

Suddenly, It's Raining Grant Money

08.17.21 | Linda J. Rosenthal, JD



States and local governments around the nation are sitting on gobs of American Rescue Plan Act money given to them by Congress several months ago. We wrote about that in [Billions In Covid-19 Aid: Nonprofits Should Engage ASAP](#) (August 3, 2021).

Separately, many of them have authorized significant relief funds from their own coffers that can be used by 501(c)(3)s.

For example, the California Legislature acted much earlier this year with [SB 87 - Just-Signed Bills Offer Relief from Pandemic Hardship](#) (February 26, 2021) Preston Young, [CalChamber Alert](#). The legislation authorized an additional \$2.1 billion for the \$500-million Small Business Grant Program for micro-grants of \$5,000 to \$25,000 for small businesses, nonprofits and cultural institutions hurt by the pandemic.

Recently, [\\$1.5 billion more](#) was added to the pot for three additional funding rounds. The state provides helpful information online as does the California Association of Nonprofits including details about which groups are eligible and how to

But wait

[In the annoying tradition of every food blogger in the world posting the “best chocolate cake recipe” who forces the reader to endure long tales about how her grandmother first taught her how to mix the ingredients in a lovely farmhouse kitchen with ruffled pink curtains and blah blah blah until the recipe finally appears a hundred paragraphs later], we digress.

Didn't the nonprofit sector – heavily reliant on government contracts and grants – just endure a decade or so of worry and trouble because of the financial shakiness of state and local jurisdictions around the nation?

Didn't we and many others write post after post describing how local governments have been — almost literally — shaking out the sofa cushions searching for spare change? And how, when they'd come up empty, they'd move on to shaking down the least likely source for extra cash; namely, their local nonprofits? What about the sudden “streetlight fees” or PILOT (payments in lieu of taxes) initiatives or threats to redefine eligibility for property-tax exemptions or to yank them entirely? See, for example, [Local Governments Eager To Snag Revenue From Nonprofits](#) (April 12, 2016) [“... ‘Nearly every week, all across the country, different levels of government devise strategies — sometimes ingenious, occasionally pernicious — to get tax revenue from already-strapped nonprofits.’”] Or the end-of-fiscal year refusal to pay at all while still expecting the nonprofits to continue providing services? See [More Nonprofit Woes From State Budget Troubles](#) (July 28, 2016).

And then in the spring of 2020 as the pandemic crashed in on us, didn't we hear desperate reports by governments from coast to coast — including those, like California that had [turned around a deficit](#) into a roaring surplus?

Was the first round of federal money over a year ago enough to flood the sub-federal units with cash? What's up with the deluge of relief aid that these state and local governments are now touting as originating with them?

“[Inquiring minds want to know.](#)” Or, if not, simply “jump to recipe” by skipping the next section.

Unexpected Money

“It seems only yesterday,” observes veteran reporter Lou Cannon, “that states and local governments were pleading poverty as they counted revenue losses from a coronavirus pandemic that has claimed more than 600,000 lives in the United States and cost the jobs of 1.4 million teachers and government workers.” [States Bounce Back from Pandemics](#) (June 18, 2021) *State Net Capitol Journal, Lexis-Nexis*.

With the situation “so dire that many states would be [unable to submit balanced budgets](#) this year and next, as they are required to do,” state leaders around the nation begged for more federal help this spring, Mr. Cannon continues. The \$1.9 trillion stimulus bill — the [American Rescue Plan Act](#) passed in March 2021 — gave state, local, tribal and territorial governments some [\\$350 billion additional funding](#).

But “[a]s of February, 29 states had pulled in as much revenue, if not more, in the previous 12 months as they did in the year leading up to the pandemic,” according to a report by the Pew Charitable Trust. [Some states' coffers are flush with extra cash. Here's how they're spending it](#) (May 17, 2021), Sarah O'Brien, *CNBC*. States that predicted a deficit have much more money than expected. Most, though not all states “have seen their [tax inflows rise enough](#) to erase the early and dramatic drops in revenue.”

“In the early months of the pandemic, many states trimmed spending, froze hiring and sharply reduced their revenue forecasts, figuring the economic crisis foreshadowed a grim future.... [The spending cuts and hiring freezes helped.](#)” [States' COVID-Era Budget Surpluses Could Pay For Infrastructure](#) (March 29, 2021) Jenni Bergal, *Pew Charitable Trusts Stateline*. The financial situation, though, is not the same in every jurisdiction around the nation.

“States that are more reliant on tourism, like Hawaii or Nevada” or the ones like Texas and Alaska that are more dependent on natural resources “have taken more of a hit during the pandemic and their revenues are still down,” writes Michael Leachman, vice president for state fiscal policy at the Center on Budget and Policy.

“Several factors have helped states exceed economic expectations” adds Lou Cannon. Among them are state sales taxes collected by 46 jurisdictions including the District of Columbia that have “rebounded, fueled by pent-up demand for household products, electronics and motor vehicles.” And wealthy Americans’ income rose, “bolstered by a strong stock market...” Particularly in a state like California which relies “heavily on income taxes for revenue” and imposes “the highest rates on the wealthiest taxpayers,” this was a “boon.”

As for California, it “expects a staggering \$75.7 billion surplus despite a year of pandemic closures — an amount that surpasses most states’ annual spending.” California has a staggering \$75.7B budget surplus (May 10, 2021) Kevin Yamamura, *Politico*. “California’s coffers are bulging thanks to the high-flying Silicon Valley, surging stock market and a large share of professionals who were able to continue working remotely during Covid-19. The state has a progressive income tax structure that leans heavily on top earners, allowing the state to enjoy record revenues despite widespread job losses in the travel and service industries that have kept California’s unemployment rate among the nation’s highest.”

And, Now, the “Recipe”

The State of California has posted the details of the California Small Business Covid-19 Relief Grant Program which is state-funded and administered by CalOSBA, the California’s Office of the Small Business Advocate (CalOSBA), part of the Governor’s Office of Business and Economic Development (GO-Biz). It “provides competitive micro grants ranging from \$5,000 to \$25,000 to eligible small businesses and nonprofits impacted by COVID-19 and the related health and safety restrictions.” It is “guided by a principle of equity,” so “the program provides a crucial financial recovery resource to traditionally underserved small businesses and nonprofits.”

On July 14, 2021, Governor Gavin Newsom signed into law “the largest economic recovery package in state history.” It includes some \$1.5 billion more for the existing Small Business Covid-19 Relief Grant Program, jumping the total funding to \$4 billion. That measure also provides for “three additional rounds” of grants for that new money. The same day, Governor Newsom approved the budget to provide the additional \$1.5 Billion into the Program to a total of \$4 billion, representing the largest such program in the entire country. Press Release, July 29, 2021.

While there is complete information online from the state, the next helpful step is to use the assistance from the California Association of Nonprofits. California Relief Grants: New Funding Rounds Announced. It includes, for instance, a helpful reference link of “eligible” nonprofit arts and cultural institutions for Round 8: August 27 through September 8, 2021.

Link over, as well, to NCN’s Frequently Asked Questions.

Conclusion

There are now, and will continue to be, additional grants from the state and local governments originating from the federal American Rescue Plan Act (ARPA). They are authorized for uses including benefits to nonprofits as well as for nonprofits to provide assistance to others. As we mentioned in our August 3rd post, the 20-page report from the National Council of Nonprofits (June 2021), *Strengthening State and Local Economies in Partnership with Nonprofits: Principles, Recommendations, and Models for Investing Coronavirus State and Local Fiscal Recovery Funds*, is a must-read for anyone interested in how to pry loose some of the ARPA bonanza and make it rain down on them.

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