

SEPTEMBER 2024
REPORT ON
GRANTS



BY THE TASK FORCE ON
MODERNIZING GRANT
FUNDING AND CONTRACTING

REPORT TO THE OREGON
STATE LEGISLATURE

Senate Bill 606 (2023) established the Task Force on
Modernizing Grant Funding and Contracting.

This report presents the Task Force recommendations
to an interim committee of the Oregon Legislative Assembly
related to grantmaking and public procurement.

The report further expands on the Task Force's examination
of the state's granting and public procurement processes, along
with recommendations for implementing and sustaining
reforms that support living wages for nonprofit employees,
sustainable contracting and grants practices, and healthy
partnerships between government and nonprofits.

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EXECUTIVE SUMMARY

Executive Summary

Oregon depends on nonprofits to fulfill essential roles in communities across the state every day. Nonprofits promote the well-being of Oregonians by providing basic needs such as food and shelter, offering opportunities for education and economic advancement, supporting arts and culture, protecting our civil rights, and more. When crises occur, such as housing or natural disasters, nonprofits act as first responders, providing critical services for stability and setting the stage for recovery.

Despite their important work, nonprofits encounter financial barriers when doing business with the state and lack mechanisms for state accountability. Slow payments, rate inconsistencies, and underfunded wages leave these organizations unable to build the necessary infrastructure for human resources, program and financial reporting, and training and employee retention.

Nonprofit employees make up a significant portion of Oregon's workforce. According to a recent wage case study¹ covering the period from 2012 - 2022, it was found that 10.4% of Oregon's total wage and salary workers are employed by nonprofits. After accounting for factors such as age, gender, education, race, ethnicity, and hours worked, nonprofit wages were 15% lower than their for-profit counterparts and 11% lower than their public sector counterparts. Employees working in community food and housing services industry in the nonprofit sector had significantly lower wages compared to other nonprofit workers.

During the 2023 legislative session, over 170 different community-based organizations (CBO) joined the Nonprofit Modernization Act coalition to support the passage of [Senate Bill 606 \(2023\)](#) which established the Task Force on Modernizing Grant Funding and Contracting.

The Task Force was charged with examining how the state's granting and public procurement practices limit the wages of employees of nonprofit organizations and has compiled its recommendations in this executive summary. The group convened a total of 31 times in both full body and subcommittee meetings between October 2023 and September 2024 to study, review, and examine existing grantmaking and procurement processes.

¹ [Are Wages Suppressed in the Nonprofit Social Services Sector? A Case Study in Oregon](#) (Kevin E. Cahill, Jonathan Ely, and Aditya Gadkari)





EXECUTIVE SUMMARY

Summary of Recommendations

The Task Force developed the following recommended actions as a result of current state contracting and granting practices:

- **A mechanism for ongoing evaluation of grantmaking and procurement processes:** establish a permanent advisory council with a similar make-up as the current Modernizing Grant Funding and Contracting Task Force; create an office of nonprofit partnership in DAS to staff the advisory council and support recommendation implementation.
- **Payment models that prioritize full cost recovery:** update Oregon Revised Statutes (ORS) and Oregon Administrative Rules (OARs) to ensure agencies comply with Office of Management and Budget (OMB) guidelines for administrative rates ([2 CFR section 200](#)), require agencies to track rates of on-time payments of invoices and establish a late payment penalty; and at the beginning of a new contract period provide advance payments for new and ongoing contracts and grants.
- **Uniform application procedures for grant moneys:** implement a single statewide grant management database platform; establish a program year offset from the fiscal year; and create a new set of grant specific ORS with OARs.
- **Standard contracting language that permits flexibility in contract terms and conditions and multi-year contract terms:** conduct ongoing nonprofit stakeholder review of the Oregon Procurement Manual, contract and grant templates, and associated training materials; require contract language to include terms for advance payment and insurance coverage; and consider longer contract terms, and account for escalating costs in ongoing contracts.
- **Sufficient reporting requirements that are commensurate with funding levels and that allow for adequate lead time for changes to reporting required within the term of a contract:** require contracts and agreements to cost out reporting requirements; and require a three-to-five-year investment commitment, with cost-of-living adjustments, from agency programs that are meant to show change in participant outcomes.
- **Changes to state procurement practices that support living wages:** establish a workforce standards board; calculate and publish annual cost of living and inflation adjustments; and advise agencies to use prospective budgeting for ongoing bodies of work.

The [Recommendations section of the complete Task Force report](#) provides detailed information about the actions that are recommended above.

All Task Force members unanimously agreed that the actions outlined in this report are necessary to address the issue of nonprofit employee limited wages. Some actions can be implemented with existing authority, while others may require legislative changes. It's important to note that most of these recommendations are already being implemented to some extent, and achieving meaningful change is within reach.

With strong and consistent leadership, achieving lasting improvements to the state's granting and public procurement practices is highly attainable. Collaborative and healthy partnerships between agencies and nonprofit organizations are a key component to effectively serving Oregon's most vulnerable populations.



Senate Bill 606

Senate Bill 606 (2023) established the Modernizing Grant Funding and Contracting Task Force to examine how the state's granting and public procurement practices limit the wages of nonprofit organizations. The type of input requested of task force members included:

- Recommendations to an interim committee of the Legislative Assembly with a copy to the Department of Administrative Services (DAS) on the following:
 - Changes to state procurement practices that will support living wages for employees of nonprofit organizations,
 - Uniform application procedures for grant moneys,
 - Standard contracting language that permits flexibility in contract terms and conditions and multiyear contract terms,
 - Sufficient reporting requirements that are commensurate with funding levels and allow for adequate lead time for changes to reporting required within the term of a contract,
 - Payment models that prioritize full cost recovery,
 - A mechanism for ongoing review and evaluation of grantmaking and procurement processes.

Task Force Membership

The Task Force consisted of 15 members appointed by the President of the Oregon State Senate, the Speaker of the House of Representatives, the Governor, and the Attorney General. The Task Force also received valuable input and collaborative partnership from participating agency staff who shared current processes, challenges and workflows. In addition to elected and administrative officials, most of the appointees to the Task Force represented nonprofit organizations with diverse perspectives and experiences who have received grants from or entered into public contracts with a state agency, municipality, or another nonprofit organization.

Appointment by the President of the Senate

- Senator Wlmsvey Campos, Oregon Legislature – District 18

Appointment by the Speaker of the House

- Representative Charlie Conrad, Oregon Legislature – District 12

Appointments by the Governor

- Andre Bealer, Governor's Office
 - Vacated by Svetha Ambati, Governor's Office
- Debbie Dennis, Department of Administrative Services
- Helen Wong, professional in the philanthropic sector
- Tamara Henderson, Native American Youth and Family Center
- Dahnes Medora, United Way of the Columbia Willamette
- Katrina Holland, Urban League of Portland



- Mercedes Elizalde, Latino Network, chair
- Bettina Schempf, Old Mill Center for Children & Families
- Felicita Montebianco, Northwest Health Foundation
- Marianne Schlies, St. Vincent de Paul, co-chair
- Heather Ficht, East Cascade Works
- Lea Sevey, Oregon Coalition Against Domestic & Sexual Violence

Appointment by the Attorney General

- Jonathan Groux, Department of Justice
 - Vacated by Kristen Gallino, Department of Justice

Approach and Decision-Making Process

The Task Force met virtually as a full-body 12 times and in smaller subcommittees 19 times between October 2023 and September 2024. As a full body, they engaged in a comprehensive discovery process to learn about the current public procurement and grantmaking practice landscape from agencies. The Task Force also reviewed, voted, and approved a subcommittee and assignment structure to accomplish more work between Task Force meetings. These subcommittees consisted of an agenda-planning subcommittee and priority-setting subcommittees. The subcommittees created more opportunities for members to share individual perspectives and propose recommendations. All full-body and subcommittee meetings were supported by DAS staff.

During full-body Task Force meetings, members debated and consolidated concepts for recommendations using a Green-Yellow-Red method:

- Green = full approval, ready to vote to approve.
- Yellow = some concerns but open to moving to a vote.
- Red = not in agreement, not ready to vote.

After debate and consolidation, the Task Force co-chairs made motions to rate the recommendations. Once the majority of members indicated a “green” status, a final vote was taken, and recommendations were included in this report based on majority votes.

Findings

As part of the Task Force discovery process, agencies shared information about existing grantmaking practices and procedures via meeting presentations, memoranda, surveys, and Q&A sessions. The agencies involved in the discovery included the Department of Administrative Services, Department of Human Services, Oregon Health Authority, Housing and Community Services, Department of Education, Department of Early Learning and Care, Oregon Youth Authority, Oregon Department of Emergency Management, Higher Education



Coordinating Commission, and Department of Justice. The Task Force findings are organized in six areas as outlined.

1. Mechanism for Ongoing Review

- **Dedicated staff are needed to champion long-lasting change.** Ongoing sustainable change requires establishing accountable agency parties committed to equity and who have an in-depth understanding of and respect for the work done by CBOs. While agencies reported using a community of practice model for process improvement within their own agency, there was limited central leadership to ensure opportunities for collaboration and learning across agencies to develop consistent practices.

2. Payment Models That Prioritize Full Cost Recovery

- **Agencies lack consistency in budgeting and payment practices.** Not all agencies use the federal OMB guidelines for administrative rates, and most don't monitor payment timelines. On-time payments range from seven to 45 days and the majority stated that they could have approved advance payment but chose not to. Nonprofits who get late payments for services already provided to Oregonians may have to take out loans or use all their reserves to manage this debt.

3. Uniform Application Procedures for Grants

- **There is no identified grants procedure for agencies to follow.** Agencies are not required to adhere to any one grants procedure or process. Some use their granting authority to create agreements, and others use their existing contracting procurement process for grants. Grants, however, are not contracts, according to the Oregon procurement code.
- **A centralized grants administration system does not exist.** Many agencies have disparate electronic grants management systems and information cannot be shared across agencies. Some agencies even struggle to share information between their own divisions. As a result, these systems create barriers between the procurement and program staff working within the same grantmaking program. This leads to a complicated grant application process that can vary both within and across agencies.

4. Standard Contract Language

- **There is confusion about contract language and insurance requirements.** Agencies have differing opinions of what language can be negotiated within a grant agreement or contract and there is inconsistency in how contract risk is determined for insurance requirements. This results in insurance coverage requirements that go well beyond standard business practice.
- **Advance payment options aren't being used.** Although agencies have authority to use advanced payment methods, many don't know when it's appropriate to



implement this structure. Consequently, agencies use a reimbursement-based model even when they aren't purchasing services.

- **Longer-term contracts are rarely used, and ongoing contracts do not consider rising costs.** While most agencies can issue contracts longer than 24 months, they rarely do so, even though longer contracts would help stabilize planning and execution and are more suited for cost-of-living adjustment (COLA) and inflation adjustments. Existing ongoing contracts rarely factor in natural escalating costs, leading to suppressed wages and diminished capacity to deliver value in outcomes.

5. Sufficient Reporting Requirements

- **Agencies lack consistency in administering reporting and reporting requirements.** Only some agencies make their reporting templates and processes available on public websites. Many agencies require submitting reports via multiple modalities (i.e., email, online, survey, spreadsheet, template) but fail to account for the associated staff time and resources required to fulfill the requirements. The majority do not evaluate submitted reports for anything beyond compliance.

6. Procurement Practices That Support Living Wages

- **Budgeting is not built with an understanding of what it takes to achieve shared goals.** The majority of agencies do not use formula calculations to understand how much it costs to achieve the outcomes in their contracts and grant agreements. Most agencies have pre-set minimum standards for wages for particular types of work and impose strict requirements on what nonprofit employees are eligible to work with certain programs. Additionally, background check requirements go beyond standard business practices, as do training and educational standards.

Recommendations

Recommendations were approved unanimously by all voting members who were present at the June and August 2024 full-body Task Force meetings. Recommendations are organized using the same six areas as the Findings section of this report, and the complete recommendations are outlined below.

1. Mechanism for Ongoing Review

Demonstrate a commitment to implementing long-lasting change by doing the following:

- Establish a permanent nonprofit advisory council with the same or similar make-up as the Task Force. The council would report annually to a joint legislative



committee on progress of contracting and grant reform and improving thriving partnerships with community-based organizations.

- Council to share recommendations and reports with the Racial Justice Council (RJC) in recognition that a disproportionate amount of nonprofit workers are women and people of color and the Oregonians who rely on state funded services implemented by nonprofits are also disproportionately low-income and/or communities of color.
- Council to deliver reports to Senate and House leadership and Legislative Policy and Research Office (LPRO) in recognition of the impact inefficient contracting and grant processing can have on legislative goals passed in legislation and state budgets.
- Create an office of nonprofit partnership within DAS to staff the nonprofit advisory council and support implementation of recommendations approved by the governor and legislature.
 - Ensure this office has adequate funding to be able to support agency-wide ongoing improvement efforts in procurement, contracting, and grant programs along with nonprofit sector partnerships.

2. Payment Models That Prioritize Full Cost Recovery

Create consistency in budgeting and payment practices across all agencies by doing the following:

- Update all necessary ORS/OARs to ensure agencies comply with the federal OMB guidelines for administrative rates ([2 CFR section 200](#)), mandating contracts to include either de minimis standard (currently 15%) or the organization's approved Negotiated Indirect Cost Rate Agreement (NICRA). Add language to allow negotiations for additional administrative costs in cases where the work necessitates extra administrative efforts for success. Do not require organizations to take less than the current de minimis and do not require organizations to take the de minimis if they have a NICRA.
- Require agencies to track rates of on time payments of invoices to ensure they meet the payment schedule agreed to in the contract or grant agreement, and institute a late fee penalty. Invoices not paid on-time should incur a fee to be paid to the nonprofit. Add stipulations on payment schedules and late payment penalties to contracts or grant agreements. Late payment penalty should be no less than 5%, which is the same amount charged for late payments due to the state.
- Ensure that both new and ongoing contracts and grants receive an advance payment equivalent to one-quarter of the annual contract value at the start of each new contract period.

3. Uniform Application Procedures for Grants

Better support agencies through unified and consistent systems, and create processes



that allow for administrative necessities by doing the following:

- Implement a single statewide grant management database platform to integrate procurement and program management workflows, store organizational information (organizational profile) and application details, and operate as a repository for reporting and training materials. Eliminate duplicative submissions by having agencies identify commonly needed or required materials and making the materials available to view in the platform across agencies.
- Establish a program year from January to December, offset from the fiscal year. This would create a six-month window for necessary administrative work to initiate new procurement processes and renew ongoing agreements.
- Create a new set of ORS with OARs specifically for grants. The new statute and set of rules would establish laws and guidance on what constitutes a grant (different from a contract), requirements, and guidance on advance payment and scheduled disbursement of payments, which should be standard for grants.

4. Standard Contract Language

Support consistent contract language that is built with nonprofit business models in mind by doing the following:

- Initiate a nonprofit stakeholder review of the Oregon Procurement Manual, associated templates, and training materials to identify opportunities to update for relevancy and build a shared language that aligns with nonprofit business practices. This may include creating new tools for grants, elevating materials used within agencies for broader use, and conducting periodic reviews over time.
- Require contract language that:
 - Clearly specifies which terms are negotiable and which are not.
 - Appropriately allocates funds to cover any insurance requirements that are above and beyond standard business coverage.
 - Requires advance payment for direct services contracts when the state imposes community access qualifications (income or incident per person/household, referral/access limitations).
 - Eliminates participant or access restriction clauses from reimbursement-only contracts that do not fully finance the contracted work. Unless the state bears the entire expense of the program or services, it cannot exercise 100% control over it.

5. Sufficient Reporting Requirements

Support transparency in actual cost and improve outcomes for the public through consistency in program delivery and capabilities by doing the following:

- Cost out reporting requirements in contracts and grant agreements with contractors and grantees, confirming that either the indirect rate/NICRA sufficiently covers the desired report or set aside additional funds to meet the



requirements:

- Identify any intentional duplication in both the procurement and contract/grant agreements - financial reports or qualitative information that will not be further analyzed for population health, research or other public benefit should not be duplicated.
- At all times, make templates and guides for financial or program reporting available on agency websites or the statewide grant management database platform and do not change them during a program year.
- Programs designed to demonstrate participant outcome changes must have an investment commitment of three to five years (unless explicitly a pilot program) and include annual COLA and inflation adjustments.

6. Procurement Practices That Support Living Wages

Support agencies in disrupting underlying practices that suppress wages and move the state closer to outcomes-based budgeting by doing the following:

- Establish a workforce standards board consisting of nonprofit workers, nonprofit employers, legislative representatives, and members of the public to:
 - Create prevailing wage and benefits standards for the nonprofit sector, considering sub-sector lenses to apply the right standards to different types of work. Human services work should be prioritized first for evaluation and inclusion. These standards will set a minimum for publicly funded work for nonprofits and agencies.
 - Provide guidance to agencies in calculating wage allocations and ensuring compliance for contracts using line-item budgeting.
 - Calculate and publish annual COLA and inflation adjustments for inclusion in ongoing or renewed contracts or grant agreements.
- Require agencies to use prospective budgeting for ongoing bodies of work:
 - Contract managers should obtain estimates for future service costs and then anticipate how much they can afford to spend on services under various constraints or investment scenarios. Include this information in the budgeting development process.

Prioritization Lens

The Task Force categorized recommendations, determined timelines, and classified reform types using a four-quadrant plot method. The timeline considers what needs more research and what should be acted on right away. The reform type takes into account whether actions fall within existing administrative authority or require a statute change to implement.



Some of the recommendations appear in multiple quadrants, acknowledging that certain recommendations will require both legislative and administrative action. Some of those actions depend on each other, but each can advance their corresponding recommendations forward to some degree.

This four-quadrant model allows the reader to identify which quadrant is within their jurisdictional authority and aligns with the timeline for commitment to this important work:



Why This Work is Important

The following are quotes from members of the Task Force and supporting agency staff expressing the importance of this work:

“Partnership between state agencies and service providers that are built on trust and accountability foster a long-term view on the best outcomes for Oregonians that address current and future needs.”

- Bettina Schempf, Task Force member
Executive Director at Old Mill Center for Children and Families



"If we are not working to make someone else's life better, then we are not tending to our own souls."

- Marianne Schlies, Task Force member
Finance/Contract Manager St. Vincent de Paul Society of Lane County

"I believe the recommendations that create process consistencies and those that support timely payments to service providers will support sustainability of the social safety net. The most meaningful experience was the ongoing opportunity to hear multiple perspectives and learn from one another, with the shared goal of improvement."

- Debbie Dennis, Task Force member
Chief Administrative Officer & Deputy Director, Department of Administrative Services

Regarding the statewide grant management database platform: "The idea of this is great! The STATE would need to purchase so that all state agencies have access. It would also be necessary for each state agency to have access to the minimum technical requirements/technology across all agencies. There would also be a need for the following: bringing existing state agencies/programs doing community partnership work together to provide input and feedback on the impact of policy recommendations,"

- Dolly England, Task Force staff support
Community Engagement Strategies Manager at Oregon Health Authority

Conclusion

The nonprofit sector has become more professionalized in recent years, with a growing demand for social services such as housing and homelessness, peer support, and recovery services. Nonprofit organizations are being asked to expand their services and improve accessibility.

In Oregon, 50% of the nonprofit workforce is college-educated, which is twice the rate of the for-profit sector. Half of this workforce provides essential social and human services across the state. It's important to consider this statistic when evaluating the funding sources for these services. Services contracted by state agencies should always ensure that the workers delivering them receive livable wages.

Government contracting systems weren't originally designed to solve issues such as homelessness, reducing recidivism, or educating children and youth. Nevertheless, remarkable collaborative efforts between government and nonprofits are actively taking place daily in these areas across Oregon.

These recommendations offer reforms to ensure nonprofits get paid on time and in full, address contract and processing inconsistencies, and advocate for living wages. Progress requires strong leadership and collaboration. While many of the recommendations could start making progress relatively quickly, others will require long-term commitment and partnership from agencies and legislative processes to be successful.