Issue Brief: Survey on California State Funding for Nonprofits

June 2025

Executive Summary

This issue brief examines nonprofits' experience applying for and managing grants and contracts ("awards") from California state government agencies. These findings are based on a January 2025 survey of nearly 400 nonprofits, conducted in partnership with the California Association of Nonprofits. The responses provide critical insight into the state awardmaking process.

KEY CHALLENGES IN STATE AWARDMAKING

Respondents identified key challenges facing nonprofits navigating the state awardmaking process:

- **Advance payment barriers:** About 40 percent of respondents said they have never received upfront payment, despite recent legislation authorizing advance payment of state awards.
- **Burdensome reporting requirements:** Almost two-thirds of grant recipients have faced burdensome reporting requirements.
- **Insufficient indirect costs:** Nearly 60 percent say that do not receive sufficient funding for indirect costs, which includes expenses such as rent or utilities.
- **Complex application processes:** Almost 60 percent of grant recipients have been troubled by complex application processes.
- **Late payments:** Nearly one-quarter waited over three months to be paid by the state. Among nonprofits receiving late payments, around 72 percent were moderately to severely impacted by delays. To cover shortfalls, nonprofits rely most frequently on reserve funds (64 percent).
- **Lack of rejection notice:** Some respondents (22 percent) have not typically received notification that they were not selected for an award opportunity.

NAVIGATING AWARD APPLICATION SETBACKS

Following unsuccessful applications, respondents were most likely to delay launching new initiatives (76 percent), while over half (53 percent) have needed to reduce programs or services. To fill funding gaps, respondents most often turned to individual donors (55 percent) or foundations (53 percent).

POTENTIAL AREAS FOR IMPROVEMENT

To enhance their experience working with the state, nonprofits noted they would benefit most from upfront payments (58 percent), simplified application processes and reporting requirements (55 percent) and higher indirect costs rates (53 percent).

STATE AWARDS REMAIN A VALUABLE RESOURCE

Despite these challenges, most respondents are still committed to applying for government awards—with 83 percent reporting they are likely to pursue future state funding opportunities.