



Home	Bill Information	California Law	Publications	Other Resources	My Subscriptions	My Favorites
------	------------------	----------------	--------------	-----------------	------------------	--------------

AB-1039 State-funded assistance grants and contracts: advance payments. (2025-2026)

SHARE THIS:  

Date Published: 06/18/2025 09:00 PM

AMENDED IN SENATE JUNE 18, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 1039

Introduced by Assembly Member Hart
(Coauthor: Assembly Member Soria)

February 20, 2025

An act to amend Sections 8334 and 11019.3 of the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 1039, as amended, Hart. State-funded assistance grants and contracts: advance payments.

Existing law authorizes a state agency administering a grant program or contract to advance a payment to a recipient entity, subject to specified requirements. Existing law defines “recipient entity” for these purposes to mean a private, nonprofit organization qualified under federal law, or a federally recognized Indian tribe whose territorial boundaries lie wholly or partially within the State of California, as specified. Existing law requires the administering state agency, among other things, to prioritize recipient entities and projects serving disadvantaged, low-income, and under-resourced communities, *to stipulate an advance payment structure and request process within the grant agreement or contract*, and to ensure an advance payment to the recipient entity does not exceed 25% of the total grant or contract amount, except as specified. *Existing law requires recipient entities to satisfy specified minimum requirements, including depositing any funds received as an advance payment into a federally insured account, as specified.*

This bill would limit the requirement to prioritize recipient entities and projects to grants and contracts advertised before January 1, 2026. *The bill would eliminate the requirement to stipulate an advance payment structure and request process, and, instead, would require the administering agency to consider utilizing specified advance payment best practices and processes. The bill would limit the above-described federally insured account requirement to apply only to grants and contracts in excess of \$10,000.* The bill would require, rather than authorize, an administering state agency to advance a payment to a recipient entity in accordance with the above requirements for all grants and contracts advertised on or after January 1, 2026. The bill would require the solicitation for the grant or contract to state the percentage of the grant or contract funds that may be distributed as an advance payment.

Existing law requires each state agency to register every grant the state agency administers with the California State Library prior to commencing a solicitation or award process for distribution of the grant, and to provide specified information that assists the

California State Library with cataloging the distribution of grants and provides potential applicants with understandable and consistent information about available funding opportunities.

This bill would require a state agency to include within the information submitted to the California State Library, the percentage of the grant funds that may be distributed as an advance payment.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 8334 of the Government Code is amended to read:

8334. (a) (1) On or before July 1, 2020, each state agency shall register every grant the state agency administers with the California State Library prior to commencing a solicitation or award process for distribution of the grant. Each agency shall provide information regarding the grant, that assists the California State Library with cataloging the distribution of grants and provides potential applicants with understandable and consistent information about available funding opportunities, including, but not limited to, all of the following:

- (A) The title of the grant opportunity and grant identification number.
- (B) The revenue source allocated to fund the grant.
- (C) The purpose of the grant.
- (D) A brief description of the grant, including, but not limited to, the mechanism used to announce the availability of funding.
- (E) Any eligibility requirements, including, but not limited to, any matching funds requirements.
- (F) Geographic limitations, if any.
- (G) A description of the total available grant funding, the number of awards, and the amounts per award.
- (H) The period of time covered by the grant.
- (I) The date the grant will be issued.
- (J) The deadline for proposals to be submitted.
- (K) Internet address for electronic submission of the proposal.
- (L) Contact information of a staff member responsible for communicating the grant requirements.
- (M) The percentage of the grant funds that may be distributed as an advance payment.

(2) Each state agency shall provide a link to the California State Library's funding opportunities internet web portal on the state agency's internet website.

(b) On or before July 1, 2020, each state agency shall provide for the acceptance of electronic proposals for any grant administered by the state agency, as appropriate.

(c) "Grant" as used in this chapter means any mechanism used by a state agency to distribute appropriations that have been allocated for the purpose of financial assistance through a competitive or first-come, first-served award process. The term shall include loans and federal assistance funds that are administered by a state agency. The term shall not include the procurement of goods or services for a state agency nor the acquisition, construction, alteration, improvement, or repair of real property for a state agency.

(d) The Government Operations Agency shall assist the California State Library with state agency compliance and creating streamlined processes, as appropriate.

SEC. 2. Section 11019.3 of the Government Code is amended to read:

11019.3. (a) It is the intent of the Legislature to improve and expand the state's existing advance payment practices for state grants and ~~contract~~ *contracts* with nonprofits and tribes.

(b) For purposes of this section, all of the following definitions apply:

- (1) "Administering state agency" means a state agency that administers a grant program or contract.

(2) "Recipient entity" means either of the following:

(A) A private, nonprofit organization that qualifies under Section 501(c)(3) of the Internal Revenue Code.

(B) A federally recognized Indian tribe whose territorial boundaries lie wholly or partially within the State of California, and any agencies, entities, or arms of the tribe, as applicable, either together or separately.

(3) "State agency" has the same meaning as in Section 11000.

(c) An administering state agency may advance a payment to a recipient entity subject to all of the following requirements:

(1) The administering state agency shall do all of the following:

(A) For grants or contracts advertised before January 1, 2026, prioritize recipient entities and projects serving disadvantaged, low-income, and under-resourced communities or organizations with modest reserves and potential cashflow problems.

(B) ~~Stipulate an advance payment structure and request process within the grant agreement or contract between the administering state agency and the recipient entity.~~ *Consider utilizing advance payment best practices and processes identified and developed by the Strategic Growth Council's Community Assistance for Climate Equity (CACE) program.*

(C) Ensure the advance payment to the recipient entity does not exceed 25 percent of the total grant amount or contract awarded to that recipient entity. An administering state agency may exceed the 25-percent limit if the administering state agency determines that the project requires a larger advance and the recipient entity provides sufficient justification and documentation for that larger advance to the administering state agency.

(2) (A) Except as provided in clause (iii), the recipient entity shall satisfy the following minimum requirements:

(i) Provide an itemized budget for the eligible costs the advanced payment will fund, indirect or other costs needed to operate, a spending timeline, and a workplan developed in a form and manner specified by the administering state agency.

(ii) Submit documentation, as required by the administering state agency, to support the need for advance payment, which may include, but is not be limited to, invoices, contracts, estimates, payroll records, and financial records.

(iii) ~~Demonstrate its current status in good standing as that it is~~ an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. This clause shall not apply to tribes.

(iv) Obtain insurance in an amount commensurate with the assessed risk, if required by the administering state agency and stipulated within the grant agreement or contract.

(v) ~~Deposit~~ *For grants or contracts in excess of ten thousand dollars (\$10,000), 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. Any accumulated interest shall be deemed to be grant or contract moneys, subject to federal and state laws and regulations, and the recipient shall report interest earned on the advance payment to the administering state agency. The recipient entity's account shall be in the recipient entity's name, and not in the name of any of its directors or officers.

(vi) 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. Further advance payments may be made if a grantee or contract recipient is able to demonstrate that a sufficient amount of previously advanced funds has been expended or that a plan is in place to ensure the expenditure of those funds in a timely manner, as determined by the administering state agency.

(vii) 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. All unused funding provided as an advance payment, but not expended within the grant or contract timeline, shall be returned to the state.

(viii) Provide a progress report to the administering state agency following the expenditure of an advance payment that includes a summary of work completed, proof of expenditure, and other associated information as determined by the administering state agency.

(B) (i) Recipient entities ~~may provide moneys~~ *that receive advance payments pursuant to this section may advance funds* from the advance payment to *any* subrecipients in accordance with their grant program requirements or contract.

(ii) Recipients shall require all entities they subcontract with or award grant moneys to comply with state statutes, regulations, ~~requirements~~ requirements, and the terms and conditions of the state award.

(iii) 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.

(d) An administering state agency shall advance a payment to a recipient entity in accordance with the requirements of subdivision (c) for all grants and contracts advertised on or after January 1, 2026. The solicitation for the grant or contract shall state the percentage of the grant or contract funds that may be distributed as an advance payment.

(e) 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 the administering state agency and subject to that administering state agency's approval of the recipient entity's or recipient state agency's workplan and written justification.

(f) The Department of Finance or its designee may audit, during or after the conclusion of the term of the grant agreement, any state agency subject to this section or any recipient or subrecipient that received an advance payment under this section. The state agency, recipient, or subrecipient shall cooperate fully with the audit, including, but not limited to, providing access to its staff, books, records, accounts, or other materials, as requested.

(g) This section shall not be construed as limiting, prohibiting, or superseding any existing payment or grantmaking authorizations or powers of state agencies utilizing this section.