

Advanced Grant Funds Policy

All California Natural Resources Agency (CNRA) grants are reimbursement programs. This means Grantees pay project expenses and then seek reimbursement from grant funds. In certain grant programs, an advance of grant funds may be available¹ subject to the requirements included in the grant program guidelines and the following conditions:

1. Deposit of Advanced Funds

- a. Advanced funds must be kept separate from other funds. Advanced funds must be deposited and held in a separate, FDIC-insured, interest-bearing account until spent. Account statements must show all transactions related to the advanced funds.
- b. Advanced funds may not be deposited into an account in which there is risk of loss.
- c. Public grantees may choose to deposit advanced funds in their treasuries if the advanced funds can be identified and tracked and interest earned solely on the advanced funds can be documented.
- d. Grantees may not hold advanced funds in a pooled interest-bearing account. Advanced funds, all related transactions, and interest earned on grant funds must be identifiable.

2. Interest Earned on Advanced Funds

- a. Any interest earned on advanced funds should be applied to the grant project for which funds were advanced.
- b. Interest earned during each calendar quarter should be reported on the Advance Reconciliation Form.
- c. Before grant closeout, Grantees must submit a report indicating how interest earned was used on the project and submit supporting invoices.
- d. Any unused interest must be returned to the State before grant closeout.

2. Reconciliation of Advanced Funds

- a. Grantees must reconcile advanced funds spent during each calendar quarter using forms provided by a Grant Administrator. Reconciliation documentation

¹ State entities, including Joint Power Authorities (JPAs) which include state entities as members, are not eligible for an advance when the project is awarded under a bond-funded program. Deposits into a third-party escrow account for acquisition projects are not considered advances to a state entity.

will be reviewed and approved in the same manner as a reimbursement payment request.

- b. Quarterly reconciliation is mandatory and is due within 45 days of the end of each calendar quarter. Grantees must submit the required reconciliation form even if no advanced funds are spent in the quarter.
- c. As part of the quarterly reconciliation, Grantees must submit account statements for each month in the quarter showing all transactions relating to the advanced funds and any interest earned.
- d. If a reconciliation is not submitted within 45 days after the last day of the calendar quarter, further advance requests will not be considered.

3. Requesting Advanced Funds

- a. The amount of advanced funds requested should be determined after working with the Grant Administrator to identify Grantees' immediate cash needs and the timeline for expenditure of requested advanced funds. Generally, advanced funds should be expended within six months.
- b. Advances may be requested in increments of no more than 25 percent of the grant at a time. All advanced funds must be reconciled before another advance of up to 25 percent is requested. In rare instances, exceptions may be considered so long as the total unreconciled advanced funds do not exceed 25 percent of the grant at any time.
- c. Advances are not subject to retention. The last 10 percent of a grant cannot be advanced.
- d. All advance requests must be submitted in writing using the Advance Request Form and signed by the Grantee's Authorized Representative.
- e. Any special provisions in the grant agreement relating to conditions necessary for release of funding must be met prior to requesting an advance.

4. Using Advanced Funds

- a. If advanced funds are used to pay grantees' in-house labor costs, timesheets maintained for audit must show all staff time and be tracked to different projects or activities, unless otherwise required by applicable grant program guidelines.
- b. Indirect costs may be advanced if listed as an eligible cost in the guidelines and included as a separate approved line item in the project budget.
- c. For grant programs allowing pass-through grants, if advanced funds are passed through a Grantee to a separate entity that is implementing the project (e.g.,

when funds are granted to a city for the benefit of a non-profit organization), the Grantee must ensure the immediate need of advanced funds and that advanced funds are deposited and held in a separate, FDIC-insured, interest-bearing account and reconciled as outlined in this policy.

- d. Grantees must repay any unused or inadequately documented advanced funds to CNRA within sixty days of project completion or the end of the project performance period, whichever is earlier. Grantees will not be eligible for any other CNRA grants until funds have been repaid.

5. Approval of Advance Requests

- a. CNRA reserves the right, at its sole discretion, to approve or deny an advance request. Final approval will be based on, but is not limited to, consideration of the following:
 - Grantees' explanation of immediate need for an advanced payment
 - Grantees' performance on prior CNRA or other State grants, with particular consideration of past performance issues
 - Grantees' record of providing timely and adequate payment backup documentation on previous CNRA grants
 - If available, financial practice information contained in grantees' Non-Profit Organization Questionnaire (submitted pre-award for certain programs) or other financial practice information requested by a Grant Administrator.

6. Legal Obligations

- a. By requesting and accepting advanced funds, Grantees agree that failure to use advance funds in a manner that is consistent with the Grant Agreement (including any amendment to the Grant Agreement), shall be **prima facie** evidence of an intent to deceive or defraud pursuant to Penal Code section 484 and 487, and shall work with or otherwise cooperate with the State to prosecute parties who improperly misappropriate advanced funds, or otherwise recover those funds so misapplied or misappropriated.