JUNE 27, 2023

# State Grant Accountability and Transparency

PRESENTED TO:

Assembly Committee on Accountability and
Administrative Review
Hon. Cottie Petrie-Norris, Chair

LEGISLATIVE ANALYST'S OFFICE

# Background on State Grants

## State Provides Various Types of Grants

*State Distributes Grants in a Variety of Ways.* The state distributes grants in a variety of ways. This can include:

- *Competitive.* Funding provided to awardees based on an evaluation of merit through an application process. Some common steps in awarding competitive grants include: (1) state agencies develop and release grant guidelines outlining the criteria they will use to evaluate grant applications, (2) applicants submit grant applications explaining how they meet the criteria, (3) state agencies evaluate and score the applications, and (4) state agencies make awards to the highest scoring applicants.

- *First Come, First Served.* Funding provided to awardees based on when their application for funds is received. For example, historically, state general obligation bonds for K-12 school construction and modernization have been allocated this way.

- *Directed to Specific Projects.* Funding directed to specific entities for specified projects. For example, the budget act or a general obligation bond measure might allocate funding to a specific local park project.

*Some Other Types of Assistance Could Be Considered Grants.* Some of the funding the state provides based on a pre-determined formula (such as based on population or a measure of need)—commonly referred to as formula-based allocations—could be viewed as grants. This includes the fuel tax revenues the state provides to local agencies for the maintenance of their street and road systems, as well as realignment funding provided to counties to cover the cost associated with realigned responsibilities.

# Background on State Grants

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### State Provides Grants to Various Entities

- *Local Agencies.* The state provides grants to various types of local agencies, such as cities, counties, and special districts.

- *Other Entities.* The state also provides grants to other types of entities, such as nonprofits, nongovernmental entities, and tribes.

### State Provides Grants for Wide Range of Programs and Activities

- *Grants Provided Across Many Different Program Areas.* State provides grants in nearly all areas of state government, including criminal justice, resources and environmental protection, transportation, health and human services, education, and housing.

- *Grants Support Various Types of Activities.* Grants support capital improvements, such as the construction of new local parks and the modernization of K-12 schools. Grants also support operational costs, such as public education activities aimed at making communities more resilient to wildfires.

# Background on State Grants

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## State Funds Grants in Various Ways

*Various Financial Approaches Pay for Grant Programs.*

- *Pay-as-You-Go.* The state provides grants using cash on a pay-as-you-go basis.

- *Bond Funds.* The state also uses borrowing—in the form of bonds—to fund grants. For example, the state sometimes funds grant programs through voter-approved general obligation bonds. It has also funded some grants with lease revenue bonds, such as for local jail facilities.

*Various Fund Sources Support Grant Programs.*

- *General Fund.* The General Fund is the state's main operating account. Revenues to the General Fund come from a variety of taxes and other sources. The Legislature can allocate these revenues to any public purpose, including grant programs.

- *Special Funds.* Special funds are state funds that receive revenues from specific sources (for example, licensing or regulatory fees). The Legislature can allocate monies from special funds to the purposes for which the fund was created. Grant programs in some program areas, like transportation, have historically been nearly entirely special fund funded.

- *Federal Funds.* The state also receives money from the federal government for distribution as grants. The federal government often places various requirements on how the state distributes these funds, but the specificity of these requirements can vary. (Entities also receive grant funds directly from the federal government—rather than through the state—in some cases.)

# Data on State Grants

## Comprehensive Data on State Grants Has Been Lacking, but Is Improving

- ***Centralized Repository for Grant Awards Being Populated.*** Since 2020, the California State Library has maintained a [Grants Portal website](#), displaying information on grant opportunities reported under Chapter 318 of 2018 (AB 2252, Limón). It has recently begun adding basic information on grant awards reported by state agencies—such as awardee names, amounts, and short descriptions—pursuant to Chapter 144 of 2021 (AB 132, Committee on Budget) to this website, but it is not fully populated yet. (For the purposes of this website, grants are defined to include financial assistance distributed on a competitive or first-come, first-served basis.)

- ***Other Information on Grant Awards Is More Readily Available for Some Programs Than Others.*** Outside of the Grants Portal website, some administering agencies provide easily accessible information on grant awards on their own websites. For example, the California Natural Resources Agency maintains [a website](#) that provides information on grant programs funded through recent resources-related general obligation bonds. In other cases, information on grant awards is not readily available on agency websites.

- ***When Information on Grant Awards Is Reported, It Is Often Basic.*** In many cases, when agencies report grant information, the information they provide is limited in scope. For example, it may include the name of the grantees and the award amounts, but not detailed information on what was funded or the outcomes that were achieved.

# Data on State Grants

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## Available Data Suggest Grant Funding Has Likely Increased in Recent Years

- Comprehensive historical data on the amount of grant funding provided by the state is lacking. However, available data suggest that grants have likely increased in recent years, as state revenues have grown.

- In particular, over the past few years, state revenues have increased significantly. For example, General Fund revenues increased by nearly 30 percent in 2020-21 and another 20 percent in 2021-22. This created surpluses that allowed the Legislature to provide large increases in General Fund support for grants on a one-time basis. In some cases, these increases were so large that they strained the state's capacity to award and administer the funds.

- For example, since 2018-19, the state has provided about $18.5 billion in temporary funding for housing and homelessness-related grant programs. Additionally, the state provided $27.7 billion in 2020-21 through 2022-23 for a wide variety of one-time climate and resources-related activities, a significant portion of which is slated to be used for grants.

- Also, recent federal legislation—including the Infrastructure Investment and Jobs Act and the Inflation Reduction Act—have made significantly more federal funding available to California and other states, some of which is being passed through state agencies to local agencies.

# Transparency and Accountability of State Grants

## Transparency and Accountability Serve Important Purposes

- Helps the Legislature and public understand what they are getting for the investment of public dollars.

- Helps ensure that the funding achieves legislative goals.

- Serves as an important first step in evaluating whether programs are operating efficiently, effectively, and equitably. Such information is important for improving future program implementation and informing forthcoming legislative funding and policy decisions.

## Key Ways the Legislature Can Facilitate Transparency and Accountability

- *Front End Accountability.* Examples of actions the Legislature can take on the front end—before funding is provided to grantees—to promote accountability for grants:

  - Establishing clear goals and objectives for grant programs in statue and ensuring that programs are well-coordinated with other state efforts.

  - Providing statutory guidance for how grant programs are intended to operate, including what is to be funded and how grantees are to be selected.

  - Specifying in statute how grant programs are to be held accountable, such as through timely and actionable reporting that facilitates the evaluation of program outcomes and can inform decision-making.

  - Authorizing funding for new grant programs on a limited-term basis to provide a natural opportunity for program review and oversight before making ongoing funding decisions.

# Transparency and Accountability of State Grants

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- ■ *Back End Accountability.* Examples of some actions the Legislature can take to promote accountability on the back end—after funding is provided to grantees—include:

  — Reviewing information reported by state agencies on their grant programs.

  — Supporting research and analyses of key grant programs.

  — Holding legislative oversight hearings to review performance of grant programs.

  — Following through on corrective actions or other steps to address issues that are identified through reporting, oversight hearings, or other mechanisms.

- ■ *Strong Front End Accountability Measures Support Back End Accountability.* For example, in order to facilitate the evaluation of program performance at the back end, it is important to have readily available information on outcomes. Such information is often only provided publicly when requirements are put in place up front.

## Not All Grants May Merit Same Accountability Measures

- ■ Some accountability measures can require resources, such as time and funding, to undertake. Accordingly, the Legislature may want to apply some accountability measures more broadly than others.

- ■ For example, the Legislature may want to target research and analyses of programs to certain grant programs, such as larger grant programs or grant programs that are operating on a pilot basis. It may want more basic reporting information on a broader range of grant programs.

# Transparency and Accountability in Selected State Grant Programs

## Water Resilience/Voluntary Agreement Funding in the Water and Drought Package

***Examples of Challenges and Potential Areas for Improvement.***

- Budget bill language gives administration broad discretion over the use of these funds and the process by which they are allocated to specific projects and programs. Specifically, the language only requires that funding support programs and projects that improve environmental conditions to promote recovery of native fish species in the Sacramento-San Joaquin watershed.

- Administration has decided to allocate some funds competitively and some directly to the Regional Water Authority.

- No required reporting on the use of funds. To date, there is no readily available public information on funding allocations and grant awards.

## Wildfire and Forest Resilience Package Funding

***Examples of Strengths.***

- Budget trailer legislation requires annual reporting through April 2026 on various key information for each funded program, such as (1) the amount of funding committed and spent, (2) a summary of the projects implemented, (3) the number and geographic distribution of projects, and (4) the criteria used to select projects for funding.

- Thus far, reporting provides some key information on funded projects in a centralized location.

***Examples of Challenges and Potential Areas for Improvement.***

- Some funded programs—such as for transportation of woody biomass—have little to no statutory guidance specifying program goals or how funding is to be administered. This gives administering departments broad discretion in implementing programs and can make it difficult to determine if programs are meeting legislative goals.

- To date, reporting has not been provided by the statutory deadlines, making it much less useful for informing decision-making.

- Required information is generally not sufficient to facilitate program evaluation.

# Transparency and Accountability in Selected State Grant Programs

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## California Competes Grant Program

### *Examples of Strengths.*

- Detailed application information and anticipated outcomes for all grant recipients are publicly available in a centralized location.

- Detailed data on all applicants—both successful and unsuccessful— is collected and can be made available to researchers, facilitating program evaluation.

- Clear reporting on "recaptured" grants when recipients do not meet their agreed investment targets.

### *Examples of Challenges and Potential Areas for Improvement.*

- Even when grant recipients make promised investments, it is not clear that they did so because of the grant or if they would have made the investment anyway. More robust research is needed to establish the ultimate effect of the grants.

## Homekey

### *Examples of Strengths.*

- The publicly available online Homekey Awards Dashboard tracks progress for projects. The dashboard displays key metrics, including the number of awarded projects, housing units anticipated, total amount of awarded funds, and estimated households served over project lifetime. The dashboard also includes information on the geographic distribution of awards and housing, housing types (for example, hotels/motels or modular housing), and funding recipients.

### *Examples of Challenges and Potential Areas for Improvement.*

- Even with the breadth of readily available information, the impact of the program on addressing homelessness is not known. For example, do program participants remain stably housed on an ongoing basis? Where do Homekey participants occupying interim housing units exit to when their stays end?

# Transparency and Accountability in Selected State Grant Programs

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## Board of State and Community Corrections County Resentencing Pilot Program

### *Examples of Strengths.*

- Statute establishes (1) the types of participants, (2) participant requirements, (3) how the funds can be spent, and (4) uniform measures to be tracked by each participant and reported on a quarterly basis.

- Statute also requires a third-party evaluator to assess the effectiveness of the pilot program and provide reports to the Legislature.