

# Assemblymember Steve Bennett

## 38<sup>th</sup> Assembly District



### AB 880: NONPROFIT GRANT PAYMENTS – CLAIMS AND INDIRECT COSTS

#### SUMMARY

AB 880 ensures that nonprofit organizations receive prompt payment and fair compensation from the state for the true cost of providing services funded by grants. It does so by closing a loophole in the state's Prompt Payment Act (PPA) and improving coverage of nonprofits' indirect costs, making it consistent with the federal government's approach. This legislation would:

- Expand the PPA to include all nonprofit grants and contracts by clarifying key definitions for "grants" and "nonprofit organizations" and modifying existing statute that disadvantages nonprofits from receiving penalty payments.
- Establishes more appropriate rates for the coverage of indirect costs in state grants, including aligning the state's reimbursement rates with those of the federal government.

AB 880 is part of the California Nonprofit Equity Initiative legislative package aimed at strengthening the essential partnership between the state and nonprofits to benefit all Californians, particularly our most vulnerable residents.

#### BACKGROUND

Nonprofit organizations employ 7.8% of California's workforce, generate over \$273.7 billion in annual revenue, and hold \$436.7 billion in assets. They also bring over \$40 billion into California each year from out-of-state sources. The sector is a valuable partner to government in providing community-focused solutions.

Existing law establishes various state grant programs for nonprofit organizations. While state grants typically cover direct program expenditures by nonprofits, they may not cover indirect costs that are necessary for nonprofits to operate, such as technology and equipment, administrative staff, transportation, and more.

Unlike the federal government, California does not have a system to provide uniform reimbursement to nonprofits for their indirect costs. This inconsistency is a challenge for nonprofits who partner with the state, as they are not fully compensated for necessary but indirect expenses when serving California's disadvantaged communities.

The Department of General Services has overseen the PPA since 2013 to ensure that government agencies pay their contracts with small businesses or nonprofits in a timely manner. Under the PPA, these respective payments must be completed within 45 calendar days of initial receipt. If these requirements are not met, state agencies must calculate and pay the appropriate late penalties to the certified small business or nonprofit.

The PPA currently indicates that nonprofits are only eligible to receive a penalty payment from a state agency if the grant or contract awarded is an amount less than \$500,000. With the \$500,000 ceiling, the PPA only applies to a limited set of grants, excluding numerous nonprofits that provide essential services to California communities.

#### THIS BILL

The state relies heavily on nonprofits to help put critical policies into action and serve our most vulnerable communities. This legislation improves how the state contracts with nonprofits to address challenges for nonprofit organizations that receive state-funded grants. AB 880 will ensure that nonprofits are fairly and fully compensated for both direct and indirect expenses.

AB 880 continues the work of the California Nonprofit Equity Initiative aimed at strengthening the essential partnership between the state and nonprofits to benefit all Californians, particularly our most vulnerable residents. It will build greater equity into the grants and contracting processes funded by the state.

#### SUPPORT

California Association of Nonprofits (Sponsor)  
A New Beginning  
Accelerate Neighborhood Climate Action  
Apidanh Alliance  
Asociacion De Emprendedor@s  
Aspiranet  
Becky Foreman Facilitation and Training  
Brilliant Corners  
Building Resilient Communities

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California Alliance of Child and Family Services  
California Behavioral Health Association  
California Coalition for Youth  
California Family Resource Association  
California Partnership to End Domestic Violence  
Child Abuse Prevention Center and Its Affiliates Safe Kids  
California, Prevent Child Abuse California and The  
California Family Resource Association; the  
Children's Fund  
Children's Institute  
Community Alliance With Family Farmers  
Community Bridges  
Elder Love Usa, INC.  
Faith in Action  
Forces  
Giving 365  
Honore's Home of Care  
Inland Caregiver Resource Center  
Inland Empire Community Collaborative  
Inland Equity Community Land Trusts  
Integrated Learning Institute  
Jewish Family Service of San Diego  
Koinonia Family Services  
Koreatown Youth + Community Center  
Leadingage California  
Mission Hope  
Mountain Homeless Coalition  
National Black Grads  
Nehemiah Charitable Fund  
No Drugs America Association, INC  
Out of The Ashes Organization  
Parkview Legacy Foundation  
Public Health Advocates  
Rainbow Pride Youth Alliance  
Repeat Reuse, INC  
Riverside County Black Chamber Health and Wellness  
Foundation INC.  
Rural Community Assistance Corporation (RCAC)  
Sage Pathways, INC  
SCCC Rebuilding Lives Foster Family Agency  
Silicon Valley Council of Nonprofits  
Starting Over Strong  
Studio 395 Foundation  
The Arc and United Cerebral Palsy California  
Collaboration  
The Mom & Dad Project  
The Nonprofit Partnership  
Thrive Alliance  
Tree People  
United Ways of California  
Walden Family Services

World Be Well Organization  
Youth Action Project

## **OPPOSITION**

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None

## **CONTACT**

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