



OFFICE OF THE GOVERNOR

SEP 27 2026

To the Members of the California State Assembly:

I am returning Assembly Bill 880 without my signature.

This bill would make various changes to the California Prompt Payment Act, including requiring state agencies to reimburse a nonprofit grantee's indirect costs, eliminating the cap on grants or contracts eligible for penalty payments, and narrowing the circumstances under which the state can dispute an invoice.

While I appreciate the vital role our nonprofit partners play in supporting our communities, I have vetoed nearly identical legislation in the past, concerned that the policy would allocate a significant amount of grant funding toward indirect costs, rather than project implementation and outcomes for California. These concerns remain, as this bill would create significant cost pressure on the state in order to balance services for Californians.

In partnership with the Legislature this year, my administration has enacted a balanced budget that recognizes the challenging fiscal landscape our state faces while maintaining our commitment to working families and our most vulnerable communities. With significant fiscal pressures and the federal government's hostile economic policies, it is vital that we 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