

SENATE THIRD READING
SB 1240 (McNerney)
As Amended August 13, 2026
Majority vote

SUMMARY

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

Major Provisions

- 1) Provides, 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.
- 2) Stipulates the duties and functions of the office include all the following:
 - a) 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.
 - b) Provide guidance, resources, and technical assistance to nonprofit organizations on procurement and grantmaking laws, regulations, and best practices.
 - c) 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 under resourced communities.
 - d) 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.
 - e) Support coordination and alignment across state entities that have regular touchpoints with nonprofit organizations, especially during declared emergencies.
 - f) Assist nonprofit organizations in identifying and applying for available state grants, funding opportunities, and technical assistance.
 - g) 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.
 - h) 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.

- 3) 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.
- 4) Authorizes the office to contract and consult with nonprofit organizations, external entities, and vendors to develop training, curricula, and other resources.
- 5) Requires, before July 1, 2028, 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.
- 6) Sunsets the office on January 1, 2037.

COMMENTS

Background.

Action by Assembly and Senate Select Committees. On February 17, 2022, the Assembly and Senate Select Committees on the Nonprofit Sector held a joint hearing featuring panelists and public comment from nonprofit leaders across the state. The hearing, entitled, "A Blueprint to Ensure Nonprofits are Supported and Thrive during Future Emergencies" focused on the challenges nonprofits faced in implementing programs during the height of the COVID-19

Pandemic. The committees concluded that government contracting challenges remain a key barrier for nonprofits providing needed services. "Strong government-nonprofit partnerships are vital to ensure Californians have access to quality services and programs, to support the nonprofit sector as key employers in the state, and to bolster economic recovery, particularly in historically underserved communities."

Little Hoover Commission Report. 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.

California Department of General Services (DGS). DGS serves as business manager for the state. Its mission is to deliver results by providing timely, cost-effective services and products that support its customers, while protecting the interests of the state of California. DGS has more than 4,500 employees and an annual budget of \$1.4 billion. DGS provides a wide range of services to state agencies and the public. These services include procurement and acquisition solutions; real estate management, planning, and design; environmentally sustainable transportation programs; professional printing, graphic design, and web services; administrative

hearings; legal services; building standards development and enforcement; oversight of structural safety, fire and life safety, and accessibility requirements for the design and construction of K-12 public schools and community colleges; administration of school construction funding programs; and disability access services.

California's Nonprofit Organizations. According to California Association of Nonprofits (CalNonprofits), an association of nonprofits in the state, one in every 14 California jobs is at a nonprofit, and nonprofits generate 15% of California's Gross State Product. Further, CalNonprofits notes that California's state, county, and city governments rely heavily on nonprofits to deliver services.

California is home to a wide range of nonprofit organizations that serve various community needs. Many of these organizations focus on social services, healthcare, housing, and disaster relief – and play a vital role in providing immediate and long-term assistance during emergencies. Wildfires and other emergencies (such as earthquakes or floods) often trigger a rapid response from both local and national nonprofit organizations. In California, nonprofits adapt their operations quickly to meet the urgent needs of affected communities. Some of the roles they play include: immediate relief efforts; long-term recovery programs; volunteer coordination; and advocacy and policy work.

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.

Arguments in Support

The California Association of Nonprofits (Sponsor) writes, "SB 1240 would establish the Office of Nonprofit Empowerment, a new office within California's state government to improve collaboration between the state and the nonprofit sector. This investment is necessary to bridge the divide between state government and the 109,000+ nonprofits that serve as the backbone of California's economy and social fabric. Establishing ONE is a modest investment that will yield significant returns by improving the efficiency and effectiveness of the state's multi-billion dollar contracting and grantmaking processes. With federal challenges mounting, California must lean into its partnership with nonprofits. Nonprofits aren't just the state's social lifeline; they are the most trusted voices in our communities, making support of the sector essential now more than ever."

The bill is also supported by dozens of individual nonprofits.

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations analysis, "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."

VOTES

SENATE FLOOR: 31-0-9

YES: Archuleta, Arreguín, Ashby, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Laird, Limón, McGuire, McNERney, Menjivar, Ochoa Bogh, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Allen, Alvarado-Gil, Becker, Hurtado, Jones, Niello, Padilla, Stern, Strickland

ASM GOVERNMENTAL ORGANIZATION: 16-1-5

YES: Blanca Rubio, Alvarez, Bryan, Carrillo, Chen, Fong, Gabriel, Gipson, Nguyen, Pacheco, Ramos, Michelle Rodriguez, Solache, Soria, Valencia, Wallis

NO: Macedo

ABS, ABST OR NV: Davies, Berman, Dixon, McKinnor, Ta

ASM APPROPRIATIONS: 11-1-3

YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Tangipa

ABS, ABST OR NV: Hoover, Dixon, Ta

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CONSULTANT: Eric Johnson / G.O. / (916) 319-2531

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