Strengthening Contractual Partnerships Between State Government and Nonprofits

State agencies partner with nonprofits in many important ways, including through contractual relationships, to provide programs and services that benefit communities throughout the state. As with any type of partnership, the contractual relationships between state agencies and nonprofits are not always seamless. The North Carolina Center *for* Nonprofits has heard from many nonprofits about their challenges with state grants and contracts.

Challenges identified by nonprofits

Past studies from the Urban Institute identified five categories of challenges that nonprofits had experienced with their grants/contracts, and nonprofits' input to the Center largely falls within these five categories:

1. **Payments not covering the full cost of contracted services.** Many nonprofits report that their state contracts do not provide an indirect cost rate or have indirect cost rates that only cover a fraction of the actual indirect costs required to provide services. In addition, nonprofits with state grants/contracts that initiate with federal funds often report that their indirect cost rates are below the 15% *de minimis* rate provided in the OMB Uniform Guidance.
2. **Complexity of grant/contract application processes.** For smaller nonprofits, overly complex or time-intensive applications can divert staff time from providing programs and services.
3. **Complexity of grant/contract reporting processes**. Performance measures and accountability are, of course, essential parts of state grants and contracts. However, some nonprofits indicate that reporting requirements can appear redundant or unrelated to the programs and services provided.
4. **Government changes to grants/contracts midstream.** Changes to contract performance measures and other terms can make it difficult for nonprofits to provide services effectively and on time.
5. **Late payments.** Nonprofits report three types of challenges related to late payments: (a) late delivery of contracts; (b) delays in scheduled payments beyond the time periods provided in contracts; and (c) significant delays in reimbursement payments by state agencies for services delivered pursuant to state grants and contracts.

Seeking solutions to improve government partnerships with nonprofit grantees/contractors

The Center is sharing these challenges with legislators and state agency leaders in hope that nonprofits and state government can work together to develop solutions that will make them stronger partners in their shared goals of public service. Specifically, nonprofits hope to work with state leaders to identify:

- Which of these challenges are systemic across state government and which are unique to particular agencies or particular types of grants or contracts;
- What are the sources of each of these challenges (*e.g.*, are some reimbursements delayed because of cash-flow issues at state agencies; are some reporting requirements necessitated by federal rules);
- Legislative solutions that would help address these challenges, either within particular agencies or across state government;
- Resources that would help state agencies address some of these challenges (*e.g.*, additional staffing or technology for contract management); and
- Ways that nonprofit grantees and contractors can be better partners with state government.

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