

January 26, 2021

Senator Anna M. Caballero
Chair, Senate Budget Subcommittee 4
State Capitol, Room 5019
Sacramento, CA 95814

Assemblymember Wendy Carrillo
Chair, Assembly Budget Subcommittee 4
P.O. Box 942849,
Sacramento, CA 94249-0051

RE: Nonprofit Experience with CA Small Business Covid-19 Relief Grant Program

Dear Chairs Caballero and Carrillo,

Below is the testimony the California Association of Nonprofits (CalNonprofits) presented as part of the CA Small Business Covid-19 Relief Grant Program panel in today's hearing of the Senate Subcommittee 4 on State Administration and General Government.

Thank you, Chair Caballero and Senator Nielsen for the opportunity to appear today. I am Lucy Salcido Carter, the public policy director at the California Association of Nonprofits or CalNonprofits, for short.

CalNonprofits is a policy alliance of more than 10,000 organizations and the voice of California's nonprofit community. We advocate for policies that protect and promote the nonprofit sector. We are a contracted application partner for the Small Business Relief Grants Program, what I will call the Relief Program. We are glad to be able to support nonprofits applying for these grants, and we thank Director Guzmán for her leadership in making that happen. My comments today reflect our experience in that role and the feedback we have gotten from nonprofits regarding the program.

Our understanding of what nonprofits need is also informed by the knowledge we have gained from supporting California nonprofits through the federal Paycheck Protection Program process. Through webinars and one-on-one assistance, we have interacted with thousands of nonprofits regarding the Relief Program and federal loan programs.

Other speakers here have focused on some of the general challenges the Relief Program has faced in terms of the application process, the technology, and customer service. I will focus specifically on the nonprofit experience.

I want to first say that we are very grateful that nonprofits are included in the Relief Program. 98% of nonprofits are small. Nonprofits -- like small businesses -- are important job creators and economic contributors. Many nonprofits are struggling to stay afloat during the pandemic. And many are responding to increased community needs without additional resources, while others have had to close and may not be able to reopen.

The Relief Program grants aren't large, but they can be a lifeline for nonprofits. Interest by nonprofits in this grant opportunity has been remarkably strong. But the Relief Program application process has been difficult for nonprofits in a number of ways:

- First, although there are separate applications for small businesses and nonprofits, many of the terms used in the nonprofit application are unfamiliar or irrelevant to nonprofits. Because nonprofit leaders are not considered “owners” of the nonprofit, it is difficult for nonprofit applicants to complete any of the questions that ask for “owner” information.
- Secondly, several of the questions ask applicants to choose among a finite set of business types or industries, none of which are relevant for most nonprofits. This compels nonprofits to select an inaccurate answer that might affect their chances of getting a grant.
- In addition, some of the information required in the application is information nonprofits are not accustomed to providing on grant applications. Nonprofit leaders are not typically required to provide a personal social security number and date of birth or be subject to any kind of personal credit check as part of a grant application process. A tax ID number for the organization would be a much better choice for nonprofit applicants and would give a more accurate representation of the applicant.
- And finally, some of the required documents are difficult for nonprofit applicants to obtain on short notice, given that they are not documents typically required when nonprofits apply for grants. The certificate of incorporation is one example.

I do want to say that as we have raised these challenges with the intermediary, we have gotten information about how nonprofits can complete some of the difficult questions, as well as work-arounds for other requirements. But nonprofits are still struggling to try to fit square pegs into round holes.

These challenges discouraged some nonprofits from applying at all, thus serving an unintended gatekeeping function, and caused undue stress for many who did go through with the application.

But more importantly, an application process that fails to give nonprofits a chance to accurately describe their circumstances and needs also fails to provide the best information for assessing which organizations should receive a grant.

Throughout the pandemic, CalNonprofits has advocated for relief programs for nonprofits comparable to relief programs for for-profit entities.

Support for California’s nonprofits is vital for the state’s services supply chain, job market, and economy. The nonprofit sector is the fourth largest employer by industry in the state and generates 15% of the Gross State Product. State and local governments count on nonprofits to provide a variety of vital services to Californians, including, for example, 32% of Medi-Cal services. Nonprofits are on the ground in, and part of, underserved communities throughout the state.

The current amount allocated for the Relief Program is not enough, by a long measure, to address the financial needs of nonprofits, small businesses, and their communities. The magnitude of the need is clear even just from the number of applications the Relief Program received in Round One.

CalNonprofits is in strong support of additional state resources for relief programs for nonprofits and small businesses, including the Governor’s proposed \$575 million increase in funds, as well as Senate Bill 74 (Borgeas/Caballero/Petrie-Norris).

Going forward, however, relief programs should have a distinct application process for nonprofits that reflects the nonprofit experience, including organizational structure and mission. Application questions should allow nonprofits to accurately describe their financial conditions and the contributions they make to their communities and local economies.

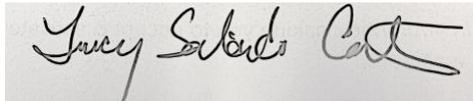
The small size of the current program's grants also warrants a simpler application process for all, nonprofits and small businesses alike. A simpler application process will be less work for everyone, including for the intermediary and CalOSBA.

And finally, program data that highlights the number and percentage of nonprofit grant recipients, including their demographic and geographic information, is important to understand the extent to which the program is reaching nonprofits and the communities in most need.

We welcome opportunities to work with you and your subcommittees to bring more relief funds to California's nonprofits and to create an application process that ensures access by nonprofits to these much-needed grants.

Please do not hesitate to contact me at lucyc@calnonprofits.org or our Sacramento Advocate Jennifer Fearing at jennifer@fearlessadvocacy.com with any questions you may have.

Sincerely,

A handwritten signature in black ink on a light-colored background. The signature reads "Lucy Salcido Carter" in a cursive script.

Lucy Salcido Carter, MA, JD
Public Policy Director, CalNonprofits

Attachment:

[A Thriving Nonprofit Sector is Critical to California's Economic Recovery](#)