

CAPITOL FACTS & FIGURES

TAX AND BUDGET

State Contracting and Financing for Human Services

With growing state budget gaps, concern has emerged over the ability of states to offer human services to the public. State governments rely heavily on nonprofit organizations to carry out needed services.¹

- Government agencies have approximately 200,000 formal agreements in the form of contracts and grants with more than 33,000 human service nonprofit organizations.
- Nonprofit organizations have, on average, six contracts and grants with all levels of government. For example, as of June 2009, New York held 31,000 contracts with nonprofit organizations, worth \$14.6 billion.²

By all accounts, the upcoming fiscal year will be a challenging one for states, as they face growing budget gaps in the aftermath of the Great Recession.

- According to the Center on Budget and Policy Priorities, 44 states are currently projecting budget shortfalls for fiscal year 2012. This compounds the large shortfalls that states closed in fiscal years 2009 through the present.³
- Many states have already accessed or depleted rainy-day funds.
- The federal Recovery Act helped ease some of the pain of the recession and allowed states to minimize or delay cuts to some programs. The Recovery Act infused states with over \$224 billion; however, now only \$6 billion remains from those funds, and states will be straining to fill the gaps.

Late payments and contract changes are a pervasive problem with negative consequences to the state, general public and nonprofits.

- Lack of prompt payment to nonprofits results in disruptions of services rendered to the public.
- Nonpayment and delays can cause nonprofits to finance the cost of state-paid services, sometimes at their own expense.



The New York state comptroller suggests the following strategies for states to improve collaborations with contracts and grants:⁴

- State agencies should choose start dates for grant contracts that are later than April 1, the start of the state's fiscal year, so contract processing is not affected by the timeliness of adopting a state budget;
- State agencies should use the grant contract boilerplate in a consistent manner to ensure the terms are uniform for all state agency grant programs;
- Master contracts with the same not-for-profit should be utilized when feasible making negotiation required for any changes in terms; and
- The (state's) Not-for-Profit Contracting Advisory Committee should continue to meet regularly to review recommendations from the not-for-profit community and state agencies.



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REFERENCES

- ¹The Urban Institute. *Human Service Nonprofits and Government Collaboration: Findings from the 2010 National Survey of Nonprofit Government Contracting and Grants*. (2010).
- ²Office of the State Comptroller. *New York State's Not-for-Profit Sector*. (2010).
- ³Center on Budget and Policy Priorities. *States Continue to Feel Recession's Impact*. January 21, 2011. <http://www.cbpp.org/cms/index.cfm?fa=view&id=711>.
- ⁴Prompt Contracting Annual Report Calendar Year 2008, State of New York, Office of the State Comptroller (May 29, 2009) http://www.osc.state.ny.us/reports/fiscal/contract_annualreport.pdf

State Contracting and Financing for Human Services

States	Number of nonprofits with contracts	Number of contracts and grants	Percent of nonprofits with late payments	Problems with payments not covering full costs	Problems with changes to contracts and grants
Alabama	423	1,372	43%	54%	55%
Alaska	135	878	27%	72%	47%
Arizona	355	3,467	31%	71%	63%
Arkansas	309	1,068	12%	42%	26%
California	3,196	22,489	49%	76%	58%
Colorado	649	2,449	22%	74%	47%
Connecticut	509	2,599	43%	77%	68%
Delaware	120	745	37%	67%	43%
Florida	1,512	7,583	28%	66%	67%
Georgia	675	3,269	55%	56%	42%
Hawaii	161	1,220	50%	71%	68%
Idaho	113	486	32%	52%	50%
Illinois	1,385	7,625	72%	81%	73%
Indiana	709	3,007	49%	60%	69%
Iowa	468	2,690	35%	78%	62%
Kansas	341	1,638	39%	75%	70%
Kentucky	393	2,505	42%	76%	67%
Louisiana	473	2,264	39%	72%	71%
Maine	202	991	64%	82%	82%
Maryland	717	4,617	44%	63%	54%
Massachusetts	932	4,767	26%	58%	49%
Michigan	997	8,578	44%	76%	68%
Minnesota	854	4,383	32%	78%	54%
Mississippi	242	1,226	39%	38%	38%
Missouri	723	4,059	25%	67%	58%
Montana	209	1,154	16%	37%	47%
Nebraska	260	1,154	33%	75%	48%
Nevada	142	637	48%	67%	71%
New Hampshire	218	1,217	30%	79%	54%
New Jersey	743	4,804	42%	71%	50%
New Mexico	265	1,111	31%	76%	65%
New York	2,758	18,101	48%	71%	67%
North Carolina	972	3,886	42%	64%	61%
North Dakota	128	658	37%	53%	37%
Ohio	1,562	9,762	44%	76%	49%
Oklahoma	359	1,587	38%	63%	61%
Oregon	508	2,122	27%	49%	38%
Pennsylvania	1,651	14,023	64%	67%	59%
Rhode Island	192	1,562	61%	84%	80%
South Carolina	373	1,133	22%	58%	50%
South Dakota	127	609	13%	69%	16%
Tennessee	661	2,108	40%	61%	52%
Texas	1,706	6,776	24%	59%	52%
Utah	182	1,194	31%	43%	47%
Vermont	162	995	33%	74%	55%
Virginia	700	4,405	32%	65%	42%
Washington	823	7,167	21%	65%	65%
West Virginia	257	1,630	41%	60%	50%
Wisconsin	738	3,553	33%	73%	53%
Wyoming	118	515	26%	53%	38%

Source: The Urban Institute, National Survey of Nonprofit-Government Contracting and Grants (2010). www.urban.org/publications/41228.html