

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0139

(916) 319-3600
FAX: (916) 319-3650

CHIEF CONSULTANT
BERNIE OROZCO

CONSULTANT
JACQUELINE KINNEY

COMMITTEE SECRETARY
HUGO A. CHAVEZ

Assembly California Legislature



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OVERSIGHT HEARING

June 27, 2023 at 9:30 a.m.
State Capitol Room 447

Follow the Money: Transparency and Accountability in State Grant Programs

California is at a pivotal moment of historic public investment to advance state goals on climate change, green energy, affordable housing, infrastructure, broadband, and equity for all. We are in the midst of an unprecedented infusion of federal funds. California is still investing about \$27 billion in federal COVID relief funds and expects an estimated \$30 billion or more in coming years from the federal Infrastructure, Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA).¹ A significant amount of these federal funds is authorized for state agency grant programs, on top of state funds for grant programs. California has never had so many state agencies administering so many grant programs with so many eligible grant recipients – and the need for transparency and accountability has never been greater.

This hearing is to examine what California is doing – and whether more is required – to ensure transparency and accountability in state grant programs. Transparency of granular data on each grant award is essential to achieve the following accountability objectives:

- To ensure prudent stewardship of public funds.
- To track progress in achieving state policy goals and advancing equity.
- To enable data-driven decisions and timely program adjustments if needed.
- To prevent loss of funds not spent by federal deadlines.
- To align with new federal transparency requirements for grants.

¹ [COVID-19 Federal Stimulus | Department of Finance \(ca.gov\)](#); [Summary of Estimated Federal Stimulus Funds to California](#); [Governor Newsom Statement on Passage of \\$1.2 Trillion Infrastructure Investment and Jobs Act by Congress | California Governor](#).

- To prevent waste, fraud, and abuse.
- To further Californians’ constitutional right to know how their government spends public funds.²

Tracking the Money is Starting Point for Transparency and Accountability

Government has a variety of accountability tools to track how public funds are spent, including audits, inspector generals, program evaluations, and annual reports to the Governor and Legislature. The starting point for all accountability is transparency into the numbers – being able to “follow the money.”³ For state grant programs, this means being able to see who is awarded grants, the dollar amount of each grant, what projects are funded, and metrics to determine if each project is achieving program goals. Agencies’ annual reports on grant programs can be informative, but many are high-level narratives with stale data – often six to 12 months old by the time the report is issued – and describe only total program investments rather than granular data on each grant award. This information can be too general and too late for policy makers to take corrective action on program requirements and funding allocations. The public can seek access to records of state and local agencies under the California Public Records Act (CPRA),⁴ but that takes time and resources. Moreover, many grants are awarded or contracted out to non-government entities, which are not subject to the CPRA, even when they are conducting the public’s business with public funds.

Online platforms and modern technologies now enable more frequent and detailed reporting on grant awards accessible to policy makers and the public on state agency web sites. Some agencies have online dash boards, data visualization, and interactive maps that display some grant award information, but these may not be detailed or updated frequently enough to truly “follow the money.” Thus, California has the challenge -- and opportunity -- to develop more robust standards or requirements for *uniform, timely, actionable reporting* on state grant programs.

Uniform, Timely, Actionable Reporting on Grant Programs is Essential Now

At this moment of historic public funding for state grant programs, the need for *uniform, timely, actionable* reporting on grant awards is more essential than ever. With the massive infusion of

² “The people have the right of access to information concerning the conduct of the people’s business.” Cal. Const. Art. I, Sec. 3(b)(1).

³ “Follow the money” is a catch phrase for how citizens can keep their government accountable with access to information about where public money comes from, where it goes, and what it delivers. The phrase became part of the national lexicon from the Watergate movie “All The President’s Men,” and it is now used generically to promote transparency and accountability. [Follow the Money; follow the money scene all the presidents men - Google Search](#).

⁴ Gov. Code Secs. 7920 to 7931.

federal funds, California has a once-in-a-generation opportunity to address some of its biggest challenges. At the same time, the risk of negative outcomes is high for many reasons, including:

- The amount of federal funds is unprecedented and spending timelines relatively short.
- State agencies have significant capacity challenges in that many have never administered grant programs before, and others have never done so at this scale and speed.
- Eligible grant recipients include many that are generally unfamiliar with grant requirements and processes.
- Federal funds for many state grant programs have complex requirements, such as IJA requirements for state plans, Buy America, cybersecurity, and workforce development.

California Grant Transparency Initiatives Already Underway

Although California has no single control agency or statewide uniform approach to report grant awards, several initiatives already are underway. The first is a new unit within the Department of Finance (DOF) for reporting expenditure of federal funds. The second is the California Grants Portal web site established and maintained by the California State Library (CSL). While they are for separate purposes, these two initiatives could be a foundation for California to establish more *uniform, timely, actionable reporting* on grant awards across all state agencies.⁵

New Federal Funds Unit in DOF. In July 2021, DOF established a new “Federal Funds Accountability and Cost Tracking” unit to report to the federal government detailed grant award information for state grant programs funded with federal funds. DOF collects from each state agency data about each grant awarded in order to meet quarterly federal reporting requirements. While DOF has established a sophisticated portal and process for state agencies to report into DOF,⁶ there is no public-facing state web site with this same information. Moreover, even though state agencies report grant recipient data into DOF, few display this same granular grant award data on their individual agency web sites. Nonetheless, the DOF federal reporting process demonstrates that California state agencies can report granular data at least quarterly on their state grant awards.

CSL State Grants Portal. The Grant Information Act of 2018 required the CSL to establish, by July 1, 2020, a website portal that provides a centralized location for potential applicants to identify state grant opportunities.⁷ Since July 1, 2020, each state agency has been required to register every grant program it administers with the CSL prior to starting its grant application

⁵ Governor Newsom’s Executive Order N-8-23 issued May 19, 2023, directs an Infrastructure Strike Team to track the status of individual infrastructure and other projects and requires working groups to “[e]stablish dashboards to track progress, including number of projects, project locations, schedules, milestones, funding, federal application and encumbrance deadlines, awards received, workforce development, and progress toward equity goals.”

⁶ <https://dof.ca.gov/budget/covid-19-information/covid-federal-tracking-portal/>.

⁷ AB 2252 (Limon), Ch. 318, Stats. of 2018; Gov. Code Secs. 8333 to 8334.

process. To implement this legislation, the CSL surveyed and collaborated with state agencies to develop standardized data elements and procedures, resulting in the California Grants Portal.⁸ This portal enables state agencies to easily input and regularly update grant information and provides the public a very user-friendly experience to search for grants.

After launch of the California Grants Portal in 2020, a 2021 budget trailer bill⁹ expanded the portal's mission to also require state agencies, starting July 1, 2022, to report post-award data to the CSL portal, with all of the following information required for each grant award:

- (A) Recipient name.
- (B) Recipient type.
- (C) Amount awarded to the recipient.
- (D) Beginning and end dates of the project funded by the grant.
- (E) Descriptive purpose of the application awarded the grant.
- (F) Geographic location served.

The CSL again surveyed state agencies to develop a process and timing for reporting this data. Now, a year after the effective date, post-award data is just beginning to appear on the portal. While the CSL process gives state agencies six to 12 months to report post-award data, more frequent reporting seems possible given that agencies already report the same granular data quarterly to the DOF for federally funded grant programs. California policy makers and the public could receive more *uniform, timely, actionable reporting* on the California Grants Portal if CSL required post-award data at least as frequently as DOF.

Aligning State Transparency Requirements with Federal GREAT Act

Several developments at the federal level also are building momentum toward more uniform standards for grant reporting. In 2019, with wide bi-partisan support, Congress passed the Grant Reporting Efficiency and Agreements Transparency Act of 2019 (GREAT Act),¹⁰ which requires the White House Office of Management and Budget (OMB) and the Health and Human Services Agency (HHS) to create data standards for grantee reporting requirements by all federal agencies, to be implemented over several years. The law aims to reduce administrative burden for grantees with uniform reporting data elements, including granular data about each grant award recipient and sub-recipient. The other key purpose is to increase transparency and

⁸ <https://www.grants.ca.gov/>.

⁹ AB 132 (Committee on Budget), Ch. 144, Sec. 73, Stat. 2021, adding Sec. 8334.1 to the Government Code.

¹⁰ GREAT Act <https://www.congress.gov/bill/116th-congress/house-bill/150/text>. Rep. Jimmy Gomez (D-CA) and Rep. Virginia Foxx (R – N.C.) were co-sponsors of the GREAT Act.

accountability of federal grant programs by ultimately having all grantee information in similar machine-readable formats from all federal agencies displayed on a single public portal to be operative by December 30, 2024.

The GREAT Act requires OMB and HHS, when establishing grant data standards, to consult with state and local governments and recipients of federal grants. It is unclear if California is engaging with OMB and HHS on implementation of the GREAT Act. Given that California, as a recipient of significant federal grant funds, eventually will need to comply with GREAT Act standards, this may provide an opportunity to also align state grant program reporting with the GREAT Act.

Transparency Requires Reporting of Sub-Recipient Data

While full implementation of the GREAT Act is pending, OMB has issued detailed grant transparency requirements in connection with federal COVID relief, IIJA and IRA funding to ensure public trust, protect taxpayer dollars, and deliver intended results. A key focus is on post-award reporting that is timely, tracks progress toward intended outcomes, and includes detail down to the “subaward” or “sub-recipient” level. This means public reporting of any third party with whom a grant recipient contracts with to perform the grant project.¹¹ A report by the General Accounting Office issued in May 2023 emphasizes that reporting sub-recipient data is essential to “[enable] the public to track federal spending by providing the public with additional detail on where and how federal grant funds are used.”¹²

Similarly, at the state level, reporting sub-recipient data is essential to ensure transparency, meaning that information about who a grant recipient contracts with should be public. For example, when a local agency receives a grant and then contracts with a third-party private entity to perform the grant, the name of that third party sub-recipient should be public, as well as the contract between the grantee local agency and the sub-recipient. These private entity third parties are not subject to the CPRA, so reporting of sub-recipient data (and the contract with the third party) is critical to transparency and accountability.

State Grants Lack Control Agency and Uniform Requirements Applicable to Public Contracts

The Department of General Services (DGS) is the control agency with general authority to approve non-IT services contracts and delegate purchasing authority for contracts for non-IT goods and services in accordance with the Public Contract Code, State Contracting Manual (SCM), and other laws and regulations generally applicable to public contracts. The SCM and Attorney General (AG) opinions are explicit that these uniform requirements do not apply to

¹¹ [\(M-22-12 \(whitehouse.gov\)\)](#) at 11 to 13.

¹² <https://www.gao.gov/products/gao-23-106797> at 8 to 11.

“grants.”¹³ In this context, a public contract is a government transaction to procure goods or services to help an agency carry out its statutory duties, while a “grant” is an award of public funds by an agency to provide assistance to a third party, even if it is for a public purpose.

DGS has no jurisdiction over grants, and California has no control agency or uniform requirements in statute or regulation that apply to grants similar to that for public contracts. Some grant programs may have detailed requirements specified in statute, some may be authorized by a single line item in a budget act with the agency having full discretion on how to award grants and report awards, and others may have requirements specified in the funding source, such as federal statute and regulation. CSL is an agency that provides the public information, not a control agency. However, the statute that requires the CSL to maintain the California Grants Portal also requires each state agency to report post-award grant data to CSL. For this purpose, “grant” is defined in alignment with the State Contract Manual and AG opinions. Thus, the California Grants Portal may be a foundation for developing more robust uniform requirements applicable to all state agencies to achieve transparency and accountability through *uniform, timely, actionable* reporting on state grant awards.

Questions for Legislature to Ensure Transparency and Accountability for State Grants

- Is the post-award state grant data that state agencies are required to submit to the California Grants Portal adequate for *uniform, timely, actionable* reporting to ensure transparency and accountability for achieving grant program goals?
- Is legislation necessary to mandate uniform transparency and accountability standards for state grant programs?
- Which state agency best practices on grant reporting should be adopted statewide?
- Should California engage more directly with the federal government in implementation of the GREAT Act to align state grant reporting with federal requirements?

¹³ State Contracting Manual [State Contracting \(ca.gov\)](#), Section 4.06; and [Opinion No. 04-701 \(ca.gov\)](#).