

State Grant and Contract Accountability: Systems Reform & Funding the Full Cost Services

Nonprofits working on behalf of Vermonters rely on state grants and contracts.

Government grantmaking and contracting systems must be fixed so people receive services when they need them, taxpayers receive full value for the programs they fund, and communities are strengthened through wise stewardship. Without responsible solutions, our communities will suffer even more.

The Problem:

State grant and contract awards are not keeping up with the economic realities in which we all live.

- Vermont made a decision decades ago to employ human services and other nonprofit organizations to perform the work mandated by either the federal government or by the legislature itself. For many years this included the reality that costs for these nonprofits would go up each year, just as they do for schools, hospitals and for state-run operations itself, and that there had to be an annual increase in funding.
- This practice has long been abandoned. State employees and agencies, schools, hospitals, and even insurance providers get some kind of annual increase, but nonprofits are expected to perform their work in an upcoming year based on the same dollars they received 1, 5 or even 10 years ago.
- The post-covid inflationary spike and workforce shortage has exacerbated this situation. The costs of goods and services continue to rise along with interest rates. Minimum wage has also continued to increase, making nonprofit wages less competitive over time.

System processes create additional challenges for organizations.

- Awards are now largely reimbursable which forces organizations to operate without their acknowledged necessary funding.
- Payments often are delayed or reduced due to restrictive state invoicing procedures.
- Systems and processes are inconsistent across state agencies.
- Contracts often are delayed or are not delivered in a timely manner. This creates challenges for nonprofits who must plan for this work, or puts them in a position of carrying out the work without a contract.
- Indirect cost allowances are not sufficient and do not account for the true cost of delivering services.
- Application and reporting requirements can be streamlined so that recipients are accountable for their work but reporting is less burdensome.

The Result:

- Organizations are struggling to offer competitive wages to hire reliable, qualified staff while keeping up with needed programming and facilities maintenance.
- While the grant and contract awards aren't keeping up with the cost of living, even what is awarded arrives late so these businesses must find resources to bridge the funding gap, causing them to run deficits and many must take out loans, paying interest, to stay solvent.
- The legislature is peppered with multiple requests every year and must make difficult decisions with the state's limited resources.
- Many organizations don't have the time or expertise to advocate for their needs in the state house.

The Requested Action:

- Common Good Vermont, alongside Vermont's nonprofit sector, asks that the legislature create a working group to consider needed reforms to the state's grant and contracting system to make it more viable, predictable, and efficient.

Common Good Vermont is a statewide program of United Way of Northwest Vermont



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