

Community Listening Session on OGM 08-08

The Minnesota Council of Nonprofits (MCN) appreciates the Office of Grants Management (OGM) for seeking community feedback as a part of its efforts to update Policies 08-08, 08-09, and 08-10. Understanding the experiences of potential grantees is critical to balancing accountability with operational reality and making the best use of state and community resources to support Minnesotans. On May 4, 2026, MCN facilitated a **virtual listening session** to gather community feedback specifically about the state's policy around grant payments (OGM 08-08). We have analyzed the insights and ideas that emerged from community participants and have prepared recommendations for reforms to Policy 08-08, all of which is included in this document and has been shared with OGM.

Executive Summary

MCN shares a goal of balancing accountability with operational reality, enabling nonprofits and other entities to deliver services effectively without undue financial strain. Participants indicated interest in preserving what works: some respondents noted that accountability and fiscal oversight are important strengths of the current policy. With that being said, there are aspects of the current policy that create significant barriers for grantees and work against the state's equity goals.

Participants overwhelmingly called for increased flexibility in how the state makes payments to grantees as a strategy for better meeting the state's goals around equity in grantmaking and mitigating harm toward grantees. The current policy defaults to reimbursements as the preferred payment method and only allows advanced payments on a case-by-case basis, which many expressed is too rigid, and creates significant cash flow burdens for grantees, forcing organizations, especially smaller and community-based nonprofits, to unsustainably front costs and sometimes take out loans to bridge funding gaps driven by state payment delays. This situation limits participation and shrinks the pool of organizations the state can work with, which results in access to state funding being skewed toward larger organizations with reserves and undermines equity in state grant contracting. Participants offered ideas for a more nuanced approach to advanced payments, seeking a middle ground between grantee cash flow needs and state oversight.

Though specific proposals on how to do advanced payments were not rated among the top four reforms (possibly reflecting a recognition of how complex the issue is), there was significant discussion around prioritizing this shift in changes to Policy 08-08.

After reviewing Policy 08-08, participants were asked to generate ideas for reform and then collectively score them as a mechanism for determining where emerging consensus might be. Participants rated ideas on a Likert scale with the following response options: 0 – I don’t think we should do this; 1- I'm just barely going along; 2 – I don’t like this much but I’ll go along; 3 – I’m in the middle somewhere; 4 – This is fine; 5 – I like this a lot. Some of the ideas for reform fell outside of scope of Policy 08-08. Among the ideas that are within the policy’s scope, the following top 4 recommendations among participants emerged:

Rank by % of respondents rating proposal "4" or "5"	Recommendation	% of respondents rating proposal "4" or "5"
1	Establish firm deadlines for reimbursement payments to prevent grantees from waiting unreasonable times for reimbursement	92%
2	Increase indirect cost rate across all state agencies to at least 15%	85%
3	Allow 10% variance on salaries and fringe as allowed on other line categories	83%
4	Allow budget category-level reimbursement instead of line-item matching	80%

Recommendations:

MCN recommends that the state develop a range of models for expanding state agencies’ ability to incorporate partial advance funding in grant contracts. Nonprofit grantees can provide valuable insight into operational and cash flow challenges, helping inform approaches that are practical, equitable, and effective.

MCN recommends that, after requesting community feedback and creating guidance for what are “necessary and reasonable” costs under the newly-worded Minn. Stat. § 16B.98, Subdivision 1(a), OGM continues the conversation with advocates and considers how a minimum administrative rate could benefit the state.

MCN recommends that Policy 08-08 references Minn. Stat. § 16A.124, Subdivisions 3, 4, and 5, and clearly directs state agencies to pay interest of 1.5% per month on bills not paid within 30 days. Policy 08-08 should require that agency grant contracts include instructions for grantees on how to bill the state for interest when necessary. Policy 08-08 should also allow budget category-level reimbursement.

Community Feedback on OGM Policy 08-08

Specific policy suggestions on reimbursement and working capital/advance payments

A top priority for reform to Policy 08-08 expressed in the listening session was a more nuanced approach to payments. Participants expressed strong interest in various ways to do this, including establishing a baseline advance for grants under a certain dollar threshold, allowing advance payments for low-risk grantees based on past performance, and advancing an estimate of the first quarter or month’s payments, reconciling to true costs after that quarter or month. In addition, participants lifted up the need to clarify when advance payment is “justified.”

Participants highlighted that the current policy favoring reimbursement disproportionately disadvantages culturally-specific, rural, and small nonprofits. When the state uses a reimbursement model of payment, only nonprofits that can afford the cost of the program up front are eligible, excluding nonprofits of all sizes who could be excellent partners if some or all of the funding was provided at the start of the program. Making advance payments a routine option would mean that grantees are able to start the work on time without taking out costly bridge loans, which serves constituents better.

Several participants suggested incorporating risk-based flexibility, where trusted or established grantees could receive advances, while maintaining accountability safeguards for higher-risk situations. MCN is interested in exploring potential approaches, particularly supporting the state to create a system that does not create or perpetuate inequities, a challenge that can arise in risk-tiered systems.

One participant noted that state grant contracts are not written as partnerships, noting that there is no real opportunity for potential grantees to negotiate terms. Partial advance payments are one way the state could move closer to true partnerships with grantees. One participant noted that while grantees can ask for advance payments, their experience was that doing so slowed down the contracting process because the current policy discourages advanced payments. Below are policy or process changes generated from participants, in no particular order. All suggestions were entered into a poll where attendees could rate their view of the proposal.

- I don't think we should do this
- I'm just barely going along
- I don't like this much but I'll go along
- I'm in the middle somewhere
- This is fine
- I like this a lot

Make partial advance payments the standard



Establish a baseline advance (such as 25-50% of all grants) for grants under a certain threshold (ie. \$500k)

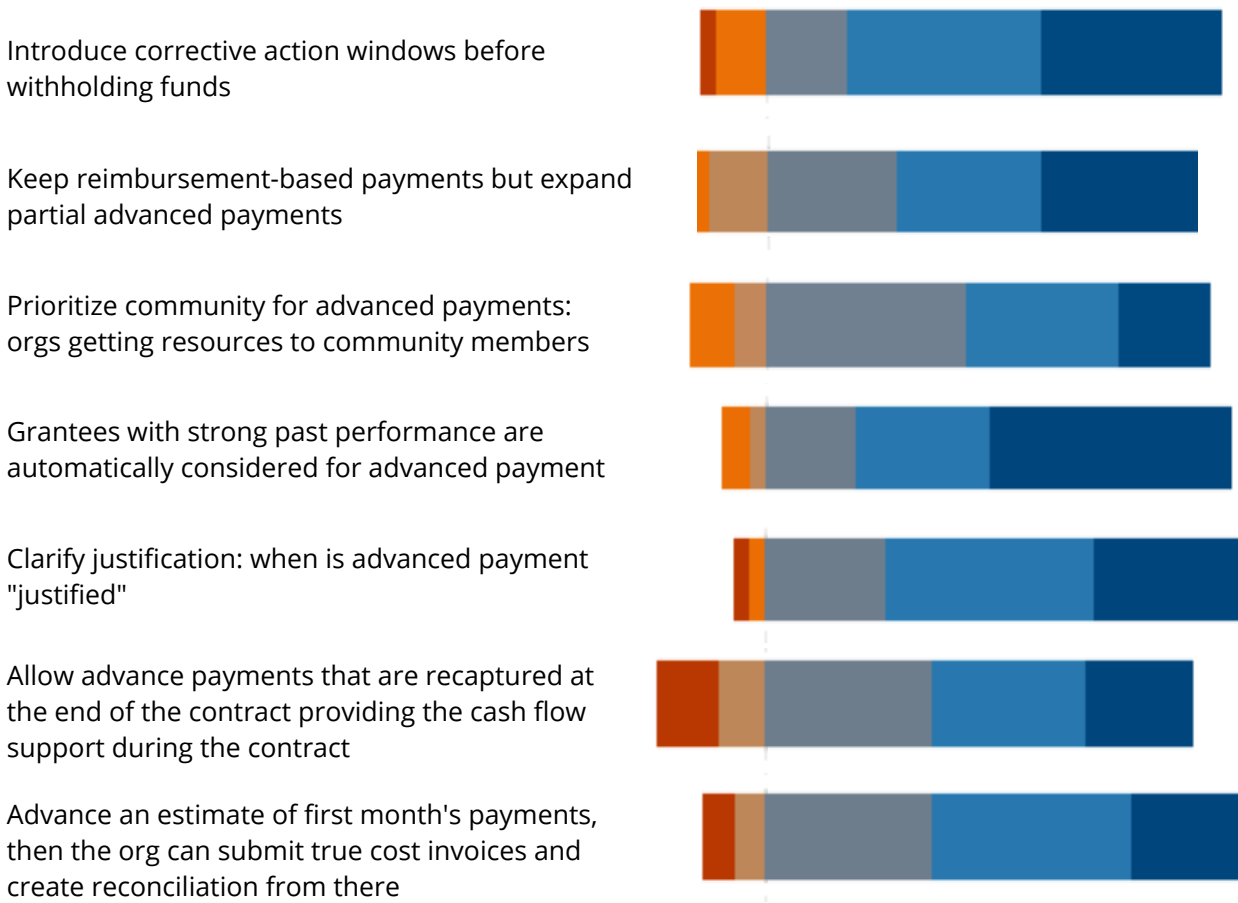
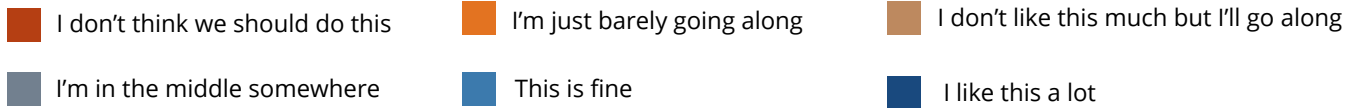


Allow automatic advances for low-risk grantees based on past performance



Encourage state agencies to offer monthly reimbursements (not quarterly)





Participant comments:

“This policy treats the grantee like a credit card – expecting a low capital business (nonprofits) to have ‘easy’ access to capital like a bank. Banks wouldn’t do this business model if they didn’t get interest payments – not sure why anyone else should be expected to.”

“Advance payments should be preferred over reimbursement whenever feasible. OGM policy could allow advance payments to be made in installments (e.g., quarterly or biannually), creating a balanced approach that reduces burdens on smaller applicants while still protecting the State’s interests through periodic checkpoints before additional funds are released.”

Participant comments *(continued)*

“Due to extensive (months) state delays in executing an awarded contract, my organization had to cancel a program because ... some activities (think recruitment) had started a week before the contract was fully executed. Therefore, the state would fund no activities for that session.”

“Nonprofits are lending money to the state. Sometimes providing crisis and emergency services for free while we wait for a signed contract and payments to start flowing. Then we have no ability to back bill prior to the start of the contract.”

“In current state contracts there is no due process for disputes other than terminating the contract. They are one sided agreements.”

RECOMMENDATION: MCN recommends that the state develop a range of models for expanding state agencies’ ability to incorporate partial advance funding in grant contracts. Nonprofit grantees can provide valuable insight into operational and cash flow challenges, helping inform approaches that are practical, equitable, and effective.

Specific policy suggestions on timely payments and budgets

One of the most popular reform ideas to Policy 08-08 was to create more structured deadlines for payments to prevent grantees from waiting an unreasonable amount of time for payments. Participants emphasized the need for faster reimbursement timelines, clearer expectations, and more consistent processing across state agencies. Delays were described as being destabilizing to operations and staffing. Establishing firm deadlines for reimbursement payments and adding interest penalties earned near-total approval from participants.

Below are policy or process changes generated from participants, in no particular order. All suggestions were entered into a poll where attendees could rate their view of the proposal.

- I don't think we should do this
- I'm just barely going along
- I don't like this much but I'll go along
- I'm in the middle somewhere
- This is fine
- I like this a lot

Require payment within 15-30 days of approval; add interest penalties or escalation mechanisms for late state payments



Allow grantee partner to assess interest charges to delayed state payments beyond 30 days



Pay partial reimbursements if there are disputed costs, and work separately to resolve disputes on those costs



Establish firm deadlines for reimbursement payments; prevent grantees from waiting unreasonable times for reimbursement



Related, another specific policy change suggested was allowing budget category-level reimbursement instead of line-item matching and sampling or threshold-based reviews instead of 100% invoice scrutiny, noting that a significant amount of staff time and resources are expended both on the part of the state and grantee. Requiring reimbursement requests to correspond to approved budget line items is time-consuming and does not match how nonprofits manage their programs and budgets. This would also reduce administrative burden on state agencies.

Allow budget category-level reimbursement instead of line-item matching



Use sampling or threshold-based review instead of 100% invoice scrutiny



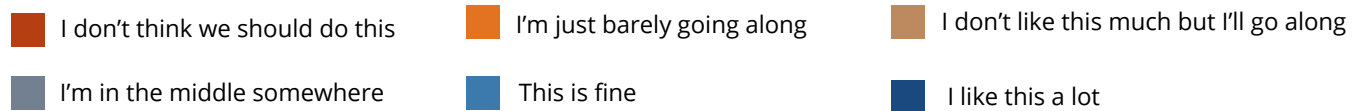
RECOMMENDATION: MCN recommends that Policy 08-08 references Minn. Stat. § 16A.124 subdivisions 3 and 5, and clearly directs state agencies to pay interest of 1.5% per month on bills not paid within 30 days. Policy 08-08 should require that agency grant contracts include instructions for grantees on how to bill the state for interest when necessary. Policy 08-08 should also allow budget category-level reimbursement.

Community Feedback on Issues Outside the Scope of Policy 08-08

Since many grant contract policies and procedures are interconnected, participants also provided feedback and recommendations on other state grant contract policies and practices.

Simplify administrative processes

Another major theme was the need to simplify and streamline administrative processes. Respondents described current documentation requirements as overly burdensome, time-consuming, and duplicative.



Use the same process for reimbursements, same documents across the board for all departments



Standardized indirect funds within an agency such as DHS or DCYF

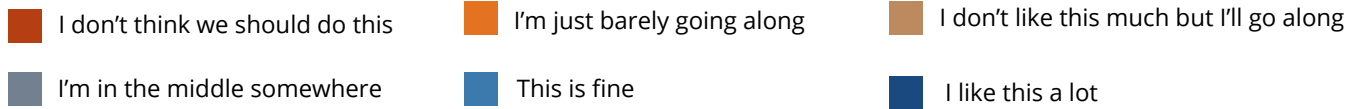


Require state agencies to use standard (accessible) naming convention, especially for awards with multiple funding sources/awards/spending timeframes



Indirect/administrative costs

Administrative infrastructure like finance, compliance, and reporting, are necessary to manage public funds responsibly and meet state requirements. When these costs are underfunded, nonprofits are often forced to subsidize government programs with already-stretched unrestricted dollars, which can undermine stability and long-term service delivery.



Increase indirect cost rates across all state agencies to at least 15%



Allow 12-15% admin fee



Accept federally negotiated de minimis



RECOMMENDATION: MCN recommends that, after requesting community feedback and creating guidance for what are “necessary and reasonable” costs under the newly-worded Minn. Stat. § 16B.98 Subdivision 1, OGM continue the conversation with advocates and consider how a minimum administrative rate could benefit the state.

Other:

Policy suggestions that do not fit easily into the categories above are presented below.

Allow pre-award costs within a defined window (ie 60-90 days) and "pre-contract cost eligibility" clauses in standard agreements



Allow backbilling to the date that the authorizing bill passed (for legislatively directed spending)



Allow 10% variance on salaries and fringe as allowed on all other line categories



Change the grant award notification so that it becomes the effective date for expenditures



Add dispute resolutions provisions on contracts and authentically negotiate contract terms



Create an appeals process for late grant submissions



Increase indirect cost rates across all state agencies to at least 15%



Disallow agencies to add additional minimums or maximums within cost categories



Simplify grant contract modification



Have one system for invoicing/one standard form across state agencies



Include information about agency payment methods and schedules in grant notices and RFPs



Due to lack of equity funding historically, community-led NPs serving marginalized communities should be able to use some funding to build org capacity



Be very clear on the monitoring process; have a recourse and corrective actions for when agency staff is wrong and causes hardship for nonprofit/grantee



Participant comments

One participant noted that when one staff person at a state agency is away from work, there is rarely another person to keep their work moving, which delays processes further.

“Having multiple people assigned to a grant would be helpful. It's been mentioned that departments are not standardized, so some have the ability to have a program staff and a grant staff assigned to a grant, but others have only a single contact. This causes delays and communication issues.”

“The state has to be absolutely sure of its processes, internal controls, and accountability measures so that it can communicate this clearly on the front end. This information is crucial for decision making for an organization.”

Data Collected and Participant Demographics

Data

MS Forms: <https://forms.office.com/Pages/DesignPageV2.aspx?subpage=design&token=a61b59b1b2dd400580d4e698518a559c&id=sAFEEhMFb06lYlyGZA4tWQieCclL2ZcRMiTDJClh26OBUNTBaVzg5UklUROcONOVHUKxRSk5QSlZENS4u&analysis=true>

Padlet: <https://padlet.com/ple31/state-grant-payments-community-feedback-session-may-04-2026-b3v50aetuxznxt2h>

Participants

Below are questions 1-4 questions from OGM's survey, and responses from 56 virtual attendees.

1. Which of the following best describes your role?

- State Employee: Involved with day-to-day administration of grant programs.....**6%**
- State Employee: Supports grants management through financial, contracting, or legal services.....**2%**
- State Employee: Supports grants management in a leadership role at an agency.....**0%**
- Nonprofit staff: programmatic, finance, development, communications, etc.....**32%**
- Nonprofit leader: executive director, CFO, or board member.....**34%**
- Municipal or County Employee.....**25%**
- Elected Official or Political Appointee.....**0%**
- Community Member.....**0%**
- Other.....**2%**

2. Do you have experience as a state grant applicant or grantee?

- State Grant Applicant (we have applied but not received a grant).....**4%**
- State Grantee (we have applied and were awarded a grant).....**81%**
- No experience as either a state grant applicant or grantee.....**13%**

3. If affiliated with a nonprofit, what is your organization's budget size?

NOTE: This data is based on the instruction to attendees to choose their organization's budget size, regardless of whether they are representing a nonprofit or other entity.

- State Grant Applicant (we have applied but not received a grant).....**4%**
- State Grantee (we have applied and were awarded a grant).....**81%**
- No experience as either a state grant applicant or grantee.....**13%**

4. Where in the state is your organization headquartered? If not affiliated with an organization, where in the state is your primary residence?

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| Twin Cities.... 60% | Northeast.... 2% | Southeast.... 6% | West Central.... 0% |
| Central.... 17% | Northwest.... 6% | Southwest.... 9% | |