



Minnesota Council of Nonprofits State Grants Working Group 2023 – Insights Summary

Purpose of this document: In the fall of 2023 the Minnesota Council of Nonprofits (MCN) convened a nearly 40-member cross-sector working group aspiring to equitable Minnesota state grantmaking for all, by focusing on the lived experiences and expertise of rural-based, small, and BIPOC-led and –serving nonprofits. Over the course of three meetings the group collectively identified insights among working group members, including reflections on the current dynamics of state grantmaking systems, and opportunities that could drive us forward toward shared goals. The following document aims at capturing the insights that emerged over the course of the meeting series. Additional data and context about the current conditions, impacts, and experiences of state grantmaking is found in the group’s [pre-meeting reading materials](#).

MCN and the working group acknowledge that we are building on the efforts of many who have come before us and are joining dozens of others who collectively seek transformation in state funding systems. Transformation on this level will take ongoing relationship building across sectors, strong coalitions advocating for change, and years of hard work to come.

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For more information on the working group on state grants to nonprofits, including a complete roster of group members, please visit <https://www.minnesotanonprofits.org/state-grants-working-group>.

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The following is a summary of the collectively identified insights among state grants working group members convened by the Minnesota Council of Nonprofits (MCN), including reflections on the current dynamics of state grantmaking systems, and opportunities that could drive us forward toward shared goals:

1. Insight: Minnesota's state government relies on nonprofit organizations to serve all Minnesota residents. Nonprofits are necessary partners in achieving a Minnesota where everyone can thrive. As 14 percent of the state's workforce,¹ nonprofit organizations provide essential community services and are vital actors that keep the state from failing.
 - a. Vision: People involved in every part of the grantmaking process understand that the state's partnerships with nonprofits are a key part of the state providing services and amenities to residents.
 - b. Promising practices: There's an important baseline level of transparency and accountability built into the state's current grantmaking system. The nonprofit sector is a transparent sector that is required to regularly provide public information about its finances and activities.² The state publishes information on where state funding is distributed,³ and the public can request and receive copies of proposals and reports from organizations who receive state funding.⁴

2. Insight: There is a real power differential between the state and nonprofit organizations that often adversely affects nonprofits that then impacts communities. Specifically, rural-based, small, and/or BIPOC-serving nonprofits tend to receive disproportionately less state funding than larger, established, and/or Twin Cities-based nonprofits.^{5 6} There are a few key nuances worth noting:
 - a. More input from nonprofits creates better policies and processes: Policies that govern state grantmaking, including budget decisions that define the amount of funding available, allowable uses of appropriated funds for competitive grantmaking, and expected outcomes/reporting requirements, are often developed with limited input from nonprofit subject matter experts, and the processes feel difficult to navigate and exclusionary for non-legislators.
 - i. Vision: A stronger state grantmaking system is one in which communities, nonprofits, and the state are aligned on what's important to invest in and

¹ <https://www.minnesotanonprofits.org/docs/default-source/publications/minnesota-nonprofit-economy-reports/2022-2023-minnesota-nonprofit-economy-report.pdf>

² <https://www.irs.gov/charities-non-profits/search-for-tax-exempt-organizations>

³ <https://mn.gov/mmb/transparency-mn/contracts-grants.jsp>

⁴ <https://www.revisor.mn.gov/statutes/cite/13.599>

⁵ https://www.minnesotanonprofits.org/docs/default-source/publications/equity-in-state-grantmaking-2021.pdf?sfvrsn=91bf1006_4

⁶ https://mn.gov/mmb/assets/Learnings%20from%20Enterprise-wide%20Review%20for%20Grant%20Impact_tcm1059-562035.pdf

measure, and where ideas for changes to the current grantmaking system originate with the communities most impacted by it.

ii. Promising practices and recommendations:

1. Nonprofits can be and are effective advocates, playing a pivotal role in influencing legislative outcomes on behalf of and alongside communities. MCN can continue to build advocacy capacity and organize efforts among nonprofits.
2. Existing and incoming staff at the Office of Grants Management (OGM) who are focused on equity in state grantmaking should prioritize building relationships with nonprofits (particularly rural, BIPOC-led and/or serving, and/or small) and co-develop new or augment existing policies, practices, and procedures (specifically policies [08-02](#), [08-03](#), and [08-08](#) as noted in future sections). This could look like creating a council of community members and nonprofits to inform and influence decisions, prioritizing the groups who are currently facing the greatest hurdles to state funding (small, rural, and BIPOC-led and/or-serving nonprofits).
3. Implementation of an applicant feedback survey (such as the one currently developed by Minnesota Management and Budget (MMB) and piloted by the MN Department of Human Services) so individual state agencies can better understand the impacts and effects of their unique grant practices.

b. Fear of Fraud is governing many decisions about grantmaking: Current policies and practices that govern state grantmaking are based on fear of waste and fraud and have an outsized effect relative to the actual instances of fraud.

i. Vision: In an ideal world state grantmaking systems are appropriately flexible to support individual agencies in being responsive to their nonprofit partners and communities.

ii. Promising practices and recommendations:

1. Solutions already exist, and the current system already has some ability to be responsive to nonprofit realities and has demonstrated doing so during the pandemic (such as advanced payments, reduced application and reporting requirements, multi-year support, and less restricted funding). Minnesota Management and Budget (MMB), the Office of the Legislative Auditor (OLA,) and/or OGM could audit approaches utilized during COVID, discuss impact, and identify approaches that should be more broadly adopted.
2. A critical review is needed of OGM's policy [08-08](#) on grant payments, which states that reimbursement is the state's preferred payment method. Reform of this policy driven by nonprofit expertise is needed.

Reimbursement payment has proven to create barriers for eligible groups especially small nonprofits, many of which are based in rural communities. Related, nonprofits say that increasing the allowable amount for administrative costs would expand access to state funding for eligible groups.

3. Groups like MCN could provide training for staff at state agencies and legislators on nonprofits, including their business models, funding streams, existing regulation and oversight, and more.
- c. More input from state agency staff would create better policies and practices: Staff at state agencies are beholden to and often limited by the same policies and practices rooted in fear; many staff have strong relationships with nonprofits and insights on how to best partner to meet shared goals.
- i. Vision: Strong relationships among nonprofit leaders, state staff at grantmaking agencies, and legislators are a crucial foundation for transformational change. A stronger state grantmaking system is one that credits the expertise of state agency staff in knowing how to respond to the needs of Minnesotans and the organizations that serve them.
 - ii. Promising practices and recommendations:
 1. Staff at state agencies have some flexibility to adapt practices and be responsive to nonprofits, and they have power to advocate for changes in policies that govern state grantmaking. Staff at state agencies should share their knowledge on where immediate changes are possible and where larger systemic barriers are preventing changes, which will help broader reform efforts prioritize policy approaches vs. community approaches in changing problematic grantmaking.
 2. There are opportunities for the state to work with partners (such as the University of Minnesota's Center for Urban and Rural Affairs and Humphrey School of Public Affairs, MCN) to design and host regular convenings between state staff and nonprofits (such as conferences, summits, and more) to build relationships, explore areas of mutual concern, and co-identify and develop solutions.
- d. Align Practices with Vision: The state's current values of competition, efficiency, and fairness limit relationship-building and responsiveness. As an unintentional result, there's emerging consensus that the current state grantmaking system erects barriers for some eligible nonprofits resulting in funding inequities.
- i. Vision: In an ideal world, eligible nonprofit organizations are aware of open funding opportunities in a timely matter, can easily assess their eligibility, have a clear understanding of the application, administrative and reporting processes.
 - ii. Promising practices and recommendations:

1. Nonprofits and community members have ideas for solutions; What is needed is implementation of new ideas identified by priority communities. OGM, as it expands and re-envision itself and its purpose, could convene community advisory processes to create this vision and steps towards what state grantmaking can & should be in an equitable Minnesota.
 2. A critical review is needed of the state's outreach engagement efforts (both higher level policies such as OGM's Policy [08-02](#) on rating criteria for competitive grant review and [08-03](#) on writing and publicizing grants notices and requests for proposals, and practices that vary by individual state agencies). Reform of these policies driven by nonprofit expertise is needed.
 3. A critical review is needed of the state's current practices that require nonprofits to have internet access, English fluency, and familiarity with the state and individual state agency's bespoke ways of operating in order to successfully access grant funding.
3. Insight: Information sharing between grantmaking agencies would increase efficiencies. While some convening across state agencies is occurring, much learning and promising practices continue to be siloed in a decentralized model. Unaligned timelines and data systems create unnecessary duplicative work for nonprofits and limit public insight into the use and impact of state dollars.
- i. Vision: Ultimately the state and nonprofits have a shared goal that the state's process for distributing state funding doesn't cost more in nonprofit time invested (in discerning eligibility and completing applications and reports) than the amount of funding that is awarded by the state.
 - ii. Promising practices and recommendations:
 1. Expand the efforts that have been tried and proved successful in reducing barriers for eligible groups to other departments as examples they can try, follow, and build on.
 2. Centralization of key aspects (such as data collection, request for proposals notification, and deadline timing) are promising solutions for current inefficiencies. The state is conducting a feasibility study for a centralized data repository on all state grantmaking.
 3. OGM will be hiring 6 additional staff to support cross-agency learning and nonprofit support.