THE NONPROFIT
ASSOCIATION OF
OREGON

Connect. Improve. Advance.

Services, Systems and Solutions

A STUDY OF GOVERNMENT TO NONPROFIT CONTRACTS IN OREGON

Report Produced By:
Nonprofit Association of Oregon 2022

"Programs require all kinds of support for administrative costs including things like: utilities, internet, maintenance overhead, other city county, and state compliance overhead, property security, waste disposal, fire and emergency code compliance, mortgages, property rentals, and more. All of these expenses are program administrative costs. The additional support costs of that are indirect costs for some larger organizations like, finance and banking, payroll, IT Services and protection, HR Support, legal, property management, property and liability insurances are all operational costs that exist for scaled non-profits providing services."

- Nonprofit Leader in Human Services

"The non-profit industry is unstable due to the annual cycle of long gaps in payments with the budget cycle and "floating government loans" with reimbursement structures."

- Nonprofit Leader in Housing and Homelessness Services

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INTRODUCTION AND SURVEY METHODOLOGY

Every Oregonian is impacted by a nonprofit organization – there are [over 23,000 nonprofits](#) in our state that serve us all in both measurable and immeasurable ways. Nonprofit organizations keep Oregon communities vibrant and healthy, create and magnify public benefits, catalyze opportunities to participate in civic affairs, and enrich cultural life. They are the civic expressions of collective charitable action, community, and cultural identity. Nonprofits reach underrepresented and underserved communities throughout Oregon and are focused on meeting the needs of those who are not often heard. In short, nonprofits represent the best of us and are fundamental to a functioning society.

Nonprofits provide essential services, often in tandem or through programs supported by public funding. The scope and importance of the charitable nonprofit sector in Oregon has been well documented through [previous research NAO and others have collaborated to provide through the years](#). Considering the critically important work that these nonprofit organizations provide, when programming is funded by the government and implemented by nonprofit organizations, the process of implementing these programs needs to be seamless in order to most effectively serve our communities.

Over the last 10 years, several studies have been conducted to bring forward the challenges and offer solutions to government and nonprofit partnerships. These studies were led by the [National Council of Nonprofits](#), as well as the network of state associations that represent charitable nonprofits. In 2013, the [Urban Institute](#) undertook the largest nationwide study on the issue publishing the "[National Study of Nonprofit-Government Contracts and Grants 2013: State Profiles](#)." [Independent Sector](#) and the National Council of Nonprofits, as well as the network of state associations that represent charitable nonprofits have used that study to advocate for changes in contracting ever since

These studies, in particular the nationwide report by the Urban Institute, accelerated some movement on finding solutions to the challenges that arise when government funds nonprofit programming. In 2014, Office of Budget and Management (OMB) issued Uniform Guidance (UG 2014) in part to alleviate some of the concerns being raised. At the time, the White House stated that the OMB UG 2014 was designed to reduce the total volume of financial management regulations for Federal grants and other assistance by 75% as well as reduce administrative burdens and risk of waste, fraud, and abuse for the approximately $600 billion in Federal grants expended annually. Unfortunately, that uniform guidance has not been implemented in a consistent way and issues that should have been rectified continue often by flowing down from the federal level to states and counties.

Public contracting is one of the primary means by which legislation and budget decisions are implemented – it is the operationalizing of the policy intent of a legislative body elected by the will of voters. The impact of creating a sound system and process for contracting is tremendous and the positive change will be felt throughout the communities served

From June to August 2022, the Nonprofit Association of Oregon (NAO) conducted a survey of charitable nonprofit organizations that work with the public sector. Through the [Oregon Government-Nonprofit Contracting Survey,](#) 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.

The goals of the survey and this report are to:

→ Illuminate the major challenges to successfully providing contracted services to Oregonians, especially those from underserved communities;

→ Identify administrative and legislative solutions to the challenges; and

→ Advance these solutions among the relevant stakeholders and decision makers.

This survey revealed a number of challenges to the current system that are reasonably well-known and uncovered a few issues that are not. It is clear from the data that the current systems in use make it difficult for nonprofits to successfully carry out government contracts and grants. As outlined by some of the responses by the respondents, nonprofits persevered under challenging and trying conditions while partnering with the government on programming. Some respondents challenged both government and nonprofit organizations to not just say they will do better, but to commit to make tangible and actionable regulatory changes that will help these programs be more successful for the policy makers, the nonprofit organizations, and the communities they serve.

"At the beginning of the COVID pandemic, there was a lot of flexibility; like removing barriers to application, and more support from the agency to our organization, and funding was much broader- to accommodate local community needs."

- Nonprofit Leader in Health and Human Services

The survey also revealed positives about current contracting practices. Respondents lauded the professionalism of government contracting staff and their willingness to help problem solve. A good example was expediting the application procedures for COVID-19 grants. This allowed nonprofits to provide services immediately to constituents impacted by the pandemic.

Respondents in the survey identified key policies and tools that can be enacted to better align policy intent and contract outcomes. They include recommendations to raise administrative rates, streamline processes, and allow flexible use of funds to encourage innovation and efficiencies.

NAO hopes that you will find this report and recommendations compelling enough to inspire your engagement and action from your role whether it is a nonprofit leader, policymaker, government professional, or community member.
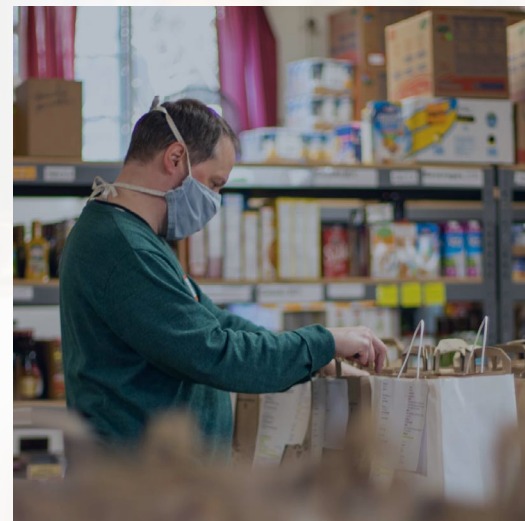
Methodology

NAO conducted a non-scientific survey from June to August 2022 of Oregon nonprofits on the subject of government contracting. The survey contained [fourteen questions](#) curated to best allow nonprofits to articulate how current government contracting practices impacts their mission and service delivery. NAO purposefully included open-ended questions that allowed respondents to express their views on a range of topics. As a result, respondents were able to address specific issues such as administrative rates, grants, procurement, reporting requirements, application process, and more.

The survey was conducted using a standard online survey tool and distributed to NAO members and non-members via email, social media, and the NAO website. Additionally, select government agencies and NAO partners shared the survey with their networks via email and social media. All survey respondents were self-selected. Respondents were anonymous and only identified themselves by choice. There were over 166 respondents to this survey. Survey responses that did not qualify (i.e. no contracts with government, not a 501(c)3, redundant responses from the same nonprofit, etc.) were not included to preserve the integrity of the data presented in this report.

NAO does not make any claims of the survey meeting academic rigor, rather it is a thoughtful process that attempts to adhere to best practices in survey analysis. The analysis is intended to offer much needed insight for policy makers, government administrators, nonprofit leaders, and the general public to better understand the challenges that nonprofits face.

OREGON NONPROFIT STATISTICS

As a means to quickly create context for the findings of this report, there are important statistics about the nonprofit sector in Oregon that magnify the importance of the sector not only as a force for change, but as a significant economic driver that provides essential goods and services and employment, throughout the state. The most recent data looks at nonprofits during the pandemic through 2021. What the data shows is critical to understand about nonprofits in Oregon:

> → Approximately **185,000 employees** work for the **10,000 staffed nonprofits** in Oregon.
>
> → **Health Care and Social Assistance** are the largest nonprofit employers.
>
> → Nonprofits paid **approximately $10 billion** in annual payroll in 2020.
>
> → Nonprofits make up **over 12%** of Oregon's private sector employment.

(Source: Oregon Employment Department - Oregon's Nonprofits in 2021)

The nonprofit sector, like the private sector, is not immune to common challenges such as inflation, rising labor and healthcare costs, retirement and benefits expenses, and the impacts of COVID-19 pandemic. Historic low wages and subpar benefits the nonprofit sector have left this workforce more vulnerable to the housing crisis, unaffordable childcare and healthcare, as well as other rising costs of living expenses, leaving many nonprofits to face high staff turnover. NAO knows through discussions with our membership that there are currently not as many employees within the sector as there were just a few years ago, but there are still the same number of jobs available leaving many nonprofits running without the needed staff to fulfill their missions. In a 2021 NAO survey, one in three nonprofits reported vacancies between 10% and 19%. In 2022, anecdotal evidence is pointing to a much higher turnover rate in critical roles within nonprofits. Some nonprofits are reporting as many as one third vacancies in their staffing across all levels of the organizations. All of this adds another layer of challenges for nonprofits to serve their communities and meet contract requirements.

RESPONDENT DEMOGRAPHICS

Whose Voice Is Being Heard Through This Report?

All respondents are staff or volunteers working with a 501(c)3 nonprofit within the state of Oregon that currently have a contract with a government entity. Respondents were asked to identify their geographic location, budget size for their nonprofit, leadership, communities served, and the types of government contracts their nonprofit has. A variety of nonprofits participated in this survey – they represent a healthy balance of serving both urban and rural communities throughout the state. The respondents represent nonprofits of all sizes as well as culturally specific and mainstream services.

Activity Type

Respondents represented a broad cross-section of the charitable benefit nonprofits in Oregon across the eight different types of activity (sectors) presented for selection in the survey. The largest number of organization respondents were human services providers which is in alignment with the reliance that the public sector places on these organizations for delivery of services as well as the large number of government contracts they typically hold.

Respondents by Type of Nonprofit
n=163

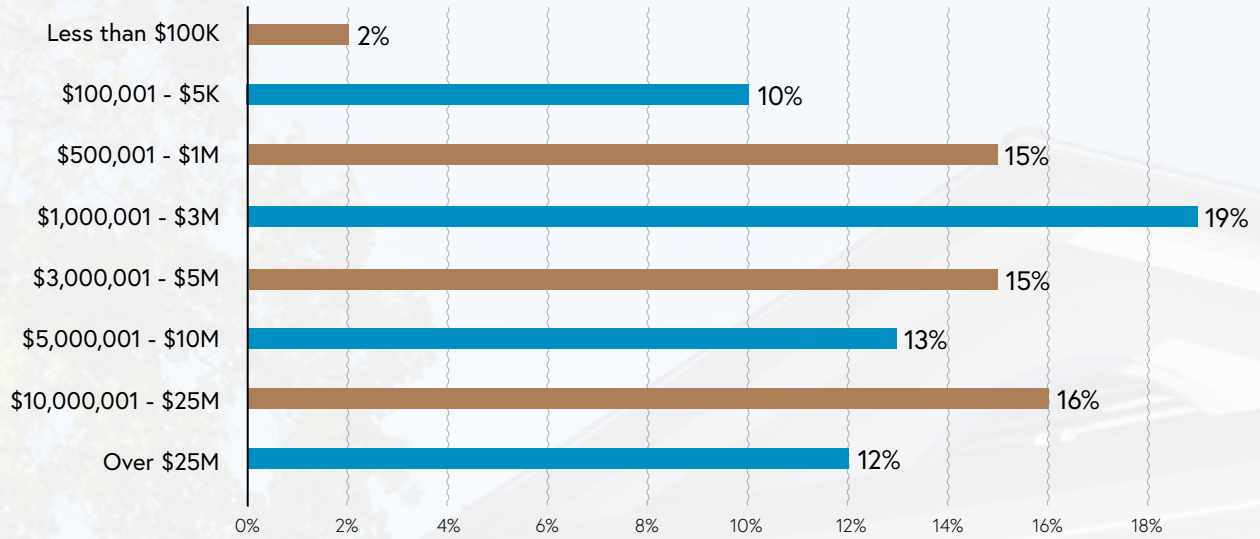| Type	Percentage
Human Services	41%
Health & Behavioral Health	15%
Other	15%
Housing and Homelessness	14%
Public Benefit	5%
Education	4%
Environment and Animals	4%
Arts, Culture and Humanities	2%
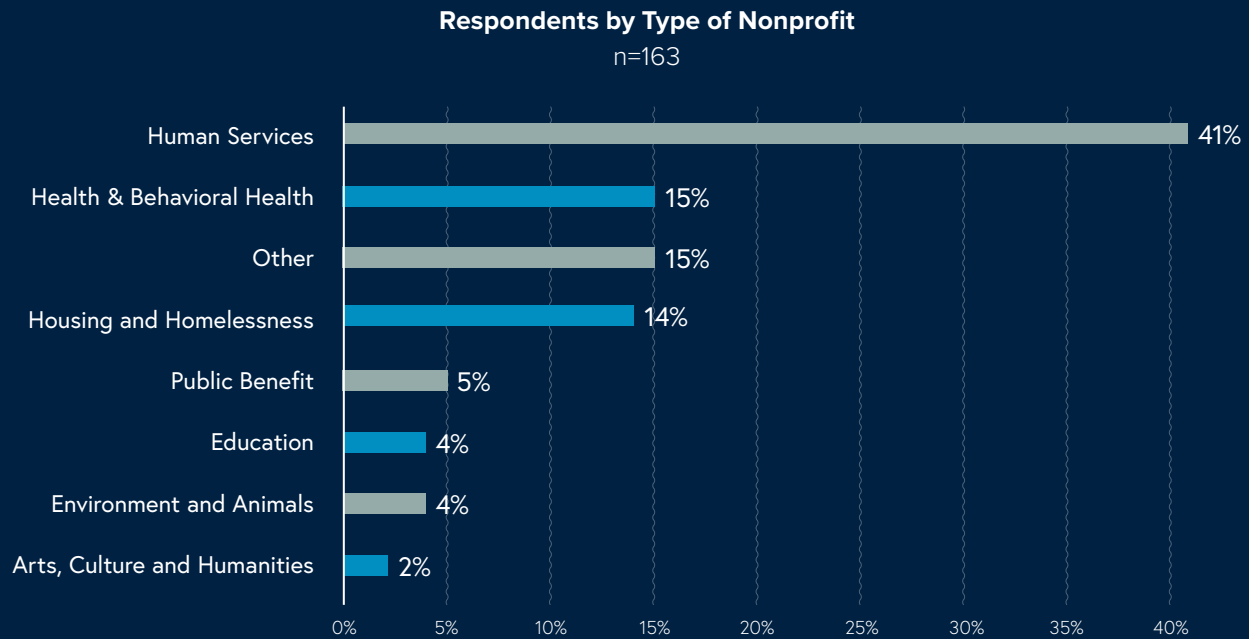
Budget Size

Respondents were asked to report the annual value of expenditures of their organization as reported in IRS Form 990, Part I. Respondents to the survey represent a range of nonprofits, from grassroot groups with smaller budgets to multiple organizations with over $20 million in annual expenditures. The largest response rate was from organizations with budgets between $1 million and $3 million annually. It should be noted that the response rate for smaller organizations with less than $100,000 in annual expenditures is not representative of their proportion within the nonprofit sector. Nonprofits with less than $100,000 in annual budget make up nearly 75% of the sector. The authors attribute this discrepancy in ratio to how few smaller organizations are able to engage in the often arduous contracting and reporting requirements of government programs. This becomes particularly challenging when government officials announce programs to support and engage "emerging nonprofits" or small, culturally specific groups. This also often precludes many rural nonprofits in small population centers from participating.

Budget Size
n=165

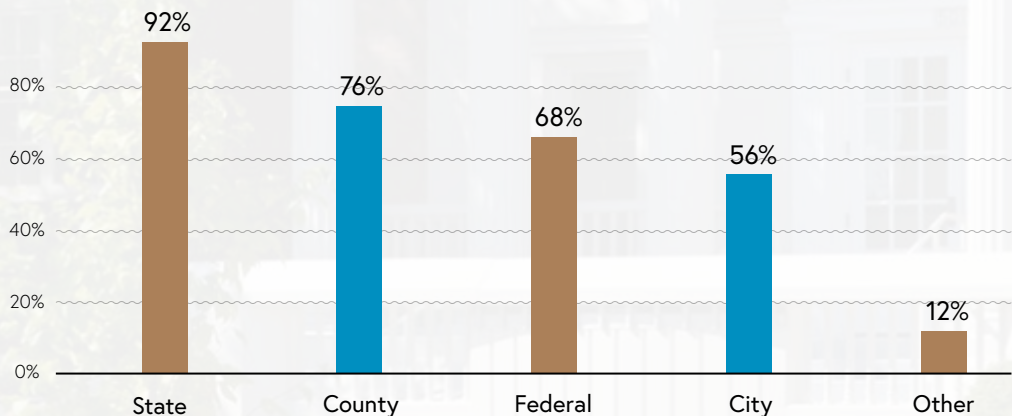| Budget Range	Percentage
Less than $100K	2%
$100,001 - $5K	10%
$500,001 - $1M	15%
$1,000,001 - $3M	19%
$3,000,001 - $5M	15%
$5,000,001 - $10M	13%
$10,000,001 - $25M	16%
Over $25M	12%

Level of Government

The survey asked respondents to indicate which level of government they have current contracts. Respondents were allowed to indicate if they had contracts with more than one level of government. The response percentages indicate that many do. An astounding 92% of the respondents have at least one contract with the State of Oregon. Additionally, 76% reported that they have at least one contract with a county government and 68% have at least one contract with the federal government. Respondents that selected "other" could have contracts with special taxing districts or governmental constructs like Metro.

Respondents by Type of Government Contracts

Level of Government
n=165

Level	Percentage
State	92%
County	76%
Federal	68%
City	56%
Other	12%

Scatter Map of Respondents by Zip Code
n=161
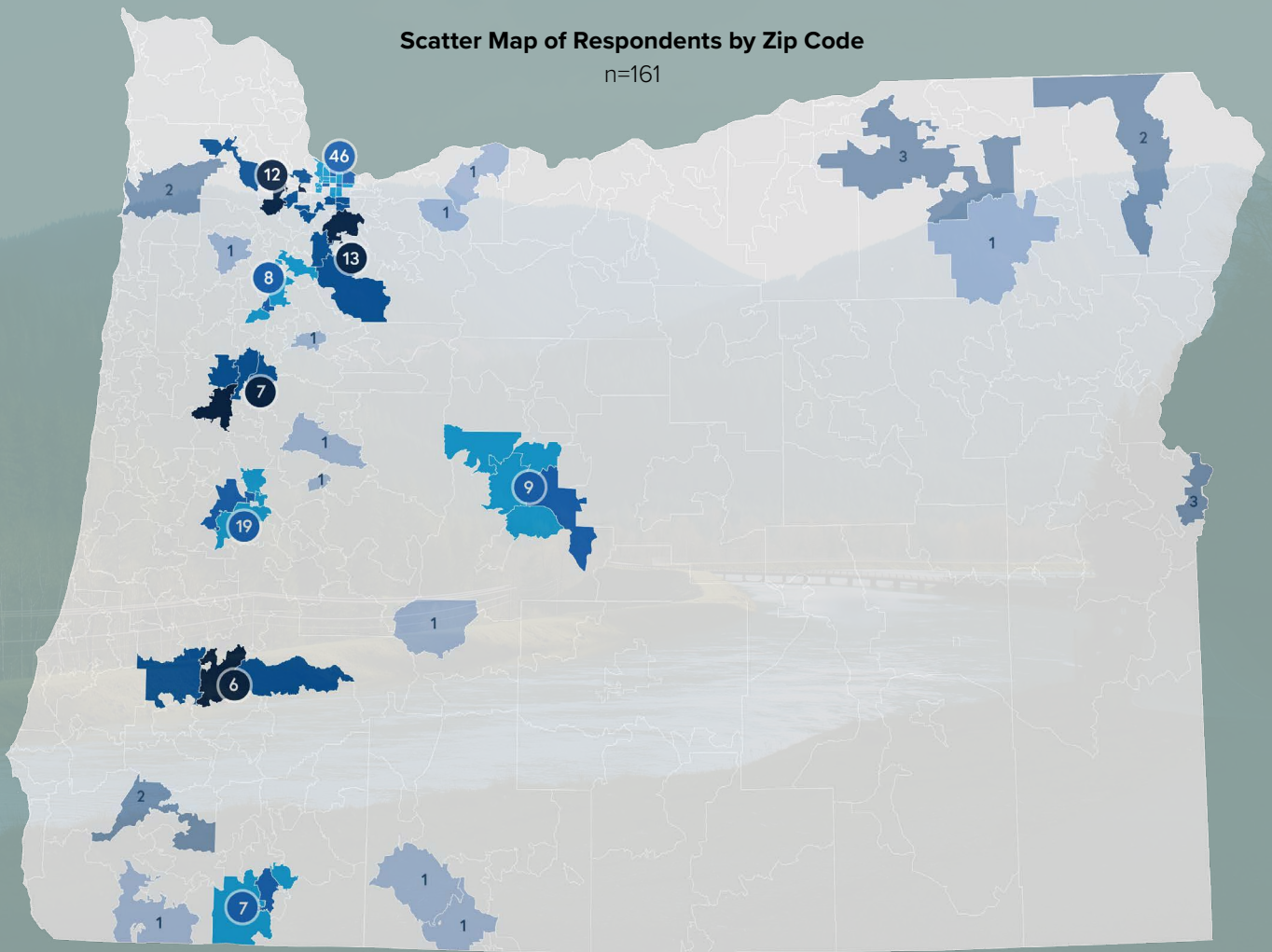
Geographic Distribution

The respondents to the survey came from across Oregon, with the expected concentration in urban centers such as the Portland Metro area, Eugene-Springfield, Bend, Salem, and Medford. The accompanying map shows a scatter plot by zip code of the largest concentration of responding organizations.

Self-Identification of Leadership and Service to Specific Communities

The survey sought to understand the unique challenges and priorities of nonprofit organizations with specific leadership and service constituencies. NAO compared the responses of both specific and non-specific community organizations.

Respondents were asked to indicate the make-up of the leadership of their organization as well as the communities they represent and serve through pre-selected options. The survey was specifically designed with no limitations on which options were selected. Organizations could pick multiple categories that best describe them and their service community.

More than half (51%) of the respondents that answered the question (n=116) on identity, stated they identify as predominantly serving Black, Indigenous, and People of Color (BIPoC) communities. Over one-third (37%) of responding organizations are composed of leadership that identify as BIPoC. Additionally, 46% of respondents predominantly serve people living in rural communities, 23% of respondents say they predominantly serve people living with disabilities, and 14% of respondents say their leadership are people living with disabilities. Finally, 20% of the respondents identify its leadership as LGBTQA++, while 7% of respondents say that they predominantly serve people that identify as LGBTQA++. It should be noted that this question had 116 respondents, which indicates that 50 respondents skipped this question, even though there was a response option for "none of the above."

51%

Our organization predominately serves BIPoC communities.

46%

Our organization predominately serves people living in rural communities.

37%

Our organization's leadership is Black, Indigenous and/ or People of Color (BIPoC).

23%

Our organization predominately serves people living with disabilities.
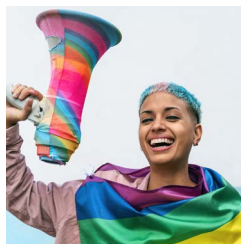
20%

Our organization's leadership identifies as LGBTQA++.

14%

Our organization's leadership are people living with disabilities.

7%

Our organization predominately serves people who identify as LGBTQA++.

The importance of this data will become apparent when we look at the challenges and suggested solutions by these organizations as compared to those organizations that do not have these specific identities.

THE TOP CHALLENGES ACROSS ALL RESPONDENTS

The survey asked respondents to identify the top challenges that currently impact nonprofits' ability to carry out contract requirements. Respondents were given both a list of commonly-heard challenges collected by NAO, as well as an open dialogue box to list challenges that were not represented by the list.

The list of challenges and responses are shown in Chart A below.

Chart A: Top Challenges to Contracting
n=163

Contract rates do not cover adequate administrative costs	75%
Difficult application procedures or timelines	72%
Contract rates do not rise with cost increases over time	71%
Overly complicated or restrictive budgeting or invoicing requirements	67%
Burdensome reporting requirements	67%
Reimbursement basis (receiving payment after delivering services)	58%
Contracts do not pay living wages for staff	56%
Short-term contracts make planning and staffing difficult	53%
Invoices not paid in a timely manner	48%
Requirement for matching funds	42%
Difficult or duplicative auditing requirements	38%
Burdensome insurance requirements	30%
Failure to disclose the use of federal funds in RFP	15%
Failure to follow OMB guidance on the use of federal funds	9%

The greatest challenges identified by the respondents center on the lack of sufficient resources to meet administrative needs, including 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. It should be noted that this survey was conducted after the State of Oregon switched from the old procurement system to the new Oregon Buys system. Inconsistent adjustments to funding levels over time ranked third. Rising costs and inflation leave nonprofits with less resources to meet the same contracting requirements year after year. Additionally, respondents noted slow payments for services delivered even though payment schedules are stipulated in contracts.

"Most recently with VOTE (Vaccine Operations Team Equity) funding it [reimbursement] has been a REAL challenge. We still have not been reimbursed for any VOTE invoices since October of last year."

- Nonprofit Leader in Health and Human Services

Other key challenges identified were the complexity and difficulty with application procedures, reporting, and budgeting requirements. Excessive or complex requirements can be taxing on the capacity of nonprofits especially small organizations. Respondents shared the experience of spending more or equal amount of time completing reporting requirements as they were with providing contracted services. Just as problematic are mid-term contract amendments initiated by a government agency that require changes or further data in reporting.

Some respondents stated that they cannot afford to apply for contracts (or grants) if the budgeting or reporting requirements are not commensurate with the funding amount. They are simply too time intensive and cost prohibitive for the nonprofit to bother submitting. Additionally, respondents stated that the language used in the applications are confusing, especially for newer or smaller nonprofits that may not have experience with government contracts. It was also stated in the open-ended responses that when nonprofits reach out to helpdesk or project managers in the government, they just reiterate what the available documents state and do not help to actually clarify the nuances of the requirements. These survey responses make clear that nonprofit capacity is a critical component for success. Smaller nonprofits have a limited capacity to file lengthy applications, conduct arduous reporting requirements, pay competitive wages, manage finances, and carry out a hiring process to staff up a contract.

"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 Health Services

Top Challenges Based on Level of Government Contract

When we compare the respondents' top challenges with the specific entity of government they contract with, the numbers shift slightly, but not appreciably, across the different levels of government. It is evident in Chart B, that there are a significant number of challenges that more than 50% of respondents indicated was a challenge for their nonprofit across multiple levels of government.

The top challenge across all levels of government remained the issue of contract rates not covering adequate administrative costs. What was interesting was the finding of lack of administrative rates provided by cities climbs to a whopping 80.6% of respondents finding this a challenge; the highest number categorized in the challenges data set.

Chart B: Top Challenges Based on Level of Government Contract
n=152

■ Top Priority   ■ Second   ■ Third

Challenge	City	County	State	Federal
Difficult application procedures or timelines	72.0%	69.8%	71.7%	73.5%
Contracts do not pay living wages for staff	60.2%	61.9%	55.3%	55.8%
Contract rates do not rise with cost increases over time	74.2%	77.0%	71.1%	72.6%
Contract rates do not cover adequate administrative costs	80.6%	78.6%	72.4%	76.1%
Reimbursement basis (receiving payment after delivering services)	64.5%	58.7%	57.9%	59.3%
Invoices not paid in a timely manner	47.3%	46.8%	48.0%	48.7%
Short-term contracts make planning and staffing difficult	55.9%	57.1%	51.3%	54.0%
Failure to disclose the use of federal funds in RFP	15.1%	17.5%	15.8%	13.3%
Failure to follow OMB guidance on the use of federal funds	9.7%	10.3%	9.2%	10.6%
Difficult or duplicative auditing requirements	46.2%	42.9%	38.8%	42.5%
Requirement for matching funds	48.4%	44.4%	42.8%	52.2%
Overly complicated or restrictive budgeting or invoicing requirements	68.8%	68.3%	65.8%	68.1%
Burdensome reporting requirements	68.8%	68.3%	67.1%	66.4%
Burdensome insurance requirements	31.2%	27.8%	29.6%	25.7%

Top Challenges by Department of Government

Respondents were asked to identify which government agency they have which challenges with in each of the categories provided. With so many different government agencies at different levels, not all agencies were selected to be on the sample list. The survey focused on institutions of government that most commonly work with nonprofits for delivery of services in Oregon. It should also be noted that not all respondents answered each question nor does every respondent have a contract with every governmental entity. The percentages represented in Chart B are based on the number of respondents answering that specific question that identified they do have a contract with that specific governmental agency.

Positive Contracting Experiences With Government

"I've had incredibly positive experiences with the people who monitor our budgets. Being able to build a personal relationship with them, feeling safe to ask them questions, and feeling they have a vested interest in our success makes work possible."

- Nonprofit Leader in Human Services

Finally, the survey provided an open-ended question to share any positive experiences in contracting. Overwhelmingly, respondents stated that their direct contacts for the government contracts were communicative, responsive, and generally helpful with technical assistance, troubleshooting, and flexibility.

One respondent shared this observation:

"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."

Respondents expressed appreciation for the availability and willingness of government to fund services. Said one respondent:

"We are grateful that the government contracts are addressing needs that we see in our communities. Government contracts offer more funds than what we would receive from foundation grants."

	Top Priority		Second		Third		

Challenge	HUD	ODHS	ODE	OHCS	OHA	FEMA	USDA
Difficult application procedures or timelines	81.5%	69.1%	86.7%	71.7%	75.3%	81.8%	80.7%
Contracts do not pay living wages for staff	75.9%	71.6%	66.7%	58.3%	60.2%	51.5%	29.0%
Contract rates do not rise with cost increases over time	81.5%	84.0%	84.4%	70.0%	76.3%	66.7%	41.9%
Contract rates do not cover adequate administrative costs	90.7%	81.5%	75.6%	76.7%	74.2%	75.8%	64.5%
Reimbursement basis (receiving payment after delivering services)	70.4%	56.8%	62.2%	65.0%	57.0%	60.6%	64.5%
Invoices not paid in a timely manner	55.6%	54.3%	44.4%	55.0%	47.3%	45.5%	48.4%
Short-term contracts make planning and staffing difficult	61.1%	55.6%	44.4%	55.0%	59.1%	69.7%	35.5%
Failure to disclose the use of federal funds in RFP	20.4%	17.3%	22.2%	20.0%	18.3%	15.2%	12.9%
Failure to follow OMB guidance on the use of federal funds	16.7%	7.4%	6.7%	13.3%	7.5%	12.1%	9.7%
Difficult or duplicative auditing requirements	51.9%	39.5%	42.2%	46.7%	43.0%	45.5%	45.2%
Requirement for matching funds	66.7%	54.3%	46.7%	48.3%	37.6%	45.5%	51.6%
Overly complicated or restrictive budgeting or invoicing requirements	75.9%	69.1%	80.0%	66.7%	71.0%	72.7%	67.7%
Burdensome reporting requirements	77.8%	72.8%	62.2%	73.3%	73.1%	75.8%	71.0%
Burdensome insurance requirements	33.3%	28.4%	37.8%	35.0%	32.3%	30.3%	35.5%

*Agencies: Department of Housing and Urban Development (HUD). Oregon Department of Human Services (ODHS). Oregon Department of Education (ODE). Oregon Department of Housing and Community Services (OHCS). Oregon Health Authority (OHA). Federal Emergency Management Agency (FEMA). U.S. Department of Agriculture (USDA)

Top Challenges Based on Agency

Overall, the Oregon Health Authority (OHA) had the least number of respondents registering some type of challenge (contract rates do not rise with cost increases over time) with their process or payments, however even that number is 76.34% of respondents that have a contract with OHA. The U.S. Department of Housing and Urban Development had the largest number of respondents that had a challenge overall (contract rates not covering adequate administrative expenses) with a whopping 90.74% of respondents that actively contract with them.

Perhaps the most important take away of this question is the large number of registered challenges above 50% across every different contracting entity. If we put this in perspective, if a nonprofit had over 50% of its clients unable to navigate their documentation to receive services or if those services came months and months after application, we can all agree that the nonprofit is failing their mission.

IMPACTS ON SPECIFIC COMMUNITY-SERVING NONPROFITS

"Operating in Rural area verses the Portland Metro area have different funding expectations for staffing and facility overhead costs."

- Nonprofit Leader in Rural Oregon

As noted in the demographics section, respondents were asked to identify any specific community that make up their leadership or constituencies of their organizations. Of those that identified a specific community, the survey found the majority of respondents indicated budgets under $3 million versus just 34% of nonspecific community organizations. The survey also found that there was a greater need for clarity or assistance on application procedures and budgeting/reporting requirements; both of which are cumbersome on administrative capacity, resources, and staffing especially for smaller nonprofits. This includes the challenge of fronting costs for services under a reimbursement or matching funds payment system.

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

- Nonprofit Leader of a BiPOC Led and Serving Nonprofit

The top challenges and priorities were similar across specific and non-specific communities of nonprofits, but with some slight differences. Insufficient contract resourcing were the top challenges for both specific and nonspecific community organizations. The following are the differences:

→ 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. The reverse was true for the second 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 impact on specific community serving nonprofits.

→ Reimbursement and matching fund payment procedures were identified as more problematic for specific community nonprofits.

The differences *might* be explained by newer versus older nonprofits, small versus large nonprofits, and/or rural versus metro-based nonprofits. With notable exceptions, nonprofits that serve rural or communities of color tend to be more resource-starved, have limited capacity, or may be newer, especially those founded more recently due to the pandemic, racial justice movement, and wildfire disasters.

"Capacity grants work best for our industry…our staff need significant training and job shadowing in the first four months…state rules do not us to work with clients until staff have been certified."

- Nonprofit Human Services Provider That Serve Rural and LGBTQA++ Communities.

Chart D: Top Challenges for Specific Populations
n=166

🟦 Most Frequently Cited Challenge   ⬜ Second Most Frequently Cited Challenge

Challenge	Org. leadership is Black, Indigenous and/or People of Color (BIPoC)	Org. predominately serves BIPoC communities	Org.'s leadership are people living with disabilities.	Org. predominately serves people living with disabilities.	Org.'s leadership identifies as LGBTQA++	Org. predominately serves people who identify as LGBTQA++	Org. predominately serves people living in rural communities.
Difficult application procedures or timelines	79%	80%	63%	56%	57%	25%	68%
Contracts do not pay living wages for staff	58%	64%	81%	74%	65%	75%	40%
Contract rates do not rise with cost increases over time	79%	78%	75%	85%	78%	100%	55%
Contract rates do not cover adequate administrative costs	79%	81%	69%	78%	74%	75%	66%
Reimbursement basis (receiving payment after delivering services)	63%	58%	56%	48%	70%	63%	57%
Invoices not paid in a timely manner	56%	49%	50%	41%	74%	38%	38%
Short-term contracts make planning and staffing difficult	65%	61%	56%	52%	61%	75%	57%
Failure to disclose the use of federal funds in RFP	26%	24%	19%	22%	17%	13%	21%
Failure to follow OMB guidance on the use of federal funds	9%	12%	13%	15%	4%	13%	8%
Difficult or duplicative auditing requirements	42%	47%	44%	41%	43%	50%	26%
Requirement for matching funds	51%	53%	63%	48%	52%	50%	42%
Overly complicated or restrictive budgeting or invoicing requirements	81%	81%	63%	70%	74%	75%	62%
Burdensome reporting requirements	74%	71%	56%	59%	74%	75%	53%
Burdensome insurance requirements	28%	27%	25%	30%	22%	25%	28%

Services, Systems and Solutions:
A Study of Government to Nonprofit Contracts in Oregon

Using a weighting system of "most important," "somewhat important", and "not important," NAO analyzed and categorized the responses by the community-specific organizations to tease out the most pressing challenges they are facing. The Chart E shows the ranking across these organizations. For organizations who predominately serve BIPoC communities, those who have BIPoC leadership, and those who have leaders living with disabilities, the number one issue remains contract rates not covering adequate administrative rates.

Chart E: Top Priorities by Specific Populations

n=166

█ Most Frequently Cited "Most Important"   ▓ Most Frequently Cited "Somewhat Important"

Priority	Importance ranking	Org. leadership is Black, Indigenous and/or People of Color (BIPoC)	Org. predominately serves BIPoC communities	Org.'s leadership are people living with disabilities.	Org. predominately serves people living with disabilities.	Org.'s leadership identifies as LGBTQA++	Org. predominately serves people who identify as LGBTQA++	Org. predominately serves people living in rural communities.
Difficult application procedures or timelines	Most	23%	24%	25%	19%	17%	13%	28%
	Somewhat	58%	53%	56%	44%	65%	50%	45%
	Not	14%	12%	13%	19%	9%	25%	11%
Contracts do not pay living wages for staff	Most	67%	66%	69%	78%	78%	63%	40%
	Somewhat	9%	10%	13%	7%	17%	38%	28%
	Not	14%	10%	13%	7%	0%	0%	11%
Contract rates do not rise with cost increases over time	Most	70%	68%	63%	74%	78%	88%	53%
	Somewhat	16%	15%	13%	7%	9%	13%	19%
	Not	5%	5%	19%	7%	9%	0%	11%
Contract rates do not cover adequate administrative costs	Most	79%	76%	75%	74%	70%	50%	64%
	Somewhat	9%	10%	13%	11%	13%	38%	17%
	Not	5%	3%	13%	7%	13%	0%	8%
Burdensome reporting requirements	Most	49%	56%	44%	41%	48%	75%	45%
	Somewhat	26%	22%	25%	33%	26%	0%	30%
	Not	14%	12%	25%	15%	17%	13%	11%
Burdensome insurance requirements	Most	23%	25%	19%	15%	17%	25%	15%
	Somewhat	28%	22%	31%	44%	30%	13%	32%
	Not	40%	36%	44%	30%	39%	50%	40%

Not captured in time before the survey was Governor Kate Brown's Executive Order Number 22.15. The order directed state agencies to take specific steps to improve equity in state procurement and contracting. This is important to note because of the implications on some of the challenges that the survey identified. The order requires data collection, a web portal on equity in contracting, and stakeholder feedback and capacity to implement among many other important steps.

As most who work in our sector know, society still struggles with racism, sexism, homophobia, ableism, and a deep distrust of people not like ourselves. The nonprofit sector is not immune from these negative community traits. It is well documented that there is a racial leadership gap, constraints for people that live with disabilities to have access and participate, and continued misunderstandings of other historically marginalized groups.

Through the years, NAO has partnered with groups like the [Building Movement Project who have published numerous reports studying this issue through their Race to Lead series of studies](#). In fact, redefining the future of nonprofit leadership by working together across race, orientation, age, and other identities is imperative to the future success for those leaders and the sector itself. A major finding of repeated Race to Lead studies has been the gap in leadership and pay for BIPoC leaders as well as other historically marginalized leaders such as LGBTQA++ and leaders living with disabilities.

SUGGESTED SOLUTIONS

"I would recommend policy that addresses the need for living, sustaining wages for staff, such as having required salary step increases and greater guidance for equitable and responsive staff compensation formulas. This requirement would decrease the worker exploitation around which many nonprofits form their budget models. It would also support those EDs whose Boards may not otherwise accept budgetary increases in salary."

- Nonprofit Leader in Sexual Violence Support Services

The priority of this report is to illuminate the current challenges facing nonprofits in contracting with government and to identify solutions. The pandemic, wildfires, racial justice movement, and economic stress that Oregon has been and is currently experiencing have increased the state's reliance on nonprofits. Critical governmental and societal goals cannot be achieved without nonprofits. As we have seen, administrative burdens, lack of consistency in contracting processes across governmental agencies, excessive reporting and late reimbursements have all placed strain on nonprofits' capacity to deliver vital services. The respondents to this survey suggested the following solutions:

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 <u>OMB 2014 Uniform Guidance</u>;

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 multi-year 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.

7. **PAYMENT PROCESS:** Eliminate the use of reimbursements or matching funds because of the financial stress placed on nonprofits with limited resources to front overhead costs.

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 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, but most realign funding towards a system that values the important work done by these frontline workers.

10. **CAPACITY BUILDING:** Investments made into the community-based organizations with the intention of leaving behind permanent, sustainable capacity are essential to overcoming the challenges discussed throughout this report.

The status quo is not sustainable if the nonprofit sector is to continue play the vital role in our communities that many Oregonians come to demand and expect. In fact, unless changes are made to public contracting, many nonprofits will fall behind in its charitable contributions or worse: cease operations. The latter would leave specific communities without a voice. Either scenario is unacceptable.

ACKNOWLEDGMENTS

The survey and report would not have been possible without the support of many people within the Oregon nonprofit and public sectors. We thank the respondents to the survey for their invaluable insights into the challenges they are facing and the solutions they have in mind for better contracting with the public sector. The report would not have achieved as large a response rate if not for the promotion and dissemination to their nonprofit partners by the line the Oregon Health Authority, Oregon Housing and Community Services, and Oregon Department of Human Services. We thank Marina Kaminsky for her assistance and data wizardry with the survey data. We also thank the Nonprofit Association of Washington who conducted a similar survey earlier in 2022 and graciously shared their questions and report which went into the drafting of this survey. Last but not least, we thank Brad Ramos, Phillip Kennedy-Wong, Kirsten Saladow and Jim White for their work in writing, editing, illustrating and producing the report.

The Nonprofit Association of Oregon

The Nonprofit Association of Oregon (NAO) is the statewide nonprofit membership organization representing and supporting charitable nonprofits of all sizes, geographic locations and missions across Oregon.

NAO's mission is to serve public benefit nonprofits by strengthening the collective voice, leadership, and capacity of nonprofits to enrich the lives of all Oregonians. NAO envisions an Oregon wherein nonprofits are visible and valued as essential contributors to society. We strive to connect, improve and advance all nonprofits to help build a thriving and vital Oregon. NAO serves the needs of the nonprofit sector through our work in advocacy, convening, disseminating Principles and Practices for Nonprofit Excellence, capacity building and thought leadership. We are deeply invested in our core values: Collaboration, Equity and Inclusion, Excellence, Impact, Learning, Service and Stewardship.
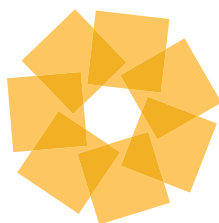
THE NONPROFIT ASSOCIATION OF OREGON

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APPENDIX

Survey Questions

1. **Does your nonprofit organization contract with government agencies?**

2. **What is the annual operating budget or your organization?**
   - less than $100,000
   - $100,001 - $500,000
   - $500,001 - $1,000,000
   - $1,000,001 - 3,000,000
   - $3,000,001 - 5,000,000
   - $5,000,001 - 10,000,000
   - $10,000,001 - 25,000,000
   - over $25,000,000

3. **How would you categorize your organization?**
   - Arts, Culture & Humanities
   - Education
   - Environment & Animals
   - Health and Behavioral Health
   - Human Services
   - Housing and Homelessness
   - Public Benefit
   - Other (please specify)

4. **How many government contracts does your organization have throughout a typical year? (best estimate is fine)**

5. **At which levels does your nonprofit organization contract with government agencies? (check all that apply)**
   - City
   - County
   - State
   - Federal
   - Other (please specify)

6. **With which government agencies do you have contract?**

- Department of Housing and Urban Development (HUD)
- Oregon Department of Human Services (ODHS)
- Oregon Department of Education (ODE)
- Oregon Department of Housing and Community Services (OHCS)
- Oregon Health Authority (OHA)
- Federal Emergency Management Agency (FEMA)
- U.S. Department of Agriculture (USDA)
- Other (please specify)

7. **What is the Zip Code of your organization's main office?**

8. **The following is a list of common challenges associated with government contracting. Please indicate which of these challenges have impacted your organization. (Check all that apply)**

- Difficult application procedures or timelines
- Contracts do not pay living wages for staff
- Contract rates do not rise with cost increases over time
- Contract rates do not cover adequate administrative costs
- Reimbursement basis (receiving payment after delivering services)
- Invoices not paid in a timely manner
- Short-term contracts make planning and staffing difficult
- Failure to disclose the use of federal funds in RFP
- Failure to follow OMB guidance on the use of federal funds
- Difficult or duplicative auditing requirements
- Requirement for matching funds
- Overly complicated or restrictive budgeting or invoicing requirements
- Burdensome reporting requirements
- Burdensome insurance requirements
- Other (please specify)

9. **Which of these issues are top priorities to address? (Respondents were asked to rate in three categories: Most Important; Somewhat Important: and Not Important)**

    - Difficult application procedures or timelines
    - Contract rates do not pay living wages
    - Contract rates do now rise with cost increases over time
    - Contract rates do not cover administrative costs
    - Reimbursement basis (receiving payment after delivering services)
    - Invoices not paid in a timely manner
    - Short-term contracts make planning and staffing difficult
    - Failure to disclose the use of federal funds
    - Failure to follow OMB guidance on the use of federal funds
    - Difficult or duplicative auditing requirements
    - Requirement for matching funds
    - Overly complicated or restrictive budgeting or invoicing requirements
    - Burdensome reporting requirements
    - Burdensome insurance requirements
    - Other (Please specify)

10. **What policy changes do you recommend? (open ended)**

11. **We want to assess whether some of the challenges mentioned above disproportionately impact specific communities in Oregon. Please indicate if your organization falls into any of the following categories. (select all that apply)**

    - Our organization's leadership is Black, Indigenous and/or People of Color (BIPoC)
    - Our organization predominately serves BIPoC communities
    - Our organization's leadership are people living with disabilities.
    - Our organization predominately serves people living with disabilities.
    - Our organization's leadership identifies as LGBTQA++
    - Our organization predominately serves people who identify as LGBTQA++
    - Our organization predominately serves people living in rural communities.

12. **Please share any positive experiences your nonprofit has had with government contracting procedures. (open ended)**

13. **Is your nonprofit interested in participating in a legislative coalition that improves contracting?**

    - Yes
    - No

14. **Thank you for participating in this survey! Please share your email address below. All of your answers will remain confidential and anonymous in our analysis. Emails will only be used to sort and ensure data integrity.**

KEY DEFINITIONS

Agreement: An understanding between parties, found in their language or inferred from circumstances as well as rules, statutes, regulations and procedures that have the effect of an agreement. An agreement can be formalized through a contract, which in turn, creates a legal obligation.

Contract: A written agreement between two or more parties that creates a legally enforceable obligation to do or not do a particular thing, and with requisite characteristics of competent parties, subject matter, a legal consideration, mutuality of agreement, and mutuality of obligation. For the purpose of this glossary, "Contract" means Public Contract, not a grant, between an entity of government and a nonprofit. A contract represents an exchange transaction.

Contractor: A person or business entity (including a nonprofit) that agrees to legally enforceable terms and conditions under which the entity supplies products or performs services according to an agency's specifications and for the purpose of accomplishing results the agency intends, while retaining control of the means, methods and manner of supplying the products or performing the services.

Subcontractor: A contractor retained by the prime contractor. A subcontractor has no direct contractual relationship with an agency.

Grant: A grant is defined in one of two ways depending on the government's role – as a grantee or grantor – of the agreement:

    a. State as grantee – an agreement under which an agency (grantee) receives moneys, property or other assistance from another entity (grantor) for the purpose of supporting or stimulating a program or activity of the agency.

    b. State as grantor – An agreement under which an agency (grantor) provides moneys, property or other assistance to a recipient (grantee) for the purpose of supporting or stimulating a program or activity of the recipient.

The purpose of a grant is to secure a benefit for persons or entities other than parties to the grant instrument, like a class of clients receiving services, a targeted segment of the community, or the community at large.

Direct costs: Any cost that can be identified with a specific department or cost objective (e.g. project staff time, project equipment, other project or program-related costs).

Indirect Costs: Any cost that cannot be conveniently and economically traced to a specific department or cost objective; a cost that is not easily traced to a specific product and must be assigned using an allocation method. (e.g., office rent, phone, internet, general office supplies, some personnel costs.) Indirect expenses support the organization's ability to administer program functions. Note: Indirect costs are separate and distinct from administrative costs.

Administrative Costs: Costs that do not directly or in-directly support program activities, but instead support the overall operations and management of the organization. (e.g., board of director meeting expenses, committee meetings, audit expenses, general legal services.) Note: Administrative costs are separate and distinct from indirect costs.

Indirect Cost Rate (ICR): A mechanism for equitably and consistently allocating costs not directly associated with a single grant. An ICR is calculated by dividing the total allowable indirect costs by some direct cost base. There are several methods of calculating this, including a standard 10% de minimis rate of all direct costs associated with federal funding (as stipulated in OMB UG 2014), a negotiated indirect cost rate with the grantor (governmental or otherwise), an internally calculated rate, or a certified (by a CPA) indirect rate.
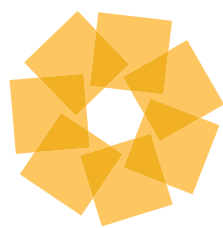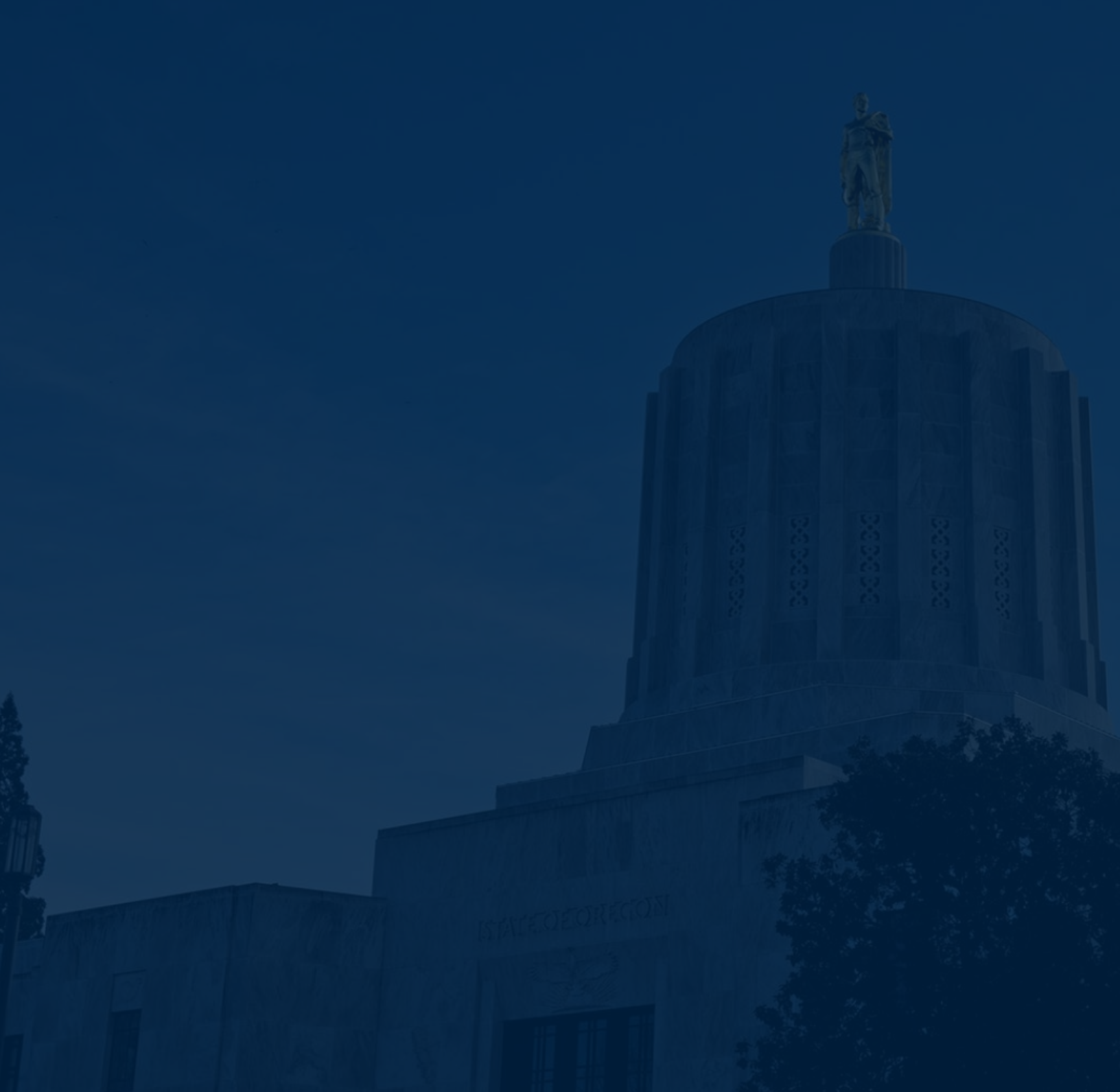
Negotiated Indirect Contract Rate Agreement (NICRA): NICRA refers to the indirect negotiated rate with a federal agency and applied to federal funding. NICRA is a tool used for determining the appropriate amount of indirect costs each program should bear. It is the ratio (expressed as a percentage) of an indirect cost pool and a particular direct cost base.

Procurement: The act of purchasing, leasing, renting or otherwise acquiring products or services (refer to ORS 279A.010). Procurement includes each function and procedure that an agency will undertake to enter into, administer, and manage the performance of a contract under the public contracting code. Procurement includes contract administration functions, including amendments.

Procurement Authority: The power to conduct any part or function in the procurement process). In addition to the power to award or modify a contract or purchase agreement, procurement authority may also enable a procuring agency to select the sourcing method, manage sourcing activities, negotiate contracts and draft contracts and other solicitation documents throughout the procurement and contract life cycle.

Capacity Building: An investment in internal staffing, systems and tools that improve a nonprofit organization ability to be more effective and efficient in advancing its mission; this is a long-term strategy that seeks to continuously improve the organization so that it is sustainable and effective. Most capacity building funding is done through a granted mechanism. Capacity building usually refers to enhanced operational capacity of the nonprofit as an organization, not capacities being built to add additional programming.

Technical Assistance: Also known as TA and commonly referred to as "consulting," Technical Assistance is the process of providing specific support to the government or on behalf of the government to a community, coalition or nonprofit organization with a development need or specific problem. It is often coupled with an effort to build capacity internally, but can be simply a method for solving a specific issue. Technical Assistance is most often contracted.