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Nationwide Survey Points to Need for Adjusting Government-Nonprofit Grants/Contracts to Accommodate Changes to Federal Overtime Rules

More than 1,000 nonprofits share aspirations and anxiety related to new overtime rule

Washington, DC – A new nationwide survey by the National Council of Nonprofits (Council of Nonprofits) found that, while nonprofit organizations support fair labor standards and paying workers overtime, the new federal overtime rules will force many performing services for the public pursuant to government grants and contracts to reduce staff and cut back on services unless governments take steps to revise written agreements to either adjust performance requirements or pay nonprofits for the extra mandated costs.

Building on prior research that has demonstrated the damaging effects of governments not paying nonprofits for the full costs of contracted services, this new survey of nonprofits with government grants and contracts illustrates the effects that increasing those costs will have on nonprofits' abilities to deliver services.

Key findings include:

- **Moral support** for the new overtime policy, coupled with **operational anxiety** in terms of how to cover the increased costs while maintaining current levels of service.
- **Concern for the public**, as a third of respondents anticipate that to comply with the new overtime rule they will be forced to reduce staff and service levels, likely leading to greater suffering in communities.
- Nonprofits with government grants and contracts find themselves stuck **between a rock and a hard place**. The vast majority of respondents reported that their existing government contracts don't take these higher costs into account and, unlike for-profits that can raise prices or governments that can raise taxes or cut services, nonprofits with government grants/contracts typically are contractually bound to provide services at fixed reimbursement rates that will not reflect the higher costs imposed by the new overtime rule.
- Nonprofits are **already subsidizing governments**. Consistent with similar findings of national surveys, 58 percent of survey respondents acknowledged that existing government grants and contracts cover only between 70 and 90 percent of the actual cost of service delivery.

"When federal law changes in the middle of a contract, then fundamental fairness dictates that government-nonprofit contracts should be adjusted immediately to accommodate that mandated change," said Tim Delaney, President and CEO of the National Council of Nonprofits. "Importantly, we are not calling for an exception to the overtime law for nonprofits; rather, we simply call for honest recognition by our government partners who serve the same constituents in the same communities that governments cannot continue to expect nonprofits to subsidize government obligations."

"Nonprofit employees provide a lifeline for many of our country's most vulnerable citizens, providing services that often are difficult to cut off exactly at 40 hours," said David L. Thompson, Vice President of Public Policy for the National Council of Nonprofits. "For the sake of the people relying on nonprofit services, for the sake of the people doing the work, and for the sake of the ability for charitable nonprofits to keep doing their good works into the future, governments must reopen and renegotiate existing grants and contracts to ensure that reimbursement rates and performance standards match the new, more expensive reality."

Read the [full survey report](#) and additional insights on the Final Overtime Rule's effects on nonprofits.

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About the National Council of Nonprofits

The National Council of Nonprofits is a trusted resource and advocate for America's charitable nonprofits. Through our powerful network of State Associations and 25,000-plus members – the nation's largest network of nonprofits – we serve as a central coordinator and mobilizer to help nonprofits achieve greater collective impact in local communities across the country. We identify emerging trends, share proven practices, and promote solutions that benefit charitable nonprofits and the communities they serve. Learn more at www.CouncilofNonprofits.org.