

Date of Hearing: April 19, 2023

**ASSEMBLY COMMITTEE ON APPROPRIATIONS**

Chris Holden, Chair

AB 860 (Valencia) – As Amended March 13, 2023

Policy Committee: Accountability and Administrative Review      Vote: 7 - 0

Urgency: No      State Mandated Local Program: Yes      Reimbursable: Yes

**SUMMARY:**

This bill imposes requirements on the administration of short-term grants of \$20,000 or less made by a state agency, local agency, or third-party contractor using state funds. This bill also requires expansion of the California Grants Portal to include specified information about such grants.

Specifically, this bill:

- 1) Imposes requirements for the administration of a “covered grant,” meaning a grant made by a state agency or administrator meeting the following requirements:
  - a) The grant amount is \$20,000 or less.
  - b) The duration of the grant is one year or less.
  - c) A 501(c)(3) nonprofit organization is an eligible recipient of the grant program.

An “administrator” means a state agency, local agency, or third-party contractor administering a grant program using state funds.

- 2) Requires an administrator to post eligibility and application information for covered grants on the administrator’s website, as well as the online grant portal managed by the California State Library (CSL). Required application information includes frequently asked questions and a telephone number where applicants can contact the administrator with questions. The administrator must provide an online application process for the covered grant.
- 3) Requires an administrator of a grant program of \$200,000 or more to conduct outreach to eligible nonprofit organizations, including those in rural, low-income, and disadvantaged communities, at least 90 days before the application deadline.
- 4) Requires an administrator to distribute at least 50% of a grant award upon execution of a covered grant.
- 5) Prohibits an administrator from requiring a covered grant recipient to provide specified receipts or carry specified insurance coverage limits.

**FISCAL EFFECT:**

- 1) One-time costs of approximately \$20,000 and ongoing costs of at least \$553,000 to CSL in staff time and technology upgrades to modify the California Grants Portal to include information required by this bill (General Fund). CSL notes the current portal hosts competitive, first-come grant award programs administered by state agencies, as well as loans and federal assistance funds. The portal was built in collaboration with state agencies to accommodate state processes. This bill adds grants administered by local government agencies and third-party contractors to the portal, a universe of unknown size with differing data needs than the state grants currently listed on the portal. Anticipated CSL workload to expand the portal includes meeting with local government and third-party grant administrators and applicants to gather information regarding their grantmaking needs and testing updated portal functionality.
- 2) Costs of an unknown, but potentially significant, amount to the state by creating new requirements for state agencies administering smaller grants, as well as for other entities administering such grants with state funds (General Fund or special fund). The magnitude of costs depends on the volume of impacted grants and may be minor and absorbable for a state agency with few impacted grant programs (whether the state agency is the direct administrator or oversees administration of a state-funded grant by a local government or third-party entity), but significant for other state agencies. Anticipated state agency workload costs include posting grant information on the agency's website, conducting outreach to nonprofit organizations, and distributing advanced payments.
- 3) By requiring a city, county, special district, authority, or other political subdivision of the state to administer state-funded grants in a specified manner, this bill may create a state-mandated local program. If the Commission on State Mandates determines the provisions of this bill create a new program or impose a higher level of service for which the state must reimburse local costs, the local agency could claim reimbursement from the state (General Fund or special fund). Anticipated local agency costs mirror the above-described state agency workload costs, but also include collaborating with CSL on portal expansion and ensuring an online application process for a covered grant.

#### COMMENTS:

- 1) **Purpose.** According to the author, this bill “will improve and streamline nonprofits’ ability to access state grants by reducing the effort and expense associated with applying for and receiving state funds pursuant to very small grants.”

This bill is part of the California Nonprofit Equity Initiative, a package of legislation developed by the California Association of Nonprofits (CalNonprofits) intended to improve how state government contracts with nonprofits. This bill is supported by CalNonprofits and a range of individual nonprofit organizations.

- 2) **California Grants Portal.** AB 2252 (Limon), Chapter 318, Statutes of 2018, required the CSL to create an online grant portal providing a centralized location for grant seekers to find state grant opportunities. Each state agency must register every grant administered with the CSL prior to commencing a solicitation or award process, provide a link to the CSL grant portal on the agency's website, and accept electronic grant proposal applications, as appropriate. The ensuing California Grants Portal ([grants.ca.gov](http://grants.ca.gov)) facilitates the search of current grant opportunities filtered by applicant type (such as business, nonprofit, public

agency), grant category (such as education, food and nutrition, veterans and military), and timeframe.

According to CalNonprofits, the size of state grants and contracts vary significantly, with current grant opportunities listed on the portal ranging from \$320 to \$22 million. As an example of how the administration of smaller grants should differ from larger grants, CalNonprofits highlights VaccinateAll58, a California Department of Public Health outreach program that made grants of \$5,000 or less to both small and large nonprofits. CalNonprofits notes “The final report was simplified, requiring no more than 1,100 words in narrative, and no receipts. While not appropriate for large grants and contracts, this process was efficient, equitable and appropriate for small contracts.”

This bill specifies how smaller grants of \$20,000 or less, with a duration of one year or less, and for which a nonprofit organization is eligible, must be administered when state funds are utilized for the grant. While this bill will bolster nonprofit grantees, this bill’s provisions also apply to other types of grant applicants, such as local agencies or for-profit entities, otherwise eligible for the grant.

- 3) **Advance Payments.** This bill also requires an administrator to distribute at least 50% of a grant award upon execution of a covered grant, while also authorizing distribution of the full award amount upon execution. Although the grants impacted by this bill are likely much smaller in scope than the majority of state-funded grants, thus resulting in a smaller advance payment amount overall, existing law generally allows an advance payment of up to 25% only. Additionally, only specified state agencies are permitted to provide advance payments under specified programs.
- 4) **Related Legislation.** AB 590 (Hart) authorizes a state agency administering a grant program or contract to provide an advance payment to a recipient 501(c)(3) non-profit organization. AB 590 is pending hearing in this committee.

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