The National Council of Nonprofits (NCN) welcomes this opportunity to provide testimony to the Senate Committee on Homeland Security and Governmental Affairs regarding the experiences of charitable nonprofits in accessing, managing, and reporting on federal grants. Our nationwide networks of organizations wholly endorse the theme of today’s hearing, “Improving Access to Federal Grants for Underserved Communities.” In this statement, we seek to address recurring challenges and questions about the federal grantmaking process. We stand ready to assist all Senators on the Committee in identifying concerns and connecting with impacted charitable organizations in their states.

The information, comments, and solutions presented in this testimony come from a variety of sources, including NCN’s long history and expertise in the subject area and comments provided in responses to the Nonprofit Workforce Shortages survey that has been in the field throughout April 2023. In addition, this statement recaps input from hundreds of frontline charitable nonprofits in the network of state associations of nonprofits and the #Relief4Charities coalition of national nonprofit organizations. In advance of today’s hearing, NCN reached out to these multiple networks of nonprofits to solicit responses to three fundamental questions that we believe are most relevant to the Committee’s inquiry:

1. **Accessing Grants:** Does your organization have difficulty finding relevant funding opportunities and/or lack the capacity to apply for and/or manage the compliance aspects of grants?

2. **Technology and Technical Assistance:** Has your organization experienced technical difficulties with federal grants websites (e.g., grants.gov) or had trouble getting technical assistance from the funding agency?

3. **Other Challenges and Considerations:** Are there other challenges with the federal grants process that your organization has experienced related to accessing, managing, or reporting on federal grants?

The comments we present in this testimony summarize the responses from the field and present solutions.

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1. [Nonprofit Workforce Survey](https://example.com), posted on Mar. 27, 2023, and closed for submissions on May 1, 2023. NCN will provide the Committee with the full report on the survey once published.
Background

The National Council of Nonprofits is the largest network of charitable nonprofits in North America, creating a connected and powerful nonprofit community that is equipped to advance the public good. We focus on the 97% of charitable organizations with budgets under $5 million – food banks, neighborhood health clinics, community theatres, domestic violence shelters, senior centers, and more – the nonprofits whose absence would leave huge voids in their communities. Working with our core network and other collaborative partners, we champion, inform, and connect organizations across the country to get things done for nonprofits and the people and communities they serve.

Since at least 2009, NCN has championed reforms to government grant and contracting systems. Through direct engagement with frontline nonprofits, nationwide research, detailed analyses, and advocacy at the local, state, and federal levels, we have identified and documented fundamental problems that charitable organizations routinely face when performing services on behalf of governments pursuant to written agreements. Those challenges consistently fall into five categories:

1. failure to pay full costs;
2. needlessly complex application processes;
3. overly complex reporting requirements;
4. inappropriate mid-stream changes to grants and contracts; and
5. late payments.

Importantly, we have also been instrumental in developing and sharing real-world solutions with governments at all levels, many of which have implemented those solutions that are now reaping cost savings, creating greater efficiencies, and delivering enhanced services with greater outcomes for constituents. Many of these solutions are presented at Solutions to Government-Nonprofit Grantmaking and Contracting Problems.

To prepare for today’s hearing, NCN reached out to multiple networks of nonprofits to gather more information to share with Committee members the fullest range of experiences and insight. We also gleaned valuable insights from responses of organizations participating in the Nonprofit Workforce Shortages Survey that has been in the field throughout April 2023. As we learned from the results of a similar nationwide survey in late 2021, nonprofit employers point to challenges with government grants – e.g., complexity, redundancy, and cost constraints – as adversely impacting their ability to attract and retain qualified staff. While the current survey is far broader than the focus of this hearing, we incorporate initial comments and recommendations from the field that, we trust, will inform the Committee’s deliberations.²

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² Additional insights can be found in reports on government-nonprofit grants and contracting challenges produced by the National Council of Nonprofits, including Toward Common Sense Contracting: What Taxpayers Deserve, May 2014; and more recently by the Nonprofit Association of Oregon (Services, Systems, and Solutions: A Study of Government to Nonprofit Contracts in Oregon, 2022) and the Nonprofit Association of Washington (2022 Government Contracting Report).
Questions Presented

1. **Accessing Grants**

We asked organizations to share if they have difficulty finding relevant funding opportunities and/or lack the capacity to apply for and/or manage the compliance aspects of grants.

- **Failure to Cover True Costs**: Perhaps the most common grievance of charitable nonprofits working pursuant to written agreements with governments is that governments – which cover the costs plus pay profits to for-profit entities – regularly fail to cover the costs nonprofits incur, whether those costs are called indirect costs, overhead, administrative costs, or in the next case, true costs. A large **Kentucky** human services provider explained that “grants and contracts should all pay the true cost of the service, including the cost of the critical infrastructure needed to run our businesses effectively.” They stress that “pay sources must include consistent increases in reimbursement rates into the future to help organizations to have the opportunity to pay better wages,” noting that “some of our reimbursements have not changed in 20 years.”

Most government grants do not cover the full costs, putting the public at risk by jeopardizing the sustainability of nonprofits, particularly in underserved communities. When governments fail to pay the full costs of the services they expect from charitable nonprofits, governments narrow the pool of potential grantseekers, impose unfair costs on those able to subsidize the governments, and shortchange the residents that programs are intended to support. Nonprofits ask such fundamental questions as, “Would the federal government give a contract to Boeing to build an airplane and expect to pay for only 70% of the cost or reimburse Boeing using 20-years-old reimbursement rates?” and “Why are nonprofits being asked to fulfill the federal government’s goals with only a fraction of the funding required to get the job done?”

- **Complexification**: Grant applications can be extremely long and often require a great deal of redundancy (e.g., state & federal certifications, attestations, and other documents we must fill out a dozen times each year). Smaller organizations typically do not have the capacity to undertake the extensive effort to apply. A **North Carolina** nonprofit opined that it seems that duplicative forms could be filled out once per year and kept on file by governments. A small **Vermont** nonprofit explained that federal grants are simply too complex, stating, “The most recent application that we decided not to pursue is the Community Block Economic Development Program.” The reason: “It was far too cumbersome and not nonprofit friendly.”

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3 We note that the problem with accessing federal grants is not unique to small charitable nonprofits. In a survey conducted by the Urban Sustainability Directors Network (USDN), only 10-15% of respondents from local government practitioners feel “very or extremely comfortable, informed, and equipped to pursue federal funding.” Feedback submitted by participants showed that local governments lack capacity and/or expertise, it is not easy to find the right grant, the applications are complicated, and the application time period is short. Many of these experiences also apply to charitable nonprofits.

• **Overly Prescriptive Grant Requirements:** A small human services nonprofit in **Washington State** expressed frustration that grants tend to include seemingly arbitrary and costly service requirements that are not fully funded. The nonprofit professional completing the workforce shortages survey wrote, “Narrowly focused grant or contract requirements do not provide baseline support for nonprofit administration and operations.” They go on to explain, “Nonprofits often know the community needs but fund sources dictate program design based on what they ‘think’ community needs.” Their conclusion: “This seems backwards.”

• **Grant Duration:** The shorter the length of a grant, the less likely small or new organizations will seek to access the funding opportunity. “When grants are for only one year,” a small **New York** nonprofit explained, “more time is spent hiring and training than on the impact we are trying to make.” A **North Carolina** nonprofit focusing on substance abuse prevention observed that all of the federal grants require reapplication each year, even when the grant award is a multi-year award. For example, for the DFC grant, “we were awarded our initial grant in 2016 and it was a 10-year award,” yet, “each year [we] had to submit a ‘non-competing application,’ which is just as long but is generally just formality.”

• **Reimbursable Grants vs. Up-Front Payments:** The fact that most government grants for services are paid on a reimbursement basis is a challenge that charitable organizations are seeking to overcome. “Government grants and contracts are often approved on a reimbursement basis, and they do not always cover our program and/or admin costs,” wrote a large **Oregon** human services provider. In that state, and several others across the country, pending legislation would flip the practice and mandate lump-sum or partially pre-paid grants in many circumstances. This approach would make grants more accessible, and improve planning for nonprofits, enabling them to staff up and provide ongoing training to ensure both performance and accountability.

• **Requiring Matching Funds:** A **Maryland** nonprofit pointed to matching fund requirements as perhaps the greatest impediment to nonprofits that are new, operate in rural areas, and/or are run by or serve people and communities of color. The nonprofit professional called requirements for nonprofits to raise matching funds “a barrier and make federal funds even more out of reach for small and midsized organizations in underserved communities.” Further, the requirement also unfairly “pulls local dollars into federal priority areas instead of allowing local philanthropic and government funds to be focused on local priorities.”

• **Evidence-Based Practices Are a Barrier for Underserved Communities:** The requirement to use evidenced-based practices (EBP) in myriad federal grants “cements traditional white dominant culture approaches,” wrote a nonprofit professional, “that are often very expensive and out of reach for nonprofits working in, and led by people of color or rooted in underserved communities.” The individual gave as an example the Family First Prevention Services Act, which requires EBPs for child welfare programs, and has a federal “clearinghouse” that is operated by for-profit companies that reportedly charge high fees to certify a nonprofit in that EBP. Nonprofits complain that many EBPs, including well known ones such as cognitive behavioral therapy, have not been proven to work well with all populations, particularly those in underserved communities.
2. Technology and Technical Assistance

Have you experienced technical difficulties with federal grants websites (e.g., grants.gov) or had trouble getting technical assistance from the funding agency?

- **Broadband Access**: An official of a small rural community in **Minnesota** observed that “the absence of broadband in some rural areas means that officers may not have access to the internet, making it difficult to search for available grants or apply electronically.” They went on to observe, “This digital divide can be a significant barrier for rural communities in accessing the funding they need to carry out important projects and initiatives and serve their outstate, rural residents in a high quality manner.”

- **Grants.Gov and GrantSolutions.gov**: Although built to streamline the grant-finding process, charitable nonprofits regularly complain about the complexity and user-unfriendliness of grants.gov. A **New Jersey** nonprofit wrote about searching for grant opportunities, stating “it is so unclear what is open, when it is open, how we apply. We would have to find some serious experts who would do a federal grant, and don’t even know where to begin to find someone.” (Emphasis in original.) That nonprofit confided that it has had to hire outside consultants to weave their way through the government grantmaking process.

A **youth-serving organization** discovered that access to grants.gov is tied directly to an individual who was the original point of contact. If the person who opened the nonprofit’s grants.gov account leaves for any reason, then the nonprofit gets locked out of grants.gov, thus keeping potential grant applicants effectively barred from even learning about grant opportunities, let alone applying for them. The nonprofit expert concluded, “This has actively prevented some applicants from applying.”

A large **Idaho** nonprofit pointed out that “frequently the list of items required to upload to grants.gov does not match the RFP or NOF.” They stated further, “In order to get feedback on your grant review you have to request it,” explaining that “sometimes you receive it and other times you have to keep asking.” The nonprofit concluded by asking, “Why not upload reviews on Grants.gov for each submission?”

Regarding GrantSolutions.gov, the same organization expressed frustration that the site “is frequently a challenge,” noting that “[l]ack of consistency between program officers and guidance documents often leaves us wondering if we have missed something or providing more information than needed.” They also observed that “getting log-ins is often difficult and can take months to get an approval.” The nonprofit reported further: “The number of platforms used across the federal government is sometimes staggering. We most often submit through Grants.gov, but then reporting happens through so many other portals. It is a challenge for Grants Director and staff to become efficient at all these various portals.”

- **Logging onto Sites**: Many nonprofits have pointed out that the multiple websites of the federal government are difficult to access and that it is even more difficult to maintain multiple passwords. This abbreviated experience of a **North Carolina** professional should serve to make the point that
inconsistencies and complexity are not helpful as nonprofits seek to access grants to better serve residents in their communities:

In order to log in to ERA Commons, you must go through the LOGIN.gov interface. Then, once logged in, you prepare your grant, check it for errors, and submit. When you submit, you must verify your identity by providing your Grants.gov username and password. The username and password for Grants.gov expires every 3 minutes (okay, that might be an exaggeration, but it is always expired) and I must go to Grants.gov to reset my password before I can submit in ERA Commons. To log in to Grants.gov, I must go through the LOGIN.gov website … which means that I NEVER actually use my Grants.gov password anymore.

Consequently, last year when I tried to submit through ERA Commons, I thought that my LOGIN.gov password had expired and I needed to change it. When that didn’t work, I called technical assistance and found out that I needed to log in to Grants.gov through LOGIN.gov and then go to my account in Grants.gov and change the password that I am literally unable to use for ANYTHING else. Have I lost you yet? Once I figured that out, I could then go back to ERA Commons and submit. You cannot make up this stuff!

3. Other Challenges and Considerations

Are there other challenges with the federal grants process that your organization has experienced related to accessing, managing, or reporting on federal grants?

- **Paperwork Burdens and Workforce Shortages:** A Minnesota nonprofit with staffing vacancies shared that during exit interviews, staff cited that “burdensome data entry requirements of government contracts and high expectations from community members were the two most common factors leading to burnout/dissatisfaction with work.” The correlation between burdensome and unnecessary paperwork and the workforce shortage is also explained eloquently by this Illinois nonprofit comment: “Many staff say the requirements for the government grants (documentation, assessments, multiple systems to have to work in) is too much and too stressful.” A New York nonprofit reported, “Monitoring of contracts with government is much more painful,” warning that “unreasonable petty demands may result in organizations closing.”

A small nonprofit providing crisis services in Connecticut revealed that “government grants have continuously increased the amount and frequency of reporting, but provide no increase in grants to cover the increase in expenses to cover these tasks.” A Maine nonprofit echoed this theme, writing: “We are being asked to provide more and more information related to our work by our grantors. Yet no one wants to pay for administrative costs. We cannot keep up the demand for all the administrative work that is being required of us without it being funded.”

- **Multiple Levels of Administration and Oversight** consistently create challenges. As one nonprofit grants expert in Maryland explained, “When the federal government puts the squeeze on jurisdictions administering federal funds, those pressures are compounded on the nonprofits subgrantees and lead to delays in contracts, payments, costly requirements, and often rushed schedules to make up for compressed timelines.”
Recommendations for Actionable Grantmaking Reforms

The National Council of Nonprofits has determined from our previous investigations that there isn’t one legislative or regulatory fix that will realign grantmaking and contracting systems. We have found, and documented\(^5\), that all systems break down and become dysfunctional over time. As a result, targeted reforms and adjustments are regularly needed. Below are specific reforms related to challenges raised above.\(^6\)

1. **Multi-Year Grants**: The rationale behind grants that extend beyond one year should be self-evident. Multi-year grants promote access for smaller organizations, reduce administrative costs for applicants and governments alike, and enable governments and nonprofits to evaluate progress and, when done right, make adjustments over time.

2. **Up-Front Payments vs. Reimbursable Grants**: As noted in numerous surveys and reports, a key reason nonprofits give for not seeking government grants and contracts is the requirement that they commence performance and then seek reimbursement later.\(^7\) This system requires service providers to essentially front the governments’ start-up costs and trust that the government program management and accounts payable processes are properly functioning. The culture in government of only paying on a reimbursement basis is so prevalent that the U.S. Treasury Department had to expressly override it last year when instructing state and local governments on the rules governing spending of Coronavirus State and Local Fiscal Recovery Funds allocated under the American Rescue Act.\(^8\) In fact, the practice of reimbursement-only grants is so destructive that nonprofits are actively seeking reforms at the state level to ensure that grants to charitable nonprofits include an up-front expenditure component.\(^9\)

At a minimum, we believe Congress should mandate that federal departments and agencies cover the start-up costs and early operational expenses that charitable nonprofits reasonably incur in performing

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\(^6\) We note here that Kentucky recently enacted a comprehensive reform bill (H.B. 9) to establish the Government Resources Accelerating Needed Transformation (GRANT) program to streamline the grantmaking process. The legislation calls on the Commonwealth to create and make available a standardized grant application as well as a regional grant application; develop a standardized scoring system; review the applications and proposals submitted; verify eligibility; verify eligible projects; and award matching grants.

\(^7\) Other common reasons nonprofits give for not seeking government grants and contracts are requirements for matching grant funds and late payments.

\(^8\) The “[Treasury] Department does not require or have a preference as to the payment structure for recipients that transfer funds to subrecipients (e.g., advance payments, reimbursement basis, etc.). Ultimately, recipients must comply with the eligible use requirements and any other applicable laws or requirements and are responsible for the actions of their subrecipients or beneficiaries.” Final Rule for the State and Local Fiscal Recovery Funds, Treasury Department, Jan. 27, 2022, 87 Fed. Reg. at 4379, footnote 230. Elsewhere, the ARPA Final Rule states, “Recipients may transfer funds to subrecipients in several ways, including advance payments and on a reimbursement basis.” Final Rule, Treasury Department, Jan. 27, 2022, 87 Fed. Reg. at 4380.

\(^9\) See California A.B. 590 (stipulating an advance payment structure and request process); North Carolina H.B. 259 (requiring full or quarterly disbursement of grant funds); and Oregon S.B. 606 (restricting use of reimbursement as a mechanism for grant payments except in limited circumstances).
services on behalf of governments. The mandate should extend to the use of federal funds by pass-through entities like state and local governments.

3. **Payment of Indirect Costs**: The Office of Management and Budget's Uniform Guidance\(^\text{10}\) already requires governments to pay the indirect costs of nonprofit performing services under grants. The challenge, however, is that OMB has little or no enforcement powers, federal departments and agencies demand waivers (usually based on reference to statutory restrictions), and pass-through entities too often ignore this important regulatory obligation.

The OMB Uniform Guidance protections for charitable nonprofits are generally sound; enforcement is the problem. We urge Congress to instruct OMB to empanel a Commission on Federal Grants Reform to offer recommendations to streamline and improve the operational relationship between all levels of government and the nonprofit sector. Express attention should focus on payment by pass-through entities and others of indirect cost rates and the establishment of a clearinghouse of agency decisions or other means for maintaining consistent interpretation of the OMB Uniform Guidance. Further, such a commission should also review federal statutes and regulations to identify inconsistent requirements and restrictions on payment of “administrative costs” and other terms and definitions, and consider the impact of inconsistent or conflicting rules on organizations seeking federal and state pass-through grants on their operations and sustainability.\(^\text{11}\)

4. **Improving Data Collection and Coordination to Reduce Redundancy**: It’s not unusual for any government grantee or contractor to point to data collection requirements as an example of excessive bureaucracy. A **Connecticut** nonprofit expressed their exasperation: “Don’t gather data just to gather data.” They encourage “streamlining data to key indicators and reduce the data that is not being used or interpreted.” They also encourage governments to unify “expectations across all departments,” pointing out that “interpretation of rules vary across state and federal departments.” In addition to needed reforms and consolidation of federal grants portals and data collection requirements, frontline nonprofits recommend these two field-tested actions to reduce burdens and complexity.

- **Document Vault**: An **Idaho** nonprofit, that has as many as 20 federal and/or state grants at any one time, shared that most are for three years in length while one runs for five years. “All of the applications and continuation grants require many of the same organizational documents (501(c)(3) status, board list, assurances, audit, indirect rate).” That nonprofits plea is compelling: “Couldn’t all of these be uploaded to one place for our organization and updated annually rather than uploading them so many times?” The proposed solution – utilization of a “document vault” – is used in many states.\(^\text{12}\)


\(^{11}\) See **Nonprofit Sector Strength and Partnership Act of 2022, H.R. 7587 (2022)**, Section 4(b)(7) (bipartisan legislation to update government grant and contract systems and enhance partnerships between government and nonprofits, including through the convening of a commission on Federal grant reform).

• **Standardized and Coordinated Reporting:** A nonprofit asked: “Across federal agencies reporting varies considerably. Could semi-annual and annual or some other schedule be standardized for all federal grants?”

5. **Funding Capacity Building:** Frontline nonprofits report the recurring challenge of performing services on behalf of governments based on reimbursement rates that don’t include support for capacity building expenses. A very small Tennessee human services provider explained: “Most funders want to support programming, but programs don’t manage themselves. There have to be people to lead, manage, report, and oversee those programs.” (Emphasis added.) Both as a practice that promotes access to federal grantmaking and as a way to ensure better outcomes, we urge Congress to expressly fund capacity building programs such as grants management and reporting.

**Additional Solutions to System-Wide Challenges**

**Making Federal Grant Opportunities More Accessible and Understandable**

Much of the foregoing discussion of challenges frontline charitable nonprofits face relate to the inscrutable nature of federal grants, concerns over complexity and costs, and a lack of understanding or capacity to consider, much less take on, the burdens that come with federal grants. We are aware of efforts underway at the Department of Health and Human Services and discussions in Congress about making the process simpler. We fully endorse the concept of simplicity and system streamlining.

One reasonable idea calls for requiring the federal government to provide short summaries of funding opportunities in plain language that small charitable organizations could understand. Ideally, the summaries (of one-page or shorter length) could allow nonprofits to realize on first reading whether they are eligible for the grant and what performance and reporting requirements it would entail. A short, plain-language summary of grant opportunities would essentially force the federal funders to look at the grant from the provider’s perspective, cut down on boilerplate provisions that are not necessary in the specific program or project, and, perhaps most importantly, enable organizations, particularly those serving underserved communities, usually shut out of the grantmaking process to gain access and grant funding. This last point – enabling more nonprofits to participate in the process – would directly relate to the topic of this hearing: **Improving Access to Federal Grants for Underserved Communities**.

**Taking Advantage of Expertise in Grantmaking to Charitable Nonprofits**

Finally, it has become abundantly clear that generic, one-size-fits-all grantmaking and contracting approaches hinder rather than enhance the ability of charitable nonprofits, and particularly smaller organizations, to access federal funds to serve local communities. In many cases, governments seek to create grantmaking procedures based on systems for the procurement of goods from for-profit businesses. Or, many governments presume that only large, well-staffed organization have the wherewithal to apply for grants and contracts, resulting in the incorporation of prescriptive and technical demands that may not be appropriate or needed for the vast majority of programs or charitable nonprofits. In short, too often there are disconnects between what the government needs, how it interacts with charitable organizations, and the demands it imposes.
solution to this challenge is for governments to rely on and learn from the experiences and expertise of grantmakers who regularly deal with charitable nonprofits.

As the National Council of Nonprofits wrote last year, “Governments today can benefit from recent lessons learned about designing and managing relief and grant programs, based on experiences related to programs created and funded under the 2020 CARES Act and the first round of ARPA funds.” Among the recommendations from a review of successful programs and engagements between governments and nonprofits are the need to permit broad, rather than narrow, uses of funds; use simple, clear, easy-to-understand application forms that minimize the required documentation; and enlist nonprofit experts to administer the programs. On this last point, the NCN publication states:

**Recommendations:** Appoint program administrators – whether a government agency or third-party intermediary – that have prior experience and strong relationships with nonprofits. Partner with nonprofits for technical assistance. Avoid multi-layered approaches where monies must be transferred to several agencies, departments, or regional entities, because every additional layer delays distribution of funds in communities.

We note that grant programs at the National Endowment for the Arts regularly engage with the charitable nonprofit community to ensure that its grant specifications and outreach efforts address the needs of the nonprofits, particularly those that have small budgets, operate in rural areas, or are led by or serve people of color. In particular, we point to the Challenge America program, which is tailored to support primarily small organizations by utilizing an abbreviated application and a robust structure of technical assistance.

We also point the Committee to the extensive experience of philanthropic grantmakers to identify best practices developed by experts whose time is devoted almost exclusively to working with and through charitable nonprofits to achieve desired objectives. Rather than impose pre-existing structures on charitable nonprofits, we recommend that the federal government partner with philanthropy serving organizations, such as the Council on Foundations, the PEAK Grantmaking Community, community foundations, and others to better recognize the unique values and capabilities charitable organizations bring to projects and to develop an understanding of how charitable nonprofits are different.

Respectfully submitted,

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