

In late September, the Nonprofit Association of the Midlands (NAM) sent a survey to members to gain information from nonprofits with state contracts and how this may be impacting organizations. A copy of the survey is available here:

<http://www.nonprofitam.org/page/advocacy>

Nonprofit organizations are the third sector of the economy. Nonprofits partner with the private sector to offer services to their employees and families. Nonprofits partner with government, at all levels, to provide services in a nimble and efficient manner. Contracts and grants are the mechanisms governments use to fund these partnerships. While problems with state contracts are not new, there seemed to be an increase with delinquent payments that some nonprofits are experiencing.

Eighty-four (84) nonprofits responded to the survey and 52 (61%) have state contracts to provide services. Human Service agencies had the most government contracts at 22 (42%).

Forty-one (48%) nonprofits surveyed have contracts only with the State of Nebraska, eight (9.5%) had contracts with both Nebraska and Iowa and 3 had contracts only with the State of Iowa. Of these, 44% reported delinquent payments from the State (Iowa and Nebraska).

Late payments continue to be a problem for both states. Eight percent reported payments 30 days late, 11% reported 60 days late and 21.5% of nonprofits reported late payments of 90 days or more. A few larger nonprofits reported outstanding receivables between six and twelve months late, one contract was 18 months late. This impacts nonprofit in a variety of ways. The majority reported how this adversely impacts cash flow and almost half had to take out a line of credit as they waited for funds. Others reduced staff and/or cut back services. A few dipped into their endowment funds to cover costs. Such delays, coupled with related problems with the contacting system increases the frustration of working with the state, changes in administration and how that impacts state agencies and limited communication with state agencies all add to the level of aggravation we are hearing.

NAM also asked nonprofits 'What percentage of your budget comes from government contracts (that may be delayed)?' This question was meant to determine what percentage of your budget is impacted by late government payments. Twenty-five percent (25%) indicated that delayed funds impacted their budgets. Those where delays impacted 10% or less of their budget = 28%; Delays where the budget impact was between 10% and 25% = 8% and budget impact range between 25% and 35% = 8%.

These numbers are likely low as from the responses, some interpreted this as total percent of budget from government sources. Twenty percent (20%) reported that government funds accounted for 65% or more of their organizational budgets. For the most part, while government contracts may supply significant funds to an organization, delayed funds account for a much smaller percent.

NAM asked nonprofits to rank the problems they experience with state contracting. Responses in this survey mirror responses from past surveys. Fifty-five nonprofits responded to this section of the survey.

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| 1. Complexity of reporting process                        | 69% |
| 2. Payments do not cover full costs of providing services | 60% |
| 3. Late payments (beyond what is spelled out in contract) | 56% |
| 4. Complexity of application process                      | 52% |
| 5. Government changes to contracts midstream              | 41% |

Comments in this section included:

Grant funds were reduced mid-year due to State budget shortfalls.

The State of Nebraska changed funding methodology with 30 days' notice.

Prescriptive nature in scope of work that makes nonprofit organizations less able to implement Evidence Based Models of care at the level research supports.

Increase in expectations and unfunded mandates results in increased operational costs.

Who do agencies contract with the most? \*

- 58% Nebraska DHHS
- 25% Nebraska Crime Commission
- 13% Heritage Health
- 13% Nebraska Department of Education
- 13% Nebraska Families Collaborative
- 13% Nebraska State Probation
- 13% Iowa DHHS

\* A full list is available upon request

Backstory:

The Urban Institute conducted the first national survey of nonprofits that receive government contracts and grants in 2010 and again in 2013. These were the first studies of their type with state specific data. Hannah Young, NAM's Policy and Events Manager, replicated these studies in 2016 for her capstone presentation as part of the MPA Program at University of Nebraska at Omaha. These findings show no significant change

The 1930s brought a rise in the idea of government helping citizen's during hard times and led to an increase in government contracting with local nonprofits to provide services. The 1980's and the Reagan Administration brought more block grants and less federal control. State contracting was already happening, but gained more momentum since.