



THE NONPROFIT
ASSOCIATION OF
OREGON

Connect. Improve. Advance.

Nonprofit Work, Pending Government Contract And Grants

An executive summary to
NAO's Services, Systems and
Solutions Report.

DECEMBER 2022

Every Oregonian benefits from nonprofit organizations. They play a substantial role in keeping Oregon communities vibrant and healthy, create and magnify public benefits, catalyze opportunities to participate in civic affairs, and enrich cultural life. Nonprofits provide essential services, often in tandem or through programs supported by public funding. The process of implementing programs funded by public dollars needs to be seamless and sustainable for nonprofits in order to most effectively serve our communities.

The [Nonprofit Association of Oregon \(NAO\)](#) released the "[Services, Systems and Solutions: A Study of the Government and Nonprofit Contracting in Oregon.](#)"

NAO set out to determine if current public sector contracting systems and practices are in alignment with the policy intent and whether they are conducive to successful partnerships. Based on responses from nonprofits spanning human service, health, housing and homelessness, education and other sectors, the report results are quite revealing on the challenges in procurement, reporting and implementation in government contracted programs and services.

It is clear from the data and responses that it is difficult for many nonprofits to successfully carry out government contracts and grants. Some respondents challenged both government and nonprofit organizations to not just say they will do better, but to commit to making tangible and actionable changes to better serve our communities.



"I'd like to see government advancing expenses to organizations who don't have the cash flow to wait months for government entities to process contracts but are still expected to start the work."

- Nonprofit Leader in Human Services

TOP CHALLENGES FACE NONPROFITS WHEN CONTRACTING WITH GOVERNMENT

The greatest challenges identified center on the lack of sufficient resources to carry out the necessary flexible human, operational, and financial procedures to ensure the spending of public funds is efficient and effective. This lack of sufficient resources is in large part the issue of low administrative rates that government allows nonprofits to use for overhead costs. Difficulties in application procedures ranked a close second with more than two-thirds of respondents registering that contract rates do not rise over time (despite rising costs for implementation); and citing overly restrictive and burdensome invoicing requirements.

1. Contract rates do not cover adequate administrative costs.

6. Reimbursements basis (receiving payment after delivering services).

2. Difficult application procedures or timelines.

7. Contracts do not pay living wages for staff.

3. Contract rates do not rise with cost increase over time.

**Top
Ten**

8. Short-term contracts making planning and staffing difficult.

4. Overly complicated or restrictive budgeting or invoicing requirements.

9. Invoices not paid in a timely manner.

5. Burdensome reporting requirements.

10. Requirement for matching funds.

"Delayed awards that are funded retroactively, cause bookkeeping confusion and frustration for fiscal teams expected to reallocate old expenses."

- Nonprofit Leader Of A BiPOC Led And Serving Nonprofit



The Current Systems Exacerbates Inequities

THE UNIQUE CHALLENGES FOR COMMUNITY-SPECIFIC NONPROFITS

Organizations that are led by and/or predominately serving specific communities had many similar but a few unique challenges to as compared to non-specific community nonprofits.

Specific community organizations cited:

- "contract rates not providing adequate administrative costs" as the top challenge while nonspecific community organizations cited "contract rates not rising with cost over time" as the top challenge.
- "Overly complicated or restrictive budgeting/invoicing requirements" was the second most cited challenge for community specific organizations while "contract rates not covering administrative costs" was indicated by nonspecific community organizations.
- Short-term contracts had a greater negative impact on specific community serving nonprofits.
- Reimbursement and matching fund payment procedures were identified as more problematic for specific community nonprofits. In fact, NAO has heard nonprofit leaders of BIPOC-led and serving nonprofits posit that the concept of reimbursement is systemically racist. Reimbursement assumes that the people running these organizations have available capital to "float" the government until they get around to paying them.

SOME GOOD NEWS TOO

Overwhelmingly, respondents stated that their direct contact person for the government contracts were communicative, responsive, and generally helpful with technical assistance, troubleshooting, and flexibility.

"When government contract staff are empowered to have information, make decisions, and communicate effectively to nonprofit partners, it works well. But most often that doesn't happen because government contract staff are kept in the dark about budgets and plans, they do not have any autonomy or decision-making power, and they communicate information that leadership later walks back and won't honor commitments for."

Top Solutions

The following are solutions that policymakers and government administrators can implement. They will go a long way to creating a sound system and sustainable process for contracting.

1. **SUFFICIENT ADMINISTRATIVE RATE:** Adopt a policy across all state agencies that recognizes a nonprofit's previously Negotiated Indirect Cost Rate Agreement (NICRA) AND/OR at minimum establish a de minimus 10% rate as required under OMB 2014 Uniform Guidance.
2. **SIMPLIFICATION OF APPLICATION PROCEDURES/TIMELINES:** Simplify application procedures through a pre-qualification system across all state agencies that allow nonprofits to apply to multiple contracts without resubmitting redundant information.
3. **FLEXIBLE CONTRACT TERMS:** Allow nonprofits the flexibility to apply expenses where they need them to fulfill the contract terms. In cases where this is done, the flexibility often leads to additional private philanthropic funding coming along-side government funding and greater effectiveness in service delivery.
4. **MULTI-YEAR CONTRACTS:** Allow for multiyear contracts as a method to minimize disruptions to services and reduce the administrative costs of reapplying and maintain continuity of services.
5. **ADJUSTABLE CONTRACT FUNDING LEVEL:** Adjust contract funding levels based on inflation rates or a comparable metric that allows nonprofits continue to meet contracted services year over year.
6. **TIMELY PAYMENTS:** Ensure that contract payments are made within 30-days of remittance to minimize fiscal uncertainty for the nonprofit.
7. **PAYMENT PROCESS:** Eliminate the use of reimbursements or matching funds because of the financial stress placed on nonprofits to front overhead costs with limited resources.
8. **UPFRONT PAYMENTS:** Provide up to one-third of the total contract amount at the start of contract or grant. This allows nonprofits to expedite the administrative and staffing needs to provide contracted services.
9. **FAIR WAGES:** Base contract funds to permit wages that meet a living wage standard for nonprofit employees.
10. **CAPACITY BUILDING:** Invest in community-based organizations with the intention of leaving behind permanent, sustainable capacity, and competency to manage public contracts successfully.

Unless changes are made to public contracting, nonprofit-provided programs and services will continue to be unsustainable and ultimately lead to fewer services, high staff turnover, and fiscal instability.

This executive summary was produced by the Nonprofit Association of Oregon. To learn more about NAO's findings, download the full report by visiting www.nonprofitoregon.org/publications.

Questions? Contact connect@nonprofitoregon.org.