

SB 602 A STAFF MEASURE SUMMARY

Senate Committee On Rules

Action Date: 06/02/25

Action: Do pass with amendments. Refer to Ways and Means by prior reference. (Printed A-Eng).

Vote: 3-2-0-0

Yeas: 3 - Golden, Jama, Manning Jr

Nays: 2 - Bonham, Thatcher

Fiscal: Fiscal impact issued

Revenue: No revenue impact

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Meeting Dates: 4/9, 6/2

WHAT THE MEASURE DOES:

The measure establishes the Nonprofit Organization Advisory Council (Council). It requires the Council to consult with the Department of Administrative Services and with employees of other state agencies, concerning granting and procurement processes with nonprofit organizations. It requires the Council to make recommendations for how to ensure that processes and materials take account of business practices that are common among nonprofit organizations and requires the Council to compile and deliver a progress report to the Legislative Assembly and Racial Justice Council by the end of each biennium. It establishes criteria for grant agreements and public contracts between the state and nonprofit organizations and allows a state agency to adjust the grant or contract award amount, in specific ways, if the state agency included certain information in its advertisement for the grant or contract. It allows an agency to establish a program year that best suits the objectives of the grant agreement or public contract. It also allows an agency to provide advance payments, other than those required in the measure, and requires the terms to be included in the award.

Detailed Summary

Nonprofit Organization Advisory Council

- Has 11 members, appointed by the Governor, sets the term of office to four years, and requires members to selection chairperson and vice-chairperson.
- Establishes that Council members are not entitled to compensation.
- Establishes requirements for reaching a majority of the Council.
- Allows designees of members to attend Council meetings, instead of the members.
- Requires the Council to consult with DAS and with employees of state agencies that make grants or enter into public contracts with nonprofit organizations, concerning granting and procurement processes with nonprofit organizations.
- Requires the Council to make recommendations for how to ensure that the processes and materials take account of business practices that are common among nonprofits organizations, including:
 - Statutory and administrative rule changes;
 - Improving training plans; and
 - Whether to create a centralized database to manage grant making.
- Requires the Council to compile and deliver a progress report, by the end of each biennium, to the interim committees of the Legislative Assembly related to grant making and public procurement, and to the Racial Justice Council.

Grant agreements and public contracts

- Establishes requirements that an agency must include in a grant to, or contract with, a nonprofit organization.
 - Allows an agency to include a cost of living, or inflation, adjustment for a contract that exceeds 12 months, if the agency has the appropriation that provides this funding.

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- Requires an agency to allow a nonprofit organization to present an adjusted scope of work if an agency does not have this funding.
- Allows an agency to provide advance payments, other than those required in the measure, and requires the terms to be included in the award.
- Requires an agency to include the reasons that it either cannot, or does not intend to, provide advance payments, in the advertisement for the grant or contract.
- Allows an agency to establish a program year that best suits the objectives of the grant agreement or public contract.

ISSUES DISCUSSED:

- Provisions and intent of the measure and amendment
- Membership of the Nonprofit Organization Advisory Council
- Contributions of the nonprofit sector to the work of the State of Oregon
- The current practice of the state working with nonprofits
- Whether there is accounting for how much money has been distributed to nonprofits by the State of Oregon
- The need for uniformity and accountability for all state contracts
- Cases of corruption, or financial malfeasance, amongst certain nonprofits that contract with the State of Oregon
- The various roles of nonprofits

EFFECT OF AMENDMENT:

The amendment changes the composition of the Nonprofit Advisory Council (Council), establishes a single appointment authority, and makes changes to its duties. It removes the Nonprofit Organization Partnership Fund. It removes requirement for Council to be within the Oregon Department of Administrative Services (DAS). It makes changes to definitions. It makes changes to the criteria for grant agreements and public contracts between the state and nonprofit organizations. It removes the requirement for DAS to create a centralized database, and removes the effective date of the measure.

Detailed Summary

Nonprofit Advisory Council

- Changes the membership from 15 members to 11 members.
- Changes the appointment authority from the Governor, the Senate President, the House Speaker, and the Attorney General, to only the Governor.
- Adds two members to represent state agencies.
- Removes three members representing nonprofit organizations, bringing the number from nine members to six.
- Establishes that Council members are not entitled to compensation.
- Establishes requirements for reaching a majority of the Council.
- Allows designees of members to attend Council meetings.
- Requires the Council to consult with DAS, and with employees of other state agencies, concerning granting and procurement processes with nonprofit organizations.
- Requires the Council to make recommendations for how to ensure that the processes and materials take account of business practices that are common among nonprofits organizations, including:
 - Statutory and administrative rule changes;
 - Improving training plans; and
 - Whether to create a centralized database to manage grant making.
- Requires the Council to compile and deliver a progress report, by the end of each biennium, to the interim committees of the Legislative Assembly related to public procurement, and to the Racial Justice Council.

Definitions

- Removes "grant" and "grant agreement."
- Changes time period in "program year."

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- Adds language to "public contract."
- Changes definition of "state agency" and adds it to the beginning of the measure.

Grant agreements and public contracts

- Allows a state agency (agency) to adjust the grant or contract award amount, in specific ways, if the agency included certain information in its advertisement for the grant or contract.
- Establishes requirements that an agency must include in a grant to, or contract with, a nonprofit organization.
- Allows an agency to include a cost of living, or inflation, adjustment for a contract that exceeds 12 months, if the agency has the appropriation that provides this funding.
- Requires an agency to allow a nonprofit organization to present an adjusted scope of work if an agency does not have this funding.
- Allows an agency to provide advance payments, other than those required in the measure, and requires the terms to be included in the award.
- Requires an agency to include the reasons that it either cannot, or does not intent to, provide advance payments, in the advertisement for the grant or contract.
- Allows an agency to establish a program year that best suits the objectives of the grant agreement or public contract.

BACKGROUND:

Boards and Commissions

The Governor of Oregon appoints individuals to serve on over 250 boards and commissions, and 117 of them require Senate confirmation. The membership requirements for each entity are set in statute, as are the ways in which an individual may become the chair or executive director, when applicable.

Nonprofit Organizations

The Internal Revenue Service (IRS) defines a "[nonprofit organization](#)" as an organization that is organized and operated exclusively for tax-exempt purposes. To be tax exempt, these organizations must be:

- Charitable;
- Religious;
- Educational;
- Scientific;
- Literary;
- testing for public safety;
- fostering national or international amateur sports competition; and/or
- preventing cruelty to children or animals.

The IRS defines "charitable" as including:

- relief of the poor, the distressed, or the underprivileged;
- advancement of education or science;
- erecting or maintaining public buildings, monuments, or works;
- lessening the burdens of government;
- lessening neighborhood tensions;
- eliminating prejudice and discrimination;
- defending human and civil rights secured by law; and
- combating community deterioration and juvenile delinquency.

A nonprofit organization may not:

- have any of its earnings inure to any private shareholder or individual;
- be an action organization, meaning that it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political committees; or
- be organized to operate for the benefit of private interests.