



## Strengthening Contractual Partnerships Between Governments and Nonprofits

Government agencies at the federal, state, and local levels 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 government agencies and nonprofits are not always seamless. The North Carolina Center for Nonprofits has recently sought feedback from nonprofits about their challenges with government grants and contracts. More than 100 organizations have responded, and their feedback is largely consistent with anecdotes that nonprofits have shared with the Center over the past decade and with the results of the Urban Institute's national surveys of nonprofit-government contracting from 2009 and 2012.

### Challenges identified by nonprofits

The Urban Institute surveys 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 government 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 10% *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 government 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 government agencies for services delivered pursuant to government grants and contracts.

### Seeking solutions to improve government partnerships with nonprofit grantees/contractors

The Center is sharing these challenges with policymakers in hope that nonprofits and government officials 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 policymakers to identify:

- Which of these challenges are systemic across federal, state, and local governments 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);
- Resources that would help government 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 government agencies.

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