

## Organizations Seek Relief from Contracting Burdens

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TRENTON, NJ – An alliance of representing non-profit and provider organizations today asked the Red Tape Review Commission, chaired by Lt. Gov. Kim Guadagno, to assist with developing and implementing reforms to help ease the “stranglehold” of burdensome government contracting procedures that threaten their ability to provide services in their communities.

Represented by the Center for Non-Profits, an umbrella organization serving New Jersey’s charitable community, the organizations endorsed comprehensive recommendations to streamline and improve the rules and procedures by which government contracts for services with non-profit organizations.

“Persistent, nationally documented problems with government contracting systems threaten the ability of non-profits to provide desperately needed programs and services in our communities,” noted Linda Czipo, executive director of the Center for Non-Profits in testimony before the commission.

The group’s report, ***Enhancing Programs and Services for New Jerseyans by Improving Government/Non-Profit Contracting***, outlines a series of common problems experienced by non-profits engaged in contracting with government:

- ***Contracts that don’t cover the full costs of providing services*** – identified as a problem by 76% of New Jersey respondents in a 2013 national survey, ***the worst in the nation in a state-by-state comparison***.
- ***Complex or time consuming application requirements/procedures*** that increase costs and discourage some worthy organizations from applying altogether – identified as a problem by 81% of organizations, placing New Jersey ***fifth among the worst states*** according to this criterion.
- ***Late payments to providers***, and delays in processing contract paperwork, wreaking havoc on non-profit cash flows and credit ratings. Late payments were identified as a problem by 53% of New Jersey respondents, ranking New Jersey ***ninth worst*** in the country.
- ***Complex or time consuming reporting requirements*** that drive up costs and divert scarce resources – identified as a problem by 75% of New Jersey respondents, ranking New Jersey ***twelfth worst*** in the country.
- ***Governments that change the terms of the contract in mid-stream***, such as imposing additional program requirements or expectations without providing additional resources – identified as a problem by 45% of New Jersey respondents. New Jersey ranked ***22nd worst*** in the nation.

Alarming, in a follow-up survey of New Jersey non-profits conducted by the Center for Non-Profits in late August and early September 2015, ***fewer than 10% of respondents reported improvement in any of these problems within the past year*** – and sizeable percentages reported that the problems had gotten worse.

The report proposed a series of measures to help alleviate the problems. They included:

- Ensuring that contracts adequately cover the costs of providing services, including automatic adjustments to guard against inflation, rising prices, and unfunded mandates.

(more)

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- Better information-sharing and communication across government departments in order to foster better policies and reduce inconsistencies.
- More attention on whether program goals are being met, and less on administrative details that are unrelated to provision of services.
- Centralizing core contract functions that are common to most contracts.
- Better utilization of electronic filing, registration and reporting systems, such as the state's new e-procurement system, NJSTART.gov, to eliminate the current need for non-profits to resubmit the same information repeatedly.
- Standardization of contracting language and policies that are common to all or most types of contracts.
- A repeal of arbitrary limits on indirect costs such as insurance, rent, facilities maintenance, audits and similar items that are necessary to operations but not tied directly to a contract. Although numerous studies have shown that it is normal for effective non-profits to have indirect costs of 25-35% of total expenses, many governments arbitrarily set caps that are far less – and some allow no indirect costs at all.

The coalition also asked the Commission's help with educating government and non-profit representatives about new federal grant and contract reforms, adopted last December, that also apply to contracts passed through state and local governments. The comprehensive reforms include a requirement that any grant or contract using federal funds allow a reasonable amount – at least 10% – for indirect costs, but the Center for Non-Profits' surveys show that awareness and understanding by both non-profits and government about the new rules is low.

"We believe that the recommendations we propose are reasonable, attainable, and offer significant benefits to the State of New Jersey, to taxpayers, to non-profit and provider organizations and those they serve," commented Czipo. "Given the fiscal challenges facing our state and the steadily growing need for the programs provided by non-profits, we believe they have taken on an added urgency."

The full report, ***Enhancing Programs and Services for New Jerseyans by Improving Government/Non-Profit Contracting***, is available at [www.njnonprofits.org/RedTape\\_09102015\\_FINAL.pdf](http://www.njnonprofits.org/RedTape_09102015_FINAL.pdf). The organizations endorsing the report are: Alliance for the Betterment of Citizens with Disabilities; Center for Non-Profits; Council of New Jersey Grantmakers (in its capacity as an individual New Jersey non-profit); Hispanic Family Center of Southern New Jersey, Inc.; Hyacinth AIDS Foundation; New Jersey Alliance for Children, Youth & Families; New Jersey Association of Community Providers; New Jersey Association of Mental Health and Addiction Agencies, Inc.; New Jersey State Association of Jewish Federations; and Pro Bono Partnership.

*Founded in 1982, the Center for Non-Profits is a charitable umbrella organization serving New Jersey's non-profit community. The Center's mission is to build the power of New Jersey's non-profit community by serving as the premier voice and comprehensive resource for and about our sector. Through public education, management and compliance assistance, publications, workshops, and member services, the Center strengthens non-profits, individually and collectively, in order to improve the quality of life for the people of our state. For more information, visit the Center's Website, [www.njnonprofits.org](http://www.njnonprofits.org), or call (732) 227-0800.*

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