

January 10, 2025

Honorable Scott D. Wiener, Chair
Joint Legislative Budget Committee
Senate Budget and Fiscal Review
Committee

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Honorable Anna M. Caballero, Chair
Senate Appropriations Committee

Honorable Buffy Wicks, Chair
Assembly Appropriations Committee

Advanced Payment Pilot Program Report

Pursuant to the provisions of Government Code section 11019.1(j), the following report is respectfully submitted.

On or before January 10, 2025, the Department of Finance is required to submit a report reviewing the outcome of the Advanced Payment Pilot Program established by Chapter 569, Statutes of 2022 (AB 156), to the Legislature that includes the following:

1. The number of payments advanced pursuant to the pilot program, including by program and geographic location.
2. The number of payments advanced that exceeded 25 percent of the total award amount, including by program and geographic location.
3. A summary of any adverse audit findings associated with audits conducted pursuant to AB 156.

If you have any questions or need additional information regarding this matter, please call Aaron Edwards, Assistant Program Budget Manager, at (916) 322-2263.

JOE STEPHENSHAW
Director
By:

Original signed by:

ERIKA LI
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review Committee
Honorable Heath Flora, Vice Chair, Assembly Budget Committee
Gabriel Petek, Legislative Analyst (3)
Elisa Wynne, Staff Director, Senate Budget and Fiscal Review Committee
Kirk Feely, Fiscal Director, Senate Republican Fiscal Office
Christopher W. Woods, Senate President pro Tempore's Office (2)
Christian Griffith, Chief Consultant, Assembly Budget Committee
Joseph Shinstock, Fiscal Director, Assembly Republican Caucus, Office of Policy and Budget
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office
Katja Townsend, Capitol Director, Assembly Republican Leader's Office
Jason Sisney, Assembly Speaker's Office (2)
Mark McKenzie, Staff Director, Senate Appropriations Committee
Jay Dickenson, Chief Consultant, Assembly Appropriations Committee
Erika Contreras, Secretary of the Senate
Sue Parker, Office of the Chief Clerk of the Assembly
Office of the Legislative Counsel

Advanced Payment Pilot Program Outcomes

Executive Summary

Chapter 569, Statutes of 2022 (AB 156) established the Advanced Payment Pilot Program to explore possible improvements to the state's existing advance payment practices for state-funded local assistance grants. AB 156 authorizes six state agencies administering specified programs to make advance payments to local agencies, non-governmental entities, and other state agencies if specific criteria are met.

AB 156 requires the Department of Finance to file a report with the Legislature on or before January 10, 2025, that includes:

1. The number of payments advanced pursuant to AB 156, including by program and geographic location.
2. The number of payments that exceeded the 25 percent limit.
3. Any adverse audit findings identified in the audits.

Twenty-six advance payments were issued pursuant to AB 156, two of which exceeded the 25 percent limit. Finance's Office of State Audits and Evaluations (OSAE) performed three audits of participating state agencies and had no adverse audit findings. However, the audit identified opportunities to strengthen the state agencies' oversight of advance payments.

Background

AB 156 authorizes six state agencies—Wildlife Conservation Board (WCB), Department of Forestry and Fire Protection, Housing and Community Development, Employment Development Department (EDD), Strategic Growth Council (SGC), and Department of Toxic Substances Control (DTSC)—administering specified programs to make advance payments to local agencies, non-governmental entities, and other state agencies if specific criteria are met. It requires the administering state agency to prioritize local agency or non-governmental entity recipients and projects serving disadvantaged, low-income, and under-resourced communities, or organizations with modest reserves and potential cashflow problems. Additionally, AB 156 limits the advance payment amount to 25 percent of the total grant amount awarded to the recipient, unless the administering state agency determines that the project requires a larger advance. AB 156 authorizes Finance to audit any state agency, recipient, or subrecipient receiving an advance payment pursuant to AB 156. The provisions of AB 156 related to advance payments will remain in effect until July 1, 2025.

Advance Grant Payment Information

Table 1 below identifies all advance payments issued pursuant to AB 156 as of November 30, 2024, including (1) the agency issuing the payment, (2) the associated grant program, (3) the name of the grantee(s), (4) total awarded grant amount, (5) advance payment amount, (6) percent of the grant advanced, and (7) the location of the grant. Four state agencies issued 26 advance payments using the authority provided in the Advanced Payment Pilot Program. Two of these payments exceeded 25 percent of the grant amount; both were issued by WCB to California State Parks.

Table 1: Summary of Advance Payments

EMPLOYMENT DEVELOPMENT DEPARTMENT

Grantee's Name	Total Amount of Grant Award	Advance Payment Amount	Percent of Total Grant Advanced	Geographic Location
Community Economic Resilience Fund Program - Planning Phase				
California Community Foundation	\$5,000,000	\$1,250,000	25.00%	Los Angeles County
Central Valley Community Foundation	\$5,000,000	\$1,250,000	25.00%	Fresno, Kings, Madera and Tulare Counties
Charitable Venture of Orange County	\$5,000,000	\$1,250,000	25.00%	Orange County
Central Coast Economic Development Collaborative	\$5,000,000	\$1,162,499	23.25%	Monterey, San Benito, Santa Barbara, Santa Cruz, San Luis Obispo, Ventura Counties

Community Economic Resilience Fund Program - Catalyst Program

Arcata Economic Development Corp	\$13,807,131	\$2,761,426	20.00%	Del Norte, Humboldt, Lake and Mendocino Counties
California Community Foundation	\$14,000,000	\$3,500,000	25.00.%	Los Angeles County
Charitable Venture of Orange County	\$13,777,557	\$3,500,000	25.00%	Orange County
Central Coast Economic Development Collaborative	\$14,000,000	\$3,500,000	25.00%	Monterey, San Benito, Santa Barbara, Santa Cruz, San Luis Obispo, Ventura Counties
Inland Empire Community Foundation	\$14,000,000	\$3,500,000	25.00%	Riverside and San Bernardino Counties
Sierra Business Council	\$13,954,737	\$1,986,722	14.23%	Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, and Tuolumne Counties
Valley Vision	\$14,000,000	\$3,500,000	25.00%	Colusa, El Dorado, Nevada, Placer, Sacramento, Sutter, Yolo and Yuba Counties

Community Economic Resilience Fund Program - Economic Development Pilot

Cooperacion Santa Ana	\$3,802,368	\$950,592	25.00%	Santa Ana
Alchemist Community Development Corporation	\$8,098,506	\$2,024,626	25.00%	Sacramento City
Noyo Harbor District	\$3,203,872	\$662,000	20.66%	Fort Bragg
Pacific Asian Consortium in Employment	\$5,000,000	\$893,546	17.87%	Los Angeles Region
Siskiyou Economic Development Council	\$3,195,000	\$536,250	16.78%	Siskiyou County
Stanislaus Business Alliance, Inc. d.b.a. Opportunity Stanislaus	\$3,602,786	\$900,697	25.00%	North San Joaquin Valley
United Way Fresno and Madera Counties	\$10,000,000	\$2,500,000	25.00%	Central San Joaquin Valley
Ventures	\$3,496,179	\$855,078	24.50%	San Benito, Santa Cruz, and Monterey Counties

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

Grantee's Name	Total Amount of Grant Award	Advance Payment Amount	Percent of Total Grant Advanced	Geographic Location
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Technical Assistance Grant Program

Richmond Shoreline Alliance	\$150,000	\$37,500	25.00%	Contra Costa County
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STRATEGIC GROWTH COUNCIL

Grantee's Name	Total Amount of Grant Award	Advance Payment Amount	Percent of Total Grant Advanced	Geographic Location
Transformative Climate Communities Program				
Native American Environmental Protection Coalition	\$300,000	\$75,000	25.00%	Humboldt County
San Diego Foundation	\$22,125,000	\$1,860,000	8.50%	City of San Diego (Barrio Logan)
Riverside County	\$4,018,788	\$1,004,697	25.00%	Riverside County
Urban Collaborative Project	\$300,000	\$75,000	25.00%	San Diego County

WILDLIFE CONSERVATION BOARD

Grantee's Name	Total Amount of Grant Award	Advance Payment Amount	Percent of Total Grant Advanced	Geographic Location
Rindge Dam Removal and Malibu Creek Ecosystem Restoration Planning				
California State Parks	\$12,500,000	\$12,500,000	100%	City of Malibu, Los Angeles County
North Table Mountain Ecological Reserve Public Access Improvements				
California State Parks	\$440,000	\$440,000	100%	Butte County

Source: Grant information provided by participating departments

Audit Results

OSAE performed audits of EDD, DTSC, and SGC. Based on the audit procedures performed and evidence gathered, reasonable assurance was obtained that the three state agencies generally complied with the requirements of AB 156 and prioritized advance payment recipients and projects serving disadvantaged, low-income, and under-resourced communities or organizations with modest reserves and potential cashflow problems. The audit identified no adverse audit findings. However, it identified the following opportunities to strengthen the state agencies' oversight activities of the Advance Payment Pilot Program and future advance payment practices:

- **Required Documentation.** SGC advanced grant funds without the required insurance documents and demonstration of good standing with the Internal Revenue Service, even though AB 156 required these documents. Disbursing advance payments before obtaining all required documents may result in unqualified recipients receiving advance payments in future program grants.

- **Earned Interest.** SGC and DTSC did not have an adequate process in place for tracking and monitoring earned interest from advance payments. EDD failed to obtain appropriate documentation to support the interest amounts reported. AB 156 requires any accumulated interest to be deemed grant moneys, subject to federal laws and regulations, and the recipient to report earned interest. Without such a process, agencies cannot accurately account for the full amount of interest available for spending on grant-related projects.

In response to the audits, the three state agencies agreed with the findings and submitted corrective action plans to strengthen their oversight activities of the Advanced Payment Pilot Program. These audit reports can be found on Finance's website at: <https://oreports.dof.ca.gov/report.html>.