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Bringing Data to the Government-Nonprofit Contracting Debate (Part 1)

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Despite what we'd like to think, things aren't getting much better for the nonprofit sector. That's what the findings from the recently-released 2014 Nonprofit Finance Fund (NFF) [State of the Sector Survey](#) revealed.

For decades, issues related to outdated, redundant, and cumbersome government-nonprofit contracting and grant processes, and their effect on nonprofit organizations, have been anecdotal. Those with government contracts and grants know the reality all too well—contracting and grant practices are fraught with unnecessary costs for both governments and nonprofits, diverting resources from mission. Duplicative application and reporting requirements, such as multiple audits of the same records, continue to strain the nonprofit infrastructure. These redundant processes create added costs for nonprofits to respond, and costs to taxpayers for duplicative reviews.

For too long, the extent of the problems and their impact remained undocumented and uncertain, with the stories from nonprofit leaders often believed to be exaggerated or merely anecdotal. It's only in the past few years that we have actual

data to *prove* the problems. The annual State of the Sector surveys conducted by NFF and [data from the Urban Institute](#)'s research measure and document the negative impact that broken government-nonprofit contracting systems have on the nonprofit sector. These are no longer just anecdotes, but undeniable trends that demand attention.

A Closer Look at the NFF Survey

Consistent with experiences of those working day in and day out in their communities, the 2014 NFF Survey reveals that demand for services continues to increase, while the ability of nonprofits to meet growing needs continues to decline. Fifty-six percent of nonprofits responding to the survey say they are not able to meet the growing demand for services, the highest level ever reported in this survey. Even more startling is [that 87 percent of lifeline organizations](#) — those nonprofits helping the most vulnerable in our communities with their most basic needs — report the need for services is still growing. What's more, they expect the demand, as well as their financial challenges, to be even more difficult to meet in 2014.

Many of the problems nonprofits are experiencing relate to government-nonprofit contracting and grant practices. While demand for services is increasing, almost half of those surveyed said that federal and state government funds they receive for providing services have declined over the past five years. Three out of four reported that government funds have remained the same or declined.

Twenty-four percent say reimbursements for indirect costs have declined during these same five years. Almost two-thirds rarely or never receive enough to cover their actual costs. Further adding to the difficulties, more than half of nonprofits surveyed said that payments from all levels of government are late. Practices that force nonprofits to continually operate in this "survival mode" compromise their ability to be effective and efficient in serving their communities.

The data from NFF and the Urban Institute measure and document the effects of government-nonprofit contracting systems that have become increasingly dysfunctional over the years, resulting in processes that now contain unnecessary and burdensome requirements that add to costs for both nonprofits and governments.

Although there is still a great deal of work to do, this substantive data is providing the impetus for several states to begin reforming their contracting and grant systems. [In the next blog](#), I'll discuss solutions and progress that states have made to work toward better processes for government, nonprofits, and communities. [Stay informed about the progress of these efforts](#) or get involved and strength the case for reform by sharing your nonprofit's stories with your [state association of nonprofits](#).

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