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LA COUNTY BOARD OF SUPERVISORS APPROVES RESOLUTION TO IMPROVE NONPROFIT SERVICE BY COVERING 'REASONABLE' COST OF SERVICE

Reforms Will Help Maximize Impact of Nonprofit Programs Supported by Government Funding

Los Angeles – The Los Angeles County Board of Supervisors today approved a motion by Supervisor Hilda L. Solis to strengthen nonprofit service in the County by supporting the implementation of new federal rules governing how government agencies reimburse nonprofits for the full cost of their work. The motion was co-authored by Supervisor Sheila Kuehl.

“Los Angeles County is home to more nonprofits than any county in our country, and they play a vital role in our communities,” Supervisor Solis said. “Nonprofits provide critical services, including health care, human services and housing assistance, that help many of our neediest residents. By ensuring we are covering the full and reasonable cost for their services, we can in turn help our nonprofit partners better serve their constituents and fulfill their important and irreplaceable missions.”

Under [the motion](#), County Chief Executive Sachi Hamai will provide an implementation strategy to the Board within 120 days, consult with leaders from County nonprofits in developing the new guidelines, and send a letter signed by all five supervisors urging State leadership on the federal rules. The action by the Board of Supervisors is the first of its kind in the country.

“I also hope that other local governments will see what we are doing as a model of how these new rules can be effectively implemented,” Solis said. “This is an opportunity for nonprofits and governments to work together to solve long standing problems that frustrate us all.”

The new federal rules were released in December 2014 by the Federal Office of Management and Budget, following a years-long review of federal contracting and grantmaking practices. Known as the OMB Uniform Guidance, it merged eight different sets of rules and is intended to provide consistency throughout all levels of government. In addition to easing administrative burdens, increasing accountability and strengthening oversight of how government dollars are invested, the OMB Uniform Guidance also requires government agencies that contract with nonprofits to reimburse them for reasonable indirect costs.

“I congratulate the Board of Supervisors for taking this critical step,” said Fred Ali, President and CEO of Weingart Foundation. “These new rules provide significant reforms to federal grantmaking and contracting, including making sure that nonprofits receive more support for the real cost of their services. This lack of direct and indirect administrative cost support too often keeps nonprofits from building the infrastructure necessary to achieve the outcomes that will help those in our community who are most in need.”

In the year since the release of the Uniform Guidance, Weingart Foundation, the California Association of Nonprofits and the state’s three leading regional grantmaking associations have collaborated together on a campaign called the California Full Cost Initiative. Its goals are to educate funders and nonprofits about the changes in the Uniform Guidance and explore ways to develop new grantmaking practices based on the real cost of delivering meaningful and sustainable outcomes.

“This is an important opportunity to make meaningful, lasting change in how government and private funders support the critically important work of nonprofits throughout Los Angeles and the state,” Ali said.

Jan Masaoka, CEO of the California Association of Nonprofits, noted that facilitating greater collaboration between nonprofits and their funders is essential.

“Working together, governments and nonprofits are able to address needs in our society that they can’t tackle alone,” Masaoka said. “Today’s action by the Los Angeles Board of Supervisors ultimately will increase the effectiveness of nonprofits and ensure that public money has the greatest, most positive impact in our communities.”

The action by the Board of Supervisors comes following the recent release of a report by the Urban Institute that highlights the significant problems California nonprofits face when managing multiple government and private contracts and grants, including routine underpayment of the full cost of the work.

The report noted that about seven in 10 nonprofits in California say the government funding they receive fails to cover the real cost of their services, according to the report, which also finds more than 5,000 nonprofits receive an estimated \$14 billion in government contracts and grants each year – more than the annual budgets of 18 states. Other findings in the new report include:

- Nonprofits face four additional challenges: complex application requirements; time-consuming and duplicative reporting requirements; changes to already approved contracts and grants; and late payments for services rendered.
- As a result of these challenges, nonprofits are forced to subsidize their contracts with dollars from other sources (often individual fundraising). They can be forced to offer low pay for staff, particularly for administrative positions, making it difficult to recruit and retain skilled and experienced staff. Or they may sacrifice investments in technology, reducing productivity and effectiveness.

The full report from the Urban Institute is available [here](#).

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Weingart Foundation is a private, nonprofit foundation with the mission to build a better Southern California by supporting nonprofit organizations to more effectively serve the underserved. The Foundation provides grants and other support designed to improve the capacity and effectiveness of organizations delivering quality services to disadvantaged communities in the areas of health, human services, and education. The Foundation supports nonprofits across six Southern California counties including Los Angeles, Orange, Riverside, Santa Barbara, San Bernardino, and Ventura. Since 1972, the Foundation has awarded over \$900 million to support organizations working in these fields throughout Southern California. With assets of approximately \$700 million, the Foundation is one of the largest philanthropic institutions in the region. <http://www.weingartfnd.org/>

The California Association of Nonprofits (CalNonprofits) is a statewide policy alliance of nearly 10,000 organizations that speaks out for the nonprofit community to the legislature, philanthropy, and the public. With offices in San Francisco, Los Angeles, and Sacramento, CalNonprofits recently published the first-ever economic impact study of California’s nonprofit sector, Causes Count, which revealed California’s nonprofit community as the fourth largest industry employer in the state. A current initiative — the Nonprofit Overhead Project — is working to strengthen nonprofit-government contracting, to partner with foundations on understanding overhead costs, and providing technical tools to nonprofits. www.calnonprofits.org