



December 4, 2023

Lesley Field, Deputy Administrator
Andrew Reisig
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Office of Federal Financial Management
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

RE: Proposed Revisions to the Federal Guidance for Grants and Agreements
OMB-2023-0017-0001

The North Carolina Center for Nonprofits (the Center) welcomes this opportunity to submit formal comments on the proposed revisions to the Federal Guidance for Grants and Agreements, OMB-2023-0017-0001. The Center is a 501(c)(3) nonprofit that connects, educates, and advocates for charitable nonprofits throughout North Carolina. Many of the Center's 1,110+ member nonprofit organizations provide services to their communities through federal grants and would be directly affected by the proposed changes to the OMB Uniform Guidance.

The Center fully supports the [formal comments on the Proposed Rule](#) submitted by the National Council of Nonprofits (NCN) on November 30, 2023. Specifically:

1. The Center shares NCN's support for the proposed changes to the Uniform Guidance that would: (a) advance equity and help overcome barriers to entry to many applicants or participants in the federal grant system; (b) restore and clarify protections for charitable nonprofits through a guaranteed *de minimis* indirect cost rate of 15% of modified total direct costs and other related changes; (c) clarify notices of funding opportunities; (d) require agencies to eliminate reports that are not necessary for effective monitoring of grants; and (e) raise the Single Audit Threshold to \$1 million; and
2. The Center agrees with NCN's suggestion that OMB make four additional improvements to the Uniform Guidance, namely: (a) promoting up-front payments; (b) making adjustments for government labor standards mandates; (c) prohibiting or discouraging match requirements; and (d) streamlining the grants process for organizations receiving earmarks from Congress.

Rather than restating the excellent analysis in the NCN comments, the Center is highlighting a few of the proposed revisions and additional suggestions from NCN that would address challenges that North Carolina nonprofits have told the Center that they have experienced with the federal grants system.

Advancing Equity and Overcoming Barriers

The Center has heard from several nonprofits, as well as from state and local government officials, that the current system of searching for federal grants can be daunting for small nonprofits and organizations lacking significant federal grant experience, particularly those nonprofits serving underserved communities. The proposed reforms in provision 202.204 and Appendix I to simplify and clarify Notices of Funding Opportunities would appear to make the federal grants system more equitable by removing some of the barriers to entry for small and less experienced nonprofits.

Restoring and Clarifying Protections for Charitable Nonprofits

The Center has heard from many North Carolina nonprofits that the guaranteed *de minimis* rate for indirect costs of 10% of modified total direct costs in the OMB Uniform Guidance has been helpful in ensuring that nonprofit organizations receive at least some indirect cost rate on their federal grants. However, many nonprofits that do not have the capacity to negotiate a federal indirect cost rate have noted that the 10% rate is still significantly lower than their actual, reasonable indirect cost rate. Consequently, the Center strongly supports the proposal in provision 200.414(f) to raise the guaranteed *de minimis* rate for indirect costs from 10% to 15% of modified total direct costs.

Also, the Center has heard that many nonprofits that receive federal grants through pass-through entities like state and local governments do not receive the *de minimis* indirect cost rate on these pass-through funds. Consequently, the Center supports provision 200.414(d) that would provide better clarity about the applicability of the *de minimis* indirect cost rate to pass through entities. The Center also agrees with NCN's request for additional language in this section to authorize and detail OMB action in the event that pass-through entities refuse to apply or allow recipients or subrecipients to use their federally negotiated indirect cost rate or the *de minimis* rate.

Promoting Up-Front Payments

The Center has consistently heard from North Carolina nonprofits with government grants and contracts that the practice of issuing only reimbursable grants is a major impediment to many organizations that would otherwise qualify for funding opportunities and provide quality services in their communities. For organizations that receive grants and contracts, reimbursable grants can create significant cash-flow issues, particularly when payments – including payments through pass-through entities – are made late. Consequently, the Center agrees with NCN in urging OMB to mandate lump-sum advance payments or partially pre-paid grants in many circumstances.

Restoring and Clarifying Protections for Charitable Nonprofits

As noted in the Center's recently-submitted [public comments to the U.S. Department of Labor on its proposed overtime rule](#), changes to the federal overtime rule for the Fair Labor Standards Act and other similar labor standards would have a disproportionate impact on North Carolina nonprofits, particularly those operating in and serving rural communities. The Center agrees with the [Nonprofit Joint Comments](#), submitted on November 2, 2023, that it is essential that OMB create a mechanism to ensure that grants would be adjusted automatically to cover the increased costs of complying with revised rules governing overtime pay and similar labor standards.

Thank you for the opportunity to submit these comments on behalf of North Carolina's nonprofit sector.

Respectfully submitted,

A handwritten signature in black ink that reads "David R. Heinen". The signature is written in a cursive style with a large, prominent 'D' and 'H'.

David R. Heinen
Vice President for Public Policy and Advocacy
North Carolina Center *for* Nonprofits