



## OFFICE OF THE GOVERNOR

SEP 29 2024

To the Members of the California State Senate:

I am returning Senate Bill 336 without my signature.

This bill requires a state agency administering a grant program to reimburse grantees for indirect costs related to the grant program at one of four rate structures, as requested by the grantee in its state grant application.

Nonprofits provide valuable resources and services, often to our most underserved communities, which is why I signed AB 590 last year to authorize advance payments to nonprofit organizations. While funding agencies understand the need to cover indirect costs, this bill could have unintended consequences by allocating a significant amount of grant funding toward indirect costs, rather than project implementation, which would create cost pressures to balance services to Californians. I encourage the Legislature to continue working on this issue to find a balance between funding indirect costs and project implementation.

For these reasons, I cannot sign this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Gavin Newsom", written over a horizontal line.

Gavin Newsom

