

The Urgency of Government Grants Reform for Your Nonprofit

November 20, 2023



Champions for the public good

Agenda

Challenges

- Overview
- Nonprofit Workforce Shortages
- Barriers to Accessing Government Grants

Solutions

- State Grants Reforms
- *Streamlining Federal Grants Act*
- OMB Uniform Guidance Proposed Regulations

Moving Forward

- Answering Your Questions
- Taking Action

Challenges for Nonprofits

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Grants Overview



David L. Thompson

He/Him

Vice President of Public Policy
National Council of Nonprofits

Grants Overview

Why Grants Matter

49% EARNED
Private Fees for Services



31.8% EARNED
Government
Grants/Contracts



8.7% DONATED
Individuals



2.9% DONATED
Foundations



1.5% DONATED
Bequests



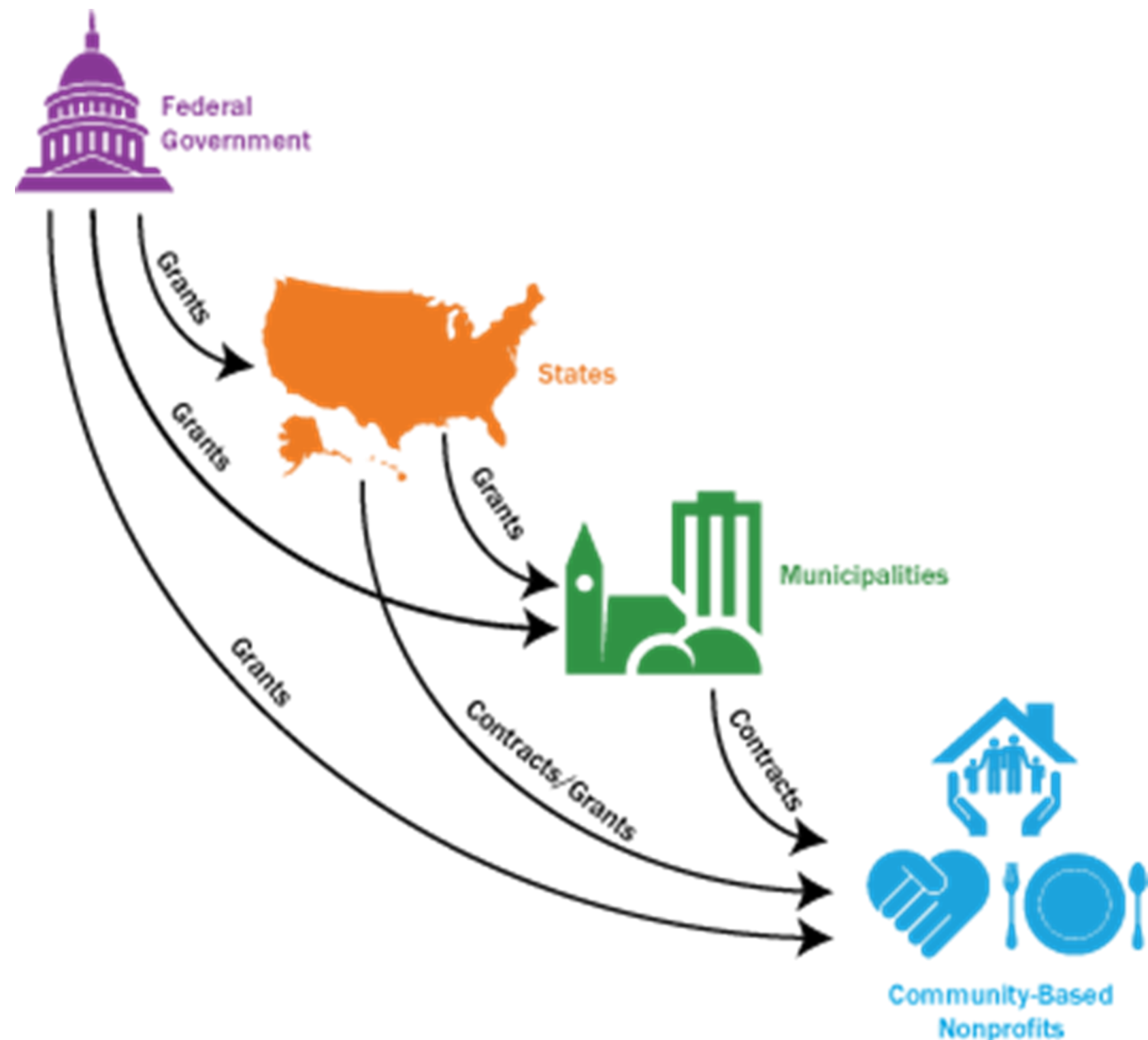
.9% DONATED
Corporations



5.2% Other



Grants Overview



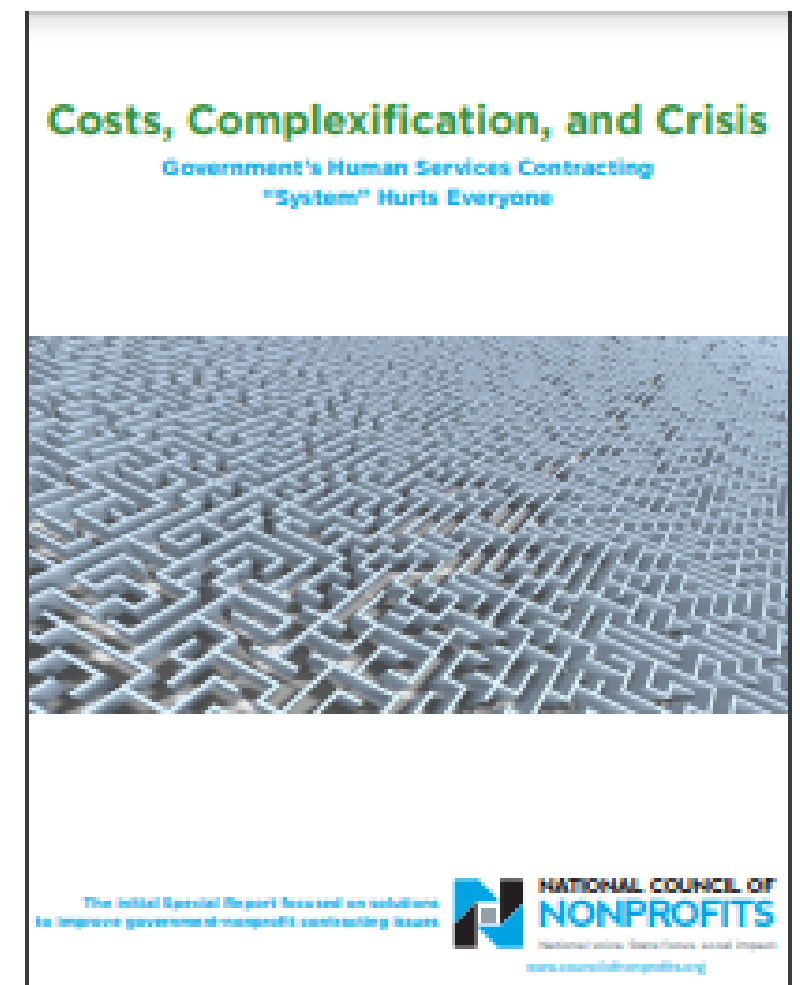
The Flow of Funds

- States receive 30% or more of their funding from the federal government
- Billions of dollars are governed by federal grants rules (OMB Uniform Guidance)
- Each level can add new reporting, burdens, restrictions

Grants Overview

Long-Term Challenges

- 1. Failure to Pay Full Costs**
- 2. Needlessly Complex Application Processes**
- 3. Overly Complex Reporting Requirements**
- 4. Mid-Stream Changes to Grants and Contracts**
- 5. Late Payments**



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Nonprofit Workforce Shortages



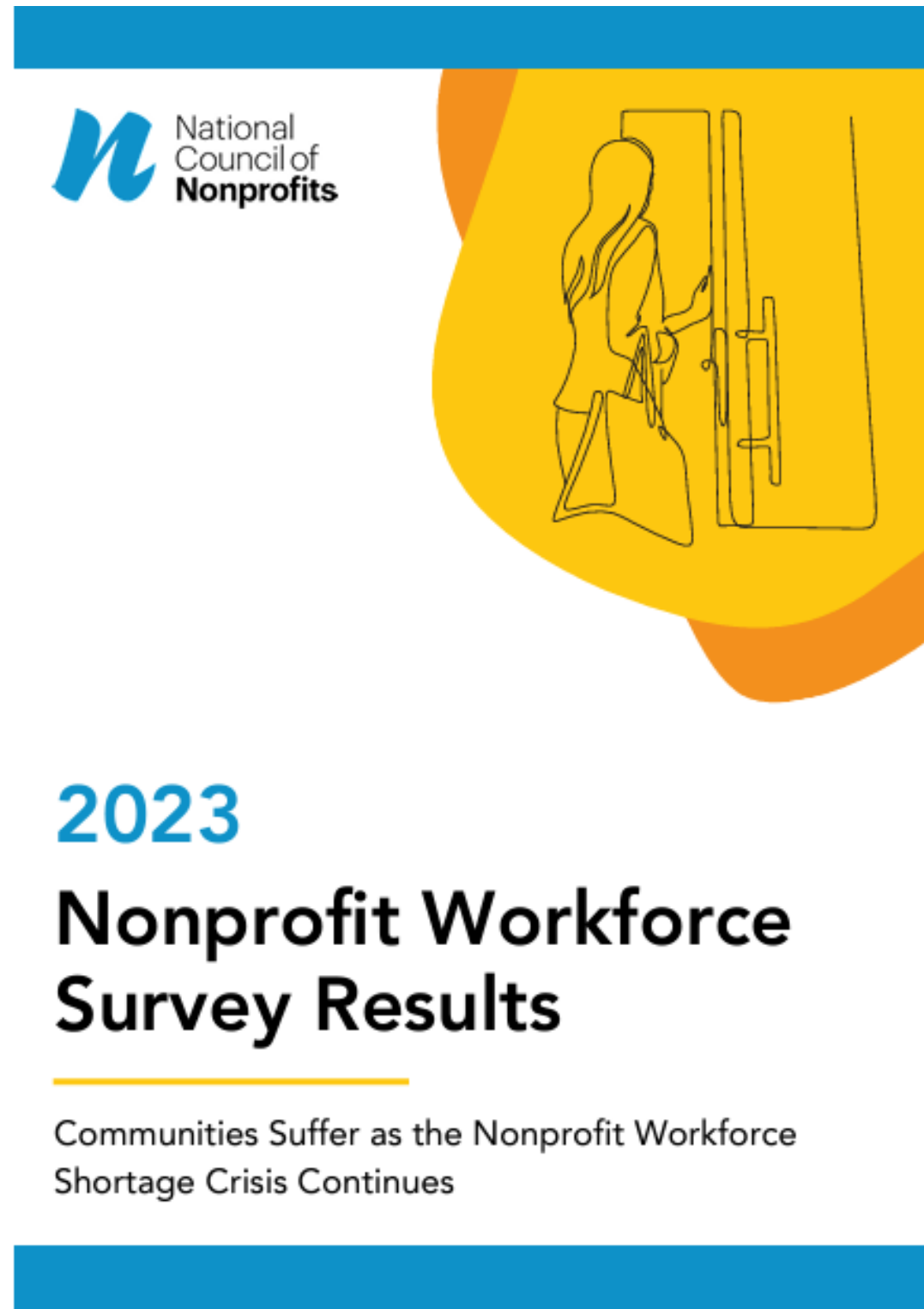
Jessica Mendieta

She/Her

Policy Associate

National Council of Nonprofits

Nonprofit Workforce Shortages



Nonprofit Workforce Shortages

Key Findings from 2023 Survey

Nearly three out of four nonprofits (74.6%) reported vacancies

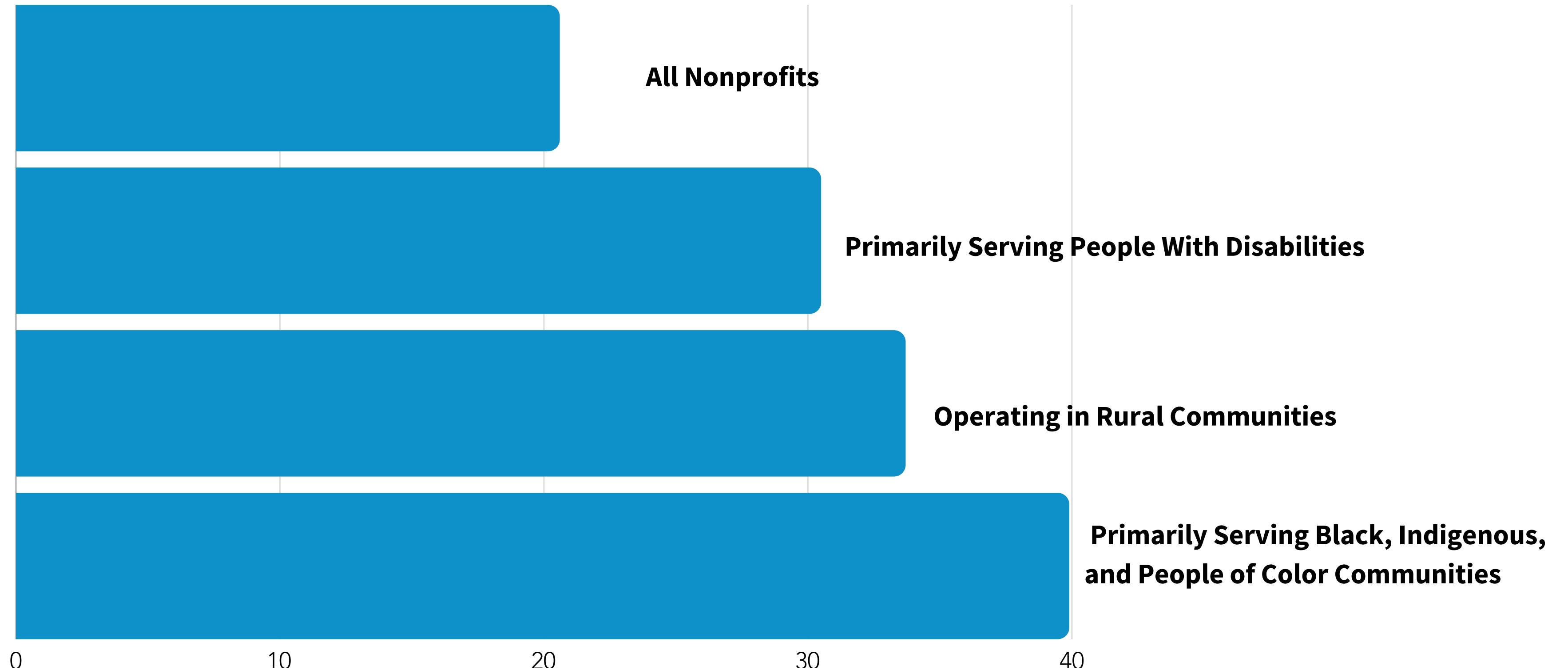
One out of five respondents (20.6%) identified challenges from government grants and contracts as factors causing difficulty for nonprofits to retain and recruit staff.



2023 Nonprofit Workforce Survey Results

Communities Suffer as the Nonprofit Workforce Shortage Crisis Continues

Nonprofits that Identified Governments Grants and Contracting Practices as a Challenge



Percent of Nonprofits that Identified Government Grants and Contracting Practices as a Factor Affecting Recruitment and Retention

From the Frontlines

Data in Context

“Staff said in exit interviews that burdensome data entry requirements of government contracts and high expectations from community members were the two most common factors leading to burnout/dissatisfaction with work.”

Human services provider in **Minnesota**

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Barriers to Accessing Government Grants



Nonoko Sato

She/Her

Executive Director

Minnesota Council of Nonprofits

Barriers to Accessing Government Grants


for BIPOC, small, rural, and underserved communities

Nonoko Sato, executive director
Minnesota Council of Nonprofits

Disparities for BIPOC Orgs

NCRP's 2020 Black Funding Denied (BFD) Report:

WHERE ARE WE TWO YEARS LATER?



62% ↑ in funding
Community Foundation funding specifically for Black communities increased from \$78M in 2019 to \$125M in 2020.

Yet this increase was only 2.1% of overall funding.

While this \$125M is the largest share of funding specifically for Black communities from community foundations in the last 4 years, it still only represents a small share of overall funding for those foundations.



According to the U.S. Census, Black Americans made up 12.4% of the population.



INVESTING IN NATIVE COMMUNITIES

Philanthropic Funding for Native American Communities and Causes



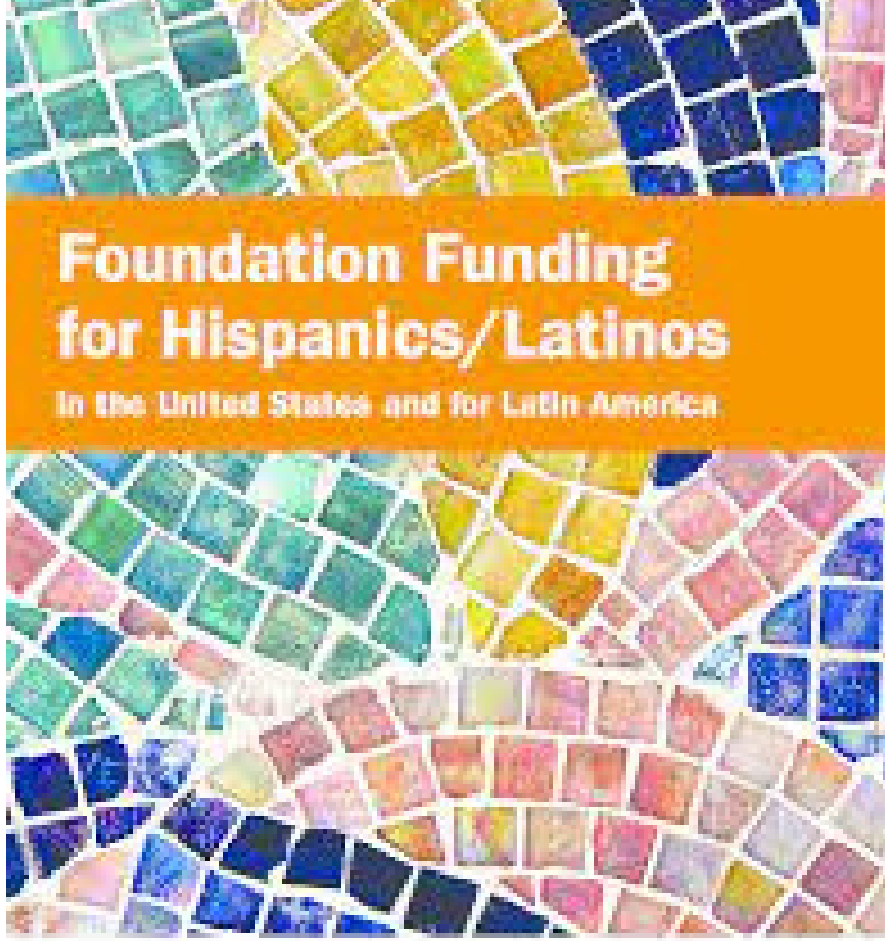
Candid.



AAPIP.ORG Building Democratic Philanthropy


Seeking to Soar

Foundation Funding for Asian American & Pacific Islander Communities




Foundation Funding for Hispanics/Latinos


In the United States and for Latin America



Disparities for Rural Orgs



Blandin Foundation™
STRENGTHENING RURAL MINNESOTA



RURAL PULSE™ RESEARCH
Rural/Urban Findings – March 2019

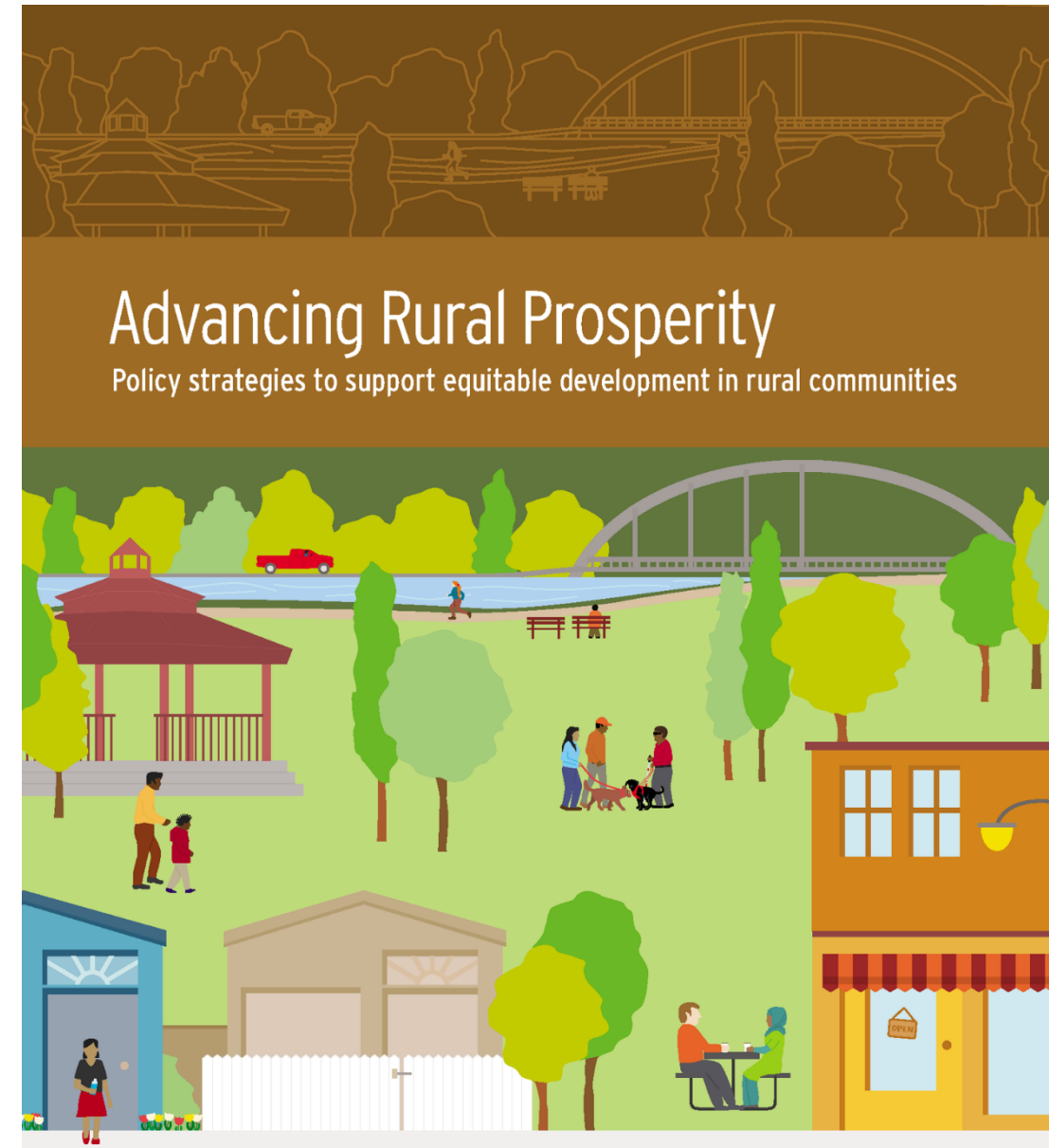


center for **rural policy**
and development
rural.mn.org



HEADWATERS
ECONOMICS

Small but Tough:
Nonprofits in
Rural America



Advancing Rural Prosperity
Policy strategies to support equitable development in rural communities



MINNESOTA
COUNCIL OF
NONPROFITS



The Bridgespan Group



ChangeLab Solutions



the praxis project

Barriers to Government Grants

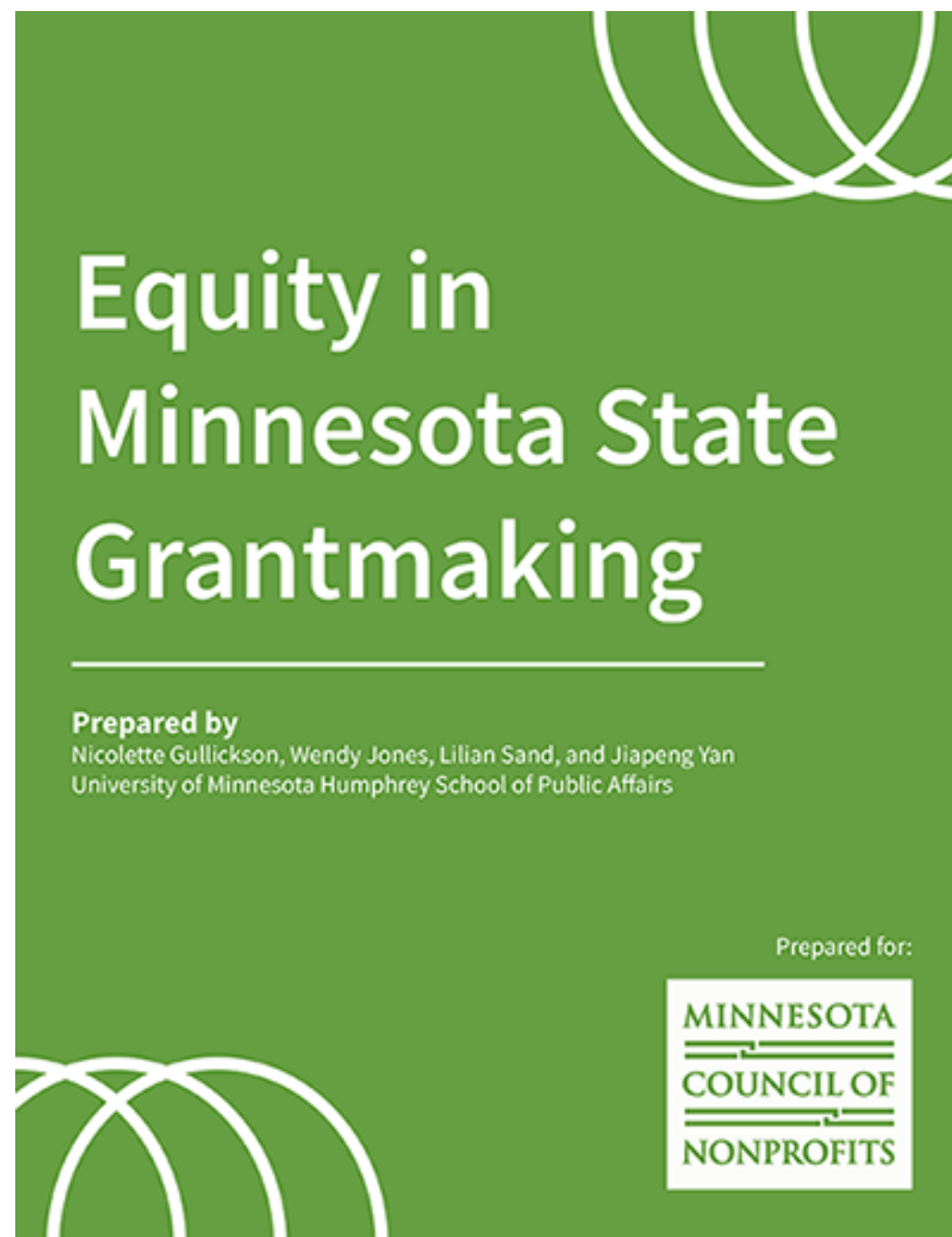
Process

Transparency

Structural Inequities

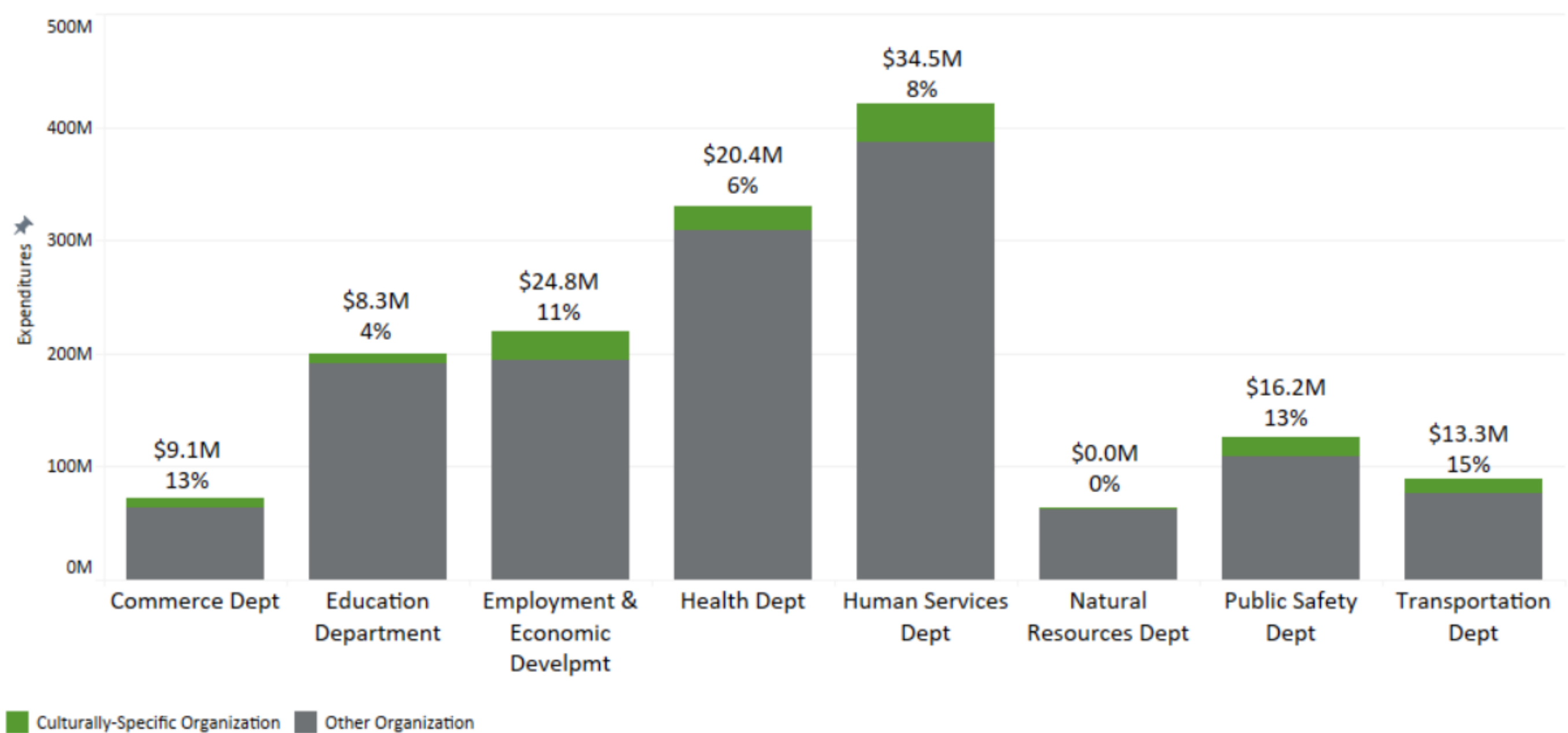
Implicit Bias

SCAN ME

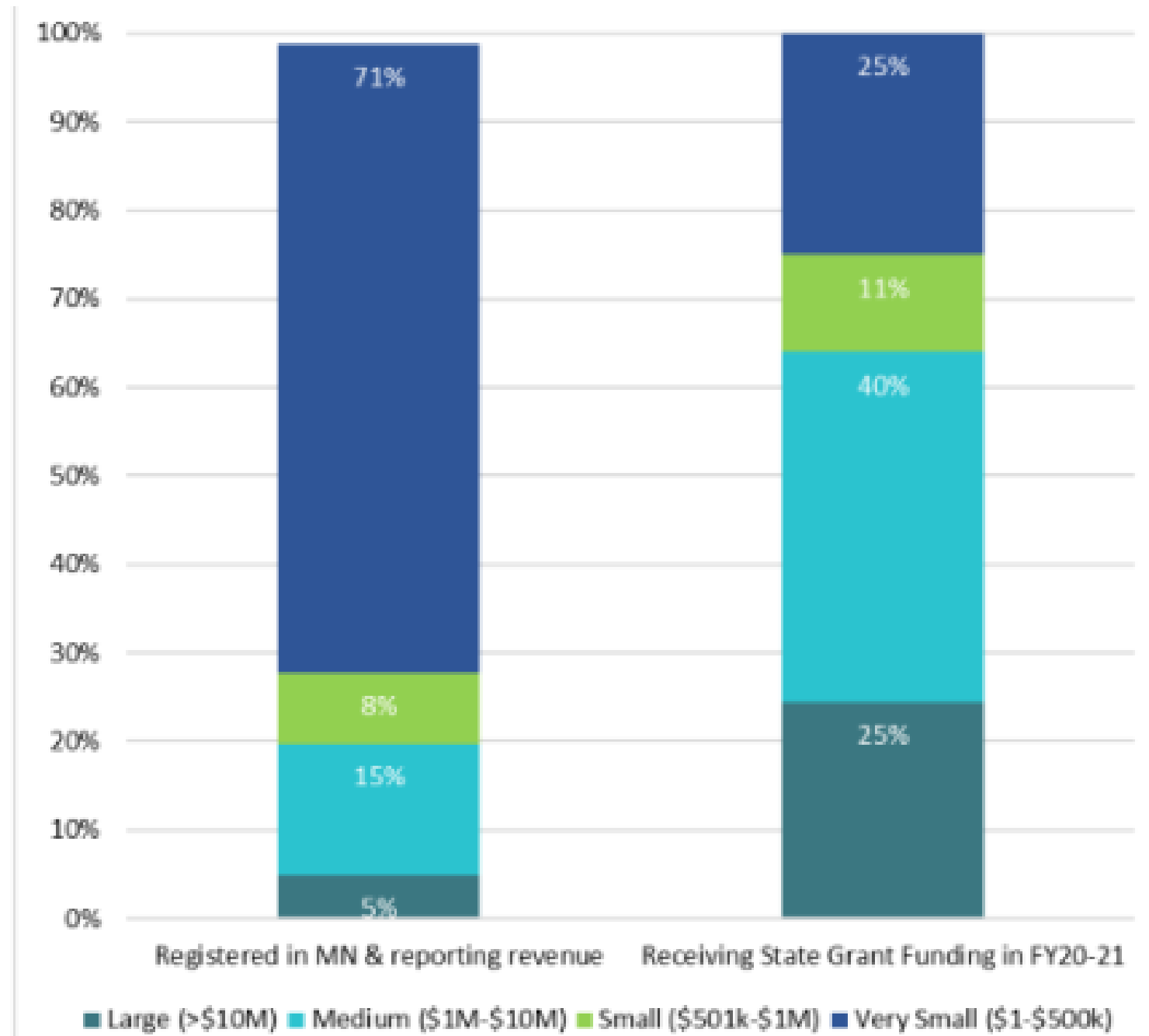


State Grants to BIPOC Orgs

Figure 2. State Grant Funding to NGOs, by agency and estimated percent of funding going to culturally-specific organizations (FY20-FY21)



Grants to Nonprofits by Budget Size



- 79% MN nonprofits with under \$1 million in revenue
- 36% of state funding went to MN nonprofits with less than \$1 million in revenue

Source: Minnesota Management and Budget, 2023 Impactful Grantmaking Research

Case Study: \$400K Grant

Criteria to Apply

1. Have business partner & secure 1:1 matching grant
2. Sub-contractors must also meet stringent criteria set by state
3. Not have outstanding Unemployment Insurance tax liability
4. Create new, customized curriculum, accredited by training institutions
5. Must do community outreach to specific groups defined by state
6. Submit narrative and financial reports on trimestral bases
7. Incur expenses then submit reimbursement
8. Track & code every expense and employee minutes applied to grant
9. Maximum 10% of funding used on administrative costs
10. Track all the specific outcomes defined by state (not by community/nonprofit)

This Work is Not New

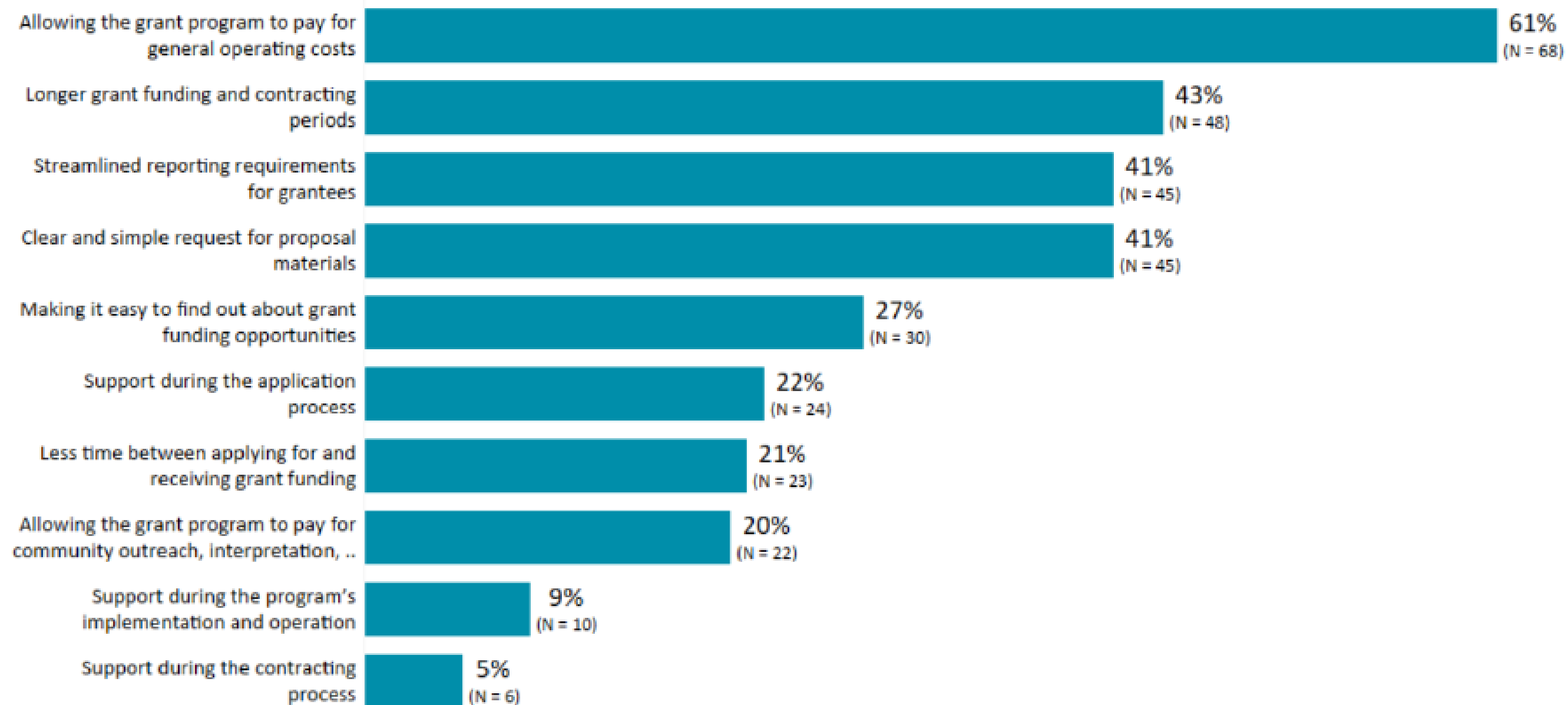


1. Reform scoring of metrics & streamline systems across all agencies
2. Review and reform evaluation Processes
3. Internal policies and procedures reflect stated equity goals

Source: Nov 4th, 2019 Letter to MN Governor and State Agencies from 16 urban Native leaders in Minneapolis

Nonprofit Based Solutions

Figure 6. What features of State grant programs would make it more likely you'd apply for grant programs? (% of all respondents)



Source: "[Learnings from Enterprise-wide Review for Grant Impact](#)," Minnesota Management & Budget 2023, p 8

Solutions

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State Grants Reforms



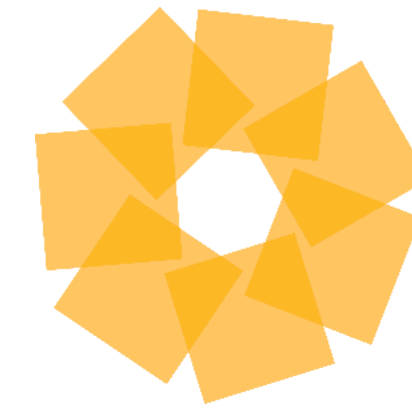
Phillip Kennedy-Wong

He/Him

Director of Public Policy

Nonprofit Association of Oregon

Grant and Contracting Reform at the State Level: Oregon's Story

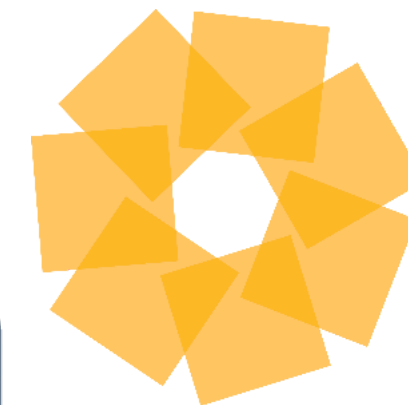


THE NONPROFIT
ASSOCIATION OF
OREGON

Connect. Improve. Advance.

Nonprofit Association of Oregon Activities:

- Conducted a statewide survey to identify the top challenges in grants and contracts;
- Researched solutions from across the country;
- and
- Launched a state legislative campaign with legislation that created a state taskforce on grant funding and contracting.



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1. Contract rates do not cover adequate administrative costs.

2. Difficult application procedures or timelines.

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

4. Overly complicated or restrictive budgeting or invoicing requirements.

5. Burdensome reporting requirements.

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

7. Contracts do not pay living wages for staff.

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

9. Invoices not paid in a timely manner.

10. Requirement for matching funds.

Top Ten

SUGGESTED SOLUTIONS LIST

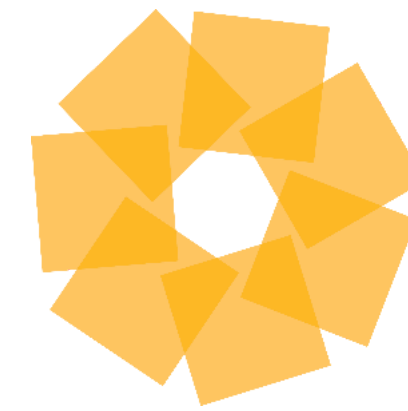
SUFFICIENT ADMINISTRATIVE RATE: Adopt a policy across all state agencies that recognizes a nonprofit's previously Negotiated Indirect Cost Rate Agreement (NICRA) AND/OR at minimum establish a de minimus 10% rate as required under OMB Uniform Guidance (2 C.F.R. Sec. 200);

SIMPLIFICATION OF APPLICATION PROCEDURES/TIMELINES: Simplify application procedures through a pre-qualification system across all state agencies that allow nonprofits to apply to multiple grants and contracts without resubmitting redundant information.

FLEXIBLE CONTRACT TERMS: Allow nonprofits the flexibility to apply expenses where they need them to fulfill the contract terms.

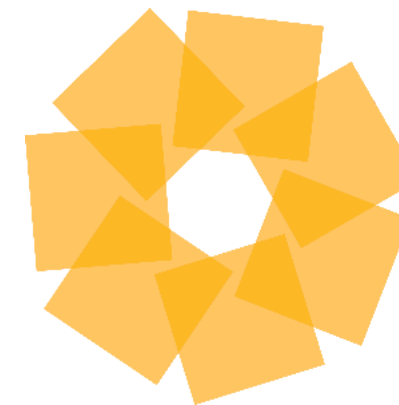
MULTI-YEAR CONTRACTS: Allow for inflation-adjusted multi-year contracts as a method to minimize disruptions to services and reduce the administrative costs of reapplying and maintain continuity of services.

ADJUSTABLE CONTRACT FUNDING LEVEL: Adjust contract funding levels based on inflation rates or a comparable metric that allows nonprofits to continue to meet contracted services year over year.



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TIMELY PAYMENTS: Ensure that contract payments are made within 30-days of remittance to minimize fiscal uncertainty.

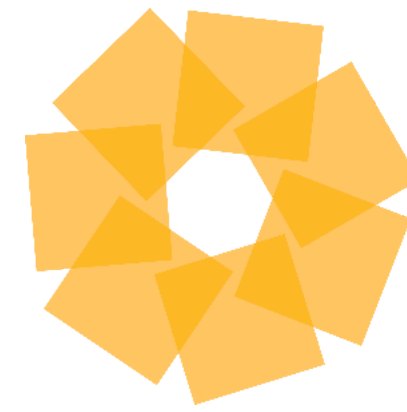
PAYMENT PROCESS: Eliminate the use of reimbursements or matching funds because of the financial stress placed on nonprofits with limited resources to front start-up and overhead costs. Provide bridge loans for nonprofits.

UPFRONT PAYMENTS: Provide up to one-third of the total contract amount at the start of contract or grant.

FAIR WAGES: Base contract funds to include wages to nonprofit employees that meet a living wage standard. These can be based on cost-of living differentials for area they live in.

CENTRALIZED NONPROFIT TECHNICAL ASSISTANCE, CAPACITY BUILDING, COORDINATION & DATA COLLECTION: Establish a centralized government office or entity that can help coordinate and maximize the impacts of nonprofits, especially during emergencies like natural disasters, public health crisis, and housing crisis, etc.

Task Force on Modernizing Grant Funding & Contracting



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Senate Bill 606: “The task force shall examine how the state’s granting and public procurement practices limit the wages of employees of nonprofit organizations and make recommendations to the Oregon Department of Administrative Services.”

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Streamlining Federal Grants Act



Blair Abelle-Kiser, PhD

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Senior Director of Government Affairs
Social Current

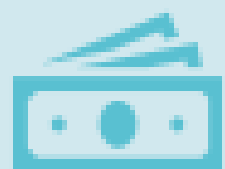
Current Challenges



Uncoordinated Grants: Lack of standardized rules, forms, and policies



Complexity: 51 agencies, 1,900 grant programs, 191 IT systems, and non-standardized Notices of Funding Opportunities (NOFOs)



Increasing Funding: Federal grants increased from \$391B to \$1.13T (2007-2022)

Challenges in our Network



A large, multi-state, family services nonprofit organization finds that they are regularly unable to apply for needed grants due to the financial and personnel resources necessary to complete the federal grant application process:

"Even though we have staff dedicated to finding and applying for grants, we regularly cannot apply for federal grants because we lack the personnel resources to complete the application."

For example, a prominent human services nonprofit in New England with a significant and successful record of securing federal grant funding still struggles with navigating the online portion of the application. This organization notes:

"Our staff finds that the online resources require streamlining. Currently, there are too many different federal websites. In addition to grants.gov, individual departments have grant portals that lack consistency. Then as they move through the process, they must use other websites for application, post-award reporting, and federal drawdowns. It would be more efficient to have one destination for the entire process that is more user-friendly."

Challenges in our Network



A Kansas-based community health provider with a record of successful grant applications found one federal agency's application and reporting requirements so onerous and costly that it decided to forgo seeking funding from this agency in the future altogether:

"In the end, we finally decided to cut our losses with the federal agency because the amount funded was not worth the time spent on compliance requirements and website issues."

The leadership of a **Florida-based social sector nonprofit** engaged in our network spoke to how overly prescriptive federal grants limit the ability of community-based organizations to serve their populations effectively:

"You can create programs to meet guidelines and get paid, or you can create programs that you know work better and not get paid. That is a tough place to be in as a mission-driven organization."

Empowering Nonprofits Through Systemic Change



- **Bipartisan Legislation: S. 2286/H.R. 5934**
 - Co-sponsored by Senators Gary Peters (D-MI), John Cornyn (R-TX), and James Lankford (R-OK) & Reps. Gluskamp-Perez (D-WA) and Foxx (R-NC).
- **Grants Council Establishment:** Guides agencies for systemic reform
 - Establishes a Grants Council composed of federal agencies for overarching guidance.
- **Overcoming Obstacles:** Addresses bureaucratic challenges for nonprofits
 - Resolves issues stemming from a decade of confusion since the Uniform Guidance by OMB.

Empowering Nonprofits Through Systemic Change



- **Mandated Consultation:** Ensures input from non-Federal entities
 - Federal agencies mandated to consult with states, local governments, tribes, nonprofits, etc.
- **User-Friendly Approach:** Emphasizes clear funding opportunities
 - Agencies required to improve user experience by providing concise and accessible funding summaries.
- **Enhanced Support:** Elevates training and assistance for potential grant applicants
 - Agencies include steps in their plans to ensure applicants, especially from underserved communities, receive necessary training and assistance.

Opportunity to Take Action



- **Benefits:**
 - Sign-On Letter Addressed to Congressional Leadership
 - Advocate for improved federal grants and cooperative agreements
 - Have your voice heard in support of nonprofit interests

- **How to Participate:**
 - <https://tinyurl.com/grantreform>
 - Read the letter & Follow Instructions to Sign-On
 - Over 800+ Organizations So Far!

3

OMB Uniform Guidance Proposed Regulations

OMB Uniform Guidance Regulatory Reforms

OMB Uniform Guidance

- In effect since 2014
- Applies to grants to states, local governments, Tribes, institutions of higher education, **and nonprofits**
- Created *de minimis* indirect cost rate of 10%
- Regularly updated



OMB Uniform Guidance Regulatory Reforms

>> 2023

Comprehensive Reform Proposal

- Proposed October 4, 2023;
- Public Comments due December 4, 2023



What the Reforms Do

- Right Wrongs Suffered by Charitable Nonprofits
- Advance Equity and Overcome Barriers
- Additional Significant Reforms

OMB Uniform Guidance Regulatory Reforms

Comprehensive Reform Proposal

Right Wrongs Suffered by Charitable Nonprofits

- **15% *de minimis* indirect cost rate**
 - Modified total direct costs
 - Available at nonprofit's option if no Negotiated Indirect Cost Rate Agreement (NICRA)

"This change would allow for a more reasonable and realistic recovery of indirect costs, particularly for new or inexperienced organizations that may not have the capacity to undergo a formal rate negotiation, but still deserve to be fully compensated for their overhead costs."



OMB Uniform Guidance Regulatory Reforms

Comprehensive Reform Proposal

Right Wrongs Suffered by Charitable Nonprofits

- 15% *de minimis* indirect cost rate
- **No Browbeating Allowed**
 - Federal agencies cannot compel nonprofits, others to take a rate lower than 15%
 - Unless statutes set lower rates
 - Nonprofits can voluntarily choose to take a lower rate



OMB Uniform Guidance Regulatory Reforms

Comprehensive Reform Proposal

Right Wrongs Suffered by Charitable Nonprofits

- 15% *de minimis* indirect cost rate
- No Browbeating Allowed
- **Notice of Indirect Cost Disputes**
 - Essentially an appeal process to OMB when agencies aren't following the law



OMB Uniform Guidance Regulatory Reforms

Comprehensive Reform Proposal

Right Wrongs Suffered by Charitable Nonprofits

- 15% *de minimis* indirect cost rate
- No Browbeating Allowed
- Notice of Indirect Cost Disputes
- **Stronger Mandate**
 - Pass-through entities must accept and apply federally negotiated indirect cost rates for subrecipients



OMB Uniform Guidance Regulatory Reforms

Comprehensive Reform Proposal

Advance Equity and Overcome Barriers



De-Complexification Mindset

“unnecessary complexity means that often the recipients most in need of federal financial assistance cannot access it, including those who may be most well suited to serve the populations many federal programs are designed to serve.”

OMB Uniform Guidance Regulatory Reforms

Comprehensive Reform Proposal

Advance Equity and Overcome Barriers

- English language no longer mandated
- Community engagement and consultation
- Simplification, clarification of Notices of Funding Opportunities (NOFOs)
- Merit Review Panels: Agencies to consider diversity when developing policies and procedures



OMB Uniform Guidance Regulatory Reforms

Comprehensive Reform Proposal

Additional Significant Reforms

- **Notice of Funding Opportunity rewrite**
 - Basic info upfront
 - Executive Summary
 - Plain language (less jargon)
 - Similar to *Streamlining Federal Grants Act* legislation



OMB Uniform Guidance Regulatory Reforms

Comprehensive Reform Proposal

Additional Significant Reforms

- Notice of Funding Opportunity rewrite
- **Single Audit Threshold**
 - Increase from \$750,000 to \$1 million



OMB Uniform Guidance Regulatory Reforms

Comprehensive Reform Proposal

Additional Significant Reforms

- Notice of Funding Opportunity rewrite
- Single Audit Threshold
- **Measuring What Matters**
 - Urges agencies to eliminate reports that are not necessary for the effective monitoring of the grant!



OMB Uniform Guidance Regulatory Reforms

Comprehensive Reform Proposal



But what is missing?

What more do nonprofits need and deserve?

OMB Uniform Guidance Regulatory Reforms

Comprehensive Reform Proposal

But What Is Missing?



- **Encourage Advance Payments** (working capital)
- **Accommodate Labor Standards Mandates** (e.g., overtime rule)
- **Technical Assistance/Capacity Building**
- **Simplify Rules for Earmark Recipients**
- **Other Ideas?**

[put ideas in chat or add in post-webinar survey]

Moving Forward

Q & A



Jessica Mendieta
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National Council of Nonprofits



Nonoko Sato
Executive Director
Minnesota Council of Nonprofits



Blair Abelle-Kiser, PhD
Senior Director of Government Affairs
Social Current



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Nonprofit Association of Oregon



David L. Thompson
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Taking Action

State Grants Reforms

- Join your state association of nonprofits
- Engage in grants reform efforts
- Subscribe to Nonprofit Champion

Federal Legislation

Federal Regulations

Taking Action

State Grants Reforms

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Federal Legislation

- Sign onto the nonprofit coalition letter in support
- Urge your Senators and Representative to cosponsor and call for passage

Federal Regulations

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Federal Regulations

- Complete the post-webinar survey
- Submit comments to the proposed revisions to the OMB Uniform Guidance