

# Senate Bill 602 Talking Points: Oregon Nonprofit Grant and Contract Modernization Act

The State of Oregon partners with nonprofits to deliver a wide range of essential services to communities statewide. Nonprofits are crucial in areas where a community-based, culturally responsible approach, along with local support, is key to effectively implementing legislatively funded services. They include behavioral health, housing, children/youth services, public health, human services, and emergency response. In 2023, the Oregon Legislature established a task force to recommend improvements in government grantmaking and contracting that hinder nonprofits. Senate Bill 602 follows the task force's recommendations for the 2025 Legislature.

## Why do nonprofit grants and contracts need fixing?

- Nonprofits play an essential role when a community-based, culturally focused approach and local support are vital to successfully delivering publicly funded services.
- Grants and contracts with community-based organizations are how the government partners with community members to solve challenging social problems.
- Government grants and contracts with nonprofits should be designed to maximize the benefits of community-based service delivery.
- Government grants and contracts are how legislative priorities get operationalized in the form of services provided by Oregon's nonprofits.
- In 2023, the Oregon Legislature passed Senate Bill 606 to create a task force to address recognized problems in government grantmaking and contracting that impact livable wages for nonprofit employees; and to recommend administrative, structural, and procedural improvements.

For more information, please contact NAO's Director of Public Policy, Phillip Kennedy-Wong at (971) 645-2601 or [pkennedy-wong@nonprofitoregon.org](mailto:pkennedy-wong@nonprofitoregon.org).

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## What is the problem?

- Over the years, disjointed application processes, restrictive contracts, incommensurate reporting requirements, delayed payments, reimbursement-based grants, low administrative rates, and lack of cost-of-living adjustments have hindered nonprofits' partnership with the government.
- Late payments and reimbursement payment methods have hurt the cash flow of nonprofits, leading some nonprofits to tap financial reserves or a line of credit just to make payroll.
- Oregon's nonprofit workforce experiences higher turnover rates than the for-profit and public sectors as a result of wage stagnation in the sector.
- The perpetual flat funding of grants and contracts over the years has impacted nonprofits' ability to pay competitive wages that can attract and retain employees. Nonprofits are being asked to deliver the same outcomes but with fewer resources.
- Oregon has a disjointed grantmaking system. Each state agency has its own specific grant processes and requirements, leading to inefficiencies for state government and creating a bureaucratic maze for nonprofits to navigate.
- State agencies have used procurement contracts as the basis for their grant agreements. Oregon's Public Contracting Code was not designed for grant agreements. It was designed to provide a legal framework for procurement contracts for goods and services.
- Nonprofit organizations should be treated as trusted partners and not as government vendors. Nonprofits bring additional benefits like cultural expertise and community trust, which traditional vendors do not.

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## What is the solution?

- Senate Bill 602 offers a comprehensive approach to addressing long-running deficiencies in grantmaking and contracting with community partners. Enacting all the recommendations will maximize the overall benefits to Oregonians.
- Enacting as many of the task force recommendations will improve the ability of community-based partners to provide important services cost-effectively to Oregonians.
- Senate Bill 602 updates and streamlines Oregon's grant funding and contracting procedures to create efficiencies and cost savings that could go toward lifting wages in the nonprofit sector.
- Senate Bill 602 updates all necessary ORS/OARs to ensure state agencies comply with the federal OMB guidelines for administrative rates (2 CFR section 200), mandating contracts to include either de minimis standard (currently 15%) or the organization's approved Negotiated Indirect Cost Rate Agreement (NICRA)
- If Senate Bill 602 is enacted, Oregon will, for the first time, have ORS and OAR designed explicitly for managing grants. This will streamline Oregon's grants management by promulgating a uniform set of guidelines for state agencies to follow.
- Senate Bill 602 permits advance payment equal to one-quarter of the annual contract value at the beginning of each new fiscal year for new and continuing contracts and grants. This helps nonprofits to begin or continue providing services.
- Senate Bill 602 ensures that the state will pay its bills on time by requiring agencies to monitor the rates of timely payments of invoices to ensure compliance with the payment schedule outlined in the contract or grant agreement.

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