

# Senate Bill 602

Sponsored by Senators CAMPOS, MANNING JR; Senators GOLDEN, MEEK, Representatives CHAICHI, HARTMAN, NELSON, NOSSE, SOSA (Pre-session filed.)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act sets policies for the state to use for awards of grants and public contracts to certain recipients. (Flesch Readability Score: 67.3).

Establishes the Nonprofit Organization Advisory Council within the Oregon Department of Administrative Services. Specifies the membership of the council and requires the council to review the state's granting and procurement processes as applied to nonprofit organizations and report to the Legislative Assembly. Establishes the Nonprofit Organization Partnership Fund to fund the council.

Specifies requirements for grant agreements and public contracts into which state agencies enter with nonprofit organizations.

Requires the Oregon Department of Administrative Services to create a centralized database for use in managing the state's grants to nonprofit organizations.

Takes effect on the 91st day following adjournment sine die.

## A BILL FOR AN ACT

Relating to state agency relations with nonprofit organizations; and prescribing an effective date.

**Be It Enacted by the People of the State of Oregon:**

**SECTION 1. (1) The Nonprofit Organization Advisory Council is established within the Oregon Department of Administrative Services. The council consists of 15 members appointed as follows:**

**(a) The Speaker of the House of Representatives shall appoint one nonvoting member who is a member of the House of Representatives.**

**(b) The President of the Senate shall appoint one nonvoting member who is a member of the Senate.**

**(c) The Governor shall appoint 12 members who, to the extent possible, represent geographically diverse regions of this state, as follows:**

**(A) One member who represents the office of the Governor;**

**(B) One member who represents the Oregon Department of Administrative Services;**

**(C) One member who represents a public or private foundation with headquarters in this state; and**

**(D) Nine members who represent nonprofit organizations that since January 1, 2020, have received grants from or entered into public contracts with a state agency, a municipality or another nonprofit organization.**

**(d) The Attorney General shall appoint one member who represents the Department of Justice.**

**(2) The term of office of each voting member is four years, but a voting member serves at the pleasure of the Governor. Before the term of a voting member expires, the Governor shall appoint a successor whose term begins on January 1 next following. A voting member is eligible for reappointment for one additional term. If there is a vacancy for any cause, the**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 Governor shall make an appointment that becomes immediately effective for the unexpired  
2 term.

3 (3) Nonvoting legislative members shall serve two-year terms and are eligible for reap-  
4 pointment.

5 (4) Members of the council who are not members of the Legislative Assembly are not  
6 entitled to compensation, but voting members may be paid expenses if funding is available  
7 from contributions the Oregon Department of Administrative Services accepts under section  
8 2 of this 2025 Act.

9 (5) Members of the council who are members of the Legislative Assembly are entitled to  
10 compensation and expense reimbursement as provided in ORS 171.072.

11 (6) The council shall select one of the council's voting members as chairperson and an-  
12 other voting member as vice chairperson, for a two-year term. The chairperson and vice  
13 chairperson may not serve for more than two consecutive terms.

14 (7) A majority of the voting members of the council constitutes a quorum for transacting  
15 business.

16 (8) The council shall meet at a place, day and hour determined by the council. The council  
17 may also meet at other times and places specified by the call of the chairperson or of a  
18 majority of the members of the council.

19 (9) A majority of the voting members of the council must approve official action by the  
20 council. The council may recommend legislation, public policy and solutions to address the  
21 goals specified in subsection (10) of this section.

22 (10) The council shall:

23 (a) Review, in consultation with the Director of the Oregon Department of Administra-  
24 tive Services or such other employees of the department as the director may designate, the  
25 state's granting and procurement processes as applied to nonprofit organizations, including  
26 training materials, contract or grant agreement templates and related materials, and re-  
27 commend changes necessary to ensure that the processes and materials take account of  
28 business practices that are common among nonprofit organizations.

29 (b) Develop a report each year on progress that has occurred in state government related  
30 to grant making reform, procurement of services from nonprofit organizations and im-  
31 provement of thriving partnerships with community-based organizations. The council shall  
32 deliver the report to:

33 (A) The President of the Senate, the Speaker of the House of Representatives and a  
34 committee or interim committee of the Legislative Assembly related to grant making;

35 (B) The Racial Justice Council; and

36 (C) The Legislative Policy and Research Director.

37 (11) The Oregon Department of Administrative Services shall establish an office within  
38 the department with responsibility for providing staff support to the council and imple-  
39 menting recommendations from the Governor and the Legislative Assembly with respect to  
40 the state government's relations with and use of nonprofit organizations to carry out  
41 projects and activities in the public interest.

42 (12) All agencies of state government, as defined in ORS 174.111, shall assist the council  
43 in performing the council's duties and, to the extent permitted by laws relating to  
44 confidentiality, to furnish such information and advice as the members of the council con-  
45 sider necessary to perform the members' duties.

1       **SECTION 2.** (1) The Nonprofit Organization Partnership Fund is established, separate and  
 2 distinct from the General Fund. Interest earned by the Nonprofit Organization Partnership  
 3 Fund must be credited to the fund. Moneys in the Nonprofit Organization Partnership Fund  
 4 are continuously appropriated to the Oregon Department of Administrative Services for the  
 5 purposes of carrying out the duties of the Nonprofit Organization Advisory Council and of  
 6 the office the department establishes under section 1 (11) of this 2025 Act.

7       (2) The department, on behalf of the council and the office, may accept contributions of  
 8 funds and assistance from any source, public or private, and agree to conditions that are  
 9 consistent with the purposes of the office. All such funds must aid in financing the functions  
 10 of the council and the office and must be deposited in the Nonprofit Organization Partnership  
 11 Fund to the credit of separate accounts for the department and the council to disburse for  
 12 the purposes for which the funds were contributed.

13       **SECTION 3.** (1) As used in this section and section 4 of this 2025 Act:

14       (a) “Advance payment” means a payment a state agency makes to a nonprofit organiza-  
 15 tion under a grant agreement or public contract before the nonprofit organization disburses  
 16 moneys for purposes of carrying out the program or activity that is the subject of the grant  
 17 or public contract.

18       (b) “Grant” means a disbursement of moneys, property or monetary assistance from a  
 19 state agency to a recipient for the purpose of initiating or supporting a program or activity  
 20 on behalf of the state agency that the recipient carries out and in which the state agency  
 21 does not anticipate involvement other than monitoring compliance with the conditions upon  
 22 which the state agency made the disbursement.

23       (c) “Grant agreement” means a document that specifies terms and conditions under  
 24 which a state agency gives a grant to a nonprofit organization.

25       (d) “Nonprofit organization” means an organization or a group of organizations that is:

26       (A) Described in section 501(c)(3) of the Internal Revenue Code and is exempt from in-  
 27 come tax under section 501(a) of the Internal Revenue Code;

28       (B) Registered to operate in this state;

29       (C) Operated primarily for scientific, educational, service, charitable or similar purposes  
 30 in the public interest;

31       (D) Not organized primarily for profit;

32       (E) Not an institute of higher education; and

33       (F) Uses net proceeds to maintain, improve and expand the organization’s operations.

34       (e) “Program year” means a calendar year during which a program or activity that a  
 35 grant funds is active and the grant recipient is performing functions in compliance with  
 36 conditions specified for the grant.

37       (f) “Public contract” has the meaning given that term in ORS 279A.010.

38       (g) “State agency” means a state office, department, division, bureau, board, commission  
 39 or other agency that awards a grant to a nonprofit organization to carry out a program or  
 40 activity that the state agency specifies in a grant agreement.

41       (2)(a) Before a state agency awards a grant to, or enters into a public contract with, a  
 42 nonprofit organization for a program or activity that the nonprofit organization will carry  
 43 out on the state agency’s behalf, the state agency shall establish a budget for the program  
 44 or activity and identify the scope of work the state agency wants the nonprofit organization  
 45 to carry out, based on:

1 (A) The direct and indirect costs of the work to the nonprofit organization; and

2 (B) The cost of reporting the results of the program or activity, either on an ongoing  
3 basis or at the expiration of the grant or public contract.

4 (b) The state agency shall budget for the nonprofit organization's indirect costs as pro-  
5 vided in subsection (3)(b) of this section and shall specify whether indirect costs include re-  
6 porting costs. If indirect costs do not include reporting costs, the state agency shall establish  
7 a budget for reporting costs.

8 (c) The state agency shall identify and eliminate duplicative requests for reporting or  
9 analysis in the grant application or the solicitation for a public contract and the resulting  
10 grant agreement or public contract.

11 (3) A state agency shall provide in each grant agreement or public contract the state  
12 agency enters into with a nonprofit organization that:

13 (a) The state agency shall provide the equivalent of 25 percent of the value of the grant  
14 or public contract to the nonprofit organization as an advance payment upon the execution  
15 of the grant agreement or public contract and, as further advance payments at the beginning  
16 of each fiscal year in which the grant agreement or public contract has not expired or ter-  
17 minated, 25 percent of the amount due to the nonprofit organization under the grant agree-  
18 ment or public contract during the fiscal year.

19 (b) A nonprofit organization may charge as a cost of administering a grant or providing  
20 a service under a public contract and for the nonprofit organization's other indirect costs  
21 not less than the greater of:

22 (A) The rate of indirect costs that the nonprofit organization may charge under a nego-  
23 tiated indirect cost rate agreement with a federal agency, as provided in 2 C.F.R. 200.414, as  
24 in effect on the effective date of this 2025 Act, if the nonprofit organization has negotiated  
25 such an agreement; or

26 (B) A de minimis rate of up to 15 percent of the direct costs described in 2 C.F.R. 200.413  
27 that the nonprofit organization incurs in implementing the entirety of a program or activity  
28 under a grant or public contract.

29 (c) A nonprofit organization may negotiate during the term of the grant agreement or  
30 public contract for a greater rate of indirect or administrative costs than the rate specified  
31 in paragraph (b) of this subsection if the program or activity requires additional indirect or  
32 administrative costs to meet the objectives of the grant or public contract.

33 (d) The state agency must negotiate and establish a payment schedule in the grant  
34 agreement or public contract and must ensure timely payments to the nonprofit organization  
35 by tracking the state agency's performance and correcting performance that does not meet  
36 the payment schedule.

37 (e) The state agency must allocate funds to pay for any insurance coverage the state  
38 agency requires that exceeds coverage that would ordinarily apply to the business activity  
39 that is the subject of the grant agreement or public contract.

40 (f) If a state agency requires a nonprofit organization to limit participant access to a  
41 program or activity that is the subject of a grant agreement or public contract, the state  
42 agency shall:

43 (A) Make an advance payment to the nonprofit organization for direct services required  
44 under the grant agreement or public contract; or

45 (B) Remove the limitations on participant access to the program or activity if the grant

1 agreement or public contract provides for reimbursing direct costs of the program or activity  
 2 and the state agency does not fully fund the program or activity.

3 **SECTION 4.** (1) The Oregon Department of Administrative Services shall create a cen-  
 4 tralized database for the purpose of managing grants that the state awards to nonprofit or-  
 5 ganizations. The database must include, at a minimum, the following elements:

6 (a) A complete and current compilation of grant opportunities available from state  
 7 agencies, along with application requirements and materials;

8 (b) A complete and current compilation of active grants and grant programs and activ-  
 9 ities, including copies of grant agreements and program management workflow documents;

10 (c) A profile of each nonprofit organization that has previously applied for a grant from  
 11 a state agency, which must include a description of the nonprofit organization, key personnel  
 12 and a description of the nonprofit organization's capabilities to undertake programs and ac-  
 13 tivities on behalf of state agencies;

14 (d) A repository of training materials;

15 (e) Forms and templates for financial and program reporting; and

16 (f) Other information that will assist state agencies in eliminating duplicative applica-  
 17 tions and application materials.

18 (2) The department shall make the database described in subsection (1) of this section  
 19 available to all state agencies that have or will have grant opportunities available.

20 (3) Forms and templates that the department makes available in the database described  
 21 in subsection (1) of this section may not change during a program year.

22 (4)(a) A state agency with a grant opportunity shall consult the database described in  
 23 subsection (1) of this section before listing the grant opportunity and shall use best practices  
 24 to eliminate duplicative application requirements and processes, use standard forms and  
 25 templates where possible for application materials and reporting and otherwise seek to  
 26 streamline the grant application process, evaluation of applicants and grant awards to the  
 27 extent possible.

28 (b) Each state agency shall cooperate with the department to ensure that information in  
 29 the database described in subsection (1) of this section is at all times as current and accurate  
 30 as possible.

31 **SECTION 5.** This 2025 Act takes effect on the 91st day after the date on which the 2025  
 32 regular session of the Eighty-third Legislative Assembly adjourns sine die.