



State Government Can Improve Customer Service in Contracted Services

The North Carolina Center for Nonprofits has received input from a wide range of nonprofits about the severe difficulties they face in providing essential services to North Carolinians through grants and contracts with the state. These longstanding problems hurt taxpayers and the state's economy by making nonprofits less efficient and less effective at delivering needed services.

What problems do nonprofits experience with state grants and contracts?

- 1. Excessive red tape.**
 - Three-fourths of North Carolina nonprofits experience problems with application processes and reporting requirements on state grants and contracts. Examples include duplicative reporting requirements and outdated government agency databases.
 - This red tape adds greatly to nonprofits' administrative burdens, taking time and money away from providing direct services.
- 2. Late payments from state government.**
 - Half of all North Carolina nonprofits with state grants and contracts are paid late by state agencies, the 11th-worst rate in the nation.
 - Nonprofits often hold about three months of financial reserves in case of dire need, but some payments from the state have come as much as six months late.
 - Organizations are forced to take out large loans, cut (already reduced) salaries, and lay off staff to cover the cost of services in the interim.
- 3. Mid-stream contract changes**
 - Nearly half of N.C. nonprofits have seen the government unilaterally change contract terms.
 - These changes include altered reporting standards, increases in the amount of services that must be delivered, and adjustments to the schedule and amount of payments.
- 4. Underpayment.**
 - More than half of N.C. nonprofits report that their payments from state government don't cover the full cost of providing contracted services.

What are some easy steps policymakers can take to improve customer service?

1. The state should look for ways to streamline regulations, applications, and reporting and auditing requirements for nonprofit service providers to remove unnecessary and redundant requirements. **A nonprofit-government contracting task force or a legislative study could help assess the best ways to save taxpayer money and make service delivery more efficient and effective.**
2. Legislators should ensure that nonprofit service providers are made whole for any harm they experience when state agencies are late in their payments. **As a first step, the General Assembly could study the issue of late payments and late contractors to identify areas of state government where this is a significant problem and identify possible solutions.**
3. Policymakers should seek continuous input from nonprofit service providers about ways that the state can improve the effectiveness of service delivery.

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