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Setting the Table for Reforms

The [nonprofit workforce shortages crisis](#) is one of the, if not the, greatest challenges the charitable nonprofit sector faces today. Government policies and practices affecting nonprofit grants and contracts exacerbate that crisis; nonprofit managers and employees can't operate efficiently or effectively when forced to deal with partial payments that don't cover full costs, significantly late payments, and unnecessarily burdensome application and reporting requirements. These challenges have been documented in the past but are now getting greater attention because of a sense of urgency in fixing the workforce shortages crisis.

Thanks to nonprofit advocacy in advance of the 2023 legislative sessions, state senators and representatives have been introducing myriad solutions to the workforce challenge out of concern for the sector. Of particular focus has been reforming government-nonprofit grants and contracting policies and practices that hurt nonprofits, the people they serve, and taxpayers. Such a deep-in-the-weeds focus area is no accident; nonprofits have been building to this point for months and years.

More than a decade ago, the networks of the National Council of Nonprofits elevated concerns about those broken "systems" and successfully championed reforms at the federal level and a few states that were open to change. New data shows that many of the challenges and problems today remain largely the same. Learn more about [Government-Nonprofit Contracting Reform](#). In particular, check out the [menu of 16](#)

[proven solutions.](#)

Now, in the long aftermath of the global pandemic, state associations of nonprofits and their members are launching reform campaigns. They aren't just saying they want reforms; they are proving that the reforms are needed.

For instance, last year, the [Nonprofit Association of Washington](#) (formerly Washington Nonprofits) conducted a statewide survey seeking current data from nonprofits on which challenges need to be addressed ASAP. The report, [The Nonprofit Experience with Government Contracting: Challenges & Recommendations](#), identifies six specific challenges in the categories of "Complex Contracting Processes" and "Financial Constraints." The report also provides four recommendations for ways to improve the government/nonprofit partnership, including compensating nonprofits fully for their work; overcoming contracting barriers that disproportionately impact nonprofits serving BIPOC, rural, and other marginalized communities; simplifying contracting processes; and investing in capacity building. The report is a guide for advocacy efforts in the 2023 legislative session and for ongoing discussions with executive-branch officials.

Just down the coast, the [Nonprofit Association of Oregon](#) (NAO) and coalition partners conducted extensive research on the government grantmaking and contracting challenges. The result of that research (surveys, interviews, analysis of prior reports) is the recently introduced **Nonprofit Modernization Act (S.B. 606)**. Among other things, the legislation would (a) establish the **Nonprofit Workforce Retention Fund** to provide grants to qualifying nonprofits to increase compensation and reduce turnover among employees; (b) set a minimum rate that state agencies may compensate nonprofits for **indirect costs** related to providing services; and (c) establish a **Task Force on Modernizing Grant Funding and Contracting** to develop solutions to longstanding problems. The Oregon state association of nonprofits is expanding the advocacy efforts this week through public meetings as it lobbies for the bill.

Late last year, **CalNonprofits** issued a [letter calling for improved nonprofit contracts](#) with government. The letter, signed by 553 nonprofit, philanthropic, and other community leaders, identifies six areas of improvement, namely contract startup funds; multiyear contracts and prompt renewal; prompt payment; flexibility in emergencies; full-cost reimbursement, and equitable access to state contract opportunities. [Read the press release.](#) As a demonstration of the impact of the letter

and past advocacy efforts on behalf of the nonprofit sector, Governor Newsom referenced the need for contracting reforms in his [budget address this month](#).

The significance of the broken government-nonprofit grants and contracts problem is perhaps demonstrated best when considering that the charitable nonprofit sector, as a whole, earns almost a third of its revenues by delivering services to the public on behalf of governments through grants and contracts. These data are not a business model, as each individual nonprofit has its own revenue mix (there is no standard one-size-fits-all), but they demonstrate that broken grants and contracts affect all nonprofits and weigh the entire sector down.

Infographic showing the source of nonprofit funding with 49% being earned from private fees

Before inviting elected officials to consider important policy reforms, effective nonprofit leaders set the table with data, stories, analysis, and educated constituents. Discussed here are examples in only three states. Connect with [your state association of nonprofits](#) and find out what's cooking and what you can be doing before and during the main course that is served up during the 2023 legislative session.