

December 14, 2023

Subject: CRC Round 1: Advance Pay Guidelines Amendment

Reporting Period: October 2023 – December 2023

Staff Lead: Amar Cid, Community Investments and Planning Deputy Director, SGC

Recommended Action

Approve a technical amendment to the Community Resilience Centers Round 1 Guidelines to reflect the expanded advance pay authority and specified requirements in accordance with AB 590 (Hart, 2023).

Summary

The CRC Program seeks Council approval for an amendment to the CRC Round 1 Program Guidelines (Guidelines) to incorporate recent authorization for SGC to provide advance payment to eligible recipients for the effective implementation of a program. This action would improve and expand the existing advance payment practices for state grants and contracts with nonprofits.

Background

About the CRC Program

The Community Resilience Centers Program (CRC), established by SB 155 (Committee on Budget and Fiscal Review, 2021), provides funding for planning, development, construction, and upgrades of neighborhood-level Community Resilience Centers to provide shelter and resources during climate and other emergencies, such as extreme heat events and poor air quality days. The program will also fund ongoing year-round community services and programs, such as food distribution and workforce development training, that build overall community resilience. CRCs should prioritize the local priority populations and most vulnerable residents and communities in their decision-making, design, and implementation. SGC intends to fund a mix of projects that vary among: climate impacts; facility types and Lead Applicants; and geographies, including rural and urban communities, as well as incorporated and unincorporated communities.

SGC received \$110 million General Fund appropriation in Fiscal Year 2022-2023 to implement the program through the provision of grants, staff support, and third-party technical assistance. Of the total funds, \$98.6 million will be available for Round 1 grants. CRC Planning Grants will fund planning activities to prepare communities for future funding opportunities in programs that align with CRC Program Objectives. CRC Project Development Grants will fund pre-development and basic infrastructure activities that advance community-serving facilities' capability to serve as a future Community Resilience Center and prepare grantees for additional rounds, if funded, or other similar funding opportunities. CRC Implementation Grants will fund



new construction and/or upgrades to existing facilities to serve as Community Resilience Centers, as well as services and programs that build overall community resilience.

The Council adopted the FY 22-23 Round 1 CRC Program Guidelines at the April 26, 2023 Council Meeting. Applications for Round 1 of the program were due on September 18, 2023. The CRC Program received a total of 189 applications across all three grant types asking for a total of \$685,330,873.13.

Background on Statutory Advance Pay Authorization

Assembly Bill 211

The signing of AB 211 (Committee on Budget and Fiscal Review, 2022), a public resources trailer bill, codified language for the CRC program and authorized SGC to provide advance payment to qualifying awards to ensure effective implementation of the program. Advance payments can be up to 25% of the total grant award, spread across a series of installments between the start date identified in the grant agreement until June 30, 2025.

Per the CRC Program's specific advance pay authority established in AB 211 in accordance with Section 11019 of the Government Code, advance payment will be limited to service portions of awards when the Grantee is a community-based private non-profit agency, which includes but may not be limited to, community-based organizations and non-governmental organizations. Under this statutory regulation, government entities, including city and county government and federally recognized California Native American Tribes, are not eligible for advance payment.

Assembly Bill 590

AB 590 (Hart, 2023) aims to improve and expand the state's existing advance payment practices for state grants and contract with nonprofits. This bill authorizes advance payment to a recipient entity, defined to mean a private, nonprofit organizations qualified under Section 501(c)(3) of the Internal Revenue Code, subject to meeting specified requirements. This bill requires SGC to prioritize recipient entities and projects serving disadvantaged, low-income, and under-resources communities, and to ensure an advance payment does not exceed 25% of the total grant award.

Recipient entities will be required to satisfy certain minimum requirements, including providing an itemized budget and submitting documentation, as required by SGC, to further support the need for advance payment. Advance payments authorized under this section shall be limited to the minimum immediate cash requirements necessary to carry out the purpose of the approved activity, program, or project, as determined by SGC and subject to SGC's approval of the recipient entity's workplan and written justification. Lastly, this bill enables the Department of Finance or its designee to audit any recipient or subrecipient that received an advance payment.

With this amendment, the CRC Program aims to support new and future awardees in overcoming the significant start-up costs associated with new projects. A summary of changes to the Round 1 CRC Guidelines is provided below.

Summary of Changes to Round 1 CRC Guidelines

Proposed amendments to the FY 22-23 CRC Program Guidelines are summarized below and included as Attachment A to this staff report. The CRC Program intends to align the required reporting with regularly scheduled CRC Program invoicing and reporting to minimize barriers and administrative burden and allow Grantees and Partners to benefit from advance payment.

Round 1 CRC Guidelines, Page 63, 64, & 65: Update language that SGC is authorized the provide advance payment under a specified timeline and additional requirements.

- SGC is authorized to provide advance payment to Grantees through July 1, 2025. CRC Program Staff will review and authorize advance payments that are necessary to carry out approved program activities as determined by SGC and subject to SGC's approval of the recipient entity's workplan and written justification.
 - SGC will prioritize recipient entities and projects serving disadvantaged, low-income, and under-resourced communities or organizations with modest reserves and potential cashflow problems.
 - Grantees shall complete an advance pay request form and agree to reporting requirements outlined in a signed grant agreement.
 - Advance pay will not exceed 25% of the total grant amount awarded to the Grantee.
- Recipient entities shall satisfy the following minimum requirements:
 - Provide an itemized budget for the eligible costs the advance payment will fund, indirect or other costs needed to operate, a spending timeline, and a workplan developed.
 - Submit documentation to support the need for advance payment.
 - Demonstrate current good standing as an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.
 - Deposit any funds received as an advance payment into a federally insured account of the recipient entity that provides the ability to track interest earned and withdrawals.
 - Establish procedures to minimize the amount of time that elapses between the transfer of funds and the expenditure of those funds by the recipient or subrecipient.
 - Provide progress reports on the expenditure of advanced funds no less than on a quarterly basis and as otherwise required by the administering state agency.
 - Provide a progress report to SGC following the expenditure of an advance payment that includes a summary of work completed, proof of expenditure, and other associated information as determined by SGC.

- Recipient entities may provide moneys from the advance payment to subrecipients in accordance with their grant requirements.
 - Recipients shall require all entities they subcontract with or award grant moneys to comply with state statutes, regulations, requirements and the terms and conditions of the state award.
 - Regardless of any transfer or assignment of advance payments to subrecipients, recipients shall be liable to the state agency for any failures by subrecipients to ensure the award is used in accordance with state statutes, regulations, requirements, and the terms and conditions of the state award.

Council Recommendation

Should the Council agree with Staff's recommendation, the following motion language is suggested:

"I move that the Council pass the consent calendar."

Attachments

Attachment A: Community Resilience Centers (CRC): Final Round 1 Program Guidelines: Advance Pay Amendment

