



November 1, 2023

Dear Governor Inslee & Washington State Legislators,

Nonprofits and government are interdependent partners. State and local governments in Washington depend on nonprofits to implement much of their work, such as providing physical and behavioral healthcare, building and managing affordable housing, providing childcare, foster care, and educational supports for children and youth, and contributing to our communities and local economies through job training, economic development, and arts and cultural programs. **Unfortunately, this complex web of critical services that helps meet government objectives is at risk because of the way funding contracts are constructed.**

The Washington State Nonprofit Government Contract Coalition was convened by the Nonprofit Association of Washington to advocate for changes to government contracting because **current contracting requirements are neither equitable nor sustainable.** Without the changes outlined here, many nonprofits will be unable to maintain the quality or quantity of services they offer or will close their doors.

Nonprofits have been shortchanged. For decades, government and nonprofits have set and accepted contract levels that are too low to cover the full cost of providing services. Nonprofits from many different sectors (youth development, housing, disability services, and more) report that their government contracts cover, on average, 70% of the true costs of service delivery. They are forced to raise additional funds from other sources to subsidize their work on behalf of government. This is less and less tenable and results in nonprofit wages at unlivable levels and failure to recognize the expertise of professional staff. Recruitment challenges and high turnover are inevitable. Chronic underfunding also undermines organizational stability by curtailing investment in infrastructure and management. With philanthropic donations and volunteering dropping in recent years and inflation and labor market pressures raising costs, nonprofits can no longer make up the difference, nor should they be asked to. **Government must pay the actual cost of providing services.**

Government must stop micromanaging nonprofits' work. Nonprofit leaders are the experts on managing their organizations and providing quality, culturally-responsive services for their local communities. Yet, many contracts prescribe exactly how funding must be spent and do not include adequate indirect costs to pay for necessary administrative functions like financial management, office rent, data collection, and organizational leadership. **As with general procurement contracts with for-profit businesses, the focus should be on an organization's qualifications and overall cost to complete high-quality work.**

Streamlining the nonprofit government contracting process and removing barriers to access is essential for equity. BIPOC-led and rural nonprofits have been systematically disadvantaged and excluded from government funding. They do not have equal access to government contracts and experience more financial challenges in the contracting process. Yet these organizations have crucial community knowledge and are trusted by the people they serve, making them essential partners in reaching our most vulnerable communities.

We call on Washington State to:

Pay the True Cost of Nonprofit Services

- Right-size contracts or increase funding levels to cover the total cost of services, including administration and competitive staff wages.
- Establish a realistic de minimus indirect cost rate and honor federally negotiated indirect rates.
- Increase rates and contract levels annually to account for inflation.
- Close the nonprofit wage gap.

Streamline and simplify application and reporting processes

- Remove unnecessary requirements and restrictions on how funding must be allocated.
- Establish multi-year contracts and prompt renewal processes.
- Coordinate and standardize proposal requirements among agencies and across departments.
- Replace duplicative audits with one audit process.
- Move toward a shared document vault and single online platform for proposal submissions.

Remove Barriers to Equitable Access

- Remove matching fund requirements.
- Guarantee on-time payments.
- Mitigate the impact of reimbursement-based contracts through upfront payments.
- Adjust insurance requirements to match the scope and type of services.
- Provide technical assistance and capacity building for proposal writing and contract management.

These changes are urgently needed to ensure the survival and health of nonprofits facing increased pressures, increased need, and reduced financial support. We have already seen the closure of human service and behavioral health programs for youth and adults and an RFP for management of supported housing receiving no bids as nonprofits cannot expand the subsidies they have always provided to government. Our state needs a robust nonprofit sector providing services to Washingtonians and prepared to respond during emergencies. These changes will move us closer to this goal.

We, the undersigned organizations, are committed to creating a more effective relationship between government and nonprofits for the benefit of the people of Washington. Increasing sustainability and equity in government contracting is possible with nonprofits and government representatives collaboratively crafting new policies. Together, we can create the conditions for Washington State to thrive.

Signed,

Nonprofit Government Contracting Coalition

The following logos represent the 113 Washington organizations that have signed on in support of these changes.





United Way of King County

The means to stay mobile



RAINBOW CENTER



Washington's Association of Dispute Resolution Centers



BIPOC ED COALITION WASHINGTON STATE







United Ways of the Pacific Northwest





EMPOWER NEXT GENERATIONS™



LCLT
LOPEZ COMMUNITY
LAND TRUST

Building a Sustainable Island Community

