employing 1.7 million Californians. However, after the Commission surveyed the California Association of Nonprofits, participated in hearings, and conducted research, the Commission found that the state's grant and contract administration has not kept up with the environment in which the state's nonprofits operate.

Specifically, the Commission found "that cash flow instability is one of the most persistent strains on the state's nonprofit partners. Because state awards often rely on reimbursement rather than advance payment of grant funds, nonprofits must front operational costs before receiving their grant funding. Less-resourced organizations serving disadvantaged communities, which recent legislation has mandated state agencies to prioritize, are the least-equipped to carry these financial burdens." Among the 12 recommendations of the Commission in the report, is a recommendation that the Legislature establish a nonprofit liaison office within the Office of the Governor.

Proposed Law:

- Upon appropriation by the Legislature, establishes ONE and tasks the office with overseeing and coordinating state-level policies and strategies that support California's nonprofit organizations.
- Specifies the duties and functions of the office include all the following:
 - Serve as the principal advocate and centralized point of contact in the state for nonprofit organizations and foster partnerships and collaboration between nonprofit organizations and state entities.

- Provide guidance, resources, and technical assistance to nonprofit organizations on procurement and grantmaking laws, regulations, and best practices.
 - Conduct research and make policy recommendations on innovative best practices to promote greater accountability, efficiency, equity, and fairness in procurement and grantmaking processes and requirements, with a focus on reducing barriers for small grants, small nonprofits, and nonprofits working with disadvantaged, low-income, and underresourced communities.
 - Develop and administer training and materials to state entities on advance payment and any other federal, state, or local law, and other strategies to reduce hurdles for nonprofit organizations to accessing state funding and implementing state projects while maintaining accountability to taxpayers.
 - Strengthen coordination and alignment across state entities that have regular touchpoints with nonprofit organizations, especially during declared emergencies.
 - Assist nonprofit organizations in identifying and applying for available state grants, funding opportunities, and technical assistance.
 - Advocate to ensure that the nonprofit sector is properly represented in state policymaking, including by representing the views and interests of nonprofit organizations before other state entities whose policies and activities may impact nonprofit institutions.
 - Regularly consult with nonprofit organizations and experts to ensure efforts to implement all of the office's duties are informed by the needs of nonprofit organizations.
- Establishes a director of ONE, to be appointed by the Governor and be responsible for managing the affairs of the office. Requires the director of ONE to hire staff to assist in the fulfillment of the office's duties and responsibilities.
 - Authorizes the office to create, update, or publish, in consultation with the appropriate control agency, policies, standards, and procedures for state entities in the State Administrative Manual or State Contracting Manual.
 - Authorizes the office to contract and consult with nonprofit organizations, external entities, and vendors to develop training, curricula, and other resources.
 - Before July 1, 2028, requires the office to post on its website opportunities to improve the ways nonprofits and the state partner together while maintaining accountability to Californians and public resources, and to regularly review and update this information. Requires ONE's website to include policy recommendations, potential statutory and regulatory changes, and promising administrative best practices that encourage the use of advance payments and other strategies to ensure equitable, fair, and prompt payment to nonprofits.
 - Sunsets the office on January 1, 2037.

- States legislative findings and declarations.

Prior Legislation: SB 729 (Limón, 2025) would have required the Office of Emergency Services (OES), DGS, Department of Housing and Community Development (HCD), California Department of Insurance (CDI), and Franchise Tax Board (FTB) to establish a nonprofit liaison to coordinate with nonprofits during declared state of emergency relief efforts. SB 729 was held on the Suspense File in this committee.

SB 1246 (Limón, 2024) would have deleted, for the purposes of the California Prompt Payment Act (PPA), the definition of the term “grant” from the PPA, deleted the \$500,000 exception in existing law, and provided that only specified late payment penalties apply to a signed final agreement for a grant or a grant by any state agency to a nonprofit organization. SB 1246 was vetoed.

AB 619 (V. Fong, 2023) would have authorized nonprofits providing services to a state agency to request to modify their service delivery methods during a declared state of war emergency or state of emergency and would have additionally authorized nonprofits to request contract flexibility whenever a disruption occurs that prohibits a nonprofit entity from providing services to a state agency. AB 619 was held on the Suspense File in this committee.

SB 543 (Limón, 2022) would have required DGS to designate a person as a nonprofit liaison, as specified. SB 543 was vetoed.

Staff Comments: The bill provides that the office be established upon an appropriation by the Legislature. While it is unknown at what level the office may be funded at, the author’s office has submitted a budget request for a General Fund appropriation of \$1.7 million one-time and \$1.6 million ongoing to support the office’s operations.

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