



OFFICE OF THE GOVERNOR

SEP 28 2024

To the Members of the California State Senate:

I am returning Senate Bill 1246 without my signature.

This bill would extend Prompt Payment Act requirements and penalties to all grants to nonprofit organizations and delete the \$500,000 threshold on contracts or grants with nonprofits eligible for late payment penalties.

Nonprofit organizations play a critical role in supporting our state's communities, and I commend the author's continued effort to support these organizations. I also understand the goal of ensuring that our nonprofit partners are receiving payments in a timely manner; however, this broad expansion will have a significant impact across all state agencies that are currently working to decrease administrative costs.

I believe a more focused evaluation of this issue is warranted, to help ensure nonprofits are provided the financial stability they need while taking into account the unintended consequences when broad requirements are placed across the state's disparate range of programs. I encourage the author and stakeholders to continue working with my administration on an approach to advance the goals of this bill while considering the current fiscal environment and the totality of the impacts.

In partnership with the Legislature this year, my Administration has enacted a balanced budget that avoids deep program cuts to vital services and



protected investments in education, health care, climate, public safety, housing, and social service programs that millions of Californians rely on. It is important to remain disciplined when considering bills with significant fiscal implications that are not included in the budget, such as this measure.

For these reasons, I cannot sign this bill.

Sincerely,

Gavin Newsom

A handwritten signature in black ink, appearing to be "Gavin Newsom", is written over the printed name. The signature is stylized and overlaps the printed text.