



March 3, 2023

Senate Human Services Committee
900 Court St. NE
Salem Oregon 97301

RE: Vote yes on SB 606 - Oregon Nonprofit Modernization Act

Dear Committee Members:

Northwest Family Services asks you to pass SB 606, the Oregon Nonprofit Modernization Act. Your support is critical to the health of the nonprofit sector and the communities they serve.

For forty years, Northwest Family Services has supported family stability, child well-being, and victims of crime by addressing the social determinants of health. Last year, our team of 125 employees served over 15,000 people in the Portland- and Salem-metro areas through our supportive housing, youth engagement, behavioral health, basic needs, and health navigation programs. Our work is heavily grant-funded, with most programs funded by some level of government grant/contract.

Some of the challenges involved with these contracts include:

- Some grants are better funded than others for similar work, which means that we are able to pay some program staff better than others. This makes staff retention difficult for some programs, as they know they can be paid better in other programs or at other organizations.
- We have programs that are funded at the same level over multiple years, which means that our organization must absorb the cost of any cost of living increases and merit raises for our staff if we'd like to continue administering the program and serving our community.
- Many of our grants are funded using a cost-reimbursement model, which means that we are fronting the cost, sometimes hundreds of thousands of dollars, for the program as we await inconsistent and untimely reimbursements. As of Jan 31, 2023, we had \$1.4 million in contract receivables due from government contract reimbursements. This is not a sustainable model.
- We average a 10% administrative rate on our contracts. Last year, our auditors told us that our admin rate should be closer to 18%, meaning, again, that the burden is on our organization to raise outside / private funds to fully administer these programs.

There are, of course, other challenges within this system, but these are the most difficult for our organization to navigate.

We are excited for the potential found in the Nonprofit Modernization Act (SB 6060). Its provisions allow for:

- Eliminating reimbursement as a form of payment for state grants
- Requiring disbursement of contract funds within 30-days of signed contract
- Creating the Nonprofit Workforce Retention Fund to provide grants nonprofits to help maintain and prevent employee turnover
- Creating a state task force to reform nonprofit contracting in order to streamline and simplify the process, raise wages, and create an ecosystem of administrative policies, statutes and funding levels that lead to sustainable government/nonprofit partnerships)
- A required de minimis administrative rate of 10 percent or higher

Northwest Family Services appreciates your consideration of SB 606. Please don't hesitate to contact us if you have any questions.

Sincerely,

Rose Fuller
Executive Director