
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2023 - 2024 Regular Session

AB 860 (Valencia) - Grant programs: administration

Version: May 18, 2023

Urgency: No

Hearing Date: August 14, 2023

Policy Vote: G.O. 15 - 0

Mandate: No

Consultant: Janelle Miyashiro

Bill Summary: AB 860 imposes requirements on the administration of covered grants by state agencies and third-party contractors, as specified.

Fiscal Impact:

- Unknown, potentially significant fiscal impact to affected state agencies administering covered grants under this bill to conduct outreach, answer public and grant applicant inquiries, and post information online (General Fund and special funds).
- The California State Library (CSL) anticipates costs to make changes to the Grants Portal to be absorbable within existing resources. CSL notes that if it continues its current practice of requiring state agency contractors serving as grant administrators to work with the awarding state agency to get an account for the California Grants Portal, no additional costs are indicated.

However, this bill adds third-party contractors, a user base of unknown size, to the current users of the portal. CSL notes potential, but indeterminate fiscal impacts for enhanced outreach to the new user group and the creation of new workflows given the undefined scope of users and contractors. The current portal only 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 and is designed to accommodate their processes, adhering to reporting structures agreed upon through stakeholder meetings and collaboration with other state agencies during the design-build phase of the portal.

Background: The California Grant Information Act of 2018 enacted by AB 2252 (Limon, Chapter 318, Statutes of 2018) 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 CSL. 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.

Proposed Law:

- Requires an administrator to promote equity in and facilitate the effectiveness of distribution of grant funds for covered grants by:
 - Posting eligibility requirements and application information of a covered grant on its website for the Grants Portal. Requires the application information to include a section covering frequently asked questions and a telephone number which applicants can contact the administrator with questions.
 - Providing eligible recipients with the ability to complete an application for a covered grant online.
 - For grants totaling \$200,000 or more, conducting outreach to nonprofit organizations eligible for a covered grant at least 90 days before the application deadline.
- Requires an administrator to distribute at least 50 percent of a grant award upon execution of a covered grant. Authorizes an administrator to distribute 100 percent of a grant award upon execution of a covered grant.
- Prohibits an administrator from requiring any of the following:
 - A covered grant recipient to provide receipts for any expense other than nonpayroll expenses paid to a single vendor for 50 percent or more of the grant award.
 - In any progress report required by the administrator from the recipient nonprofit, the total word count of narrative sections to be more than 600 words.
 - A grant recipient to carry insurance coverage limits that exceed the risk associated with covered grant activity.
- Defines “administrator” as a state agency or third-party contractor administering a grant program using state funds.

- Defines “covered grant” to mean a grant, made by an administrator, that is under \$20,000 with a duration period under one year and eligible recipients include nonprofits.
- Defines “third-party contractor” to mean either a nonprofit or other organization that contracts with a state agency to administer a grant program if the grant conditions require the recipient to redistribute a portion of funds to nonprofit organizations.

Related Legislation: 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. AB 590 is pending in this committee.

AB 619 (Vince 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. AB 619 is pending in this committee.

AB 696 establishes the California State Grants and Contracts Modernization Act, which beginning July 1, 2025, requires a state agency that administers a grant or enters into contracts with eligible entities to provide for and accept electronic signatures and offer electronic payment options. AB 696 is pending in this committee.

Staff Comments: While the fiscal impact to all affected state agencies is unknown at this time, it may be significant. For example, the California Air Resources Board (CARB) reports total costs of \$2.13 million in Fiscal Year (FY) 2023-24 and \$1.63 million in FY 2024-25 and ongoing for 6.0 positions and other contract costs (various special funds). CARB notes that the amount of grant funding available for awards could be impacted by the bill in an unknown amount depending on the resources needed by a third-party contractor to fulfill the requirements of the bill. This could result in less funding to covered grant recipients.

While not all impacted state entities will require the same resources, to the extent that other agencies experience similar workload pressures, the cost of the bill may total into at least the hundreds of thousands of dollars.

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