

AB 696 (Lowenthal)

The California State Nonprofit Grants and Contracts Modernization Act

Fact Sheet

PURPOSE

State agencies contract with and engage in grant administration with numerous nonprofits annually. Nonprofits are essential partners in the state's ability to deliver a multitude of crucial services to our constituents. In order to deliver these services, nonprofits rely on contracts and grants dollars from state and federal sources. Unfortunately, the state continues to rely on inefficient and antiquated systems and methods to contract with and engage in grant administration with our nonprofit partners. These inefficiencies create more work for both state agencies and nonprofits and can result in significant delays in processing paperwork and receiving payments. By requiring the state to consistently employ commonplace technology across state contracting, AB 696 will save both the state and nonprofits time and money.

SUMMARY

AB 696 will modernize contracting by requiring the state to provide for and accept electronic signatures, electronic transmission of documents, and electronic funds transfers. The bill also requires that the California State Library create and make available an internet website, that all state agencies administering grants or contracts with nonprofit organizations can access, that allows nonprofit organizations to submit any documents associated with the contract, including, but not limited to, incorporation documents, proof of insurance, audited financials, tax returns, standard provision attestations, banking information, and signing authorizations. Finally, the bill requires the Department of General Services to create and make available an internet website for the purpose of end-to-end digital procurement that does all of the following: stores executed contract documents; tracks amendments and approvals; and allows nonprofit organizations to submit invoices and supporting documents, including, but not limited to, progress reports, work plan updates, and budget modifications.

EXISTING LAW

The Grant Information Act of 2018 requires the State Library to maintain an internet website that displays information on every grant that is administered by the state.

BACKGROUND

State public health, housing and homelessness, and corrections programs payments in the tens of millions of dollars are still issued via paper checks sent through the U.S. mail. Just last month, a Los Angeles nonprofit housing provider was mailed a paper check for \$20 million. When the occasional check is inevitably lost in the mail, it can take more than two months to have it re-issued. This is a perfect example of the inefficient and antiquated system that we continue to rely upon for contracting and grant administration with nonprofits. Electronic funds transfers are common practice in most banking and business transactions and, while some agencies have begun using electronic transfers, there is a patchwork approach in place, which should be made uniform.

In an example of positive change, nonprofit childcare services providers were able to secure wire transfer payments from the Department of Developmental Services just a few months ago. Giving nonprofits like disability centers and preschools access to fast, secure, and trackable payments save everyone valuable hours and headaches.

These two examples clearly illustrate the existing problem and demonstrate that the modernization contemplated in AB 696 is well within the state's reach. The state already offers online invoicing and end-to-end online contract management through Cal eProcure.

Building on the example of that system, similar cloud-based solutions can be built that are appropriate for state grants and contracts with nonprofits. Smart cloud-based systems that enable everything to be filed online, like the Department of Education's Grantee Portal, are transparent and save staff time for the state, as well as local nonprofits. Gathering required board officer and staff signatures on grant renewals with e-signatures takes hours and costs nothing; relying on paper processes takes days of staff driving around to multiple offices.

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