

TOM UMBERG

SENATOR, 34TH SENATE DISTRICT

SB 336: Nonprofit Reimbursement



SUMMARY

SB 336 will ensure that nonprofit organizations are fairly compensated by the state for the full cost of providing services funded by grants, by allowing for reimbursement of administrative expenses at the same rate the organization has negotiated with the United States Office of Management and Budget, and requiring the Department of General Services to establish a process by which nonprofits can negotiate a state standard negotiated cost agreement.

BACKGROUND

Nonprofits have long served their communities by providing services and support that improve the quality of life for all Californians. Nonprofits also serve as crucial partners to the state in achieving its goals and objectives. Existing law establishes various state grant programs for nonprofit organizations, and establishes the Department of General Services in the Government Operations Agency for purposes of providing centralized services of state government. While these grants typically cover direct program expenditures, they do not cover indirect costs such as technology and equipment, staff, transportation, and more, which are necessary for nonprofits to operate. The federal Office of Management and Budget (OMB) issued the Uniform Guidance rules in 2014 that requires governments that hire non-profits at all levels – local, state, and federal –to reimburse those nonprofits for their indirect costs if they have a negotiated indirect cost rate agreement (NICRA), which allows the Grants or Contracting officer to calculate the appropriate allocation of indirect costs associated and streamline the process.

However, few state agencies acknowledge or pay nonprofits the NICRA rate. Consequently, many nonprofits must internally subsidize the indirect costs that are necessary to complete the work. Furthermore, nonprofits without a NICRA grapple with each state agency's different system and process for determining

what rate they will pay for these necessary expenses. Different grant programs, including those within the same agencies, often treat indirect costs differently and reimburse varying proportions of the federally negotiated indirect costs.

This inconsistency creates challenges for nonprofit organizations that receive state funded grants, making it more difficult to carry out legislative priorities to serve disadvantaged communities.

SOLUTION

This bill would ensure that nonprofits are fairly compensated by the state for the full cost of providing services funded by state grants by ensuring nonprofits are reimbursed for indirect costs. This bill will require the Department of General Services to establish a process by which nonprofits may negotiate a uniform state indirect cost agreement to cover reimbursement of indirect costs for state-funded grants. In addition, the bill would require, that in making state-funded grants, the state must use one of the following reimbursement methods, as chosen by the grantee:

- (1) apply the same terms as contained in the grantee's existing federal negotiated indirect cost rate agreements;
- (2) apply the terms in grantee's state standard negotiated cost agreement; or
- (3) use a de minimis indirect cost rate equal to 10% of the grantee's direct costs.

SUPPORT

Rural Community Assistance Corporation (co-sponsor)
Self-Help Enterprises (co-sponsor)
California Association of Nonprofits

FOR MORE INFORMATION

Kian Rajaeian
Office of Senator Tom Umberg
916-651-4034
Kian.rajaeian@sen.ca.gov