



March 11, 2022

The Honorable Gavin Newsom
Governor, State of California
State Capitol
Sacramento, CA 95814

The Honorable Toni Atkins
Senate President pro Tem
State Capitol
Sacramento, CA 95814

The Honorable Nancy Skinner
Chair, Senate Budget
State Capitol
Sacramento, CA 95814

The Honorable Anna Caballero
Chair, Senate Budget Sub #4
State Capitol
Sacramento, CA 95814

The Honorable Monique Limón
Chair, Senate Select Cmte for the Nonprofit Sector
State Capitol
Sacramento, CA 95814

The Honorable Anthony Rendon
Assembly Speaker
State Capitol
Sacramento, CA 95814

The Honorable Phil Ting
Chair, Assembly Budget
State Capitol
Sacramento, CA 95814

The Honorable Wendy Carrillo
Chair, Assembly Budget Sub #4
State Capitol
Sacramento, CA 95814

The Honorable Luz Rivas
Chair, Assembly Select Cmte for the Nonprofit Sector
State Capitol
Sacramento, CA 95814

RE: Request for Inclusion of California’s Nonprofit Employers in State Relief Associated with COVID-19 Supplemental Paid Sick Leave

Dear Gov. Newsom, Pro Tem Atkins, Speaker Rendon, and Chairs,

On behalf of the undersigned nonprofit employers and our member organizations across California, we write to express our support for the supplemental paid sick leave provisions delineated in Senate Bill 114 and signed into law on February 9, 2022. Consistent with comments made on both the Assembly and Senate floor regarding a shared will to design and fund compliance with the leave requirement for California’s small businesses, we write to request an approach that is inclusive of California’s nonprofit employers.

We know that COVID exposures and illnesses have created significant challenges for employees and their families. In these emergency circumstances, Californians need additional financial support to fully recover or care for family members before returning to the workplace. As employers of more than 1.2 million Californians, nonprofits support the requirement for employers with more than 25 employees to provide the additional leave included in Senate Bill 114.

But we need the state's help to ensure we continue to survive and thrive. Nonprofits are already struggling to absorb increased programmatic expenses because of the pandemic. The sector has stepped up during the pandemic, as nonprofits always do, to serve our communities. Nonprofits have had to adapt programs and provide often-costly safety protections to staff and to recipients of services to continue services.

To ensure uninterrupted services critical to meeting the needs of many vulnerable Californians, nonprofits will comply with SB 114, not only by covering the supplemental leave costs for the employees who need it, but also by paying replacement staff to provide the essential services while other employees are out sick or caring for family members.

In other words, the new law adds to the already significant financial burdens of the pandemic on the nonprofit sector. Cost offsets or relief measures are needed to help nonprofits of all sizes cover the additional costs of compliance with SB 114. These relief measures will help ensure that vital services continue to be available to Californians during this ongoing crisis.

As you evaluate remedies to support small businesses and nonprofit compliance with SB 114, please bear in mind that income tax credits -- and even tax deductions for increased sick leave costs -- can help for-profit employers offset increased costs from extended sick leave policies, but **do not help nonprofit employers**. As tax-exempt organizations, most nonprofits do not pay income taxes. And nonprofits are disadvantaged relative to for-profit businesses that can deduct the mandated sick leave costs as business expenses on their income tax returns.

Because all employers (including nonprofits) pay payroll taxes, policies that provide payroll tax credits benefit all employers. Such credits could offset increased costs to comply with SB 114 and other costs associated with the pandemic. The state may prefer this approach considering the State Appropriations Limit, as it would reduce state tax revenues rather than generate a new state expense.

We would also support direct relief in the form of state reimbursement for documented SB 114 compliance costs paid by nonprofit employers. **Any nonprofit required to comply with SB 114 should be eligible for state-funded relief, regardless of organization size.**

We welcome the opportunity to engage further about strategies for supporting nonprofits as key employers and service providers in the state. Thank you.

Sincerely,

Jan Masaoka
CEO
California Association of Nonprofits

Ashley McCumber
President, Board of Directors
Meals on Wheels California

Kaylon E. Hammond
CFO, Director of Operations
Leadership Counsel for Justice and
Accountability

Andie Patterson
Senior Vice President
CaliforniaHealth+ Advocates

Peter Manzo
President & CEO
United Ways of California

Dolores Alvarado
CEO
Community Health Partnership

Doreen Bradshaw
Executive Director
Health Alliance of Northern California
(HANC)

Tim Rine
Executive Director
North Coast Clinics Network (NCCN)

Dr. Le Ondra Clark Harvey
Chief Executive Officer
California Council of Community Behavioral
Health Agencies

Joanne Preece, MPH
Director of Government & External Affairs
The Community Clinic Association of Los
Angeles County (CCALAC)

Heidi Strunk
President and CEO
Mental Health America of California

Henry N. Tuttle
President and CEO
Health Center Partners of Southern
California

Stacia Hill Levenfeld
Chief Executive Officer
California Association of Food Banks

Chad Costello, CPRP
Executive Director
CASRA

Susan Gomez
Chief Executive Officer
Inland Empire Community Collaborative

Tyler Rinde
Executive Director
California Association of Alcohol and Drug
Program Executives, Inc

Christine Stoner-Mertz
CEO
California Alliance of Child and Family
Services

Cindy Blain
Executive Director
California ReLeaf