



March 16, 2023

The Honorable Monique Limon
 California State Senate
 State Capitol
 Sacramento, CA 95814

RE: Support for Senate Bill 557 - California Prompt Payment Act: nonprofit organizations

Dear Senator Limon,

On behalf of the undersigned organizations, we write to express our thanks for your leadership and convey our strong support for Senate Bill 557, which updates the state's Prompt Payment Act to increase equity and fairness for nonprofits by expanding it to cover all state contracts with nonprofits, setting a minimum discrepancy amount, removing the existing eligibility cap on nonprofit contracts, and includes any penalties paid to nonprofits in the required annual report.

Your bill is part of the **California Nonprofit Equity Initiative** that our organizations, along with more than 500 other nonprofit and community leaders, are supporting to level the playing field for nonprofits. Improving how state government contracts with nonprofits is a question of equity – for our most vulnerable communities and for the nonprofits that serve them. Nonprofits are a powerful force for equity.

The state relies on nonprofits to help put critical policies into action, partnering with community organizations to help the homeless, build affordable housing, respond to the impacts of climate change, support domestic violence victims, and in countless ways improve the lives of vulnerable members of our communities. To succeed, nonprofits need contracting terms that set us up to partner effectively.

Aligned with the Governor's "California for All" vision, SB 557 responds to the impact the pandemic has had on our communities, the need to address equity and inequality in access to state resources, and the imperative to support strong and varied community-based organizations to address increased need. Passing SB 557 and the rest of the California Nonprofit Equity Initiative will strengthen the essential partnership between the state and nonprofits and our mutual efforts to deliver the highest quality services to the people of California.

Currently, it is taking anywhere from 30 days to eight months for the state to remit payment on contracts after nonprofits submit invoices. One nonprofit that contracts with the Department of Corrections and Rehabilitation typically waits 45-60 days after the end of the month (arrears) to be paid. Another nonprofit that contracts with the Department of Rehabilitation is still waiting for reimbursements associated with May and June 2022 invoices.

The Little Hoover Commission confirms these realities, writing "Grant recipients face a straightforward problem: If service providers immediately and accurately complete their reimbursement request, and the state meets all of its statutory timelines in processing reimbursements, then service providers wait about 79 days from Day 1 of providing the service until receiving reimbursement. This assumes service providers complete their paperwork immediately after the 30-day reporting period ends and pay for overnight delivery to Cal OES. If service providers need more than a day to complete their request, the wait can be up to around 109 days between Day 1 of providing services and reimbursement – providing everything runs smoothly."¹

In addition, many organizations have experienced delays in payments resulting from minor discrepancies, including rounding up or down by a single dollar. As a result, payments to nonprofits are often delayed due to minor discrepancies.

Exemptions in the Prompt Payment Act statute place an undue financial burden on the organizations that can least afford it – in particular, smaller nonprofits and those serving disadvantaged communities are disproportionately harmed by these practices. Many of these nonprofits have only 30 days of cash on hand.

SB 557 course-corrects for the inexplicable language set in statute that specifically disadvantages nonprofits from receiving penalty payments when appropriate and clarifies key definitions for "grants" and "nonprofit organizations." Consistent with the way Governor Newsom described his September 2022 Executive Order directing state agencies and departments to take additional actions to embed equity analysis and consideration in their missions, policies, and practices, SB 557 "will help expand opportunity for all by addressing disparities for historically underserved and marginalized communities. Addressing unequal circumstances helps drive equal outcomes so all Californians have the chance to reach their full potential and lead healthy and rewarding lives, and all California communities can thrive and prosper."²

SB 557 is a no-nonsense, no regrets measure that simply places nonprofits on equal footing with the rest of California's grants and contracts partners.

Thank you for continuing your efforts to pursue this important change and for being part of the collaborative effort to pursue meaningful improvements aimed at improving the state's relationship with its nonprofit partners. We strongly support SB 557.

¹ https://lhc.ca.gov/sites/lhc.ca.gov/files/Report%20249_1.pdf

² <https://www.gov.ca.gov/2022/09/13/governor-newsom-strengthens-states-commitment-to-a-california-for-all/#:~:text=Executive%20Order,-Governor%20Newsom%20today&text=Under%20the%20order%2C%20state%20agencies,disparities%20in%20access%20and%20outcomes.>

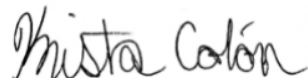
Sincerely,



Jan Masaoka
CEO
California Association of Nonprofits



Anna Hasselblad
Director of Public Policy
United Ways of California



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Public Policy Director
California Partnership to End Domestic
Violence



Sandra Celedon
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Johng Ho Song
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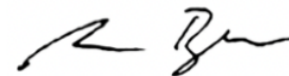
Martine Singer
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Daryl Twerdahl
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Aisha Benson
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TreePeople



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