



April 9, 2025

TO: Members of the Senate Committee on Rules

FR: Paloma Sparks, Oregon Business & Industry

RE: Opposition to SB 602 – Nonprofit Organization Advisory Council

Chair Taylor, Vice Chair Bonham, members of the Senate Committee on Labor and Business. For the record, I am Paloma Sparks, Executive Vice President & General Counsel for Oregon Business & Industry (OBI).

OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, over 75% of which are small businesses, employ more than 250,000 Oregonians. Oregon's private sector businesses help drive a healthy, prosperous economy for the benefit of everyone.

Thank you for the opportunity to testify on SB 602. Often, nonprofits or private industry may be the best option for efficient and effective administration of programs. However, there are several elements to the bill and the testimony from proponents that are concerning us, from a good governance perspective. This bill appears to presume it is the state's duty to support nonprofit organizations and their missions in addition to awarding grants or contracts for public purposes.

First, the bill conflates grant making and the state procurement process. Those are very different processes and have unique requirements. Both the bill and testimony seem to be arguing for a system where nonprofits are entitled to state funding without meeting essential requirements. If an agency is distributing grants for a specific, narrowly defined project it may make sense to allocate start-up costs in the grant. If, however, the state is procuring ongoing services with a service provider who happens to be a nonprofit, those same provisions are not a good fit.

Further, it makes no sense to create a system that focuses exclusively on how state funding and contracting works with a narrow subset of nonprofits, rather than a comprehensive approach for all grant recipients and procurement contracts. Under this bill there could be very different standards for similar types of services contracts, for example, if one agency contracts with a nonprofit for services and another agency contracts with a business entity. OBI regularly hears from private entities who contract with the state about serious issues with getting required

payments from state agencies. Any bill addressing the use of state funds should be applied uniformly.

Recent years have seen examples of mismanagement of state funds by nonprofits. While that is not an issue for most nonprofits, reporting requirements are essential to catching issues so that they can be addressed before all funds are dispersed. Lessening accountability standards would push Oregon in the wrong direction. We are also concerned about the risk of mismanagement and inaccurate reporting that could result from nonprofit organizations being entitled to payments for all overhead and insurance requirements under a grant or contract. That is one of the primary benefits for government in contracting out services to the private sector. Presuming a minimum of 15% in administrative costs for all grants and contracts could result in excessive administrative costs and minimal spending on actual program administration.

The makeup of the Council as proposed in SB 602 is also problematic. First, having nonprofit organizations who have already received grants or entered into contracts with government entities make up the majority of membership could allow nonprofits to dictate to the state and legislature rather than simply being advisory. Next, there is no requirement for partisan balance of legislative participation in the Council.

OBI urges a more balanced approach to awarding grants and contracts so that the same standards apply to nonprofit organizations as well as to business entities. This bill is premature, and we urge the committee instead to require an in-depth study and report on previous and current use of public funds including administrative costs and results. Before we start making changes to our system, we should identify if there is an actual problem that needs to be solved.