

Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 1240 (McNerney) – As Amended March 25, 2026

Policy Committee: Governmental Organization

Vote: 16 - 1

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill establishes the Office of Nonprofit Empowerment (ONE) to oversee and coordinate state-level policies and strategies that support California's nonprofit organizations.

Specifically, this bill, until January 1, 2037:

- 1) Establishes ONE, upon appropriation of the Legislature, to oversee and coordinate state policy in support of nonprofit organizations.
- 2) Requires a ONE director be appointed by the Governor and prescribes various duties and functions of the office, including providing guidance and resources to nonprofit organizations on procurement and grantmaking laws and assisting nonprofit organizations in identifying and applying for available state grants and funding opportunities.
- 3) Authorizes ONE to create, update, or publish, in consultation with the appropriate control agency, the policies, standards, and procedures by which other state entities must abide in the State Administrative Manual (SAM) and State Contracting Manual (SCM).
- 4) Authorizes ONE to contract and consult with nonprofit organizations and other vendors to develop training, curricula, and other appropriate resources.
- 5) Requires ONE, by July 1, 2028, post on its website ways to improve partnership between nonprofits and the state, including potential statutory and regulatory changes, which ONE must update regularly to remain reflective of evolving best practices.

FISCAL EFFECT:

- 1) Ongoing cost pressures, likely in the low millions of dollars annually, to staff and operate ONE, including office space, equipment, travel and meeting resources, and external contracts (General Fund). The author requested state budget funding of \$1.7 million in fiscal year 2026-27 and \$1.66 million annually thereafter to support approximately six permanent positions (director, staff services manager, attorney, two program analysts, and executive assistant) and associated operating costs for ONE. The Budget Act of 2026 did not appropriate funds for this purpose.
- 2) One-time costs of approximately \$174,000 annually for two years to the Department of General Services (DGS) to collaborate with ONE to develop state contracting and procurement policies and update the SAM and SCM accordingly (General Fund). DGS notes

that allowing ONE to implement such policies may also result in unforeseen costs to the state to the extent ONE pays more for goods and services than a comparable office following established procurement rules or experiences more vendor disputes, protests, or lawsuits.

COMMENTS:

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

California nonprofits play a vital role in our economy, providing essential services and programs in education, health care, social services, the arts, the environment, public safety, and more. But with significant cuts coming from the federal government, nonprofits are fighting for their survival. This bill will provide a much-needed tool to ensure that nonprofit organizations thrive in our State.

This bill is sponsored by the California Association of Nonprofits and supported by dozens of individual nonprofits.

2) **Nonprofit Partnerships.** A January 2026 report from the Little Hoover Commission highlighted the state's extensive reliance on nonprofit organizations to deliver public services through a network of more than 109,000 nonprofits that employ 1.7 million Californians. However, the report found that the state's grant and contract administration systems have not kept pace with the evolving operating environment of the nonprofit sector, and that cash flow instability is one of the most persistent strains on the state's nonprofit partners, as state awards often rely on reimbursement rather than advance payment of grant funds. The report included 12 recommendations, including establishing a nonprofit liaison office within the Office of the Governor. This bill establishes ONE to oversee and coordinate state-level policies and strategies that support California's nonprofit organizations.

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