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An Act

HOUSE BILL 26-1274

BY REPRESENTATIVE(S) Lindsay and Duran, Bacon, Boesenecker, Clifford, Espenoza, Nguyen, Rutinel, Sirota, Story, Zokaie, McCluskie; also SENATOR(S) Wallace and Weissman, Benavidez, Cutter, Gonzales J., Jodeh, Kipp, Snyder, Coleman.

CONCERNING AUTHORIZATION FOR A STATE AGENCY TO AWARD A PERCENTAGE OF THE TOTAL VALUE OF A GRANT AGREEMENT TO A NONPROFIT GRANTEE OF A GRANT PROGRAM OF THE AGENCY UPON THE EXECUTION OR RENEWAL OF THE GRANT AGREEMENT, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, **add** part 3 to article 17 of title 24 as follows:

PART 3
PAYMENTS TO NONPROFIT GRANTEES

24-17-301. Definitions.

AS USED IN THIS PART 3, UNLESS THE CONTEXT OTHERWISE REQUIRES:

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

(1) "ADMINISTERING STATE AGENCY" MEANS ANY DEPARTMENT, COMMISSION, COUNCIL, BOARD, BUREAU, COMMITTEE, INSTITUTION OF HIGHER EDUCATION, AGENCY, OR OTHER GOVERNMENTAL UNIT OF THE EXECUTIVE, LEGISLATIVE, OR JUDICIAL BRANCH OF STATE GOVERNMENT, INCLUDING THE OFFICE OF THE GOVERNOR, THAT ADMINISTERS A GRANT.

(2) "GRANT" MEANS AN AGREEMENT IN WHICH AN ADMINISTERING STATE AGENCY AS GRANTOR TRANSFERS ANYTHING OF VALUE TO A GRANTEE TO CARRY OUT A PUBLIC PURPOSE OF SUPPORT OR STIMULATION AUTHORIZED BY LAW INSTEAD OF ACQUIRING PROPERTY OR SERVICES FOR THE DIRECT BENEFIT OR USE OF THE ADMINISTERING STATE AGENCY. A GRANT MAY INCLUDE A DISTRIBUTION OF MONEY. A GRANT DOES NOT INCLUDE DONATIONS.

(3) "GRANTEE" MEANS A RECIPIENT OF A GRANT THAT IS A NONPROFIT ORGANIZATION AND THAT HAS SUBMITTED WRITTEN PROOF OF SUCH CLASSIFICATION TO THE ADMINISTERING STATE AGENCY THAT AWARDED THE GRANT.

(4) "NONPROFIT ORGANIZATION" MEANS A CHARITABLE ORGANIZATION, AS DEFINED IN SECTION 39-26-102 (2.5).

24-17-302. Dispensation of payments under grant agreements with nonprofit grantees.

(1) NOTWITHSTANDING ANY PROVISION OF LAW TO THE CONTRARY, AN ADMINISTERING STATE AGENCY MAY ADVANCE A PAYMENT TO A GRANTEE ONLY FOR A STATE-FUNDED GRANT SUBJECT TO THE FOLLOWING REQUIREMENTS:

(a) THE ADMINISTERING STATE AGENCY SHALL:

(I) HAVE AN EXISTING PROCESS OR DEVELOP A NEW PROCESS THAT IS APPROVED BY THE STATE CONTROLLER TO DISPENSE AN ADVANCE PAYMENT PURSUANT TO THIS SECTION;

(II) DISCLOSE THE AVAILABILITY OF ADVANCE PAYMENT IN ANY NOTICE OF A GRANT FUNDING OPPORTUNITY, GRANT SOLICITATION, REQUEST FOR APPLICATIONS, OR OTHER ANNOUNCEMENT ISSUED TO PROSPECTIVE GRANTEES. THE DISCLOSURE MUST INCLUDE:

(A) THE ELIGIBILITY CRITERIA AND DOCUMENTATION REQUIRED TO REQUEST AN ADVANCE PAYMENT PURSUANT TO THIS SECTION;

(B) THE PROCESS BY WHICH A GRANTEE MAY REQUEST AN ADVANCE PAYMENT FROM THE ADMINISTERING STATE AGENCY; AND

(C) THE APPROVAL PROCESS OF THE ADVANCE PAYMENT REQUEST;

(III) ENSURE THAT ANY ADVANCE PAYMENT TO A GRANTEE IS THE MINIMUM AMOUNT NEEDED TO ACHIEVE THE OUTCOME OF ACTUAL, IMMEDIATE CASH REQUIREMENTS OF THE GRANTEE IN CARRYING OUT THE GRANT OBJECTIVE; AND

(IV) USE THE OFFICE OF THE STATE CONTROLLER'S RISK ASSESSMENT TOOL TO DETERMINE WHETHER A GRANTEE IS HIGH, MEDIUM, OR LOW RISK AND ALLOW ADVANCE PAYMENT ONLY TO A GRANTEE THAT IS DETERMINED TO BE LOW RISK. AN ADMINISTERING STATE AGENCY MAY MODIFY THE CONSIDERATIONS IN THE RISK ASSESSMENT TOOL DEPENDING ON THE SPECIFIC SITUATION.

(b) THE GRANTEE SHALL:

(I) PROVIDE AN ITEMIZED BUDGET TO THE ADMINISTERING STATE AGENCY FOR THE ELIGIBLE COSTS THAT THE ADVANCE PAYMENT WILL COVER, THE INDIRECT OR OTHER COSTS THAT THE GRANTEE NEEDS 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 INVOICES, CONTRACTS, ESTIMATES, PAYROLL RECORDS, AND FINANCIAL RECORDS TO DEMONSTRATE THE MINIMUM AMOUNT NEEDED TO ACHIEVE THE GRANT OBJECTIVE AND BE TIMED WITH ACTUAL, IMMEDIATE, CASH REQUIREMENTS OF THE GRANTEE;

(III) IF REQUIRED BY THE ADMINISTERING STATE AGENCY AND STIPULATED WITHIN THE GRANT AGREEMENT, OBTAIN INSURANCE IN AN AMOUNT COMMENSURATE WITH THE ASSESSED RISK DETERMINED BY THE ADMINISTERING STATE AGENCY PURSUANT TO SUBSECTION (1)(a)(IV) OF THIS SECTION;

(IV) ESTABLISH PROCEDURES TO MINIMIZE THE AMOUNT OF TIME THAT ELAPSES BETWEEN THE TRANSFER OF MONEY AND THE EXPENDITURE OF THE MONEY BY THE GRANTEE;

(V) 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; AND

(VI) DISCLOSE ITS INTERNAL CONTROLS INCLUDING THE BACKGROUND OF THE GRANTEE'S MANAGEMENT, THE MANAGEMENT'S COMMITMENT TO INTEGRITY AND ETHICAL VALUES, A RISK ASSESSMENT THAT IDENTIFIES THE RISKS OF ACHIEVING THE OBJECTIVES OF THE GRANT, CONTROL ACTIVITIES SUCH AS AUTHORIZATION AND SEGREGATION OF DUTIES, PREVENTATIVE, DETECTIVE, AND CORRECTIVE CONTROLS, INFORMATION SYSTEMS INCLUDING THE FINANCIAL SYSTEM THAT WILL BE USED TO TRACK AND REPORT GRANT SPENDING, AND MONITORING OF THE GRANT.

(c) ADVANCE PAYMENTS AUTHORIZED PURSUANT TO THIS SECTION ARE LIMITED TO THE MINIMUM IMMEDIATE CASH REQUIREMENT OF THE GRANTEE THAT ARE NECESSARY TO ACHIEVE THE GRANT OBJECTIVE. THE GRANTEE SHALL PROPOSE THE MINIMUM AMOUNT NEEDED TO ACHIEVE THE GRANT OBJECTIVE AND THE CONTROLLER OF THE ADMINISTERING STATE AGENCY SHALL REVIEW AND DETERMINE WHETHER TO ACCEPT THE AMOUNT OR PROPOSE AN ALTERNATIVE AMOUNT BASED ON THE REQUIREMENTS SPECIFIED IN SUBSECTIONS (1)(a) AND (1)(b) OF THIS SECTION. THE CONTROLLER OF THE ADMINISTERING STATE AGENCY SHALL FORWARD ADVANCE PAYMENT REQUESTS TO THE STATE CONTROLLER FOR APPROVAL.

(2) A GRANTEE SHALL RETURN TO THE ADMINISTERING STATE AGENCY ALL UNUSED MONEY PROVIDED AS AN ADVANCE PAYMENT BUT NOT EXPENDED WITHIN THE GRANT AGREEMENT TIMELINE.

(3) A GRANTEE THAT IS PAID A PERCENTAGE OF THE TOTAL VALUE OF THE PAYMENTS UNDER A GRANT AGREEMENT WITH AN ADMINISTERING STATE AGENCY IMMEDIATELY UPON EXECUTING THE GRANT AGREEMENT MUST COMPLY WITH ALL OF THE REPORTING REQUIREMENTS SPECIFIED IN THE GRANT AGREEMENT.

(4) IF AN ADMINISTERING STATE AGENCY OR THE OFFICE OF THE STATE CONTROLLER DENIES A GRANTEE'S REQUEST FOR ADVANCE PAYMENT, THE ADMINISTERING STATE AGENCY SHALL PROVIDE THE GRANTEE WITH A WRITTEN EXPLANATION OF THE DEFICIENCIES IN THE APPLICATION FOR ADVANCE PAYMENT THAT DETERMINED THE DECISION TO DENY THE REQUEST. THE ADMINISTERING STATE AGENCY SHALL MAKE THE ELEMENTS AND RESULTS OF THE RISK ASSESSMENT DETERMINED PURSUANT TO SUBSECTION (1)(a)(IV) OF THIS SECTION AVAILABLE TO THE GRANTEE.

(5) NOTHING IN THIS SECTION PREVENTS AN ADMINISTERING STATE AGENCY, IN PROVIDING FUNDING TO A GRANTEE AS DESCRIBED IN THIS SECTION, FROM USING A WAIVER PROCESS AVAILABLE THROUGH FISCAL RULES ADOPTED BY THE STATE CONTROLLER OR RULES ADOPTED BY A FEDERAL GOVERNMENTAL ENTITY TO DISPENSE A PERCENTAGE OF THE TOTAL VALUE OF THE PAYMENTS UNDER THE GRANT AGREEMENT TO THE GRANTEE IMMEDIATELY UPON EXECUTING OR RENEWING THE GRANT AGREEMENT.

(6) NOTHING IN THIS SECTION LIMITS, PROHIBITS, OR SUPERCEDES ANY EXISTING PAYMENT OR GRANT-MAKING AUTHORITY OR POWERS OF A STATE AGENCY.

SECTION 2. Appropriation. (1) For the 2026-27 state fiscal year, \$34,146 is appropriated to the department of personnel for use by the division of accounts and control. This appropriation is from the general fund. To implement this act, the division may use this appropriation as follows:

(a) \$26,634 for personal services related to financial operations and reporting, which amount is based on an assumption that the division will require an additional 0.5 FTE; and

(b) \$7,512 for operating expenses related to financial operations and reporting.

SECTION 3. Act subject to petition - effective date. This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly (August 12, 2026, if adjournment sine die is on May 13, 2026); except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state

constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2026 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

Julie McCluskie
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

James Rashad Coleman, Sr.
PRESIDENT OF
THE SENATE

Vanessa Reilly
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

Esther van Mourik
SECRETARY OF
THE SENATE

APPROVED _____
(Date and Time)

Jared S. Polis
GOVERNOR OF THE STATE OF COLORADO