



**Senate Bill 606 established the Modernizing Grant Funding and Contracting Task Force to examine how the state's granting and public procurement practices limit the wages of nonprofit organizations.**



**Task Force recommendations were organized into this four-quadrant plot to allow for both administrative and legislative entities to identify the elements within their jurisdiction to take action. This considers ideal timing and crossover responsibilities among the administrative and legislative tasks.**

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## Findings and Recommendations: Payment Models

- Some, but not all, agencies are using the federal Office of Management and Budget (OMB) guidelines for administrative rates
- Reimbursement payment schedules range from 7-45 days. Only one agency reported regularly tracking
- While a majority of agencies reported having authorization to use advance payment schedules, it is not a consistently utilized
- These issues contribute to negative cash flow for nonprofit contractors and grantees, and ultimately requires the organization to take on debt or exhaust reserves creating greater financial instability

### Recommendations to remedy:

- Require state agencies to follow the OMB guidelines - honor 15% de minimis or Negotiated Indirect Cost Rate Agreement
- Require state agencies to track rates of on-time payment, and institute a 5% penalty (5% is what the state charges the public for late payments)
- Contracts and grant agreements should offer advance payment equivalent to one-quarter of the annual contract value at the start of each new contract period



# Findings and Recommendations: Uniform Application

- There is no consistent process for state agencies to follow for grants. There are clearer processes for contracts and sometimes agencies use those guidelines for grants even though the Oregon procurement code clearly states that grants are not contracts
- Each agency and sometimes different divisions within the agencies use different grant management systems, including siloed digital platforms.
- There is communication and process division between state procurement staff and state program staff working on the same grantmaking programs
- This leads to confusion for everyone and requires duplication of work from the nonprofit that is largely uncompensated. And rather than building long-term, trusting relationships, these processes require “starting over” with each new fiscal year or program supervisor

## Recommendations to remedy:

- Create a new set of statutes and administrative rules specifically for grants
- Implement a single statewide grant management database
  - Integrate procurement and program workflows
  - Store organizational data that can be viewed across state agencies
  - Eliminate duplication in submission of commonly needed/required information
- Establish a program year off-set from the fiscal year

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## Findings and Recommendations: Standard Contract Language

- Agencies have different opinions about what language can be negotiated within contracts or grant agreements
- Identifying insurance requirements is often done without the nonprofit partner and financial coverage of those costs is inconsistent with managed
- While a majority of agencies reported having authorization to use advance payment schedules, many don't know how to assess when it is appropriate to implement
- Ongoing or renewing contracts largely ignore natural escalating costs
- Although contract negotiation should be a normal part of the process, it often grinds work to a halt and creates workflow management issues because of inconsistencies and lack of clarity

### Recommendations to remedy:

- ❑ Require contract language that:
  - ❑ Clarifies which terms are negotiable and which are not
  - ❑ Allocate funds to cover insurance requirements
  - ❑ Include the conditions that will allow advance payment
  - ❑ Reduce participant or program restrictions for contracts that use reimbursement only and do not cover the full cost
- ❑ Engage nonprofit stakeholders to review current templates and training materials to better align with nonprofit business practices



# Findings and Recommendations: Sufficient Reporting

- Only some agencies make their reporting templates and processes available on public websites.
- Many agencies require submitting reports via multiple modalities (i.e., email, online, survey, spreadsheet, template) but don't have a way to account for the associated staff time and resources required to fulfill the requirements.
- The majority do not evaluate submitted reports for anything beyond compliance.
- When reporting requirements that are more complex than normal business practices that burden comes at the expense of program deliver if costs aren't covered or intentionally designed

## Recommendations to remedy:

- Cost out reporting requirements in contracts and grant agreements, confirm that either the indirect rate/NICRA sufficiently covers the desired report or set aside additional funds in the approved budget:
  - Eliminate duplication unless financial reports or qualitative information will further analyzed for population health or other research
  - At all times, make templates and guides for financial or program reporting available on agency websites or the statewide grant management database platform and do not change them during a program year.
- Programs designed to demonstrate participant outcome changes must have an investment commitment of three to five years (unless explicitly a pilot program) and include annual COLA and inflation adjustments.



# Findings and Recommendations: Support Living Wages

- The majority of agencies do not use formula calculations or consultation with nonprofit service providers to understand how much it costs to achieve the outcomes in their contracts and grant agreements.
- Most agencies have pre-set minimum standards for wages for particular types of work and may impose strict requirements on what nonprofit employees are eligible to work with certain programs
- State required background check requirements can go beyond standard business practices
- When a flat or arbitrary funding allocation (reflective of a grant) is paired with these types of mandates and restrictions (reflective of a contract) achieving outcomes becomes secondary to compliance

## Recommendations to remedy:

- Establish a workforce standards board establish prevailing wage and benefits standards for the nonprofit sector. Provide guidance to agencies in calculating wage allocations. Calculate and publish annual COLA and inflation adjustments
- Require agencies to use prospective budgeting for ongoing bodies of work:
  - Contract managers should obtain estimates for future service costs and then anticipate how much they can afford to spend on nonprofit services under various constraints or investment scenarios.
  - Include this information in the budgeting development process.



## Findings and Recommendations: Mechanism for Ongoing Review

- While agencies reported using a community of practice model for process improvement within their own agency, there was limited central leadership to ensure opportunities for collaboration and learning across agencies to develop consistent practices.
- Ongoing sustainable change requires establishing accountable agency parties committed to equity and who have an in-depth understanding of and respect for the work done by community based organizations
- Demonstrate a commitment to implementing long-lasting change by dedicating ongoing staff time to implementing recommendations approved by the governor and legislature

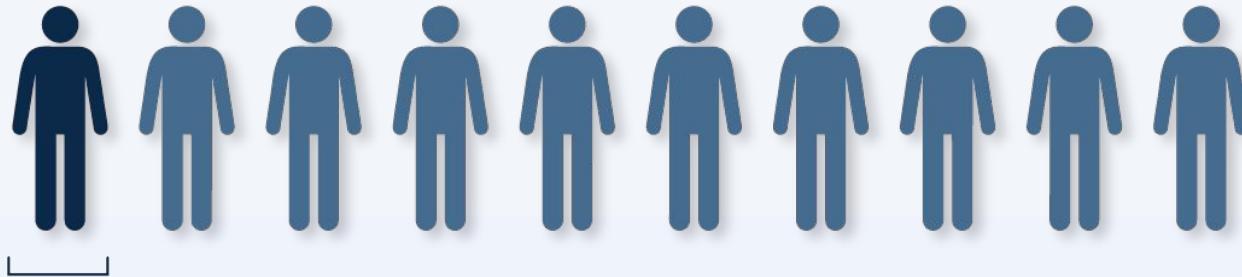
### Recommendations to remedy:

- Establish a permanent nonprofit advisory council with the same or similar make-up as the Task Force
- Create an office of nonprofit partnership within DAS. Staff of the office would support the nonprofit advisory council and support implementation of recommendations
- Staff would learn from and support joint process improvement with the communities of practice

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## Task Force Membership

The Task Force consisted of 15 members appointed by the President of the Oregon State Senate, the Speaker of the House of Representatives, the Governor, and the Attorney General. The Task Force also received valuable input and collaborative partnership from participating agency staff who shared current processes, challenges and workflows. In addition to elected and administrative officials, most of the appointees to the Task Force represented nonprofit organizations with diverse perspectives and experiences who have received grants from or entered into public contracts with a state agency, municipality, or another nonprofit organization.



**1 in 10**

wage-and-salary workers across all  
sectors (private, public and nonprofit)  
work in Oregon's nonprofit sector.

**A Large Part of Oregon's Workforce.** The study found that 10.4 % of total wage and salary workers work for nonprofits. Annually that means that approximately 245,000 Oregonians are working in nonprofits.



**50.2%**

## of Oregon's Nonprofit Workforce come from **Community and Social Service.**

**Services Our Communities Rely Upon.** Half of the total nonprofit workforce is employed in providing social and human services to Oregon's communities. This is a critical indicator when we start to think about where the funding for those services originates. Services contracted by the public sector should always provide livable wages for the workers delivering them.



**When age, gender, educational attainment, race, ethnicity, and hours worked are taken into account...**

**Nonprofit wages were:**



up to

**15%**

lower than their counterparts in the for-profit sector.



up to

**11%**

lower than the public sector.

**Human services nonprofit wages were:**

**55%**

of the for-profit sector wage.

**77%**

of the public sector wage.

