

4/4/23

To: Joint Committee on Ways and Means

From: Judy Strand, CEO, Metropolitan Family Service (MFS)

*RE: Support SB 606 Nonprofit Modernization*

Dear Co-Chairs Steiner and Sanchez, and Members of the Committee:

My name is Judy Strand, and I am the Chief Executive Officer at Metropolitan Family Service.

Nonprofits promote the well-being of Oregonians every day, providing for basic needs like food and shelter, offering opportunities for education and economic advancement, supporting arts and culture, protecting our civil rights, and so much more. But Oregon's nonprofits are struggling to provide the critical services Oregonians rely on. We need more financial support from the State to attract and retain staff.

Metropolitan Family Service partners with 18,000 community members who live in low resourced communities in the Portland Metropolitan area. With a focus on youth success, economic empowerment and health and wellness across the lifespan, our programs help people gain access to information, resources and support needed to move their lives forward. ([www.metfamily.org](http://www.metfamily.org)) As a nonprofit organization that has been serving the community since 1950, we have a great deal of experience with government contracts across all levels – city, county, state and federal. While we strive to respond to community needs, and have effective approaches with strong outcomes, we find that accessing funding for those needs takes time and cost on our end that is difficult for us to manage. Our interest is to move the services into the community when we can provide interventions and support in time to make a difference for people, and we believe that the nonprofit modernization act has some key elements that will help us do that.

The nonprofit modernization act will make a difference for our organization by eliminating reimbursement as a form of payment for state grants, requiring disbursement of contract funds within 30 days of signed contract, creating the Nonprofit Workforce Retention Fund to provide grants nonprofits to help maintain and prevent employee turnover, and creating a state task force to reform nonprofit contracting in order to streamline and simplify the process, raise wages, and create an ecosystem of administrative policies, statutes and funding levels that lead to sustainable government/nonprofit partnerships). Here are some of the experiences that we have encountered:

- At the local level (county/city contracts) we seldom are able to receive our full indirect rate in order to manage all that it takes to provide the contracted direct service, despite efforts we make to attain an annual federally approved indirect rate. This gap between full cost and service delivery grows as we respond to growing needs in the community, shifting the cost of doing services to the nonprofit. The expectation is that nonprofits will fundraise for that gap between what is allowed and our actual indirect costs, which is not a feasible solution when it comes to the extent of that gap as a multi-service organization responding to multiple needs.
- At the state level, there are a couple of barriers to the contractual process; one is the long delays that occur when we are in the negotiation process. The stated reason for this is the need for the DOJ to review and approve before changes can be made and the contract can move to signing. The other major issue at the state level is a payment delay that has lasted up to 4 months when a contract is moving from one contract year to the next. This puts a hardship on nonprofit organizations and cash flow needs to continue to do the work agreed upon in that contract.
- At the federal level, it is a very long process. We are required to submit our indirect cost request in December each year. It often takes 5-6 months to receive approval; last year it actually took 11 months. This also delays payments and puts the responsibility on the nonprofit to cover costs without any financial provision.
- Invoicing is another area where there are issues with the contracting process. It depends on the funder; however, some funders require a lot of backup, from copies of general ledger reports to actual receipt copies. While as a nonprofit we are very diligent in tracking all receipts, it is very time consuming for our staff (very lean teams) to have to pull this backup to be reimbursed. As nonprofits go through a rigorous and costly audit annually, that audit should provide assurance that our systems are in place and we are collecting the required documentation. In lieu of using that annual audit for verification, a spot check system for compliance – such as once or twice a year, would be less of a burden for nonprofits than requiring these for every reimbursement request.
- One final area of importance in this bill is the creation of nonprofit workforce retention fund, along with a task force to work on raising wages for our workforce. This is an urgent concern that we have. In order for our workforce to receive a living wage, contracts need to be substantially increased. When we lose competent staff to jobs in the government, we see the inequity very clearly. We are in a position of providing training and experience to a government department's workforce, instead of being able to sustain and grow leaders within our nonprofit organizations. This will not be solved with a small annual COLA, (1.5 or 2% is typical) given the pace of housing and living costs in our communities, and the fact

that we are unable to compete with governments who pay substantially more than we are able.

Metropolitan Family Service appreciates your consideration of SB 606.

By supporting Oregon's nonprofits, you support the well-being of Oregonians. I urge you to support Oregon's nonprofits by reforming State contracting practices and funding nonprofit staff retention. Please don't hesitate to contact us if you have any questions. I can be reached at [judys@mfs.email](mailto:judys@mfs.email).

Thank you for your leadership.

Sincerely,



Judy Strand, CEO  
Metropolitan Family Service