**SUMMARY**

AB 860 will ensure California partners equitably with small nonprofits, to ensure they thrive as service providers and employers.

**BACKGROUND**

California is home to more than 110,500 organizations registered as 501(c)(3) nonprofits, with at least another 32,270 California nonprofits in other 501(c) categories. California nonprofits generate 15 percent of the state’s Gross State Product and bring more than $40 billion into the state annually from out-of-state sources. In addition to being key economic drivers, nonprofits are also key employers and service providers for communities across our state.

Nonprofits play a vital role in building healthy communities. They are especially important in supporting areas of high concentration of poverty, communities of color, and rural areas. Nonprofit services such as homeless shelters, senior food programs, and health programs aim to meet the needs of less affluent communities.

The nonprofit sector’s workforce is substantially more diverse in gender and race/ethnicity makeup than the for-profit workforce. For example, people of color make up 29 percent of nonprofit management compared to 12 percent across all industries.

From the start of the pandemic, to present day, nonprofit organizations have continuously stepped up to meet the needs of our most vulnerable communities while adhering to safety guidelines that have changed day-to-day activities.

**PROBLEM**

In 2022, the Legislature held its first ever Joint Select Committee on the Nonprofit Sector, which highlighted the challenges that nonprofits were facing at that time, and continue to. The vision of the hearing was to create a blueprint to ensure nonprofits are supported and thrive.

Despite state efforts to increase access and equity writ at large, many nonprofits, especially smaller ones, struggle to access government contracts because they do not have the information they need to apply or because contracting policies exclude them.

Nonprofits spend an inordinate amount of time on grant applications and reports, which can distract them from mission-critical work. Streamlined approaches focused on dialogue and learning can pave the way for deeper relationships and mutual accountability. Certain clauses in state contracts can also be prohibitive because they compel a nonprofit partner to assume undue risk. These issues are accentuated in smaller nonprofits and those in rural and marginalized communities.

Bidding and contracting processes often leave out nonprofits in under-served communities. Additionally, nonprofits in communities of color have $1,668 per capita, while as a group, nonprofits in predominantly white communities have $3,123 per capita.

**SOLUTION**

AB 860 will support the state's equity and access goals by reducing the effort and expense associated with applying for and receiving state funds pursuant to very small grants (including when those grants are administered for the state by a third party).

AB 860 is part of the California Nonprofit Contracting Equity Initiative aimed at strengthening the essential partnership between the state and nonprofits to benefit all Californians, particularly our most vulnerable residents.

**CONTACT**

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**SUPPORT**

CalNonprofits (sponsor)  
Breathe California  
Calif. Coalition for Community Investment  
Calif. Council of Community Behavioral Health Agencies (CBHA)  
Calif. Family Resource Center  
Calif. Partnership to End Domestic Violence
Calif. ReLeaf
Center for Nonprofit Management
Child Abuse Prevention Center
Children’s Bureau of Southern Calif.
Children’s Institute
Community Alliance with Family Farmers
Community Bridges
El Concilio of Stockton
Fresno Building Healthy Communities
HealthRight360
Inland Empire Community Collaborative
Inland Southern Calif. United Way
Korean Youth + Community Center
Los Angeles Area Chamber of Commerce
Meals on Wheels Calif.
Nonprofit Alliance Fund
PATH
Rural Community Assistance Corporation
Santa Cruz Volunteer Center
Self-Help Enterprise
Tree People
United Ways of California