

National Council of Nonprofits Resolution in Support of Full Implementation of the OMB Uniform Guidance Through Collaboration Among Governments, Foundations, and Nonprofit Organizations

In recognition that federal grants reforms promulgated by the federal Office of Management and Budget offer significant challenges and transformative opportunities for governments, foundations, and charitable nonprofit organizations, the Board of Directors of the National Council of Nonprofits recognizes and resolves the following:

WHEREAS:

1. Charitable nonprofits, private philanthropy, and governments share a common commitment to improving lives and communities throughout the United States.
2. The U.S. Government Accountability Office has found that “Federal, state, and local governments rely on nonprofit organizations as key partners in implementing programs and providing services to the public, such as health care, human services, and housing-related services.”¹
3. The National Council of Nonprofits – the nation’s largest network of charitable nonprofits – has focused since 2009 on improving government-nonprofit contracting systems and strengthening the public-private partnership at all levels, with the goals of removing impediments to nonprofit effectiveness, efficiency, and sustainability and promoting common sense solutions that benefit governments, nonprofits, taxpayers, and people receiving services.²
4. Donors, governments, and nonprofits have been recognizing in recent years that arbitrary measurements, such as the ratio between program costs versus management/administrative and fundraising costs (“overhead ratio”), are poor indicators of nonprofit efficiency and effectiveness. They also recognize that failing to pay overhead costs “starve charities of the freedom they need to best serve the people and communities they are trying to serve.”³
5. Multiple studies reveal that the usual range of overhead rates for service-delivery for-profit companies and nonprofit organizations alike is approximately 25 percent to 35 percent.⁴
6. Research demonstrates that nonprofits providing services on behalf of governments often are not paid the full costs of services performed, and in particular are not reimbursed for the actual indirect costs (sometimes called overhead) they must incur to provide the contracted services.⁵ The federal Government Accountability Office identified this recurring problem and

¹ Government Accountability Office, “[Nonprofit Sector: Treatment and Reimbursement of Indirect Costs Vary among Grants, and Depend Significantly on Federal, State, and Local Government Practices](#),” Report GAO-10-477 (May 2010) (“GAO Report”); (“The Congressional Research Service (CRS) estimates that government grants and payments to the nonprofit sector increased almost 53 percent from 1995 to 2005, demonstrating governments’ increased reliance on this sector to deliver public services.”).

² See [Government-Nonprofit Contracting Reform](#), National Council of Nonprofits website.

³ [Letter to the Donors of America](#), by Better Business Bureau Wise Giving Alliance, Charity Navigator, and GuideStar (June 2013). See also, [Real Talk About Real Costs: Donors Forum’s Commitment to Full-Cost Funding](#), Donors Forum of Illinois, June 10, 2014; [The Truthiness About Overhead](#), by Heather Peeler, Grantmakers for Effective Organizations, published in *GMNsight*, December 27, 2014.

⁴ See [Toward Common Sense Contracting: What Taxpayers Deserve](#), National Council of Nonprofits (May 2014), p. 10 and citations in footnotes 16 and 17.

⁵ See GAO Report; see also [National Study of Nonprofit-Government Contracts and Grants 2013: State Profiles](#), Urban Institute (May 2014); and [Investing for Impact: Indirect Costs Are Essential for Success](#), National Council of Nonprofits (September 2013).

issued a warning about the adverse effects on governments and the public: “[T]hese challenges potentially limit the sector’s ability to effectively partner with the federal government, can lead to nonprofits providing fewer or lower-quality federal services, and, over the long term, could risk the viability of the sector.”⁶

7. When governments do not pay the full costs for services provided by nonprofits pursuant to contracts and grants, nonprofits typically turn to private philanthropy to fill the gaps, calling on foundations to subsidize government and redirect their planned donations away from other important priorities. Private philanthropy is not able to fill these gaps.⁷
8. The federal Office of Management and Budget promulgated the [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#), commonly known as the OMB Uniform Guidance, which became effective on December 26, 2014. The goal of the federal grants reform, which took more than three years of planning and merged eight sets of prior OMB circulars, has been to provide consistency in the use of federal funds by all governments and entities receiving grants and contracts to provide services in order to ease administrative burdens, increase efficiency and effectiveness of federal awards, and strengthen the oversight of federal funds.⁸ Ultimately, the reforms are expected to reduce the risks of waste, fraud, and abuse, by, among other things, streamlining and clarifying cost allocation and other rules related to government grants and contracts, removing some areas of confusion and inconsistency while treating more of a nonprofit’s expenses as direct (reimbursable) costs.⁹
9. Among other things, the OMB Uniform Guidance expressly mandates that governments at all levels – local, state, and federal, as well as nonprofits – using federal funds to hire nonprofits to deliver services must now reimburse nonprofits for the reasonable indirect costs. This new requirement to reimburse indirect costs represents the federal government’s official recognition that all governments entering into written agreements with nonprofits to deliver services to the public have an affirmative duty to pay their fair share of the costs that those nonprofits incur.¹⁰
10. Implementation of the OMB Uniform Guidance will require thousands of government officials and employees working at the local, state, and federal levels to make tens of thousands of decisions across the country and then explain those decisions to tens of thousands of nonprofit program, grants, and contracting personnel. Without prompt, consistent, and transparent training, the likelihood is great that there will be inconsistency, misinterpretations, and confusion that will adversely affect program and procurement efficiency, resulting in disruptions of service that hurt the public, add costs, create adverse audit findings, and delay the realization of intended benefits of the federal grants reforms.
11. Due to scarce resources, OMB and the Council on Financial Assistance Reform (COFAR) have been able to provide only limited, web-based training opportunities and answer frequently-asked questions (FAQs). In the foreseeable future they are not expected to provide comprehensive training programs for government officials or employees at the state and local levels and do not have the capacity or resources to respond in a timely manner to the

⁶ GAO Report.

⁷ Private philanthropy does not have sustainable resources to fill these gaps, given that the nonprofit sector as a whole earns about 32.7 percent of its revenue from government contracts and grants, and receives less than 13 percent from donations (1.8 percent from foundations, 9 percent from individuals, 1 percent from bequests, and just 0.6 percent from corporations). See *The Nonprofit Sector in Brief – 2013*, National Center for Charitable Statistics; *Giving USA – 2012* (both using 2011 data).

⁸ See [Executive Order 13520](#) (November 23, 2009) and [February 28, 2011 Presidential Memorandum](#).

⁹ [Transforming the Landscape of Federal Financial Assistance](#), David Mader, Controller, Office of Management and Budget, December 18, 2014.

¹⁰ This recognition is expressed most succinctly in answers to [Frequently Asked Questions](#), where OMB states: “The cost principles are designed to provide that the Federal awards pay their fair share of the costs recognized under these principles.”

many challenges that individual nonprofits and governments in the states will encounter. No new or additional resources are anticipated from the federal government to pay for programs to secure full implementation of the OMB Uniform Guidance.

12. Governments at all levels, private philanthropy, and nonprofits all have a profound interest in the successful implementation of the OMB Uniform Guidance, both to take advantage of the benefits of the streamlining reforms and to avoid exposure to adverse audit findings, litigation, and costly disruptions in service. All have a role to play in turning the promise of the OMB Uniform Guidance into reality.

RESOLVED:

The National Council of Nonprofits, through its Board of Directors, hereby affirms and proclaims its continuing commitment to promoting government-nonprofit contracting and grantmaking reforms that reduce duplication, costs, and delays so that individuals receive the services they need, taxpayers receive the full value for the programs they are funding, and communities are strengthened through wise stewardship of those funds. Full implementation of the OMB Uniform Guidance is core to this commitment because it can promote consistency, efficiency, cost savings, and community impact.

Working through its nationwide network of state associations of nonprofits and others, the National Council of Nonprofits shall continue to advance this commitment through the following means:

1. Collaborating with **Government Officials and Employees** at all levels and their **National, Regional, and State Associations** to promote consistent interpretations, training, and compliance with the Uniform Guidance cost principles and other reforms to promote their full implementation and avoid conflicts, disruptions, and unnecessary added costs and burdens.
2. Encouraging **Foundation Leaders and Program Officers** to alert grantees to the promise of the OMB Uniform Guidance and their need to utilize and protect their rights, to provide opportunities for professional development for grantees and/or the sector in their regions, and to leverage unique position of foundations as community leaders to convene and support parties interested in collaboratively addressing the challenges and opportunities of the OMB Uniform Guidance.
3. Equipping **Charitable Nonprofits** with the tools they need to properly allocate and manage their costs and protect those rights through advocacy, both on a nonprofit's own behalf with each grant and contract, as well as by engaging in efforts with the broader nonprofit community.¹¹
4. Working with all to identify inconsistent state and local laws – statutes, ordinances, regulations, and guidelines – as well as policies and practices to eliminate confusion and streamline processes to ease burdens on taxpayers, governments, and nonprofits.
5. In pursuing this commitment to full implementation of the OMB Uniform Guidance at the local, state, and federal levels, the National Council of Nonprofits shall be guided by data, analysis, and real-world input, as reflected in the following Special Reports:
 - [Toward Common Sense Contracting: What Taxpayers Deserve](#), National Council of Nonprofits (May 2014).
 - [Investing for Impact: Indirect Costs Are Essential for Success](#), National Council of Nonprofits (September 2013).
 - [Partnering for Impact: Government-Nonprofit Contracting Reform Task Forces Produce Results for Taxpayers](#), National Council of Nonprofits (April 2013).

¹¹ See [Know Your Rights ... and How to Protect Them](#), National Council of Nonprofits (January 2015).