
SENATE COMMITTEE ON GOVERNMENTAL ORGANIZATION

Senator Bill Dodd

Chair

2023 - 2024 Regular

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| Bill No: | AB 860 | Hearing Date: | 6/27/2023 |
| Author: | Valencia, et al. | | |
| Version: | 5/18/2023 Amended | | |
| Urgency: | No | Fiscal: | Yes |
| Consultant: | Brian Duke | | |

SUBJECT: Grant programs: administration

DIGEST: This bill streamlines the process of applying for and receiving small state grants, particularly those not exceeding \$20,000 and with a duration of less than 12 months, and requires the creation of a more accessible and equitable grant application process, as specified.

ANALYSIS:

Existing law:

- 1) The California Grant Information Act of 2018 (Act), requires the California State Library to create an internet web portal to provide a centralized location for grant seekers to find state grant opportunities and requires the California State Library to report to the Legislature on the effectiveness of the portal, including, among other things, the utilization rate by state agencies.
- 2) Establishes various grant programs.

This bill:

- 1) Requires an administrator, defined to mean either a state agency or third-party contractor administering a grant program using state funds, to promote equity in and facilitate the effectiveness of distribution of grant funds for covered grants by doing all of the following:
 - a. Post the eligibility requirements and application information of a covered grant on their internet website and the internet website for the California Grants Portal. The application information must include a section covering frequently asked questions and must provide a

- telephone number that applicants can use to contact the administrator for questions regarding the grant and application.
- b. Provide eligible recipients with the ability to complete an application for a covered grant online.
 - c. For grant programs totaling \$200,000 or more, an administrator must conduct outreach to nonprofit organizations eligible for a covered grant at least 90 days before the application deadline, including outreach to rural, low-income, and disadvantaged communities.
- 2) Requires an administrator to distribute at least 50% of a grant award and authorizes up to 100% of a grant award upon execution of a covered grant.
- 3) Prohibits an administrator from requiring any of the following:
- a. A recipient of a covered grant to provide receipts for any expense other than nonpayroll expenses paid to a single vendor for 50% or more of the grant award.
 - b. In any report required by the administrator from the recipient nonprofit related to progress or completion of the award, the total word count of narrative sections to be more than 600 words.
 - c. A grant recipient to carry insurance coverage limits that exceed the risk associated with the covered grant activity.
- 4) Defines “covered grant” to mean a grant made by a state agency or administrator that meets all of the following requirements:
- a. The grant amount is not greater than \$20,000.
 - b. The duration of the grant period is not greater than one year.
 - c. Eligible recipients of the grant program include nonprofit organizations.
- 5) Defines “nonprofit organization” to mean an organization exempt from federal income taxation pursuant to Section 501(c)(3) of the internal Revenue Code.
- 6) Defines “third-party contractor” to mean either a nonprofit or other organization that contracts with a state agency to administer a grant program funded by state funds or a grant recipient if the conditions of the grant require the grant recipient to redistribute a portion of those funds to nonprofit organizations.

Background

Author Statement. According to the author's office, "AB 860 is a timely bill that 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."

Further, the author's office notes that, "AB 860 will ensure California partners equitably with small nonprofits, so they may thrive as both service providers and employers. Nonprofits have continuously stepped up to provide services to our communities and our most needy, particularly during the COVID pandemic. As demonstrated by the testimony from the Joint Informational Hearing from last session, nonprofits are struggling to stay afloat, afford basic necessities, and are unable to recruit and retain qualified staff. California is well positioned to improve how it contracts and provides small grants to nonprofits. AB 860 will streamline access to small grants by reducing barriers and over burdensome administrative requirements."

Grant Information Act of 2018. The California Grant Information Act of 2018, AB 2252 (Limon, Chapter 318, Statutes of 2018), in its essence, seeks to streamline the process of grant discovery and application, thereby enhancing the ability of nonprofit organizations to secure necessary funding.

Central to the Act is the establishment of the California Grants Portal, and online portal overseen by the California State Library. This portal is mandated to provide a comprehensive and centralized repository of state grant opportunities, thereby simplifying the process of identifying relevant funding sources for nonprofit organizations.

Moreover, the Act mandates that each state agency provide a detailed account of each grant they administer. This includes critical information such as the purpose of the grant, eligibility requirements, and the total available funding. This level of detail and transparency is instrumental in enabling nonprofit organizations to strategically target grants that align with their mission and operational needs.

The Act also emphasizes inclusivity, requiring the portal to be accessible and provide valuable information to a diverse array of potential applicants. This includes community-based organizations and entities that work to support and uplift disadvantaged and low-income communities. This provision ensures that the benefits of the Act are widespread and reach organizations that are often at the forefront of addressing critical societal issues.

Furthermore, the Act modernizes the grant application process by requiring state agencies to accept electronic proposals. This provision not only streamlines the application process but also reduces the administrative burden on nonprofits, allowing them to focus more resources on their core mission.

Small Grant Programs. This bill is designed to further streamline the process of applying for and receiving covered grants, defined as those not exceeding \$20,000 and with a duration of less than one year and involving nonprofits.

The state of California relies heavily on nonprofits to implement critical policies and provide essential services to its communities. These organizations play a pivotal role in addressing homelessness, building affordable housing, responding to climate change impacts, supporting victims of domestic violence, and improving the lives of vulnerable community members in countless ways.

This bill requires an administrator – defined to mean either a state agency or third-party contractor administering a grant program using state funds – to distribute at least 50% of a grant award upon execution of a covered grant. It also sets limitations on what an administrator can require from a recipient of a covered grant, such as not requiring receipts for any expense other than nonpayroll expenses paid to a single vendor for 50% or more of the grant award, not requiring the total word count of narrative sections in any report to be more than 600 words, and not requiring a grant recipient to carry insurance coverage limits that exceed the risk associated with the covered grant activity.

Executive Order N-16-22. In September of 2022, Governor Newsom issued Executive Order (EO) N-16-22, which represents a comprehensive effort by the State of California to address disparities in opportunities and outcomes, and to advance equity through the design and delivery of state services and programs. It calls for explicit consideration of equity in policies and practices, improved data analysis tools, and enhanced community engagement strategies. The order underscores the state's commitment to achieving equal opportunity for all Californians and addressing persistent disparities in outcomes.

The order emphasizes the need for state agencies to embed explicit equity considerations in their policies and practices. This includes analyzing demographic and geographic gaps in outcomes and access to funding and services, developing data analysis tools to understand these gaps, and reviewing community engagement strategies with a focus on Californians residing in historically underserved and marginalized communities.

This bill requires administrators to promote equity in and facilitate the effectiveness of distribution of grant funds for covered grants. This includes posting eligibility requirements and application information on their website and the California Grants Portal, providing eligible recipients with the ability to complete an application for a covered grant online, and conducting outreach to eligible nonprofit organizations at least 90 days before the application deadline for grant programs totaling \$200,000 or more.

Prior/Related Legislation

SB 336 (Umbarger, 2023) requires the Department of General Services to establish a process for nonprofits to negotiate a state standard negotiated cost agreement, as defined, and requires state agencies administering grant programs to use the same terms as contained in a grantee's existing negotiated indirect cost rate agreement policies approved by the federal government, or the same terms contained in the state standard negotiated cost agreement, as specified. (Pending in the Assembly Accountability and Administrative Review Committee)

SB 557 (Limon, 2023) expands the definition of a grant for the purposes of the California Prompt Payment Act requiring timely payments to include nonprofits by changing what is considered a grant and sets a specific monetary threshold of \$250 or 5% of the invoiced amount (whichever is lower) for when a state agency can dispute a bill related to property or services delivered. (Pending in the Assembly Accountability and Administrative Review Committee)

AB 590 (Hart, 2023) authorizes a state agency administering a grant program to provide an advance payment to a recipient 501(c)(3) non-profit organization. (Pending in the Senate Governmental Organization Committee)

AB 619 (V. Fong, 2023) authorizes a process for nonprofit entities contracted with the state to request an alteration to the services provided in the event of a state of war, state of emergency, or other disruption. (Pending in the Senate Governmental Organization Committee)

AB 696 (Lowenthal, 2023) enacts the California State Grants and Contracts Modernization Act to require all state agencies to provide for, but not require, all state grant and contract transactions to occur online. (Pending in the Senate Governmental Organization Committee)

AB 885 (L. Rivas, 2023) establishes the "California Nonprofit Fairness in Contracting Act" which would provide nonprofits preferential treatment when contracting with the state for goods or services or when contracting with a local

agency using state funds. (Never heard in the Assembly Accountability and Administrative Review Committee)

AB 2252 (Limon, Chapter 318, Statutes of 2018) the California Grant Information Act of 2018, requires the California State Library to create an internet web portal to provide a centralized location for grant seekers to find state grant opportunities and requires the California State Library to report to the Legislature on the effectiveness of the portal, including, among other things, the utilization rate by state agencies.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT:

CalNonprofits (Source)
Breathe California
California Coalition for Community Investment
California Family Resource Association
California Partnership to End Domestic Violence
Center for nonprofit management
Child Abuse Prevention Center
Children's Institute
Community Bridges
El Concilio of Stockton
Fresno Building Healthy Communities
HealthRight360
Inland Empire Community Collaborative
Koreatown youth + Community Center
Meals on Wheels California
Nonprofit Finance Fund
PATH
Rural Community Assistance Corporation
Santa Cruz Volunteer Center
Self-Help Enterprises
TreePeople
United Ways of California

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: A coalition of nonprofits in support of the bill write that, “[a]ligned with the Governor’s ‘California for All’ vision, AB 860 responds to the impact the pandemic has had on our communities, the need to address equity and inequality in access to state resources, and the imperative to support strong and varied community-based organizations to address increased need. Passing AB 860 and the rest of the California Nonprofit Equity Initiative will strengthen the essential partnership between the state and nonprofits and our mutual efforts to deliver the highest quality services to the people of California. VaccinateAll58 - an outreach program from the California Department of Public Health – offers an example of a step in the right direction. The agency made dozens of outreach grants of \$5,000 or less to both small and large nonprofits. 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.”