

Strategies Toward Equitable Government Grantmaking through Cross-Sector Partnerships

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(with special thanks to members of the MN State Grants Working Group and countless leaders who have led on these issues for decades)

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Introduction

Context: Government grants and contracts account for the second largest source of U.S. nonprofit revenue, with federal government investing an estimated \$491 billion, and state and local government investing an estimated \$187 billion annually.¹ Because community-based nonprofit organizations have a pulse on and are already designed for service delivery, the government contracts with them and acts as an allocator, evaluator, and compliance officer. In many cases, this contracting relationship makes it possible for both government and nonprofits to increase and deepen their activities and impact without diminishing their strengths.

At present, there are efforts to reform and improve grantmaking policies, practices, and processes across all levels of government, and these efforts are receiving nationwide attention.² Some efforts for grantmaking reform are driven by concerns about inequitable funding outcomes, especially among communities of color, amplified by an international racial reckoning following the murder of George Floyd by Minneapolis Police in May 2020. Some efforts for grantmaking reform are driven by concerns raised by the high-profile alleged case of pandemic fraud by MN-based Feeding Our Future and its affiliates. This paper addresses the following emergent concerns/opportunities, centering Minnesota as a case study for national learning and growth:

1. Funding inequities driven by burdensome requirements and practices, lack of nonprofit participation in grant reform efforts: Too often the current design of government funding systems results in waste of resources, barriers, and unnecessary burdens for nonprofit grantseekers, which also results in inequities in funding access among rural and communities of color, and more funding being disproportionately invested in larger, metro-based organizations. As a result, governments miss out on opportunities to partner with otherwise eligible groups who have strong community connections and are poised to have a powerful impact toward shared goals. Nonprofit grantseekers that have faced challenges in accessing government grants can identify specific problems and offer more effective solutions. Unfortunately, substantive participation by contracting nonprofit organizations who will also be deeply affected by any reforms, is often lacking in the design, decision-making, and implementation of redesigned systems. As a result, millions of dollars and thousands of hours invested in improving systems ultimately continue to yield the same results, in a net impact loss to nonprofits and communities.³
2. Conflation of “fraud” with “contract variance” is creating a likely exaggerated assumption about the prevalence of fraud in the nonprofit sector and resulting in increased reporting and oversight requirements that further drive funding disparities. The paper seeks to disentangle the definitions of “fraud” (wrongful or criminal deception intended to result in financial or personal gain by an individual or group of individuals at the expense of an organization or government)

¹ <https://nonprofitquarterly.org/infographics/npqs-illustrated-nonprofit-economy/>

² Such as the ***Streamlining Federal Grants Act***. Bills in the Senate and House ([S. 2286/H.R. 5934](https://www.congress.gov/bills/116/2286)) and <https://simpler.grants.gov/>

³ “Net impact” of government funding as defined by the total funding distributed minus the collective nonprofit time invested in requesting, receiving, and reporting on government funding

and “contract variance” (sometimes termed “non-compliance” for failure to comply with rules and regulations, either caused by unintentional oversight due to lack of awareness, training, or burdensome complexity of rules, or through intentional condition violations). Designs of government grantmaking processes are often driven by fear of contractor fraud and subsequent public retribution toward public agencies, leading to processes that enhance restrictions on uses of funds and risk management above program effectiveness, capacity building, or system learning. Equating contract variance with fraud drives a grantmaking environment where overwhelming emphasis is placed on compliance with rules at the cost of broader outcomes, which can stifle community connection and inhibit realization of higher goals. Disentangling fraud prevention from program rule compliance creates opportunities for cross-sector groups to evaluate existing policies/practices/procedures that govern grantmaking and identify ways to effectively achieve shared goals.

Methods

The paper explores opportunities to build cross-sector partnerships and strengthen public-private relationships by ensuring any reforms in government grantmaking systems are designed with partners and entities most impacted. It offers an analysis of strategies that are currently underway, priority areas for reform as identified by nonprofit grant seekers, and implications for agency practice. The following paper:

- Places special focus on rural-based, small, and/or communities of color -serving nonprofits who have reportedly received disproportionately less government funding than larger, established, and/or metro-based nonprofits⁴;
- Provides a high-level overview of a sampling of current policies and requirements governing government grantmaking to nonprofits, demonstrating the complexity and sometimes near impossibility of total compliance and raising critical questions about the effectiveness of some current policies in mitigating or deterring fraud, their impact on funding access and outcomes, and their cost versus benefit.
- Provides suggestions and solutions for government grantmakers to strengthen and streamline grantmaking processes grounded in nonprofit experience and expertise, particularly emphasizing:
 - o Recent research conducted by the Humphrey School of Public Affairs⁵, Minnesota Management and Budget⁶, and Minnesota Council of Nonprofits⁷, consistent with previous Urban Institute work in this area, which identify commonly cited barriers that eligible nonprofits face in requesting, receiving, and reporting on government funding;

⁴ As noted in footnotes 5 and 6 with Minnesota serving as a proxy.

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

⁷ https://www.minnesotanonprofits.org/docs/default-source/publications/state-grants-to-minnesota-nonprofits.pdf?sfvrsn=6e629e0a_4

- Recent deliberations and suggestions of the **Working Group on State Grants to Nonprofits** (convened as a cross-sector meeting ground with participation by 17 nonprofit leaders, 13 Minnesota state agency representatives, and two Minnesota legislators)⁸;
- Recent findings of #FixTheForm⁹, an international campaign among hundreds of nonprofits to identify the top time-wasters in grant application processes.
- Provides a thematic summary of a general survey of current state and federal efforts to improve grantmaking processes for comparison of local issues and agency implementation.

Findings and Recommendations

Grant reform efforts unfolding within Minnesota offer insights that apply across states and the federal government more broadly:

1. Cross-sector collaboration can build a constituency for meaningful change toward shared goals: Transparency and accountability are valued and crucial for both the government and the nonprofits. Nonprofits rely on public trust as a core component of their ability to meet their charitable missions, and appropriate oversight of organizations receiving government funding is a key strategy in building and maintaining public trust. Ensuring strong cross-sector collaboration is key to creating mutual trust, reducing narrow institutional interest, and developing shared visions and solutions towards a more equitable society. Within Minnesota's state grants working group, getting state legislators, commissioners, mid-level agency staff, and nonprofit leaders in the same physical space with an intentional relationship building goals helped individuals develop role empathy, understand and respect diverging viewpoints, and collaboratively seek alternative solutions and examine underlying barriers together.
2. Appropriate and effective solutions are more likely to come from those most impacted by the problem: Government agencies that design grantmaking processes need to partner with nonprofits, grantseekers, and other fundraising experts who are directly impacted, as they bring knowledge of solutions developed from decades of experiences that can be effective, cost-efficient, and still centers shared goals of accountability and transparency. According to current research on nonprofit expertise and experience, the most impactful areas for government grant reform include:
 - a. More flexibility in grant programs, particularly around general operating costs (including staff salaries) and longer funding and contracting periods
 - b. Streamline grant applications and reports
 - c. More expansive promotion of open funding opportunities, community outreach, and technical assistance (state staff certainly play a role here; possible partners who could expand impact include nonprofit state associations)
3. A more effective state grantmaking system will be one that makes use of the expertise of agency staff on how to respond to the needs of target communities and the organizations that serve them. Frequently state agency staff are hampered by policies and practices rooted in historic risk

⁸ <https://www.minnesotanonprofits.org/state-grants-working-group>

⁹ <https://blog.grantadvisor.org/fixtheform/>

management, preventing system learning from their own staff’s deep knowledge and experience with nonprofit contractors. The overall system performance would benefit if agency staff would share their knowledge of 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.

4. Initiatives seeking to undertake grant reform would be served by establishing shared goals and guiding criteria of success for the grantmaking process, and then thoroughly reviewing grant policies/practices/procedures. Growing out of work in Minnesota, four key questions emerged to assess whether grant systems are likely to be suitable to address community needs: Does this policy/practice/procedure¹⁰:
 - a. Help the government and public know that the money is being effectively used for its intended purposes?
 - b. Result in the money or services being put to work in communities on a timely basis?
 - c. Help ensure that funds are allocated to organizations that are best suited to meet needs of targeted communities?
 - d. Provide a fair and transparent grantmaking process for potential service providers?

When the response is not a clear “yes” to these questions, consider refine or eliminate the policy/practice/procedure, since it may be creating unnecessary work and expense, erecting funding barriers to otherwise eligible groups, and generating limited goals-aligned returns.

5. The maxim “No data, no justice” applies here: Research and commonly accessible data are crucial components to cross-sector strategies toward equitable government grantmaking. Data analysis of where funding currently is (and isn’t) allocated is a foundational step to establish a benchmark for current government grantmaking processes, build collective knowledge of the status quo, help identify areas of specific funding inequities and promising solutions, target efforts to help measure the effectiveness of strategies, change, and/or progress toward identified goals, and hold people and systems to account.

High Level Overview: Ecosystem of Nonprofit Oversight and Grantmaking

The following high-level overview of the nonprofit oversight and grantmaking ecosystem provides context for explorations around government grant reform more specifically.

Figure 1: Ecosystem of Nonprofit Oversight

Federal	State
Internal Revenue Service: Awards tax exempt status requests via Form 1023 or 1023EZ under Section 501c3 of IRS tax code; receives and publishes 990, 990EZ, 990N data from charitable organizations; revokes tax exempt status for	State Attorney Generals: Provides oversight of charitable organizations soliciting donations through initial registration requirements and annual reporting (including receipt of 990 filings, and certified independent audits for groups whose annual reported

¹⁰ Criteria inspired by Chuck Johnson, former deputy commissioner of Minnesota Department of Human Rights. <https://minnesotareformer.com/2023/12/12/the-complex-morass-of-the-states-grant-management-program-isnt-working/?emci=2f2eda6d-0799-ee11-8925-002248223cbb&emdi=37dd0616-0999-ee11-8925-002248223cbb&ceid=379703>

groups who fail to comply with filing requirements or other offenses	income exceeds the state’s defined threshold to require an independent financial audit) <u>Secretary of State</u> : Processes articles of incorporation filings, reservation of unique name of organization, and annual renewal of incorporation status for nonprofits <u>State Department of Revenue</u> : Processes applications for state sales tax exemption
<u>Congress</u> : Appropriates funds to federal agencies and passes other grant-related legislation	<u>State Legislatures</u> : Appropriate funds (through competitive grantmaking via state agencies, or directly to organizations through appropriation or bonding); passes other grant-related legislation
<u>President</u> : Overall direction of executive branch agencies; Issues guidance for implementing legislation and expenditures	<u>Governor</u> : Can guide investments through budget proposals, issue guidance for implementing legislation, direct work in executive office
<u>Office of Management and Budget</u> : Establishes policies and guidelines for federal grantmaking to which all federal agencies must comply; established Grants.gov , a centralized repository of open federal funding opportunities and resources for grantseekers	<u>Enterprise-wide entity</u> (such as Office of Grants Management in MN): Sets policies for state grantmaking to which all state agencies must comply; provides some centralized information on open funding opportunities and resources for grantseekers
<u>Individual federal grantmaking departments</u> (such as Health and Human Services): Awards competitive grants to qualified organizations; can develop their own policies and procedures related to grantmaking and oversight; can pass funds down to individual states/state agencies	<u>Individual state grantmaking agencies</u> (such as Department of Human Services): Awards competitive grants to qualified organizations; can develop their own policies and procedures related to grantmaking and oversight; can administer federal funds through re-granting as an intermediary

The following is a brief overview of a sampling of policies that undergird grantmaking processes and requirements in Minnesota (not inclusive of initial filing and annual reporting requirements nonprofits more broadly). This section is meant to highlight tensions between the intent to have policies created in good faith efforts and the actual impact on communities served, and is not an argument against having policies.

Figure 2: Sampling of Current MN State Policies and Requirements Related to Grantmaking

Requirements	Entity	Intended Purpose	Community Impact
Conflicts of Interest , including following Code of Ethical Conduct (https://mn.gov/mmb-stat/policies/1445-codeofethicalconduct.pdf)	Office of Grants Management, MN law	Seeks to create an environment of fair competition for state funds, reducing the impact of an individual state employee or community grant reviewer where their judgment,	Can limit or overwhelm a state employee’s willingness to build relationships with community partners, serve on boards, etc. Builds distance between state and communities

		actions, or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to an immediate family member, business, or organization in which they are involved	
Rating Criteria for Competitive Grant Review	Office of Grants Management	Ensure "fairness, precision, equity, and consistency in competitive grant awards including diversity and inclusion in grant-making"	Lack of nonprofit input on what the criteria by which effectiveness is measured and gauged can lead to misalignment between state investments and true community needs
Writing and Publicizing Grants Notices and RFPs	Office of Grants Management	Provide sufficient information to support potential applicants in making informed decisions about applying and managing state grants; Encourage state agencies to share information through existing and diverse networks to help broaden applicant pool	RFPs can frequently be dozens of pages long with crucial information buried. Those unfamiliar with state RFP formats can be dissuaded from applying or unclear on how state-specific terminology translates to nonprofit operations and programming. Policies require open opportunities be posted online, but information is often located in difficult places to find or inaccessible to organizations in geographic areas where broadband is not strong, non-English speakers, or people with disabilities. It also builds in little measures of accountability for state staff in promoting awareness in diverse networks
Pre-award risk assessment, including financial review (for nonprofits receiving a grant award from Minnesota State of \$50,000 and higher)	Office of Grants Management, MN law	Requires state agencies to assess the prospective grantee's ability to perform the required duties specified in the grant contract, tied to	Interpretation of how to implement this policy is left to the discretion of individual agencies, and knowledge of and experience with nonprofit financials and

<p>- Must submit one of the following documents (depending on age and size of organization):</p> <ul style="list-style-type: none"> -Most recent board-reviewed financial statements -Most recent form 990 -Most recent certified financial audit <p>Source: MN State Policy 08-06</p>		<p>both fraud mitigation as well as seeking to ensure effective program delivery</p>	<p>operations can vary widely depending on individual staff. For example, “most recent financial statements” could be taken to mean the current year. After a fiscal year is over it can take 9 months or longer for a nonprofit to complete an independent financial audit, receive board approval, and submit materials to the state. Nonprofits may be unfairly penalized for not providing “recent” enough financials due to a lack of understanding among state staff around timing and procedures for completing an independent audit</p>
<p>Grant Contract Agreement and Grant Award Notification, related to Minnesota Statute 16B.98 subd. 5</p>	<p>Office of Grants Management, MN law</p>	<p>Fraud mitigation by ensuring multiple checks and balances before state funds are remitted to grantees</p>	<p>Multiple tiers of reviewers and signers within the state can lead to crucial delays in contract signing and program implementation; Nonprofits often provide continuous services that can’t be paused without significant disruption to community. Nonprofits continue to provide services that are not reimbursable by the state because they occur outside of the grant agreement timeframe, placing the cost burden on the nonprofit.</p> <p>Individual commissioners of state agencies can create their own policies and requirements around grant agreements and amendments, creating a fragmented system with potentially duplicative requirements and unnecessary</p>

			administrative burdens for nonprofits
Grantees are subject to the State’s bidding requirements (ie. For services that cost \$100,000 or more must undergo a formal notice and bidding process, etc.) Must take all necessary affirmative steps to assure that targeted vendors from following entities are used: ie. Disadvantaged Business Enterprise Directory , CERT Business List , etc.	Varies	Seeks to create a transparent and fair process for sub-contracted vendors	Adds requirements that could have little relevance to the proposed work, pose unnecessary administrative burdens on nonprofits, and potentially supersede nonprofits’ own financial procedures around competitive bidding processes. This continues to perpetuate the lack of trust between state agencies and nonprofits who were selected as experts in their field of work
Grant Payments (Reimbursement as payment method)	Office of Grants Management (enterprise-wide department)	Reimbursement of activities creates time for the state to verify proposed activities have occurred; Reimbursement is administratively easier to manage from an accounting perspective; Reclaiming funds provided through advanced payment is difficult	One of the practices/policies most lifted by potential and current nonprofit grantees as cumbersome and harmful. In some cases, government RFPs do not receive any proposals because many organizations with a wide range of budget sizes do not have the operating cash to float expenses and wait weeks or months for the state’s reimbursement. Hundreds to thousands of otherwise eligible nonprofits are functionally weeded out, limiting the state’s opportunities to partner with community groups working toward shared goals.
Grant Progress (08-09) Reports and Evaluating Grantee Performance (08-13)	Office of Grants Management	As a strategy for ensuring accountability and effective performance and use of funds, MN requires grantees to submit reports at least annually until all grant funds have been expended and all	Frequency and content of reporting varies by grant opportunities. Often grantees can be required to submit quarterly grant reports and monthly financial reports throughout the grant period. A lack of awareness or lived experience in nonprofit

		terms of the agreement have been met	program service delivery can create unfair measures of grantee performance. It's often unclear to nonprofits how information from reports is used by the state. If reports are only housed in individual state agencies, there can be a missed opportunity for aggregate learning and public transparency
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[Assessing Funding Inequities Resulting from Current Processes](#)

National data on government funding broken down by intended beneficiaries is sparse, especially disaggregated views of funding to communities of color. In Minnesota, a cross-sector team of researchers analyzed information and reports on state funding inequities by cross referencing public funding data and a list of nonprofits that serve communities of color in the state ([MCN's BIPOC Nonprofits Index](#), a compilation of 560+ nonprofits who have been identified as being led by and/or serving communities of color). The following section uses Minnesota as an example to assess broader funding inequities across government systems.

To understand current inequities in state grantmaking systems, a few key questions emerge that warrant broader exploration in the future:

- How many organizations are currently eligible to receive state funding?
- Of those, how many are receiving state funding?
- To what degree is the state's eligibility requirements supporting or prohibiting its own goals around impactful, equitable state grantmaking?

In reviewing the following graphs, the authors invite readers to hold the following important layers of nuance:

- Minnesota Management and Budget (MMB) used the Minnesota Council of Nonprofits (MCN)'s [MN BIPOC Nonprofits Index](#) as a tool to analyze state funding allocated to culturally-specific groups. The MN BIPOC Nonprofits Index contains information on over 560 organizations but is an incomplete census of all nonprofits that serve communities of color in Minnesota; it's a starting point that is continually enriched by ongoing research and community input.
- Minnesota is home to over 37,000 tax exempt entities, with 10,000 organizations having at least one paid employee and at least \$50,000 in reported annual income.
- If we were to assume the MN BIPOC Nonprofits Index is a fair representation for a complete census, then nonprofits that are primarily led-by and/or serving- communities of color make up around 5 percent of nonprofit employers in Minnesota, although the actual number is probably higher.

- If a collective goal is to create equitable access for eligible groups so that communities have what they need to thrive, to what degree is a proportionate amount of state funding going to nonprofits that serve communities of color a measure of success and impact? This is a bigger question that warrants broader exploration in the future.

The state of Minnesota and its agencies rely on partnerships with nonprofits to meet their stated goals to ensure every Minnesotan has their basic needs met and ultimately thrive. Each year Minnesota's state government invests hundreds of millions of dollars into improving community through contracts with nonprofit service providers. Nonprofits hold high community trust and connections within historically under-served communities and make up 14 percent of the state's workforce (by comparison, government is 12 percent, and for-profit is the remaining 74 percent of state employment). **If Minnesota state government were to provide all of the services that nonprofits currently provide, the state would have to more than double its workforce.** Grant funding to nonprofits allows the state government to flexibly undertake a wide scope of work otherwise too dispersed and diverse to accomplish through current state agencies alone.

The traditional service structures for health and human services have not kept pace despite Minnesota's population and demographics having undergone dramatic change over the last decade. Studies by Minnesota Management and Budget,¹¹ the Minnesota Council of Nonprofits (MCN),¹² and Humphrey School of Public Affairs at the University of Minnesota (advised by MCN)¹³ have documented disparities in funding outcomes, with disproportionately higher investments being made into nonprofit organizations that have larger budgets, metro-based, and white-led. These studies and conversations with nonprofit leaders match common anecdotal experiences of the most marginalized but eligible nonprofits facing significant barriers in navigating state grant making systems and accessing state funding, particularly among:

- **Newer, smaller, less-established nonprofits:** Though small nonprofit organizations (defined as having an annual operating budget of \$500,000 or less) comprise 71 percent of nonprofit employers in Minnesota, they receive approximately 25 percent of the state grants awarded to nonprofits.¹⁴ Conversely, though large nonprofit organizations (defined as having an annual operating budget of greater than \$10 million) make up only 5 percent of nonprofit employers in Minnesota, they receive approximately 25 percent of state grant funding to nonprofits.¹⁵ Nearly one-quarter of the Minnesota-based nonprofit organizations that received state-funded grants in the past five fiscal years received grants from multiple state agencies,¹⁶ demonstrating

¹¹ https://mn.gov/mmb/assets/Learnings%20from%20Enterprise-wide%20Review%20for%20Grant%20Impact_tcm1059-562035.pdf

¹² https://www.minnesotanonprofits.org/docs/default-source/publications/state-grants-to-minnesota-nonprofits.pdf?sfvrsn=6e629e0a_4

¹³ https://www.minnesotanonprofits.org/docs/default-source/publications/equity-in-state-grantmaking-2021.pdf?sfvrsn=91bf1006_4

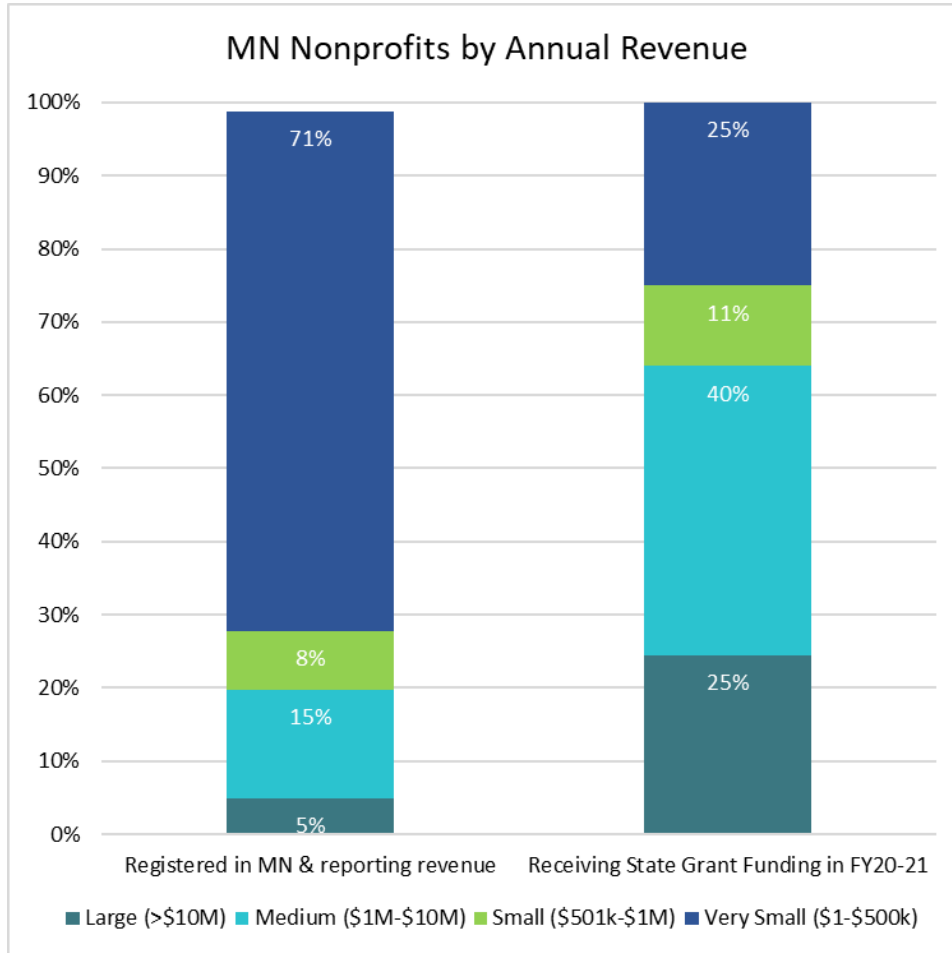
¹⁴ Minnesota Management and Budget, data from their 2023 Impactful Grantmaking research

¹⁵ Ibid.

¹⁶ Ibid. Pg 7.

incumbent advantage for current state grantees. This is not to say that the state is intentionally biased in support of these groups, but rather illustrate a comparative advantage in grantseeking among a meaningfully-sized cohort of nonprofits who dominate competitive proposal processes.

Figure 3: Distribution of Minnesota Nonprofits Compared to Distribution of State Grant Funding by Budget Cohort (defined by Annual Revenue)



Source: Minnesota Management and Budget, data from their 2023 Impactful Grantmaking research

- **Rural-based nonprofits:** While 47 percent of nonprofits are located in Greater MN,¹⁷ state grant funding to nonprofits tends to concentrate in metro areas, while more rural portions of the state receive less funding relative to their nonprofit activity.¹⁸ Rural nonprofits face particular challenges of distance and density, including access to broadband, lack of transportation infrastructure, for communities to effectively access services needed in areas where nonprofits are scattered across a wider area compared to metro areas. Rural Minnesotans often feel their

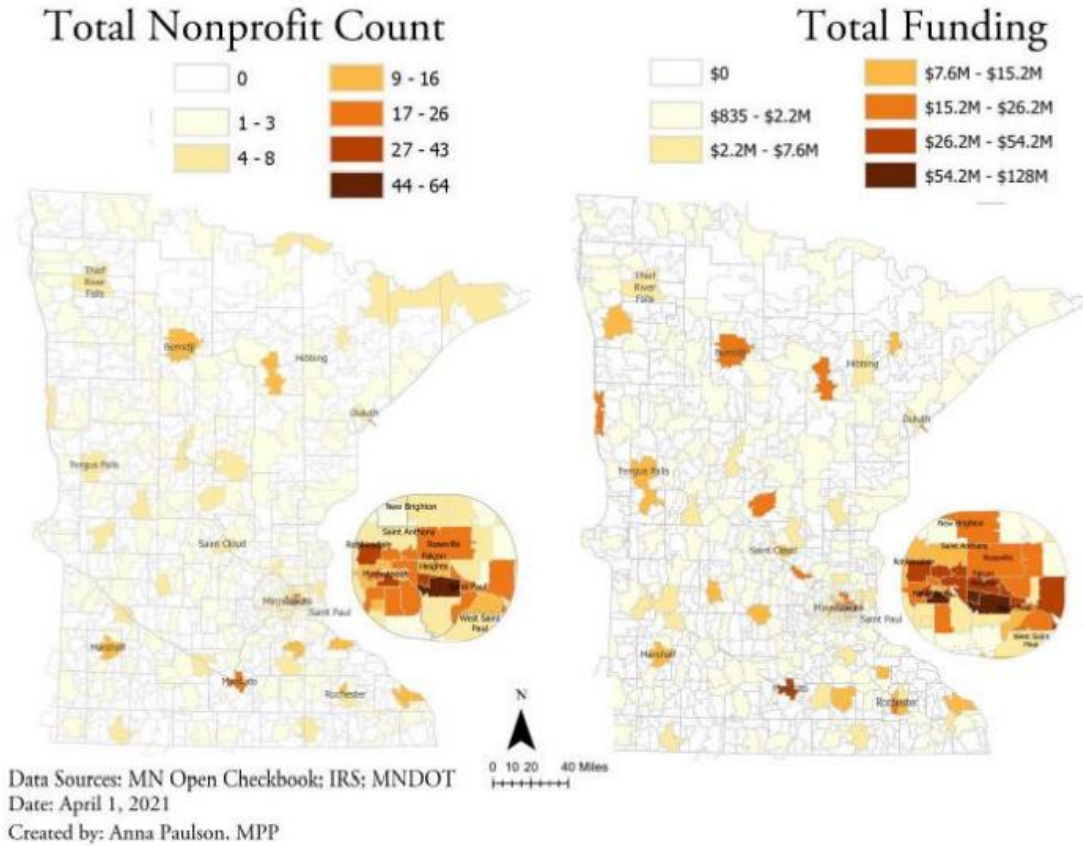
¹⁷ <https://www.minnesotanonprofits.org/docs/default-source/publications/minnesota-nonprofit-economy-reports/2022-2023-minnesota-nonprofit-economy-report.pdf>

¹⁸ Source: [Equity in State Grantmaking](#), May 2021, University of Minnesota Humphrey School of Public Affairs in partnership with the Minnesota Council of Nonprofits, p. 13

voices and needs are not heard by policy makers,¹⁹ which impacts their ability to advocate for more equitable distribution of state funding relative to the percentage of nonprofits that serve rural communities.

Figure 4: Distribution of Nonprofit Employers by Geographic Location Compared to Distribution of State Dollars to Nonprofits by Geographic Location

Geographic and funding density, all nonprofits



Source: [Equity in State Grantmaking](#), May 2021, University of Minnesota Humphrey School of Public Affairs in partnership with the Minnesota Council of Nonprofits, p. 13

Note. Figure represents location density (left) and total funding (right) by zip code for all nonprofits awarded grants from FY18 to FY20 from DEED, MDH, DHS and MSAB combined.

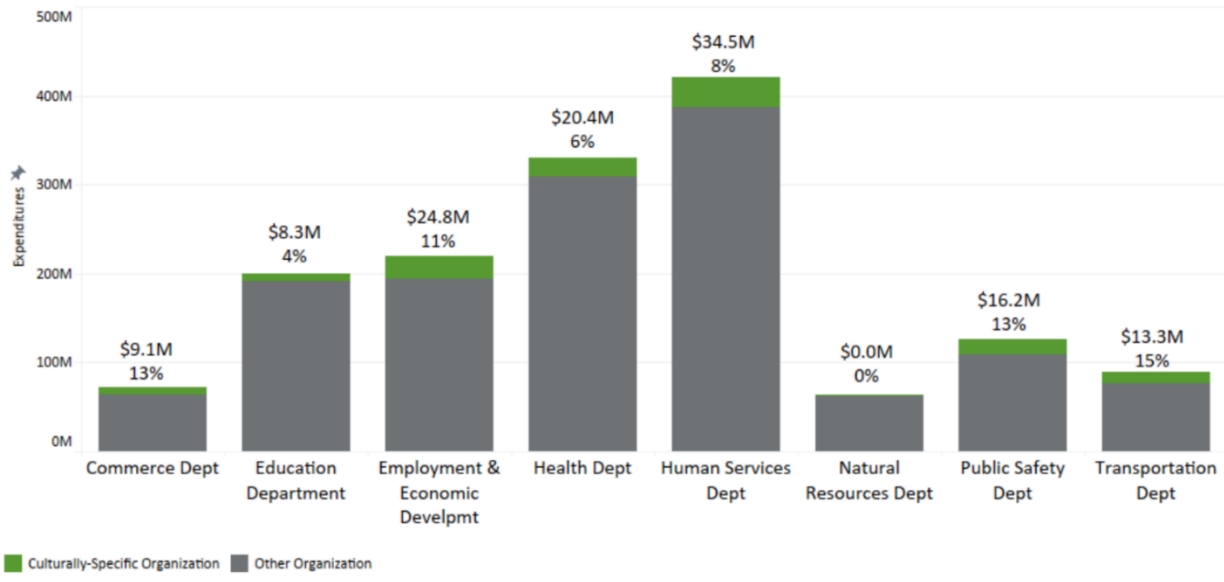
- Nonprofits primarily led-by and/or -serving communities of color: Nonprofits that were created by or serve communities of color as well as Tribal governments receive an average of 11 percent of state grant funding to nonprofits.²⁰ While 11 percent of state grant funding to nonprofits may seem to overrepresent communities of color-led/-serving organizations, MCN’s BIPOC Nonprofit

¹⁹ https://blandinfoundation.org/content/uploads/BLF_RuralUrban_Report_2019.pdf

²⁰ Data analyzed from charts published in “[Learnings from Enterprise-wide Review for Grant Impact](#),” Minnesota Management & Budget 2023, pgs. 6-7

Index is not represented as a complete census, and there is little exact research specific to racial equity in state grantmaking processes. Minnesota Compass and the state demographer’s office report 20.6 percent and 20 percent respectively of the total population in Minnesota identifies as a person of color.²¹

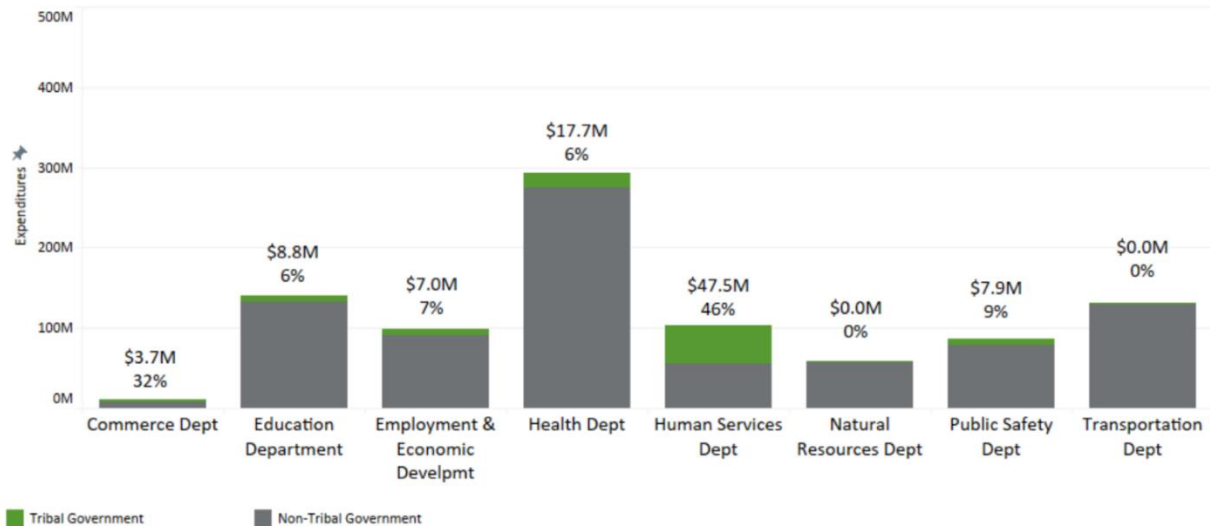
Figure 5: State Grant Funding Going to Nonprofits, by agency and estimated percent of funding going to culturally-specific organizations (FY20-21)



Source: “[Learnings from Enterprise-wide Review for Grant Impact](#),” Minnesota Management & Budget 2023, p 6

Figure 6: State Grant Funding to Governments, by agency and estimated percent of funding going to tribal governments

²¹ <https://www.mncompass.org/topics/demographics> and <https://mn.gov/admin/demography/data-by-topic/age-race-ethnicity/>



Source: “[Learnings from Enterprise-wide Review for Grant Impact](#),” Minnesota Management & Budget 2023, p. 7

Minnesota as a Case Study: An Opportune Moment for Nonprofits to Inform Grant Reform

Two recent challenges/opportunities are driving increased attention and interest in reforms to Minnesota’s grantmaking systems:

1. **Concern with inequities:** The murder of George Floyd on May 25, 2020, an unarmed Black man, by Minneapolis police, triggered massive civil protests and widespread calls for justice. Heightened awareness of and active work to address and dismantle racism and racial disparities quickly ramped up among individuals, nonprofits, businesses, communities, and governments across a broad range of activity areas. Recognizing that state funding is a meaningful source of support for nonprofits engaged in community work, in Minnesota there is amplified interest in barriers facing nonprofits in requesting, receiving, and reporting on state funds. From 2021-2023 at least two research reports²² were released that showed nonprofits primarily led-by and/or -serving communities of color were more likely to report significant barriers to accessing state funds, and the distribution of state dollars tends to sway toward larger, established, metro-based organizations.
2. **Concern with fraud:** In September 2022 the Department of Justice announced criminal charges against 47 defendants who allegedly participated in a \$250 million fraud scheme that exploited the U.S. Department of Agriculture’s Federal Child Nutrition Program, allegedly using federal funds passed through and administered by Minnesota’s Department of Education for personal

²² “Equity in Minnesota State Grantmaking” https://www.minnesotanonprofits.org/docs/default-source/publications/equity-in-state-grantmaking-2021.pdf?sfvrsn=91bf1006_4; “Learnings from Enterprise-wide Review for Grant Impact” https://mn.gov/mmb/assets/Learnings%20from%20Enterprise-wide%20Review%20for%20Grant%20Impact_tcm1059-562035.pdf

benefit.²³ The recipient organization Feeding Our Future quickly made national headlines as the largest case of pandemic fraud, scaling up from distributing \$3.4 million in 2019 to nearly \$200 million in 2021 through a network of shell (mostly for-profit) companies posing as program partner sites. Since initial charges were filed, 70 defendants (mostly affiliated with shell for-profit companies) in total have been charged with wire fraud, bribery, and/or money laundering of funds intended to serve as reimbursement for meals for children in need.

In response to the Feeding Our Future debacle, understandable public outrage has ensued with calls for the Minnesota legislature to increase oversight and accountability of groups receiving funds from the state. The Minnesota Office of Legislative Auditor is conducting an investigation into Feeding Our Future and anticipates releasing a full report in spring 2024. As policymakers and state staff look for solutions to prevent similar abuses in the future, there is important nuance to consider, including but certainly not limited to: the \$250 million Feeding Our Future and its affiliates is charged with mishandling is both a significant amount of money and is only 0.013 percent of total federal pandemic relief funding administered through the CARES Act. While this high-profile case continues to receive national attention, there is scant compelling evidence that overall nonprofit fraud committed with government funds is increasing in prevalence.²⁴

Minnesota's 2023 legislative session presented a historic opportunity to take a fresh look at the state's responsibilities and methods. Leveraging the momentum of an unprecedented \$17 billion surplus for the biennium budget, the state of Minnesota will bolster oversight and expand access to state funding for eligible groups over the following two years, including specific work to address inequities.²⁵ Several key investments in the nonprofit contracting area were built into the state's budget and are currently unfolding:

- Addressed grants administration oversight by expanding capacity at the Office of Grants Management (OGM): This centralized office housed in the Department of Administration is responsible for creating policies for grant oversight and training grants management staff at 27 state granting agencies. The OGM office allocation was expanded from 1 FTE to 7 FTE, which has already commenced with the hiring of an Enterprise Grants Managing Director, and includes 3 FTE dedicated to this work.

²³ <https://www.justice.gov/opa/pr/us-attorney-announces-federal-charges-against-47-defendants-250-million-feeding-our-future>

²⁴ The Certified Auditor Examiner's annual report is the most relevant research the authors could find regarding trends in fraud. This is an international study with anonymous voluntary survey responses from 138 countries focused on instances of occupational fraud (individual employees committing fraud against an employer). Given that U.S. responses account for 35 percent of responses, and nonprofits account for 10 percent of responses overall, it is difficult to argue that findings from this report equate to an increase in fraud among U.S.-based nonprofits receiving government funding. <https://www.acfe.com/-/media/files/acfe/pdfs/rtn/2024/2024-report-to-the-nations.pdf>.

²⁵ "State Grantmaking Reform," Minnesota Council of Nonprofits. <https://www.minnesotanonprofits.org/about-mcn/news-detail/2023/06/02/2023-legislative-session-recap>

- Created an Office of Equity in Grants: This new office housed within OGM was designed to advance equity by increasing the state’s capacity to provide the ongoing needs for effective resources, training, policy guidance, data collection, and data analysis to support state granting agencies in addressing equity issues in and through grantmaking processes. Three new FTE are dedicated to outreach and training to encourage and assist community-based and culturally-specific organizations in applying for state grants. This team's expansion is a crucial opportunity to critically re-examine policies identified as a priority for reform among nonprofits and to establish stronger relationships between OGM and nonprofits.
- Design and implement a grants management platform for state granting agencies: Nonprofits deliver a significant portion of state-funded services, many through grants from the state, yet partnering with the state via grants is a significant pain point for many nonprofit partners due to unnecessary administrative and system barriers. The 27 granting state agencies currently use 13 different grants management systems, and 14 have no grants platform. A common multi-agency platform could allow agencies to review a nonprofit’s past performance contracting with other agencies when considering new grants and increase the state’s knowledge and efficiency in grantmaking. A common platform would increase transparency and data availability on state grants to nonprofits for legislators and the public, and it could save applicants valuable time and resources when applying for state grants, leading to a wider variety of nonprofits delivering services throughout the state. OGM is currently conducting a feasibility study on the possibility of a statewide grants management platform, and findings are expected in the Fall of 2024.

In addition to state legislation to improve its grantmaking processes, the unprecedented budget surplus made increased funding possible for direct appropriations and competitive grantmaking. An estimated \$5 billion of the \$17 billion projected surplus is allocated for ongoing appropriations (including to an estimated 286 organizations) and a significant majority of the rest will be in one-time state spending.²⁶ A report prepared by Hylden Advocacy & Law provided an overview of where state funds will be distributed. The following is an abbreviated excerpt from that report²⁷ featuring only the increases in spending that will result in competitive grant opportunities for nonprofits in the 2024-2025 state fiscal years:

- Agriculture: \$148 million increase in spending, with \$100 million dedicated to expanding broadband access
- Early Learning: \$300 million increase in spending; \$280 million is appropriated to nonprofits via competitive grant programs and direct appropriations
- Health & Human Services: \$1.78 billion increase in spending, of which there will be 62 competitive grant programs for eligible nonprofit providers
- Human Services: \$2.9 billion increase in spending, which includes 31 competitive grant programs

²⁶ <https://mcf.org/system/files/documents/2023-08/2023%20Nonprofit%20Minnesota%20State%20Funding%20Breakdown.pdf>

²⁷ <https://mcf.org/system/files/documents/2023-08/2023%20Nonprofit%20Minnesota%20State%20Funding%20Breakdown.pdf>

- Legacy: \$874.2 million is appropriated from the state’s legacy fund, of which \$138.87 million is appropriated for competitive grants
- Public Safety: \$3.5 billion increase in spending, of which \$112 million is appropriated to competitive grant programs
- Workforce & Economic Development: \$1 billion increase in spending, of which \$260.3 million is appropriated for competitive grant programs

Minnesota Convenes a State Grants Working Group

During the 2023 legislative session the Minnesota Council of Nonprofits (MCN) closely monitored the development of the Governor’s budget, proposed legislative changes to state-led nonprofit oversight, and proposed investments into state grantmaking process reforms. MCN members recognized this was an opportunity for nonprofits to participate in changes the state was making that would impact their communities and their work at a time when increased investments to nonprofits were unfolding, but nonprofits weren’t necessarily being invited to the proverbial table as proposals and budgets were developed.

After the legislative session concluded, MCN decided to pursue the creation of a cross-sector working group to directly involved nonprofits in addressing issues in Minnesota state grantmaking processes that produce inequitable access to state funds by nonprofit organizations. The Working Group was convened by MCN to encourage open discussion and relationship building between the state grantmaking departments and Minnesota’s nonprofit sector, and grounded in nonprofit leaders who have experienced barriers in accessing grants to the nonprofit sector. The working group was formed to bring together the main constituencies for state grant reform: Comprised of 13 state grants staff, 17 nonprofit leaders, bi-partisan representation among two legislators, and seven MCN staff.²⁸ The Working Group met three times in September and October 2023. Nonprofits reporting the most significant barriers (small, rural, and BIPOC-led and -serving nonprofits) represented most of the nonprofit members (full list of Working Group members included in Addendum A). Together the working group convened with goals of:

- Strengthening relationships across sectors, including between nonprofit organizations and state agencies;
- Surfacing issues and opportunities facing nonprofit organizations, state agencies, and legislators regarding state grantmaking processes and policies; and
- Ensuring the experiences and priorities of nonprofit organizations continue to influence state-led reform efforts regarding grants management, particularly those who have been marginalized by current practices.

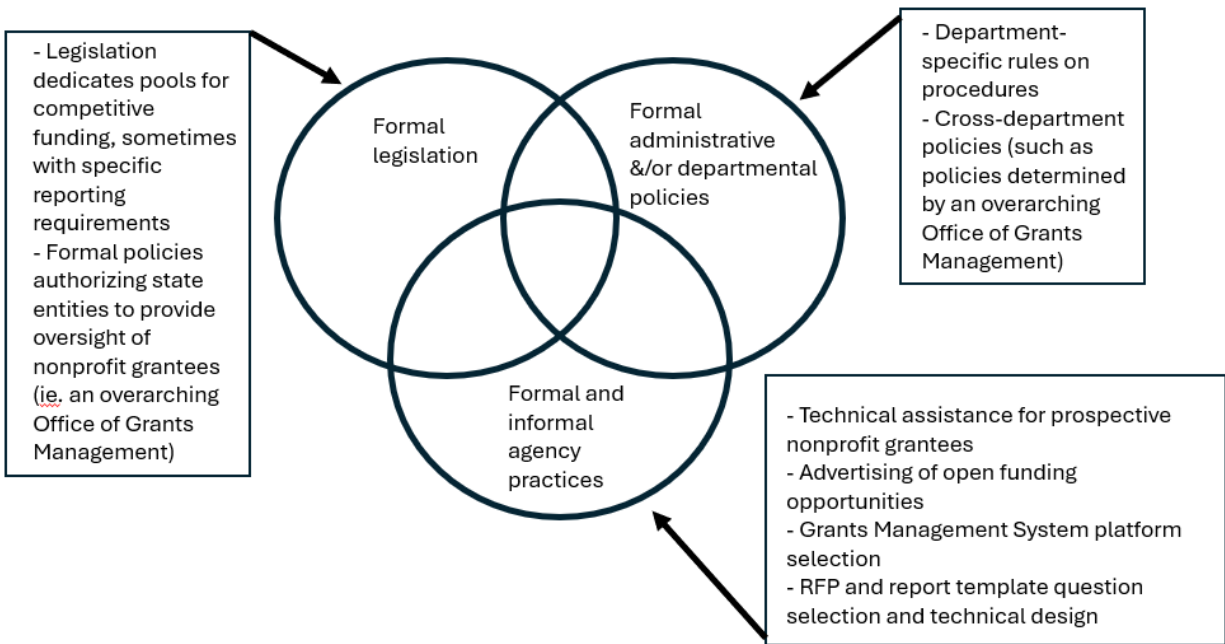
Nonprofit-Identified Barriers to State Grant Funding

The Working Group began by establishing a baseline understanding of how state grantmaking processes currently unfold. The following Venn diagram below portrays different aspects of the state’s grantmaking

²⁸ Complete list of working group members included in Addendum A.

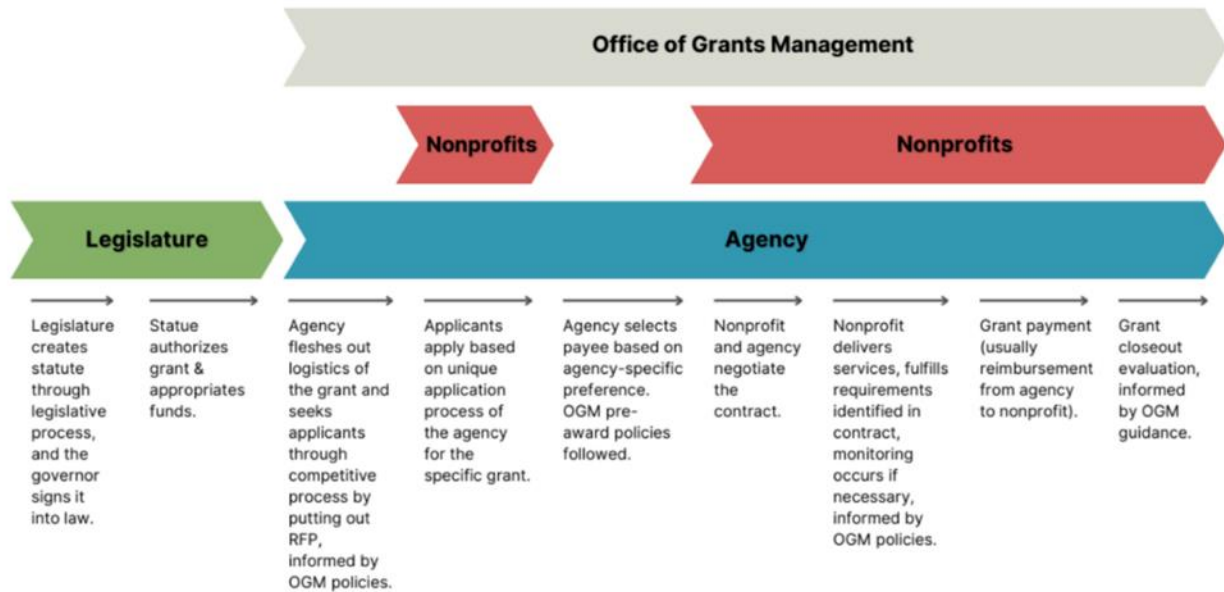
system, ranging from formal legislative policies, formal administrative and departmental policies, and formal and informal practices such as advertising of open funding opportunities or technical assistance for prospective applicants. Each aspect has its own unique set of opportunities and challenges in determining equitable funding outcomes.

Figure 7: Authorizing environment that the nonprofit sector is seeking to influence in reforming the grant process



While grants to nonprofits can come through a variety of channels (such as direct appropriation, competitive application processes, as a pass-through from federal channels, and more), the Working Group focused its efforts on grants that come from pools of funding identified in Minnesota state legislation and distributed to state agencies, who then award funds to nonprofits through competitive funding opportunities. The following chart portrays a general timeline for competitive grant pool development, requests for and evaluation of proposals, grant award and implementation, and final reporting.

Figure 8: Oversight of State-Funded Nonprofits



Source: “[State Grants to Minnesota Nonprofits](#),” Minnesota Council of Nonprofits, pg 5.

Next, the Working Group reviewed contemporary reports on funding inequities in Minnesota and current information on causes of government funding inequities, according to nonprofit expertise and experience. In sum:

- the majority of nonprofit applicants reported that they found state grant application processes to be difficult, time-consuming, opaque;
- restrictions on funding continue to perpetuate the overhead myth²⁹ and frequently don't cover the true cost of the operational and programming work, and/or are not aligned with the realities of nonprofit service delivery;
- delays in contracting and payment reimbursements place nonprofits in precarious operating positions at the whim of the state.

From the vantage point of the state agency that provides management oversight of all the other agencies, Minnesota Management and Budget (MMB) aimed to gauge current nonprofits’ experience of the state’s grantmaking system by conducting a survey and releasing a [report in 2023](#).³⁰ In this report two-thirds of over 100 respondents said the process of applying for a grant was “difficult” or “somewhat difficult.” When responses are disaggregated by race, 80 percent of BIPOC led- and/or -serving organizations report applying for a grant was “difficult” or “somewhat difficult”:

²⁹ <https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/misunderstanding-overhead>

³⁰ https://mn.gov/mmb/assets/Learnings%20from%20Enterprise-wide%20Review%20for%20Grant%20Impact_tcm1059-562035.pdf

Figure 9: How was the process of applying for a State grant? (% of all respondents), 2023 MMB Report

Opportunities for Improving the Grantmaking Experience

Grant programs must – by statutory definition¹³ – serve a public purpose. In many cases, grantees serve as an extension of the State to improve the lives of Minnesotans. Internal and external partners highlighted that the grantmaking process should not exclude any organization that is prepared, capable, responsible, and well-situated to serve Minnesotans and fulfills any requirements in grant authorizations. Providing a positive grant solicitation experience can be done without the State undermining due diligence and oversight of compliance-related issues. However, almost two-thirds of non-profit leaders who responded to our survey said that the process of applying for a grant was “difficult” or “somewhat difficult” (See Figure 4). Almost 80 percent of BIPOC Index organizations who responded reported that applying for a grant was “difficult” or “somewhat difficult”.

Figure 4. How was the process of applying for a State grant? (% of all respondents)



Source: “[Learnings from Enterprise-wide Review for Grant Impact](#),” Minnesota Management & Budget 2023, p. 7

A 2021 research paper led by a team at the Humphrey School of Public Affairs at the University of Minnesota and advised by the Minnesota Council of Nonprofits³¹ took a deeper look at what makes applying for a state grant difficult for many nonprofits. Using quantitative analysis of where state funding is going and qualitative analysis from a survey sent to 100 nonprofits and interviews of 24 nonprofits and five staff from two state agencies, the paper discerned key themes about the current state of grantmaking in Minnesota. The following are summarized themes that emerged among nonprofit interviewees regarding their experiences with the state grantmaking system in Minnesota:

- Process
 - Cumbersome applications
 - Criteria in Requests for Proposals (RFPs) is often unrelated to nonprofits’ work
 - Retroactive pay/reimbursements are barriers for smaller nonprofits who lack sufficient cash reserves to cover service delivery expenses until reimbursement, and are a stress and uncertainty point for nonprofits of any size; reimbursement is Minnesota’s default payment method according to [08-08 Policy on Grant Payments from the Office of Grants Management](#).
- Capacity
 - Application and reporting requirements cost more in administrative time than what is offset by grant funds. In a theoretical example, a state agency releases a request for proposal (RFP) for a competitive funding opportunity where the total pool of available dollars is \$1 million. If 250 nonprofits respond, each investing 100 hours of their time

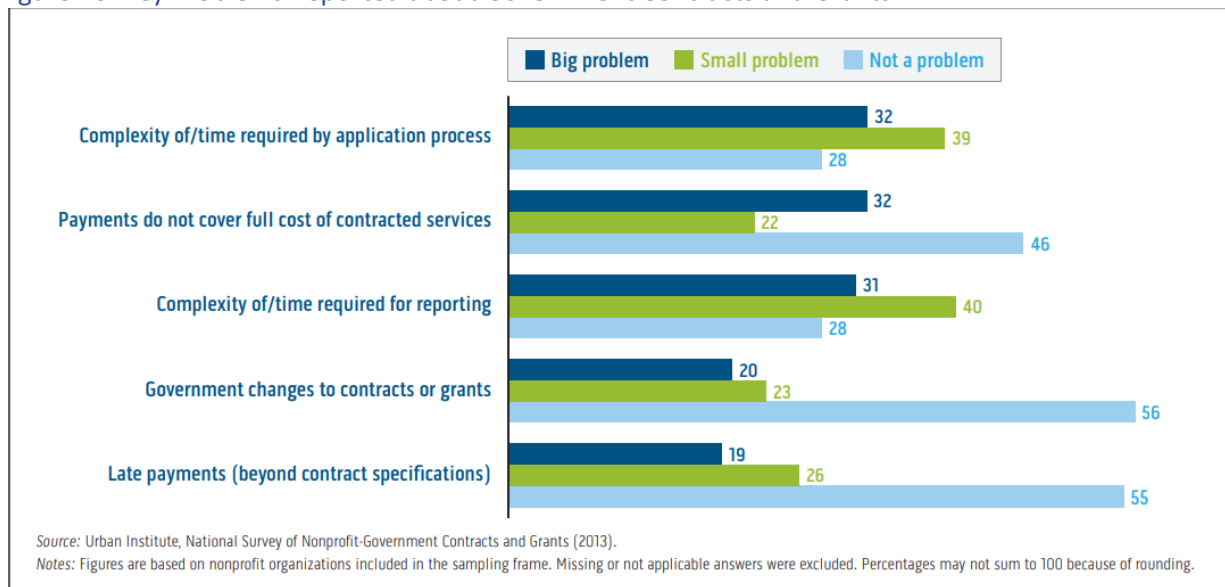
³¹ “[Equity in Minnesota State Grantmaking](#),” May 2021, University of Minnesota Humphrey School of Public Affairs in partnership with the Minnesota Council of Nonprofits

completing the proposal at an average cost of \$50/hour (salary and benefits), the RFP cost the nonprofit sector \$1,250,000 and resulted in a net loss of \$250,000 to community capacity.

- Transparency
 - Lack of knowledge of open opportunities
 - Lack of transparency in grantmaking process
 - Lack of feedback or learning opportunities from unsuccessful proposals
- Structural Inequity
 - Incumbent advantage: Organizations who have received state funding before are more likely to receive it again
 - Centralized decision-making with little community input

These findings are consistent with research dating back to 2013: “During the recession, nonprofits reported some level of difficulty with five key problem areas: complex application processes, burdensome reporting requirements, payments not covering the full cost of services, changes to government contracts, and late payments.”³²

Figure 10: Key Problems Reported about Government Contracts and Grants



Source: “Contracts and Grants between Nonprofits and Government” by Sarah L. Pettijohn and Elizabeth T. Boris, 2013 <https://www.urban.org/sites/default/files/publication/24256/412968-Contracts-and-Grants-between-Nonprofits-and-Government.PDF>

³²“Contracts and Grants between Nonprofits and Government” by Sarah L. Pettijohn and Elizabeth T. Boris, 2013 <https://www.urban.org/sites/default/files/publication/24256/412968-Contracts-and-Grants-between-Nonprofits-and-Government.PDF>

Nonprofit-Identified Solutions for State Grant Reform

The Working Group reviewed literature to better understand issues previously identified by nonprofits and potential solutions to expand access to state funding among eligible groups and drive funding equity.

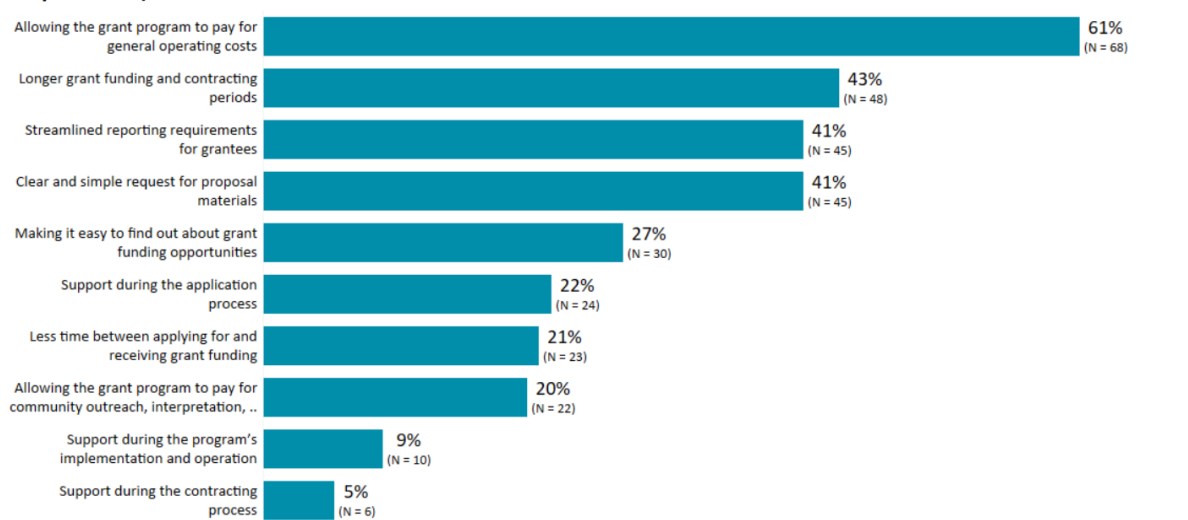
Three key areas emerged:

- More flexibility in grant programs, particularly around general operating costs (including staff salaries) and longer funding and contracting periods
- Streamline grant applications and reports
- More expansive promotion of open funding opportunities, community outreach, and technical assistance (state staff certainly play a role here; possible partners who could expand impact include nonprofit state associations)

The 2023 survey led by Minnesota Management and Budget³³ asked nonprofits to identify top opportunities among 10 choices to expand access to state funding for eligible groups by answering “What features of State grant programs would make it more likely you’d apply for grant programs?” “Allowing the grant program to pay for general operating costs” was the most cited with 61 percent of respondents indicating this would make them more likely to apply for state funding, followed by “longer grant funding and contracting periods.”

Figure 11: What features of State grant programs would make it more likely you’d apply for grant programs? (% of all respondents)

Figure 6. What features of State grant programs would make it more likely you’d apply for grant programs? (% of all respondents)



Note: BIPOC Index organizations reported the same top four answers as all respondents (however, the third and fourth most common responses were switched)

Source: “[Learnings from Enterprise-wide Review for Grant Impact](#),” Minnesota Management & Budget 2023, p. 8

³³ https://mn.gov/mmb/assets/Learnings%20from%20Enterprise-wide%20Review%20for%20Grant%20Impact_tcm1059-562035.pdf

Streamline Grant Applications and Reports: The third most cited feature to increase the likelihood for nonprofits to apply for state funding were “Streamlined reporting requirements for grantees” and “Clear and simple request for proposal materials.”³⁴ Nonprofits consistently report that “technical time-wasters” in grant applications are a major disincentive consuming a staggering 20-30 percent of their time, as reported by over 2,500 anonymous reviews of grantmaking foundations on GrantAdvisor.org.³⁵ To specifically identify top changes needed, a campaign called [#FixTheForm](#) was launched in November 2020. In less than four weeks the [#FixTheForm](#) survey received 500 responses from grantseekers across nine countries representing every shape, size and activity area of the nonprofit and non-governmental organizations sector. While feedback was focused on grantmaking led by charitable foundations, the identified pain points in both the structure of Request for Proposals (RFPs) and general grantmaking processes typically mirror those of government. Government grantmakers often use the same or similar grants management system platforms and application methods as charitable foundations (such as Foundant, Fluxx, etc.) making [#FixTheForm](#) learnings are a useful base to explore government grantmaking reform options.

The most significant nonprofit pain point that received the most votes and was rated as having the highest negative impact: **Not being able to see the full application ahead of time** (including surprise pop-up questions). This pain point is especially acute in online applications and report forms that divide content across multiple tabs or pages, which are only accessible through a password-protected account often linked to an individual user. Several people within a nonprofit may be required to contribute information to an organization’s response to an RFP, and it is impractical, burdensome, and sometimes technically impossible for multiple people to have access to the same proposal within an online system.

Additionally, it can take weeks or months to craft proposal content; nonprofit staff are highly unlikely to sit down, write out, and submit an application in one sitting (as is assumed by the function of online forms). To navigate around this, a nonprofit grantwriter often spends an hour or more re-creating the online form as a shareable word document. A small-to-medium nonprofit commonly spends 80 hours annually – two FTE weeks – solely on re-creating grant forms in a more accessible and usable format.

The time-wasting inefficiencies identified in [#FixTheForm](#) process are straightforward and, in most cases, relatively easy programming fixes that either Grants Management System providers and/or funders can implement but requiring upper management approval. By making these changes based on nonprofit input, funders can expand funding access to eligible groups and save nonprofits’ time and resources for mission-advancing activities.

Figure 12: [#FixTheForm Results, nonprofit-identified top pain points in grant applications and ranked by number of votes and rated by severity](#)

³⁴ https://mn.gov/mmb/assets/Learnings%20from%20Enterprise-wide%20Review%20for%20Grant%20Impact_tcm1059-562035.pdf

³⁵ <https://blog.grantadvisor.org/fixtheform/>

#FixTheForm Full Results



Source: <https://blog.grantadvisor.org/fixtheform/>

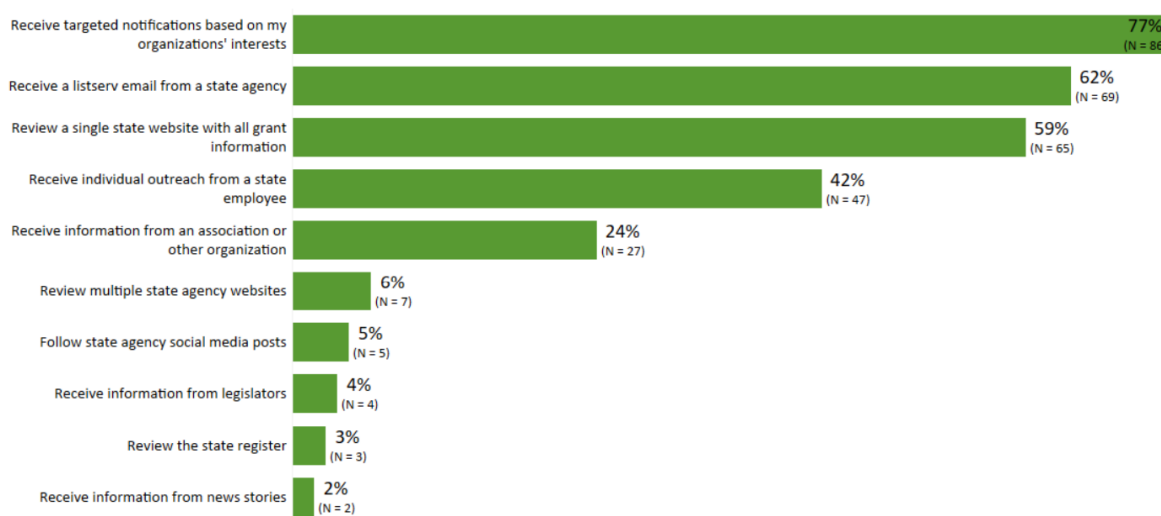
More expansive promotion of open funding opportunities: One key barrier for eligible groups in applying for and receiving state funding that [the 2021 Humphrey paper](#)³⁶ identified is lack of knowledge of open opportunities. Some state agencies are proactively promoting open funding opportunities among nonprofit audiences, not simply passively posting it on their websites (which is most common practice and [the minimum required by law](#)³⁷). Each state agency’s website is structured differently and often the places where funding notices are posted are buried. It can be difficult to find open RFPs, and even if the information is found, it’s overwhelming to discern which opportunities are most relevant for an individual’s organization. The state is posting hundreds, if not thousands, of RFPs a year ranging in size and activity area, and each RFP can range from a few pages to dozens of pages:

³⁶ https://www.minnesotanonprofits.org/docs/default-source/publications/equity-in-state-grantmaking-2021.pdf?sfvrsn=91bf1006_4

³⁷ <https://www.revisor.mn.gov/statutes/2007/cite/15.994>

Figure 13: What are the best ways to get information about grant programs (% of all respondents)

Figure 5. What are the best ways to get information about grant programs (% of all respondents)



Note: BIPOC Index organizations reported the same top three answers as all respondents (however, the first and second most common responses were switched)

Source: [“Learnings from Enterprise-wide Review for Grant Impact,”](#) Minnesota Management & Budget 2023, p. 8

Identifying Avenues for More Effective, Equitable Grants Systems

Minnesota’s Working Group explored nuances around the challenges and opportunities to reform state grantmaking based on the group’s cross-sector experiences and expertise as state agency staff including agency commissioners, legislators, and nonprofit leaders. The following high-level themes emerged, with insights and suggestions for priority work moving forward:

- Transparency and accountability are valued and crucial for both the government and the nonprofits. Nonprofits rely on public trust as a core component of their ability to meet their charitable missions, and appropriate oversight of organizations receiving government funding is a key strategy in building and maintaining public trust.
- Cross-sector collaboration can build a constituency for meaningful change toward shared goals: Governments control the role of creating and enforcing laws that preserve order and protect public assets and welfare, and through taxation makes public investments to ensure citizens and institutions can function. Ensuring strong cross-sector collaboration is key to creating mutual trust, reducing narrow institutional interest, and developing shared visions and solutions towards a more equitable society. Within Minnesota’s state grants working group, getting state legislators, commissioners, mid-level agency staff, and nonprofit leaders in the same physical space with an intentional relationship building goals helped individuals develop role empathy, understand and respect diverging viewpoints, and collaboratively seek alternative solutions and examine underlying barriers together.
- Overwhelming emphasis on compliance can stifle community connection, inhibit realization of higher goals: Turnover of staff in both sectors, lack of intentionality in maintaining long-term relationships, and mistrust or misunderstanding of intent have hindered governments and

nonprofits from pursuing long-term cooperative interests and interactions. Often current designs of government grantmaking processes are driven by fear of contractor fraud and subsequent public retribution toward public agencies, leading to processes that enhance restrictions on uses of funds and risk management above program effectiveness, capacity building, or system learning. Feeding this fear are critical reports (such as those issued by state auditors), legislative and administrative officials, and alarmist media coverage that, though they can play a valuable role in promoting transparency and accountability, often conflate “fraud” with “contract variance” (sometimes of the most trivial sort) and blur over significant nuance needed to understand equitable reform to government grantmaking. Disentangling fraud prevention from program rule compliance creates opportunities for cross-sector groups to evaluate existing policies/practices/procedures that govern grantmaking and identify ways to effectively achieve shared goals. A collective mental model shift is needed centered in the recognition that nonprofits are an essential delivery mechanism to achieve a level of access in Minnesota where everyone can thrive. Now equaling 14 percent of the state’s workforce,³⁸ nonprofit organizations have grown to provide necessary community services that implement shared goals and are vital actors in the state’s economy and public life.

- Appropriate and effective solutions are more likely to come from those most impacted by the problem: Legislators and government agencies need to partner with nonprofits, grantseekers, and other fundraising experts who are directly impacted by grantmaking programs, processes, and policies, as they bring knowledge of solutions developed from decades of experiences that can be effective, cost-efficient, and still center shared goals of accountability and transparency. Overall government grantmaking could be made more effective by involving and acting upon feedback from nonprofit constituents when designing funding programs and processes related to oversight and grantmaking. Nonprofit state associations can be powerful connecting points to community groups and effective promoters of open funding opportunities. Small technical fixes (such as removing word/character limits and others identified in the #FixTheForm movement) can make a significant improvement by right-sizing an RFP or report form, reducing administrative burdens on nonprofits, and expanding funding access to eligible groups.
- A more effective state grantmaking system will be one that makes use of the expertise of agency staff of how to respond to the needs of target communities and the organizations that serve them. Frequently the knowledge and experience of agency staff are hampered by policies and practices rooted in historic risk management, preventing system learning from their own staff’s deep knowledge and experience in their service area and related performance by nonprofit contractors. Staff at state agencies have some flexibility to adapt practices and be responsive to nonprofit requests for adaptation, and they can advocate for changes in policies that govern state grantmaking. The overall system performance would benefit if agency staff would share their knowledge of 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.

³⁸ <https://www.minnesotanonprofits.org/docs/default-source/publications/minnesota-nonprofit-economy-reports/2022-2023-minnesota-nonprofit-economy-report.pdf>

- The maxim “No data, no justice” applies here: Research and commonly accessible data are crucial components to cross-sector strategies toward equitable government grantmaking. Data analysis of where funding currently is (and isn’t) allocated is a foundational step to establish a benchmark for current government grantmaking processes, build collective knowledge of the status quo, help identify areas of specific funding inequities and promising solutions, target efforts to help measure the effectiveness of strategies, change, and/or progress toward identified goals, and hold people and systems to account. Unfortunately many states face numerous challenges in conducting baseline studies of funding distribution such as: decentralized data tracking and storage across multiple agencies and data systems, inconsistent data structure that makes collective analysis difficult or impossible, and more. In Minnesota, research from 2021-2023 led by entities spanning sectors (nonprofit, academia, and the state) leveraged publicly available state grantmaking data to analyze and determine the current state of grantmaking and are actively using this information to push for reforms.

Changing Grant System Dynamics

Well-established government systems have years of experience, staff training, and inculcation of successive political administrations to protect agency boundaries and budgets. Turning the ship of state is not a small matter, given democratic commitments to follow law and procedure, and so requires political skill, support from those with positional power, and some level of consensus to overcome inherent bureaucratic inertia. To address the broad span of specific problems identified across grant procedures and decision-making, it is necessary to shift underlying interactions and roles of key players involved in the grant system.

- 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. 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).
- A critical review is needed of the state's outreach engagement efforts (both higher level policies such as OGM’s Policy [08-02](#)³⁹ on rating criteria for competitive grant review and [08-03](#)⁴⁰ on writing and publicizing grants notices and requests for proposals, and practices that vary by individual state agencies). Reform of these policies informed by nonprofit expertise is needed.⁴¹
- A critical review is needed of OGM’s policy [08-08](#)⁴² on grant payments, which states that reimbursement is the state’s preferred payment method. Reform of this policy driven by

³⁹ https://mn.gov/admin/assets/08-02%20Grants%20Policy%20Revision%20September%202017%20final_tcm36-312046.pdf

⁴⁰ https://mn.gov/admin/assets/08-02%20Grants%20Policy%20Revision%20September%202017%20final_tcm36-312046.pdf

⁴¹ The Working Group’s suggestions for critical review of these specific policies and practices echo and underscore similar requests made by Urban Native Leaders to Leaders of Minnesota in a letter in 2019, included as an attachment to this paper

⁴² https://mn.gov/admin/assets/08-08%20Policy%20on%20Grant%20Payments%20FY21%20_tcm36-438962.pdf

nonprofit expertise is needed. Reimbursement payment has proven to create barriers for eligible groups of all sizes, but especially for small nonprofits, many of which are based in rural communities.⁴³ Related, nonprofits say that increasing the allowable amount for administrative costs would expand access to state funding for eligible groups.⁴⁴ Government grants reform work is also being addressed at the federal level; a section in the bipartisan Streamlining Federal Grants Act includes an increase in the *de minimus* rate for indirect costs from 10 percent to 15 percent.

- 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. Nonprofits should be considered a primary “user” of this data system and included in the feasibility study and, if applicable, in the development, testing, and launch.

Next Steps in Minnesota

A few key important developments are evolving at the state:

- The Office of Grants Management is expanding its team from 1.0 FTE to 7.0 FTE, including the launch of an Office of Grants Equity. Getting Minnesota’s legislative commitment for building the Office of Grants Equity into the Office of Grants Management commits the state to focused attention and learning about equity in grants, and will develop information for increased access, and to hear from the experience of organizations seeking support. While the government and nonprofits have had long-term cooperative interests and interactions, there has been a great distance between them. Encouraging signs of bridging this distance include the Working Group and having nonprofit representatives participate in the state hiring process for key Office of Grants Management positions. This team's expansion is a crucial opportunity to critically re-examine policies identified as a priority for reform among nonprofits and to establish stronger relationships between OGM and nonprofits.
- The MN Department of Administration is conducting a feasibility study for a centralized data repository on all state grantmaking. Nonprofit working group members cited this as a top priority and are hopeful such a system would ease administrative burden on them and help consolidate Requests for Proposals and Funding Notices (lack of awareness about open funding opportunities is a top cited barrier among eligible groups⁴⁵).
- The state’s legislative session will run from January – May 2025, which will be a biennium budget development year. This is an opportunity for nonprofits to inform legislative decision-making about how much funding will be available for communities through nonprofits, allowable uses for funding, evaluation & reporting parameters, and more.

⁴³ https://www.minnesotanonprofits.org/docs/default-source/publications/equity-in-state-grantmaking-2021.pdf?sfvrsn=91bf1006_4

⁴⁴ https://mn.gov/mmb/assets/Learnings%20from%20Enterprise-wide%20Review%20for%20Grant%20Impact_tcm1059-562035.pdf

⁴⁵ https://mn.gov/mmb/assets/Learnings%20from%20Enterprise-wide%20Review%20for%20Grant%20Impact_tcm1059-562035.pdf

Looking forward, MCN will:

- Lead meetings with OGM’s Director and Department of Administration’s new Commissioner and determines next steps in advocating for improvements in OGM structure and work, including how the office will conduct robust outreach to nonprofit partners
- Continue to support nonprofits in leading their own advocacy efforts and building of cross-sector relationships, with a specific emphasis on deepening the state’s awareness of nonprofits’ contributions to the state and opportunities for state grantmaking reform based on reported barriers
- Explore hosting more cross-sector convenings among nonprofits and state staff to continue deepening relationships, co-identifying solutions, and sharing wise practices.

Review of Advocacy for Grantmaking Reforms in Other States

As stated above, government agencies that design grantmaking processes must partner with nonprofits, grantseekers, and other fundraising experts who are most impacted. Nonprofit advocates across the country are actively pursuing reforms to their states’ laws and policies that govern grantmaking, with a shared goal of expanding funding access to eligible groups. These advocates are ready and willing partners, excited about connecting nonprofits to government and diving into the minutiae of state grantmaking policies.

The following is a review of select states’ advocacy work, then a grouping of the issues by subject with state examples. Please note this is not a full accounting of grantmaking reforms in individual states, rather a sampling to demonstrate the breadth and scope of the work.

Oregon

To further its work engaging nonprofits in advocacy around state grants and contracts, the Nonprofit Association of Oregon called for a state-led task force of nonprofits, legislators, and administrative branch representatives to examine the issues and make recommendations to the state.

That work resulted in the Governor’s legislative [Task Force for Modernizing Grant Funding and Contracting](#)⁴⁶, spanning October 2023-September 2024, and NAO is committed to continuing advocacy efforts beyond the task force.

The task force is examining how the state’s granting and public procurement practices limit the wages of employees of nonprofit organizations and make recommendations to the Oregon Department of Administrative Services on issues including uniform application procedures, flexibility in contract terms, multiyear contracts, and payment models that prioritize full cost recovery.

Kentucky

⁴⁶ “Modernizing Grant Funding and Contracting Project,” Nonprofit Association of Oregon. <https://nonprofitoregon.org/campaigns/modernizing-grant-funding-and-contracting-project/>

Kentucky Nonprofit Network is convening nonprofits for the difficult task of devising solutions that can work for all nonprofits. They note that what makes an excellent solution for one nonprofit's issues may create a problem for another nonprofit's contracting partnership with the state, so finding the best solutions has been difficult.

KNN led advocacy that has resulted so far in Kentucky Rep. Shawn McPherson introducing [a bill](#)⁴⁷ that would provide "teeth" to the state's existing statutes that require payments within 30 days of invoice and provide 12 percent interest penalty per annum for late payments. The legislation would streamline agreement definitions in statute to reduce confusion, as well as require the Finance & Administration Cabinet to create a dispute resolution process that would provide vendors with guidance on the specific steps needed to recoup interest penalties on late payments; request reimbursement on costs to make entities whole after using financial tools to float the state's late payments; and require the resolution options be included in all state agreements so that entities know their rights.

North Carolina

In 2023, North Carolina Center for Nonprofits (the Center) worked with its members and the North Carolina General Assembly on a new law ([H.B. 791](#)⁴⁸) that addresses many of the issues that nonprofits have experienced with their grants and contracts with the NC Department of Health and Human Services (DHHS). Specifically, the new law makes four reforms to DHHS grants and contracts with nonprofits: it establishes a *de minimis* 10 percent indirect cost rate for nonprofit grants/contracts with DHHS; requires DHHS to provide most nonprofits with multi-year contracts rather than one-year contracts that are renegotiated every year; provides three-month contract extensions for most nonprofits to ensure continuity of services – and of payments to nonprofits – after the end of nonprofits' multi-year contracts with DHHS; and requires legislative staff to provide nonprofit contact information for nonprofits receiving directed grants in the state budget to DHHS in a timely manner.

While this new law should help with some of the challenges that nonprofits have experienced with their grants and contracts with DHHS, it is only a start of the process of nonprofit-government contracting reforms in North Carolina. The Center is continuing to work with partners in state government on [additional nonprofit contracting reforms](#)⁴⁹ that will help strengthen partnerships between nonprofits and the many state agencies with which they partner through grants and contracts.

⁴⁷ "House Bill 777," Kentucky General Assembly, 2024 Session.

<https://apps.legislature.ky.gov/record/24rs/hb777.html>

⁴⁸ "House Bill 791 / SL 2022-52," North Carolina General Assembly, 2021-2022 Session.

<https://www.ncleg.gov/BillLookUp/2021/h791>

⁴⁹ "Strengthening contractual partnerships between state government and Nonprofits," North Carolina Center for Nonprofits. <https://www.ncnonprofits.org/content/strengthening-contractual-partnerships-between-state-government-and-nonprofits>

In 2024, [the Center will focus on these issues](#)⁵⁰ related to state grants and contracts: Prompt payment, red tape, and full payment for costs; and adequate and appropriate state support for public services provided by nonprofits.

California

In 2023, The California Association of Nonprofits (CalNonprofits) worked with legislators and nonprofit leaders across the state to develop and sponsor seven state bills that comprised the [California Nonprofit Equity Initiative](#)⁵¹ A coalition of nonprofits was organized under the banner of the California Contracting Coalition and coordinated by CalNonprofits. More than 500 nonprofits and foundations signed on to support the effort.

One of these bills (AB 590⁵²) was successfully signed into law in 2023, enabling nonprofits that have grants or contracts with the State to secure up to 25 percent of contracted funds in advance. Advocates from around the country will be watching to see the impact of this legislation and whether to advocate for it in their state.

Of the remaining six of the bills, one was vetoed by the Governor, one was turned into a two-year bill, and the remaining four did not make it out of committee. The California Nonprofit Equity Initiative continues into 2024 with three active bills – the two-year bill (SB 336) plus two of the 2023 bills that have been reintroduced in the 2024 session.⁵³

The previously vetoed bill has been reintroduced as [SB 1246](#) and would prevent the State from withholding funds for minor budget differences.⁵⁴ 2023’s “Microgrants Bill” has been reintroduced as [AB 2322](#) and would enable all grants and contracts of \$20,000 or less to be paid up front.⁵⁵ The two-year bill ([SB 336](#)) would establish a 10 percent de minimis rate for indirect costs in all State grants and contracts.⁵⁶ This bill was paused in 2023 awaiting the outcome of the Biden Administration’s proposed Uniform Grants Guidance from the Office of Management and Budget’s (OMB) which would establish a 15 percent de minimis rate.

Illinois

⁵⁰ 2024 Public Policy Agenda for North Carolina’s Nonprofit Sector, North Carolina Center for Nonprofits. <https://www.ncnonprofits.org/sites/default/files/Center%20Public%20Policy%20Agenda%20-%202024.pdf>

⁵¹ California Nonprofit Equity Initiative, CalNonprofits. <https://calnonprofits.org/equity-initiative>

⁵² AB - 590, California Legislative Information, 2023-2024.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB590

⁵³ California Nonprofit Equity Initiative, CalNonprofits. <https://calnonprofits.org/equity-initiative>

⁵⁴ SF – 1246, California Legislative Information, 2023-2024.

https://leginfo.legislature.ca.gov/faces/billStatusClient.xhtml?bill_id=202320240SB1246

⁵⁵ AB – 2322, California Legislative Information, 2023-2024.

https://leginfo.legislature.ca.gov/faces/billStatusClient.xhtml?bill_id=202320240AB2322

⁵⁶ SB – 336, California Legislative Information, 2023-2024.

https://leginfo.legislature.ca.gov/faces/billStatusClient.xhtml?bill_id=202320240SB336

Forefront, Illinois' statewide association representing both grantmakers and nonprofits, is a lead advocate for the [Community Partner Fair Contracting Act](#)⁵⁷, which would ensure that contractors receive grant agreements, contracts, and payments in a timely manner and improve workforce stability by ensuring grants and contracts do not arbitrarily allocate costs.

New York

Nonprofit New York supports a [wealth of legislation](#) to improve state contracting and city contracting for New York City⁵⁸. On the state side, these improvements would include creating a transparency database for contracted nonprofits and creating a nonprofit contracting advisory committee advising the governor and others. An advisory committee currently exists, however an executive directive has prohibited the committee from discussing cost of living adjustments, indirect cost rates, or other reforms that would have fiscal impact.

On the City side, NNY advocates for changes that would require a study and report on the City's procurement process for certain human services contracts and provide recommendations for procurement timelines, and require interest to be paid on late payments under City contracts with nonprofits. NNY was involved in the City's indirect cost rate standardization process, which reformed the indirect rates allowable under City contracts. The revised policy included acceptance of either 1) a federally recognized negotiated indirect cost rate; 2) a specific rate assessed by an external accountant modeled off the federal OMB indirect cost rate guidance; or 3) a 10 percent de minimis rate for all contracts.

NNY was a member of the Mayor and Comptroller's Joint Task Force on Getting Nonprofits Paid On Time in 2022, which created [several recommendations](#)⁵⁹ for improving severe contract processing, registration, and payment delays. NNY is convening stakeholders to assess progress made and re-focus efforts on the recommendations.

Washington

In early 2022, the Nonprofit Association of Washington released [findings from an important survey of nonprofits](#)⁶⁰, seeking to better understand challenges nonprofits face in contracting with government. In a [letter to Governor Inslee and state legislators](#)⁶¹, the Nonprofit Association of Washington writes that

⁵⁷ Bill Status of HB5064, Illinois General Assembly. 2024, <https://www.ilga.gov/legislation/BillStatus.asp?DocTypeID=HB&DocNum=5064&GAID=17&SessionID=112&LegID=153054>

⁵⁸ 2024 Policy Platform, Nonprofit New York. <https://www.nonprofitnewyork.org/nonprofit-new-york-policy-platform/>

⁵⁹ A Better Contract for New York, New York City Comptroller. <https://comptroller.nyc.gov/reports/a-better-contract-for-new-york/>

⁶⁰ 2022 Nonprofit Association of Washington Government Contracting Report, Nonprofit Association of Washington. March 2022. <https://nonprofitwa.org/download/2022-washington-nonprofits-government-contracting-report/>

⁶¹ Action Alert: Government Contracting Reform, Nonprofit Association of Washington. <https://nonprofitwa.org/action-alert-government-contracting-reform/>

“current contracting requirements are neither equitable nor sustainable.” The letter, with over 113 nonprofit signers, calls on Washington State to: pay the true cost of nonprofit services, streamline and simplify application and reporting processes, and remove barriers to equitable access. In addition, a group of over 200 nonprofits has been convening regularly to consider issues of state grantmaking.

During the 2024 session, the WA state budget allocated \$600,000 to convene a workgroup to study human services contracts between nonprofits and the state.

Federal

Reforms are also being considered for federal grantmaking. The bipartisan [Streamlining Federal Grants Act](#)⁶² would lead to systemic grants reform by establishing a Grants Council composed of all grant-making federal agencies tasked with providing overall guidance to the different agencies for developing plans for reforming their complex and outdated procedures and practices.⁶³

In addition, the federal Office of Management and Budget has [proposed significant changes to the rules governing federal grantmaking](#)⁶⁴ (OMB Uniform Guidance). The [Minnesota Council of Nonprofits provided comments on these proposals](#)⁶⁵, largely applauding OMB’s focus on advancing equity and overcoming barriers in the federal government’s grantmaking processes. While there is much more that needs to be done, these proposed changes would result in significant improvements for nonprofits seeking to partner with the federal government through grants and contracts. Perhaps most notably, these changes include an increase in the *de minimis* rate for indirect costs from 10 percent to 15 percent. The final guidance is expected to be published at the time this paper is being written. Please look to the [National Council of Nonprofit’s website](#) for updated information.

[Review of Advocacy for Grantmaking Reforms by Issues](#)⁶⁶

Please note that this is not a comprehensive review of all public policy advocacy taking place on these issues, but rather a selection of examples.

Sufficient Administrative Rate

⁶² S.2286 - Streamlining Federal Grants Act of 2023, Congress.gov. <https://www.congress.gov/bill/118th-congress/senate-bill/2286>

⁶³ “The *Streamlining Federal Grants Act* (S. 2286/H.R. 5934) and the Benefits to Charitable Nonprofits,” National Council of Nonprofits. <https://www.councilofnonprofits.org/files/media/documents/2023/streamlining-federal-grants-act-benefits.pdf>

⁶⁴ Significant Improvements to Federal Grants Rules Proposed, National Council of Nonprofits. <https://www.councilofnonprofits.org/files/media/documents/2023/initial-analysis-of-omb-uniform-guidance-reforms-2023.pdf>

⁶⁵ Comment on OMB-2023-0017-0001, Regulations.gov. <https://www.regulations.gov/comment/OMB-2023-0017-0293>

⁶⁶ **Many thanks to our partners at Nonprofit Association of Oregon and the National Council of Nonprofits for compiling much of this information!** That work can be found here: “Research Findings: Task Force on Grant Funding and Contracting,” The Nonprofit Association of Oregon, December 12, 2023. <https://www.oregon.gov/das/Procurement/Documents/Task-Force-NAO-PPT-12122023.pdf> (slides 23-25)

Current reality: Whether it's called indirect costs, overhead, or administrative rate, the amount that state grants provide for costs that are not tightly specific to a funded program rarely covers the costs of the program.

Goal: To require the state to recognize a nonprofit's previously Negotiated Indirect Cost Rate Agreement (NICRA) AND/OR at minimum establish a *de minimus*⁶⁷ rate as required under OMB Uniform Guidance (2 C.F.R. Sec. 200).

Examples: [District of Columbia](#)⁶⁸, [California](#)⁶⁹, [New York City](#)⁷⁰, [North Carolina](#)⁷¹

Adjustable Contract Funding Level

Current reality: The cost to provide contracted services may increase significantly and unexpectedly from one year to the next, and state contracts are rigid in multi-year contracts.

Goal: To adjust contract funding levels based on inflation rates or a comparable metric that allows nonprofits to continue to meet contracted services year over year.

Example: [Maryland](#)⁷² (health community providers tied to medical costs inflation).

Timely Payments

Current reality: Nonprofits are subsidizing the state when contracts are not paid in a timely manner.

Goal: to ensure that contract payments are made within a certain timeframe (usually 30 or 45 days) days of remittance to minimize fiscal uncertainty and payments are made in advance if the grant amount is at or lower than \$20,000.

Examples: [California](#)⁷³, [Connecticut](#)⁷⁴, [Maryland](#)⁷⁵, [North Carolina](#)⁷⁶, [Kentucky](#)⁷⁷

Payment Process / Reimbursement

⁶⁷ This rate is currently 10 percent and will be changing to 15 percent; see Federal section above for details.

⁶⁸ B23-0107 – Non-Profit Reimbursement Fairness Act of 2019, Council of the District of Columbia.

<https://www.oregon.gov/das/Procurement/Documents/Task-Force-NAO-PPT-12122023.pdf>

⁶⁹ SB-336 State grant programs: negotiated indirect cost rates (2023-2024), California Legislative Information.

https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB336

⁷⁰ Indirect Cost Rate Initiative, NYC Nonprofits. <https://www.nyc.gov/site/nonprofits/funded-providers/indirect-implementation.page>

⁷¹ FVPSA Indirect Costs, North Carolina Department of Administration. <https://www.doa.nc.gov/divisions/council-women-youth/dv-sa-grants/fvpsa/indirect-cost>

⁷² SB-497 Keep the Door Open Act of 2016, Maryland. <https://mgaleg.maryland.gov/2016RS/bills/sb/sb0497t.pdf>

⁷³ SB-557 California Prompt Payment Act: nonprofit organizations of 2023, California.

https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB557

⁷⁴ HB-6612 An Act Concerning Nonprofit Health and Human Services Providers of 2023, Connecticut.

https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=HB6612&which_year=2023

⁷⁵ 2023 State Finance and Procurement – Grants – Prompt Payment Requirement, Maryland.

<https://mgaleg.maryland.gov/mgawebiste/Legislation/Details/SB0112?ys=2023RS>

⁷⁶ HB-259 Appropriations Act of 2023, North Carolina. <https://www.ncleg.gov/BillLookup/2023/H259>

⁷⁷ HB-777 An Act Relating to Government Contracts and Declaring an Emergency of 2023, Kentucky.

<https://apps.legislature.ky.gov/record/24rs/hb777.html>

Current reality: When states use reimbursement models of payment, only nonprofits that can afford the cost of the program up front are eligible. This leaves out many small nonprofits who could be excellent partners if some or all of the funding was provided at the start of the program.

Goal: To eliminate the use of reimbursements or matching funds because of the financial stress placed on nonprofits with limited resources to front start-up and overhead costs. Provide bridge loans for nonprofits. To provide a set portion of the total contract amount at the start of contract or grant, generally one-third or one-fourth.

Examples: [California](#)⁷⁸, [Maryland Nonprofit, Interest-Free, Micro Bridge Loan Account \(NIMBL\)](#)⁷⁹, [New York City](#)⁸⁰

Fair Wages

Current reality: Grants do not cover the full cost of services, including the cost of employee wages.

Goal: Base contract funds to include wages to nonprofit employees that meet a living wage standard. These can be based on cost-of living differentials for area they live in.

Examples: [California](#)⁸¹, [Connecticut](#)⁸²

Simplification of Application Procedures/Timelines

Current reality: State agencies in the same state may have entirely different systems for application processes, requiring potential grantees to provide the same information in multiple ways.

Goal: To simplify application procedures through a pre-qualification system across all state agencies that allow nonprofits to apply to multiple grants and contracts from a centralized place and/or building data systems that retain, share, and pre-populate fundamental information in perpetuity (such as mission statement, past tax forms, articles of incorporation, among others) to minimize unnecessary administrative work for nonprofits entering the same information each time they apply for a grant.

Examples: [California electronic signatures](#)⁸³, [California Small Grant Programs Web Portal](#)⁸⁴, [Illinois Grant Accountability and Transparency Act](#)⁸⁵, [New York City](#)⁸⁶, [Washington State](#)⁸⁷

⁷⁸ AB-590 State-funded Assistance Grants and Contracts: Advance Payments of 2023, California.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB590

⁷⁹ Maryland Nonprofit, Interest-free, Micro Bridge Loan Account (NIMBL), Maryland's Department of Commerce.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB590

⁸⁰ Nonprofit Loan Financing, Fund for the City of New York. <https://www.fcny.org/nonprofit-loan-financing/>

⁸¹ AB-885 Public Contracts: Nonprofit Organizations of 2023, California.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB885

⁸² HB-5460 An Act Concerning Minimum Employee Wages for Providers of State-Administered Services for Persons with Intellectual Disabilities of 2018, Connecticut.

https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=HB5460&which_year=2018

⁸³ AB-696 State Agency Grants and Contracts of 2023, California.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB696

⁸⁴ AB-860 Grant Programs: Administration of 2023, California.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB860

⁸⁵ Grant Accountability and Transparency Act, 20 ILCE 708/1 et seq., of 2023, Illinois. <https://gata.illinois.gov/>

⁸⁶ "Funding Opportunities", NYC Nonprofits. <https://www.nyc.gov/site/nonprofits/funding-opportunities/funding-opportunities.page>

⁸⁷ HB-1099, 2023, Washington. <https://app.leg.wa.gov/bills/summary?BillNumber=1099&Year=2023>

Flexible Contract Terms

Current reality: States engaged in flexible efforts during the COVID crisis, demonstrating possibilities of policies and procedures that can meet the needs of the moment, but for the most part returned to inflexible ways. Flexibility can assist with greater effectiveness in service delivery, and additional private philanthropic funding along-side government funding. This is especially critical during emergencies when processes need to be expedited or when community needs change from what was initially anticipated in the grant or contract.

Goal: Allow nonprofits the flexibility to apply expenses where they need them to fulfill the contract terms.

Examples: [California⁸⁸](#), [New Jersey⁸⁹](#).

Multi-Year Contracts

Current reality: One-year contracts are very common, requiring unnecessary administrative burdens on both the nonprofit side and the state side.

Goal: Allow for inflation-adjusted multi-year contracts as a method to minimize disruptions to services and reduce the administrative costs of reapplying and maintain continuity of services. *Examples:*

[California⁹⁰](#), [North Carolina⁹¹](#).

Centralized Nonprofit Technical Assistance, Capacity Building, Coordination & Data Collection

Current reality: A centralized grant entity is nonexistent or very small in most states.

Goal: Establish a centralized government office or entity that can help coordinate and maximize the impacts of nonprofits, especially during emergencies like natural disasters, public health crisis, and housing crisis, etc.

⁸⁸ AB-619 State Government: Emergency Services: Nonprofit Service Providers of 2023, California.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB619

⁸⁹ Bill A3996 AcaSca (2R) of 2020, New Jersey. <https://www.njleg.state.nj.us/bill-search/2020/A3996>

⁹⁰ AB-885 Public Contracts: Nonprofit Organizations of 2023, California.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB885

⁹¹ HB-791 of 2021, North Carolina. <https://www.ncleg.gov/BillLookUp/2021/H791>

Examples: [California](#)⁹² (Nonprofit Liaison), [Connecticut](#)⁹³ (Governor’s Cabinet on Nonprofit Health & Human Services), [Illinois](#)⁹⁴ (Grant Accountability and Transparency Unit), [Maine](#)⁹⁵ (Office of Ombudsman), [New York City \(Office of Nonprofit Services\)](#)⁹⁶.

Centralized Hub of Available Opportunities

Current reality: Each department or even each program may publish grant opportunities separately, requiring nonprofits to search dozens of websites for open opportunities

Goal: Make grant opportunities more accessible by creating central repository for all state grants.

Example: [Kentucky](#)⁹⁷

⁹² SB-543 Department of General Services: Nonprofit Liaison of 2021, California.

https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=202120220SB543

⁹³ State of Connecticut’s Office of Policy and Management, “Governor’s Cabinet on Nonprofit Health and Human Services”, 2017. <https://portal.ct.gov/OPM/Secr-General/General/GovNonProfitCabinet/Governors-Cabinet-on-Nonprofit-Health-and-Human-Services>

⁹⁴ HB-2747 of 2014, Illinois.

<https://www.ilga.gov/legislation/fulltext.asp?DocName=09800HB2747sam003&GA=98&SessionId=85&DocType=HB&LegID=74561&DocNum=2747&GAID=12&Session=>

⁹⁵ LD-1043 An Act to Create an Office of Ombudsman to Help Nonprofit Organizations in Their Interactions with the Government, 2023, Maine. <https://legislature.maine.gov/LawMakerWeb/summary.asp?ID=280086981>

⁹⁶ The City of New York’s Online Resource for Nonprofit Organizations.

<https://www.nyc.gov/site/nonprofits/index.page>

⁹⁷ HB-299 An Act Relating to the Establishment of a Grant Database of 2024, Kentucky.

<https://apps.legislature.ky.gov/record/24rs/hb299.html>

About The Authors

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The [Minnesota Council of Nonprofits](#) (MCN) is a statewide association of more than 2,300 Minnesota nonprofit organizations. MCN was founded in 1987 to meet the increasing information needs of nonprofits and to convene nonprofits to address issues facing the sector. It is the largest state association of nonprofits in the United States. Through MCN, nonprofits join together across interest areas to work on issues of common concern to all. Through its website, publications, workshops and events, cost-saving programs and advocacy, MCN works to inform, promote, connect and strengthen individual nonprofits and the nonprofit sector.

Addendum A: Minnesota State Grants Working Group Members

In the second half of 2023, the Minnesota Council of Nonprofits (MCN) convened a cross-sector working group to identify and address issues in Minnesota state grantmaking processes that have resulted in inequitable access to state funds by nonprofit organizations that are rural-based, small, and/or BIPOC-led and –serving. Comprised of 13 state grants staff, 17 nonprofit leaders, bi-partisan representation among two legislators, and seven MCN staff, the State Grants Equity Working Group met three times between September and October 2023. Nonprofits reporting the most significant barriers (small, rural, and BIPOC-led and -serving nonprofits) represented the majority of the nonprofit members.

State Grantmaking participants (13)

- Betsy Adamson, Senior Project Consultant, MN Dept of Labor and Industry (Statewide)
- Amy Bicek-Skog, Lead Grant Coordinator, MN Department of Health (Statewide)
- Dr. Stephanie Burrage, Chief Equity Officer, Office of Equity and Opportunity in the Office of Governor Tim Walz & Lt. Governor Peggy Flanagan (Statewide)
- Saurav Dahal, Grants Manager, MN Department of Health - Center for Health Equity (Statewide)
- Sonji Davis, Workforce Policy Coordinator, Governor's Workforce Development Board (Statewide)
- Nicole DeBoer, Executive Director, Southwest Minnesota Arts Council (Southwest MN)
- Simone Frierson, Policy Advisor, Office of Governor Tim Walz & Lt. Governor Peggy Flanagan (Statewide)
- Shannon Geshick, Executive Director, Minnesota Indian Affairs Council (Statewide)
- Laura Godfrey, Grants Coordinator, Office of Financial Management (Statewide)
- Laura Kramer, Director of Results Management, Minnesota Management and Budget Services (Statewide)
- Kathy Mouacheupao, Executive Director, Metropolitan Regional Arts Council (Statewide)
- Rachel Robinson, Deputy Commissioner, Minnesota Department of Housing (Statewide)
- Brooke Stelzer, Grants Manager & Communication Specialist, MN Department of Health - Center for Health Equity (Statewide)

State Legislature participants (2)

- Rep. Ginny Klevorn (D), State Representative, MN House of Representatives (District 42B)
- Rep. Danny Nadeau (R), State Representative, MN House of Representatives (District 34A)

Nonprofit participants (17)

- Jackie Bauer, Clerk/Trainer, Birchdale Township/Minnesota Association of Townships (Central MN)
- Cate Belleveau, Artistic Director, Mask and Rose Women's Theater (Northwest MN)
- Lyla Brown, Former Executive Director, Grand Marais Art Colony (Northeast MN)
- Nancy Brown, President & CEO, Winona Community Foundation (Southeast MN)
- Patrick Carter, VP and State Practice Lead, Results for America (National)

- Bill Droessler, Senior Partnership Director, Environmental Initiative (Twin Cities/Metro)
- Cher Hersrud, Independent Consultant (Statewide)
- Martin Jennings, Executive Director, Northwest Indian Community Development Center (Northwest and Central MN)
- Victoria Karpeh, Founding Member & Executive Director, Legacy Family Center (Twin Cities/Metro)
- Gigi Kreibich, Grants Manager, People Serving People (Twin Cities Metro)
- Khou Lor, Rural Equity Specialist, Southwest Initiative Foundation (Southwest MN)
- Katy Nelson, Sr. Director of Development & Communications, Phyllis Wheatley Community Center (Twin Cities/Metro)
- Mark Pfeifer, Director of Programs, Hmong Cultural Center of MN (Twin Cities/Metro)
- Katherine Sublett, Founder & Executive Director, Let's Erase the Stigma (Southeast MN)
- Rose Surma, Executive Director, Oasis Central Minnesota (Central MN)
- Julie Wells, Public Grants and Contract Manager, Simpson Housing Services, Inc. (Twin Cities/Metro)
- Lindy Yokanovich, Founder & Executive Director, Cancer Legal Care (Twin Cities/Metro)

MCN Staff participants

- Kari Aanestad, Associate Director (Statewide)
- Marie Ellis, Public Policy Director (Statewide)
- Laura Jones, Development Manager (Statewide)
- Jon Pratt, Senior Research Fellow (Statewide)
- Nonoko Sato, Executive Director (Statewide)
- Jes Wysong, Membership Manager (Statewide)

Addendum B: Definitions

- <https://mn.gov/admin/government/grants/overview/>
- **BIPOC:** Black, Indigenous, and People of Color. There are no set definitions for the terms below, so we provide here the way MCN uses these terms.
 - **BIPOC nonprofits:** a broad classification that requires multiple considerations. MCN maintains a [database of “BIPOC nonprofits”](#) on our website, and outlines the criteria for inclusion under “Methodology.” The primary inclusion is who the organization serves, and additional considerations include who serves in managing roles and governing roles for the organization. This is also referred to as “BIPOC-led and -serving” nonprofits.
 - **Culturally-specific nonprofits:** a subset of “BIPOC nonprofits,” culturally-specific nonprofits have missions focused on one or a few cultures.
- **Contract variance or non-compliance:** failure to comply with rules and regulations, either caused by unintentional oversight due to lack of awareness, training, or burdensome complexity of rules, or through intentional wrongdoing
- **Equity:** Eligible groups have access to and receive state funds; communities have what they need to thrive.
- **Fraud:** wrongful or criminal deception intended to result in financial or personal gain by an individual or group of individuals at the expense of an organization or government
- **Grant agreement:** A grant agreement is a written instrument or electronic document defining a legal relationship between a granting agency and a grantee when the principal purpose of the relationship is to transfer cash or something of value to the recipient to support a public purpose authorized by law instead of acquiring by professional or technical contract, purchase, lease, or barter property or services for the direct benefit or use of the granting agency.
- **Grantee:** a person or entity that applies for or receives a grant.
- **Granting agency:** the state agency that provides the grant.
- **Request for Proposals (RFP) legal definition:** “a solicitation in which it is not advantageous to set forth all the actual, detailed requirements at the time of solicitation and responses are negotiated to achieve best value for the state.” [Minn. Stat. §16C.02 Subd. 12](#)
- **Request for Proposals (RFP):** A Request for Proposal (RFP) is a formal invitation to potential contractors or grantees to submit a proposal. Proposals should identify how they will respond to the needs identified in the RFP. [Minnesota Housing webpage on RFPs](#)

Addendum C: Letter from Urban Native Community Leaders to Leaders of the State of Minnesota (attached)

November 4th, 2019

Governor Tim Walz
Lt. Governor Peggy Flanagan
Commissioner Alice Roberts-Davis (Department of Administration)
Commissioner Thom Peterson (Department of Agriculture)
Commissioner Steve Kelley (Department of Commerce)
Commissioner Paul Schnell (Department of Corrections)
Commissioner Mary Cathryn Ricker (Department of Education)
Commissioner Steve Grove (Department of Employment and Economic Development)
Commissioner Jan Malcolm (Department of Health)
Commissioner Dennis Olson (Office of Higher Education)
Commissioner Jennifer Leimaile Ho (Housing Finance Agency)
Commissioner Rebecca Lucer (Department of Human Rights)
Commissioner Lodi Harpstead (Department of Human Services)
Commissioner Nancy Leppink (Department of Labor and Industry)
Commissioner Myron Frans (Minnesota Management and Budget)
Commissioner Tarek Tomes (Minnesota Information Technology Services)
Commissioner Sarah Stommen (Department of Natural Resources)
Commissioner John Harrington (Department of Public Safety)
Commissioner Margaret Anderson Kelliher (Department of Transportation)
Commissioner Larry Herke (Department of Veterans Affairs)



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To the Leaders of the State of Minnesota:

The purpose of this message is to call your immediate attention to the ongoing needs of the urban American Indian community in Minnesota, as well as to the powerful capabilities that the signatories of this letter currently possesses. It appears to us that our people are once again being overlooked, forgotten, or marginalized as the result of the grant making decisions and resource distribution choices being effectuated by the state of Minnesota's government – of which you are all leaders.

We, the undersigned of this letter, are deeply troubled at the continued lack of sustained resources deployed directly to our community by you, the leadership of this state. As we are all well aware, there remain deep economic, educational, and social-emotional disparities impacting our people that have inhibited our ability to thrive for multiple generations. The undersigned of this letter comprise a slate of historically active nonprofit organizations that not only reflect the very community we serve, but who have also been providing the highest quality services to our people for nearly fifty years. However, in light of a slew of recent funding decisions emanating from the state of Minnesota and its various state departments, we are gravely concerned that these state departments – under your direct supervision - are regressing towards old patterns of arbitrary resource distribution that have historically neglected our people in favor of other populations, other initiatives, or worse, the

empowerment of outside non-indigenous organizations to enter into our urban community in order to provide services.

To this end, funding related to the 21st Century Learning Center grant award, Healthy Transitions Homelessness Prevention grant (now called the Healthy Transitions to Adulthood), Supportive Services for Employment grants, and funding around the Indian Child Welfare Act were all denied distribution to urban Indigenous organizations within this coalition that had previously been awarded these very same funds (in some case for over a period of ten years) and who all had delivered remarkable achievements and outcomes through these previous awards on behalf of our community. For these organizations to now suddenly find themselves being rejected in favor of non-native enterprises is stunning, unfathomable, and unprecedented. Unfortunately, these examples are just a few of the many funding disbursements from multiple state agencies that have also followed this new pattern of awards to non-culturally specific and non-indigenous organizations.

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With regard to this last point, it must be stated that despite the best intentions, these outside agencies simply do not possess the history, efficacy, or necessary relationship with our people to provide the services in any adequate manner to alleviate these long standing disparities. In short, we are concerned by an emerging trend from the state of Minnesota that seems to be favoring non-indigenous organizations and non-indigenous urban priorities despite the readily identifiable needs of our community, and the proven track record of quality demonstrated by urban indigenous non-profits.

As is often stated and remains true, our community has no appetite – at all – for outside, non-American Indian enterprises to intrude into our community with the intent of providing services to help us. We do not need, nor do we seek, outsiders to “save” us – whether they are government, not-for-profit groups, or private sector companies. The urban American Indian community currently possesses a multitude of qualified and effective service providers that are American Indian staffed, American Indian led, and American Indian governed – all of whom are more than capable of providing the needed services – complete with a proven record of achievement dating back several decades. Successful services must be provided to our own, for our own, by our own.

It must also be stated again that our community has no desire to be forced to participate within services or plans that are devoid of our culture, our traditional teachings, and our customs. We insist on the utilization of *culturally contextualized* programming for our people – which comprises the most effective, best practice models by which our organizations adhere – wherein our culture is omnipresent. By definition, these culturally contextualized services cannot be provided by non-American Indian entities, which further emphasizes the previous point mentioned above.

As such, a growing frustration within our community is once again surfacing. We are frustrated by what appears to be a massive step backwards by the state of Minnesota to provide consistent, long-term, and robust investment of resources directly into our community from the state government – especially in light of several years of immense budget surpluses, and especially given the consistent acknowledgement by you that the government seeks to address these long standing disparities in order to effectively create “one Minnesota” that emphasized an authentic development of equity within traditionally marginalized communities. In so doing, it would allow for Minnesotans – including the urban American Indian population – to succeed and thrive. We took you at your word that this would manifest through your efforts during your tenure as our leaders. Thus far the Governor and Lieutenant Governor have ambitiously attempted to govern on behalf of these very principles during their first year in office. However, with regard to the state agencies to which they are responsible for leading and administering, it unfortunately appears that we are now very much off track and in fact regressing.

Therefore this letter is being submitted on behalf of the urban indigenous leadership and the various agencies and corporations whom they represent that work directly within the urban American Indian community in Minnesota. Owing to the long historical pattern of overt exclusion of the American Indian people within state affairs and resource distribution, coupled with recent troubling developments, we are now compelled to advocate in this manner on behalf of our own. We believe that we must once again openly call the attention of the Minnesota government leadership within our state to the urban American Indian community, because for all intents and purposes, it appears that the urban American Indian population is at risk of sliding back into invisibility.

In order to rectify this situation and to return the state of Minnesota back to the legitimate trajectory of progress established by the preceding Dayton administration, we the undersigned would like to

put forth the following strategies that will serve to rectify this current problem not only for the urban American Indian community but for all communities of color that also remain mired in historical disparities:

Strategy I: Review and Reform of Scoring Metrics for Grant Proposals by ALL State Agencies

We formally and respectfully request direct and ongoing engagement with Commissioners, department staff, and our community leaders to review and reform scoring rubrics used in the evaluation process for submitted grant proposals. Notably, weighted or “priority points” must be given to those communities most negatively impacted by persistent disparities, as well as weighted or “priority points” assigned to culturally specific organizations embedded within their targeted communities who are already providing the required services.

Strategy II: Review and Reform of Evaluation Process

We formally and respectfully request direct and ongoing engagement with Commissioners, department staff, and our community leaders to review and reform the evaluation process in terms of who the reviewers are, where they are drawn from, and the level of requisite transparency needed to effectively recruit reviewers from impacted communities and from those working in the field, as well as to review and report on the actual evaluation process.

Strategy III: A Public Commitment by State Leadership for Authentic Equity Development for All Marginalized Communities

We formally and respectfully request the direct public codification or public declaration by all state leaders and state staff – beyond just the Governor and Lieutenant Governor - to commit to *authentic* equity development as a directive to be followed by all state agencies with regards to resource distribution and policy initiatives – which by definition requires a disproportionate amount of resources to be invested into the impacted communities in order to adequately remediate the historical disparities still inhibiting these communities from thriving. In particular, this necessitates immediate and ongoing distributions for the urban American Indian people who are the state’s very first citizens. In this regard, equity DOES NOT mean equality, and must be reflected in the practices of all state agencies, their leadership, and their staff, in order for the efforts of this state to be authentic in its assertion that it is truly committed to equity development.

This commitment to authentic equity development must be overt, recognizable, and consistent in all efforts made by all leaders and staff working within the various state agencies of Minnesota – and as such must be reflected in their words, actions, public appearances, and interviews – but most especially must be reflected within their internal policies and resource distribution practices. Energy and actions must necessarily follow rhetoric in order for equity to be truly achieved for all Minnesotans. Our community, through years of learned practice, have become quite astute towards detecting empty promises, and therefore have little patience to endure such practices any further. As such we demand more from our state agencies.

Going forward, we the undersigned are formally requesting a sit down meeting with the Governor of Minnesota, the Lieutenant Governor, and key Commissioners from the various Minnesota state agencies in the very near future to further discuss the implementation of these strategies.

We would like to offer the dates of either Monday, November 18th, 2019 or Monday, November 25th, 2019 as possible times to meet first with the Governor and Lieutenant Governor. From this meeting we would like to then transition to meet with the entire cabinet sometime in December of 2019.

We look forward not only to your response to this letter, but to the request to meet as well.

Our stated goals and philosophies around “One Minnesota” are the same. It is apparent that our motivations are inspired by the very same desires. So let us now come together and work towards making the actions of the state of Minnesota – via its various state agencies - match our shared vision for One Minnesota, and honor our commitments to our communities. We owe it to our people to pursue this course.

On their behalf, we respectfully submit this letter to you.

Pilamaya yelo, Pidamaya, and Chii Migwetch.

Respectfully,

Michael Goze
President and CEO
American Indian Community Development Corporation (AICDC)



Deb Foster
Executive Director
Ain Dah Yung Center (ADYC)



Kristin Kinney
Executive Director
American Indian Family Center



Joe Hobot, Ed.D
President and CEO
American Indian OIC (AIOIC)



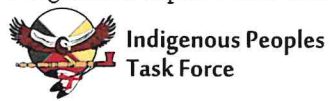
Kit Fordham
Executive Director
Bii Gii Wiin Community Development Fund (BGWCDF)



Louise Matson
Executive Director
Division of Indian Work (DIW)



Sharon Day
Executive Director
Indigenous Peoples Task Force (IPTF)



Jessica Rousseau
Executive Director
Little Earth of United Tribes



Kelly Drummer
Executive Director
MIGIZI



Mary LaGarde
Executive Director
Minneapolis American Indian Center (MAIC)
Vice-Chair - Metropolitan Urban Indian Directors Group (MUID)



Patina Park, JD
President and CEO
Minnesota Indian Women's Resource Center (MIWRC)



Antony Stately, PhD
Chief Executive Officer
Native American Community Clinic (NACC)



Robert Lilligren
President and CEO
Native American Community Development Institute (NACDI)
Chair - Metropolitan Urban Indian Directors Group (MUID)



Joe Rice
Executive Director
Nawayee Center School



Rhianna Yazzie
Executive Director
New Native Theater (NNT)



Tuleah Palmer
Executive Director
Northwest Indian Community Development Center (NWICDC)



Northwest Indian
Community Development Center