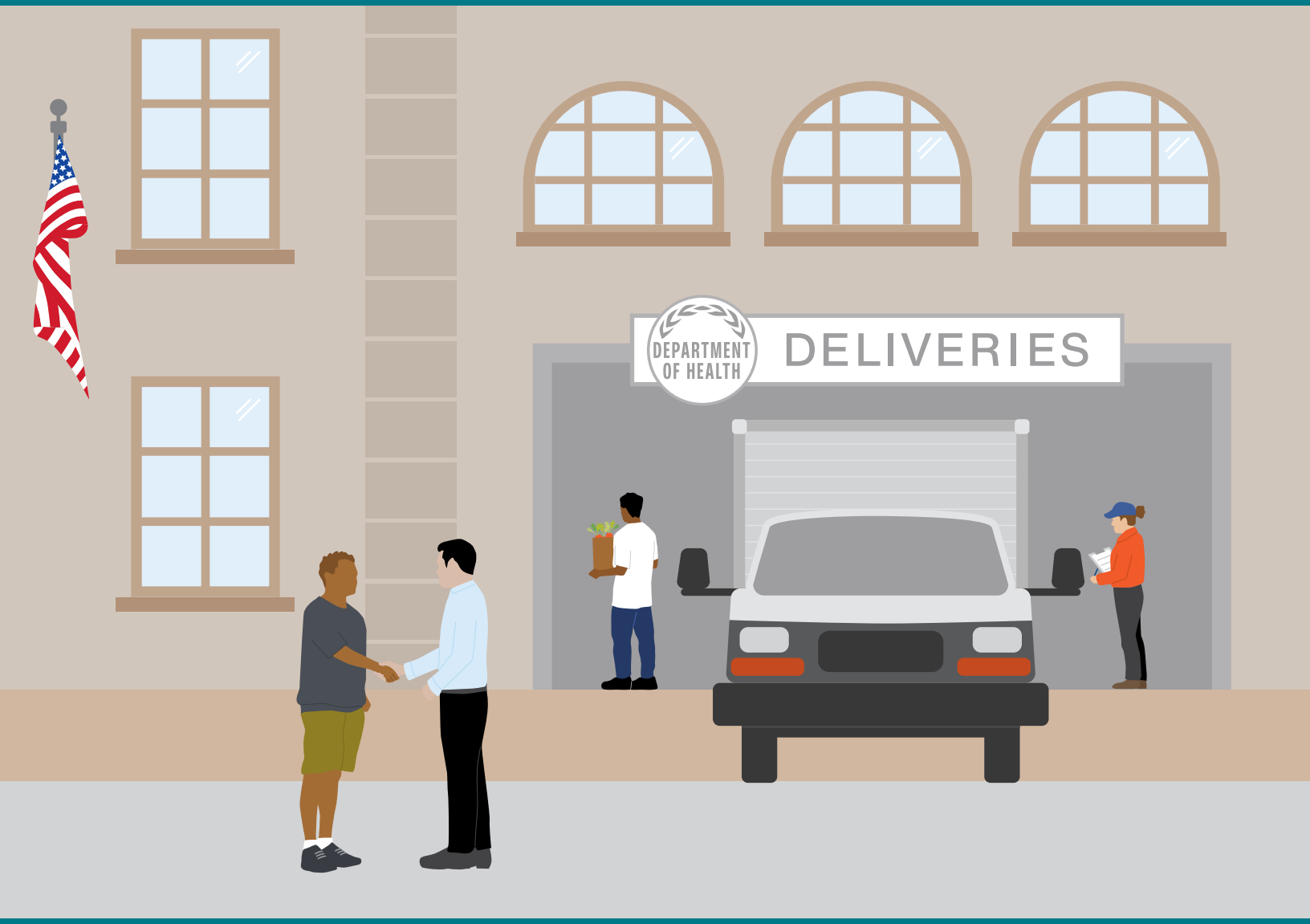
Improving Community Health Through Government Funding Policies

Leveraging State and Local Government Funding to Support Community-Based Organizations



ChangeLab Solutions

CONTENTS

3 Introduction

4 Summary of Challenges & Recommendations

6 Supporting Antiracist Policy Through Public Health Contracting & Grantmaking

6 Reform Trends

6 Equity-Focused Decision-Making

8 Challenges Faced by CBOs in Government Contracting & Grantmaking

8 Inflexible & Burdensome Restrictions on the Use of Funds

9 Inadequate Government Funding to Cover Full Costs

10 Overly Complex Applications & a Lack of Clarity About Selection Processes

12 Untimely & Delayed Payments

12 Overly Complex & Time-Consuming Reporting & Documentation Requirements

13 Government Agencies' Discretionary Decisions About Contracting & Grantmaking Processes

14 Recommendations for More Accessible & Equitable Contracting and Grantmaking Processes

14 Lessen Restrictions on the Management & Use of State Funds

15 Reduce the Complexity & Burdens of the Application Process & Reexamine the Selection Process

17 Improve the Predictability & Timeliness of Payments

18 Reduce Burdens Associated with Administrative Requirements for Grants & Contracts

19 Conclusion

19 Resources

20 Acknowledgments

21 References

INTRODUCTION

Community-based organizations (CBOs) are an indispensable part of public health infrastructure. They provide essential services and meet community needs in circumstances where government entities are unable or less equipped to do so.[1]

CBOs are well situated to serve their communities in advancing health equity because they are based in and trusted by the communities they serve. By keeping resources within a community, CBOs also support local economies and provide job opportunities for residents. By partnering with CBOs, state and local agencies can increase their reach and impact, promote equitable solutions to community goals, and encourage residents to engage in decision-making.[2] Government partnership with CBOs can also strengthen work processes that are diminished by dwindling funding streams and complex bureaucratic structures.[3] As such, government agencies, departments, and offices play an important role in ensuring that CBOs have funding to provide essential services, programs, and other support to their communities.[4]

However, legal requirements and agency decisions can unintentionally create barriers that prevent CBOs from accessing critical funding.[5] Contracting and procurement processes, which shape government decision-making on how funding is distributed and managed, are established by federal, state, and local laws and regulations and are guided by administrative policies. Additionally, internal structures, administrative practices, and staff capacity influence how government entities implement contracts and grant processes.[6] Most of these measures are enacted to ensure good stewardship of taxpayer dollars, establishing processes to prevent fraud and favoritism so that limited public funds are fairly distributed. However, it's possible to balance these interests with the goals of obtaining quality, cost-effective goods and services and reducing unnecessary financial and administrative strain on CBOs so they can more effectively partner with government, meet community needs, and advance health equity.

The purpose of this resource is to summarize the challenges that CBOs face in accessing funding from government entities and to provide government agencies with concrete actions they can implement to address those challenges. Government entities have a valuable opportunity to improve how resources are invested, allowing them to support CBOs as vital public health partners, strengthen the relationships between government entities and communities, and make funding more accessible for the diverse communities that face the greatest health inequities.

Government entities have a valuable opportunity to improve how resources are invested, allowing them to support CBOs as vital public health partners, strengthen the relationships between government entities and communities, and make funding more accessible for the diverse communities that face the greatest health inequities.

Summary of Challenges & Recommendations

Although state laws often set strict requirements for grantmaking and contracting processes, state government entities may retain discretion over how their grants and contracts are managed, as long as their choices align with state and federal law.

The table below briefly describes common challenges that CBOs face in contracting and grantmaking and recommendations for how government entities can address them. These challenges and recommendations are discussed in more detail throughout this resource.

Challenges Experienced by CBOs	Recommended Government Approaches
Inflexible and burdensome restrictions on the use of funds	Allow and approve indirect expenses at rates that cover the true cost of operations.
Inadequate government funding to cover full costs	Allow and approve indirect expenses at rates that cover the true cost of operations.
Overly complex applications and a lack of clarity about selection processes	• Provide greater access to technical assistance for grant writing and application development. • Extend application deadlines to allow more time to prepare competitive applications. • Reduce or remove application requirements. • Expand or pilot the use of intermediary organizations to increase CBOs' capacity to apply for funding. • Reexamine and clarify selection processes.
Untimely and delayed payments	• Design and implement contracts and grants with shorter payment periods to help ensure prompt and timely payments. • Establish schedules for advance payments, progress payments, or fixed payments. • Remove other barriers to payment.
Overly complex and time-consuming reporting and documentation requirements	• Revise and reduce reporting requirements. • Expand or pilot the use of intermediary organizations to help CBOs meet reporting and documentation requirements.

Key Terms

Blending or **braiding (of funds):** Combining two or more *funding sources* (also called funding streams) to support a program or activity.

Contract: A mutually binding legal relationship obligating the seller to furnish supplies or services and the buyer (for the purposes of this resource, a government entity) to pay for them.

Contractor: An entity that performs the service mandated by a contract with a government agency.

Fixed payment schedule: A payment plan in which the payment intervals, dates, and/or amounts are determined (i.e., fixed) before work begins. This plan differs from the commonly used reimbursement model of payment, in which the contractor or grantee performs the service and then invoices the government agency to receive payment.

Government agency or **government entity:** A local, regional, or state government agency, department, or office tasked with managing or administering public funds.

Government procurement: The process by which a government agency acquires goods or services.

Grant: An award of financial assistance in the form of money or property provided by a government agency. The grantee is required to account for the use of funds in the manner specified by the funding government agency. In the context of this resource, grants are often distinguished from contracts in that grants are generally intended to further a public purpose or benefit, whereas contracts are used to acquire supplies or services for the government's direct benefit or use.

Grantee or **grant recipient:** An entity receiving funding from a government grant.

Indirect costs: Expenses of doing business that are not readily identified in a particular grant or contract but are necessary to support an organization's general operations. These typically include expenditures such as overhead costs (e.g., rent, utilities) and general and administrative expenses (e.g., costs associated with accounting, human resources, and information technology functions).

Indirect rate: The percentage of direct costs (i.e., costs directly associated with the contracted services) that can be added to a contract amount to cover indirect costs.

Reimbursement model of payment: The most common payment arrangement, in which a contractor or grantee performs agreed-upon services and then invoices the government agency to receive payment.



SUPPORTING ANTIRACIST POLICY THROUGH PUBLIC HEALTH CONTRACTING & GRANTMAKING

Reform Trends

Government contracting and procurement can be implemented with values-based principles in mind, such as environmental sustainability, minimum health standards, fair labor practices, and racial equality.[7,8] Additionally, government entities can go above and beyond minimum procedural requirements for contracting and procurement with these same values-based principles in mind — for example, by providing technical assistance to help small businesses navigate the contracting process and to support businesses after they win a bid.[9,10] In doing so, government entities can reduce barriers to contracting and procurement participation, ensuring that funding opportunities are accessible to everyone. The underlying goals of these examples support community health by protecting the environment and mitigating climate change, improving healthy food access, promoting local economies and economic equity, and addressing root causes of health inequity like social and racial injustice.

Equity-Focused Decision-Making

There are decision points throughout the funding process that provide opportunities to promote health and racial justice. These include application and outreach activities, the use of specific funding mechanisms and timelines, and requirements established throughout the duration of the contract. By applying values-based principles during these decision points, government entities can strengthen partnerships with communities that are often marginalized or excluded from traditional government partnerships. For a deeper dive into equity-focused decision-making, refer to the suite of health equity resources on our website, including the *Legal Primer for Policymaking to Advance Health & Racial Equity* and *Supporting Equitable Community Engagement: A Resource for State Health Departments*.

By applying values-based principles during these decision points, government entities can strengthen partnerships with communities that are often marginalized or excluded from traditional government partnerships.

Summary of Legal Authority

The legal landscape for contracting, procurement, and other policies varies by state and locality. Government entities may set their own spending policies and procedures or work with centralized offices that set statewide policies and procedures. Some states' centralized requirements or approval bodies for contracting and purchasing decisions may even preempt – or statutorily control the scope of – local or agency policies, depending on the subject matter. In all cases, government entities must comply with relevant federal, state, and local laws, regulations, and administrative guidance. Some federal funds flowing to states and localities may have certain limitations or requirements for subsequent contracting. Therefore, it is important to consider applicable grant and contract requirements when receiving and using federal funds.[11] Government entities tend to have broader discretion when they are acting in their proprietary interests – in an effort to improve efficiency and quality of procurement decisions, for example – than in a regulatory role.[12] So, in states where the risk of a lawsuit or other legal challenge to agency actions is higher, it is especially important to clarify what constitutes a discretionary versus policy decision during contracting and procurement processes. Relatedly, it can be helpful to describe how partnering with CBOs to provide equitable services provides efficiencies that government entities cannot access on their own.

To understand the specific laws and policies that influence contracting and procurement decisions in a given jurisdiction, a good starting point is to explore resources like the National Association of State Procurement Officials' periodic *Survey of State Practices*, which explores procurement, sustainability, diversity, collaborative contracting, and modernization trends across all fifty states.[13] A government entity should seek out legal counsel to understand their specific authority under all applicable laws and policies to implement practices facilitating more equitable contracting and procurement.

Not all states directly or indirectly allow nonprofit organizations to use their statewide contracts – so there is significant room for advocacy and improvement, depending on the jurisdiction, whether by encouraging government agencies to exercise their existing authority or by advocating for changes to policies and practices that influence those decisions.[14]



CHALLENGES FACED BY CBOS IN GOVERNMENT CONTRACTING & GRANTMAKING

CBOs and other nonprofits commonly face challenges participating in constrained government funding environments,[15,16] such as a lack of dedicated staff to apply for or manage grants and contracts, the need for continuous fundraising because funding is not guaranteed from year to year, and the fact that many grants and contracts do not fully cover administrative overhead costs.

Complex application, qualification, and reporting requirements are often additional challenges. These challenges make it difficult or, in some cases, impossible for CBOs to access government funding, meaning that state and local government entities are missing opportunities to better support CBOs that make a difference in meeting community needs.

Inflexible & Burdensome Restrictions on the Use of Funds

Contracts, especially grants, often impose requirements on how CBOs can use awarded funds. These stipulations may include restrictions on the activities CBOs can pursue, the people or partners they can work with, and the purchases they can make. Although these restrictions are intended to ensure that public money is appropriately or responsibly spent, they can also impede a CBO's work. For example, restrictions may limit the accommodations that CBOs can provide to enable community member participation in meetings or restrict the ways that they can compensate community members for their time. This means some community members — often those who are most disenfranchised — may not be able to participate and offer their input.

Often, CBOs need to seek additional funding or braid together multiple funding streams to fill in gaps resulting from funding restrictions. Alternative funding sources may impose additional restrictions, as well as layers of administrative and regulatory needs, further complicating how CBOs plan or do their work. This is especially true for multiservice CBOs, such as housing and homelessness organizations, that provide a broad suite of services to their communities but receive funding from multiple single-activity, restricted streams. These challenges can be particularly difficult to navigate for smaller CBOs and CBOs that do not have staff dedicated to fundraising and finance management.

Often, CBOs need to seek additional funding or braid together multiple funding streams to fill in gaps resulting from funding restrictions.

Inadequate Government Funding to Cover Full Costs

In some cases, a grant or contract may not cover the full cost of carrying out the activities it is meant to support, which can result in the CBO taking on a project at a loss. This can happen if a government entity does not adequately scale its requested deliverables and timeline to the funding being offered or factor administrative costs related to funded services into grants or awards. The latter typically occurs when indirect rates are set below the level needed to account for all the costs of operations — for example, office rent or utilities costs. In both situations, smaller and less-resourced CBOs are disproportionately affected because they may have limited capacity to assess whether the funding offered will fully cover the cost of the work and are less likely to have financial reserves in place to absorb any cost overruns that may occur. Because larger, more established, and better-resourced CBOs are often better positioned to draw on reserves or braid funding sources, the funding model tends to privilege larger CBOs.

In both situations, smaller and less-resourced CBOs are disproportionately affected because they may have limited capacity to assess whether the funding offered will fully cover the cost of the work and are less likely to have financial reserves in place to absorb any cost overruns that may occur.

What Are the Application & Selection Processes for State Contracts & Grants?

Contracts or grants for CBOs from government entities usually involve a competitive selection process. A government entity will advertise an opportunity's expected deliverables, funding amount, and timeline and solicit bids or applications to win that funding. Applications sometimes include a request for a narrative on why the applicant is the best candidate for the funding and how they intend to use it. Government entities generally use this information to decide between applicants.

Some application and selection process requirements are mandated by state law, and these requirements can vary greatly by state. For example, in Georgia, state entities must submit contracting opportunities over $100,000 for competitive sealed bidding to the state's procurement website.[17] Opportunities exceeding $250,000 have additional requirements: They must be posted on both the state procurement website and advertised in a local newspaper at least once.[18] In contrast, the threshold to submit contracting opportunities is much lower in other states. For example, in Florida, contracts above $35,000 must be posted; in California, contracts above $10,000 must be posted.[19,20] Moreover, some states do not require competitive bidding for certain types of purchases. For example, Alabama state law exempts competitive bidding for certain categories, such as the purchase of insurance or the purchase of ballots and supplies for elections held in the state.[21]

Overly Complex Applications & a Lack of Clarity About Selection Processes

Application and selection process barriers to state funding can be categorized into four primary challenges: complex applications, burdensome requirements, tight submission timelines, and ambiguous selection processes. (In this resource, we use *applications* to encompass both bids for contracts and applications for grants.)

Complex Applications. Although applications allow government entities to learn more about the applicant pool and, theoretically, to make an informed award decision, they can be burdensome for CBOs that lack professional grant-writing or contracting staff. The application process is especially challenging when applications are complex or lengthy. Such applications may require significant amounts of information or narrative, as well as information that CBOs with limited resources are less likely to be able to provide. For example, applications may require specific, detailed impact factors that do not correlate with the data already collected by an organization and may not even be tailored to the type of grant being offered.[22]

Burdensome Requirements. Eligibility requirements can be disproportionate to the total amount of the funding award. Additionally, government entities sometimes require applicants to supplement grants received with other sources of funding – in other words, to match the grant money. If alternative funding source timelines do not sync with the government process or are unavailable, cost matching can be a prohibitive factor that prevents some CBOs from applying for certain grants at all.

Tight Submission Timelines. Application timelines can be notoriously short and seldom allow adequate time to respond, often making it difficult for CBOs to prepare a strong proposal. Depending on the state or locality, the bidding timeline

If alternative funding source timelines do not sync with the government process or are unavailable, cost matching can be a prohibitive factor that prevents some CBOs from applying for certain grants at all.



can be as short as five or seven days.[23,24] This means applicants that are smaller, have fewer grant-writing staff, or are less experienced in government contracting are at a disadvantage to prepare a compelling proposal.

Ambiguous Selection Processes. In many cases, government entities use selection processes that lack transparency, which can unintentionally lead to inequitable outcomes. Evaluation criteria may vary across government entities or from contract to contract. Even when criteria are made public, the way they are applied to individual applicants often remains unclear. As a result, government entities retain substantial discretion in how they apply their criteria and determine funding recipients.

Selection criteria can also favor larger and more established organizations over smaller or newer CBOs, regardless of whether they are the best equipped to perform the contract or carry out grant objectives. This may be because the government entity is familiar with such organizations or because those organizations are more experienced in writing proposals and predicting government expectations. Although funding relationships between government entities and CBOs can facilitate longer-term relationships with effective organizations that are deeply rooted in their communities, it is important that these existing relationships do not unnecessarily limit opportunities for broader collaboration and improvement.[25,26] Routinely funding the same organizations can come at the expense of building relationships with new, diverse partners that also have strong ties to communities.

Although funding relationships between government entities and CBOs can facilitate longerterm relationships with effective organizations that are deeply rooted in their communities, it is important that these existing relationships do not unnecessarily limit opportunities for broader collaboration and improvement.

When and how will government funding come through?

How Does the Payment Process Work?

The most common payment process is a reimbursement model, in which contractors or grantees complete their agreed-upon activities and then submit an invoice to the government entity to receive payment.

What Are the Penalties If a Government Entity Is Late on Payment?

Many states have enacted prompt payment laws that require government entities to pay invoices within a certain number of days.[27] If a government agency is late on its payment, a contractor can submit a complaint to the state; the agency also typically must submit a late payment report and possibly incur penalties as a result. For example, state agencies must report late payments to relevant state offices such as the Department of General Services, The Office of State Procurement, or The Office of Management & Enterprise Services.[28,29,30,31]

What Are Advance & Progress Payments?

Advance payments are up-front payments from the government agency to the contractor, intended to be spent on the contractor's activities as enumerated in the grant or contract. Progress payments provide partial compensation upon completion of a portion of the work.

Untimely & Delayed Payments

Untimely and delayed payments can disproportionately affect CBOs that operate with smaller financial reserves and are therefore less likely to be able to absorb payment delays. This is especially true in an environment where government funding is changing, and most CBOs rely on government grants to remain fiscally solvent.[32] Payments may be delayed due to administrative or documentation errors that slow invoice processing, outdated technology and workflows (e.g., mailing paper checks rather than using direct electronic funds transfer [EFT]), or approval bottlenecks that make invoice approval a lengthy and cumbersome process.[33] Late payment penalties are not always enforced and in many cases, government entities must only self-report late payments, so they have little incentive to improve their practices to prevent such delays from harming CBOs. Additionally, CBOs do not have a way to report these delays themselves to initiate a process for addressing the issue monetarily or otherwise.

Late payment penalties are not always enforced and in many cases, government entities must only self-report late payments, so they have little incentive to improve their practices to prevent such delays from harming CBOs.

Often, CBOs are also subject to limitations on the use of advance and progress payments. Although they could be used to mitigate issues with late payments, advance payments may be prohibited in some jurisdictions unless specifically authorized by statute. Similarly, progress payments may be disfavored, depending on the CBO's jurisdiction.

Finally, the timing of payments may cause hardship even when they are received on time if the reimbursement period does not align with the CBO's financial cycles. States' reimbursement periods vary; for example, CBOs in Louisiana and Mississippi endure their states' forty-five-day reimbursement periods,[34,35] whereas Kentucky's reimbursement period is only thirty days.[36]

Overly Complex & Time-Consuming Reporting & Documentation Requirements

Reporting and administrative requirements for contracts and grants can be time-consuming and might require specialized knowledge beyond the CBO's existing strategies for tracking finances, progress, and impact. CBOs may incur significant administrative costs for staff training, data collection, recordkeeping, and reporting systems that duplicate their existing efforts and detract from their core activities.

GOVERNMENT AGENCIES' DISCRETIONARY DECISIONS ABOUT CONTRACTING & GRANTMAKING PROCESSES

Many challenges CBOs face in contracting and grantmaking processes are not due to mandatory requirements set in federal or state law but rather are the result of discretionary decisions made by the government entity offering the funding opportunity.

State government entities may exercise discretion in decisions about their contracts and grants in the following ways:

- Setting requirements for eligibility and application materials
- Identifying evaluation criteria for applications
- Placing restrictions on the use of funding
- Implementing reporting requirements and other administrative activities that must be performed during the grant or contract

Often, requirements set by state government entities are well intentioned but ultimately create barriers to CBO partnerships without commensurately advancing the government's interests. The recommendations below seek to address these barriers to promote greater equity without sacrificing the integrity of the contracting or grantmaking process.



RECOMMENDATIONS FOR MORE ACCESSIBLE & EQUITABLE CONTRACTING AND GRANTMAKING PROCESSES

Government entities have opportunities to adopt alternative approaches that improve the funding ecosystem for CBOs. Many of these recommendations require government entities to assess the current state of their processes — ideally with input from CBOs — and consider updating them.

Government entities may be able to implement these changes through practice and internal policy guidance while maintaining compliance with all applicable laws and regulations. In addition, states may pursue statutory and regulatory changes to facilitate these types of contracting principles and processes.

Some of these recommendations might help shift the relationship between government entities and CBO contractors and grantees away from a hierarchical, transactional dynamic and toward a more equitable, cooperative one. In the private philanthropy sector, such a shift in relationship dynamics forms the basis for a new approach called *trust-based philanthropy*.[37,38] Trust-based philanthropy addresses inherent power imbalances in the funding process through practices such as multiyear unrestricted giving and building relationships based on transparency, open communication, and mutual learning.[39]

Some of these recommendations might help shift the relationship between government entities and CBO contractors and grantees away from a hierarchical, transactional dynamic and toward a more equitable, cooperative one.

Lessen Restrictions on the Management & Use of State Funds

Allow and Approve Indirect Expenses at Rates That Cover the True Cost of Operations. Government entities may be able to adjust how the funds from their contracts and grants can be used by CBOs. Governments can allow a greater portion of funding to be used for indirect expenses, like administrative costs, related to providing the requested services. They can also lift or modify restrictions on subcontractors and subgrantees or the types of activities to which funding may be applied. Alternatively, government entities could increase funding for indirect costs on a contract-by-contract (or grant-by-grant) basis, according to the specific goals, needs, and services requested.

Reduce the Complexity & Burdens of the Application Process & Reexamine the Selection Process

Provide Greater Access to Technical Assistance for Applications. Government entities can provide access to technical assistance to help CBOs understand the application process and requirements of specific contracts or grants. This assistance may be provided by the government entity itself or one of its partners. Possible supports include a toolkit or guide, a live event such as a workshop or office hours, or individualized assistance. For example, the California Strategic Growth Council employs many of these strategies for their grant programs.[40,41] In Washington, the Metropolitan King County Council requires that a minimum of 1% of funding be set aside for technical assistance and capacity building to help service providers break down barriers to applying for government contracts.[42]

Extend Application Deadlines. Government entities may lengthen deadlines or advertise opportunities earlier to allow CBOs more time to prepare competitive applications and take advantage of any technical assistance offered. One possible strategy is to reduce the amount of application materials required, streamlining the review process and freeing up time that could be used to support extended deadlines.

Reduce or Remove Application Requirements. Government entities may also examine application or eligibility requirements and reduce or remove any that are duplicative or unnecessary. For example, government entities can reduce the default amount of insurance coverage required for CBOs, tailoring requirements to the size of the contract or grant and the level of risk involved. They may also eliminate matching requirements for funding. Some written-response application questions may be dropped when they are already answered by CBOs' existing materials or websites. By basing requirements on the nature and scale of CBOs' activities, government entities can establish a more nuanced and fair application process that is less complicated and more accessible for all.

By basing requirements on the nature and scale of CBOs' activities, government entities can establish a more nuanced and fair application process that is less complicated and more accessible for all.



What Are Intermediary Organizations?

Intermediary organizations act as a bridge between government entities and CBOs by adding operational and administrative capacity to organizations with limited time, staff, or resources to apply for or manage complex contracts and grants. Intermediaries often have specialized staff who are knowledgeable in grant writing, proposal development, and contracting and better able to navigate government application requirements and write proposals that meet a government entity's criteria in a timely way.

Some intermediaries simply act as an operational arm of smaller CBOs, helping the organization find grants and contracts that match their priorities and assisting with writing and submitting proposals. These intermediary organizations are sometimes called *backbone organizations*. Other intermediaries may be directly funded by a government entity to carry out broader community goals and use their discretion to disburse that funding to CBOs.

The following are some examples of intermediary organizations:

- **West Virginia Community Development Hub:** A West Virginia-based intermediary organization that serves as a rural development hub to spark community growth and economic development through technical assistance, coaching, and other tools and to connect communities to state and national resources[43,44]
- **Greater Cincinnati Foundation:** An Ohio-based intermediary organization that offers grant cycles and capacity-building resources to fund community-driven, evidence-based solutions in the Greater Cincinnati area[45]
- **Funders for LGBTQ Issues:** A New York-based organization that maintains active operations in the South via its Out in the South initiative, which provides financial resources, technical assistance, networking opportunities, and advocacy services to grantees[46]
- **South Ward Promise Neighborhood:** A backbone and intermediary organization based in New Jersey that serves as a collaborative action network aimed at improving the lives of children and families in the South Ward neighborhood of Newark, NJ[47]

Some intermediaries simply act as an operational arm of smaller CBOs, helping the organization find grants and contracts that match their priorities and assisting with writing and submitting proposals. These intermediary organizations are sometimes called backbone organizations.

Expand or Pilot the Use of Intermediary Organizations. Government entities can support the use of intermediary organizations by facilitating their relationships with CBOs. This could include funding intermediaries to provide technical assistance to CBOs, sharing information about them when listing funding opportunities, and highlighting resources they offer, such as toolkits and technical assistance. Intermediaries can help to both build and fill CBO capacity where needed.

Reexamine and Clarify Selection Processes. Government entities can find ways to explore new organizational partnerships that better advance their objectives while continuing to support high-performing organizations they regularly work with. Finding the right balance may require government entities to reexamine and, if

necessary, revise the selection criteria for their contracts and grants, as well as how those criteria are applied (and by whom). For example, selection criteria that favor the lowest cost can be revised to promote other values, such as equity or social impact. A government entity might ask the following questions when reexamining their process: Are certain criteria favoring or disfavoring one type of applicant over another? What does that mean for the government entity's broader goals? Has the performance of the contractors or grantees been satisfactory to date?

Government entities can also increase transparency within the selection process so CBO applicants can better understand how competitive they are for various grants or contracts and adjust their applications accordingly. Government entities might explore potential solutions such as providing greater detail about the selection process in the grant or contract posting, illustrating how criteria will be scored by providing a sample application, or, upon request, explaining how an application from a nonwinning applicant was scored.

Improve the Predictability & Timeliness of Payments

Design Contracts and Grants with Shorter Payment Periods. Contracts and grants can be designed with payment periods that are shorter than the maximum period required by state law. Shorter payment periods help CBOs maintain healthier cash flow, allowing them to cover operational expenses, pay staff, and implement programs without undue financial strain. Shorter payment periods also reduce the financial risks associated with delayed payments. These changes can promote equity, given that smaller CBOs may face additional challenges related to accessing capital and navigating complex financial structures.

Establish Schedules for Advance Payments or Fixed Payments. Government entities can use advance payments where possible. For example, in 2023, California passed and enacted Assembly Bill 590, which allows nonprofits to secure up to 25% of contracted funds up front, with priority given to nonprofits serving certain priority populations."[48] Prior to the passage of this bill, the California governor authorized a similar pilot program for advance payments for a limited number of state grant programs in 2022.[49] This pilot project helped pave the way for broader legislative action.

Contracts and grants can also be designed with fixed payment schedules, in which payment intervals or dates are determined ahead of time, instead of using the reimbursement model. A fixed payment schedule can provide predictability for CBOs. Under this model, contractors or grant recipients can anticipate when they will receive funds, allowing for better financial planning and budgeting. A fixed payment schedule helps grant recipients manage their cash flow more effectively because they do not have to front expenses and then wait for reimbursement. As an added benefit, fixed payment schedules can reduce the administrative burden on both government entities and CBOs because they dispense without the need for detailed expense tracking, invoicing, and reimbursement processes.

Fixed payment schedules can be set by state law, as in Pennsylvania (forty-five days from the date of invoice if no schedule is specified in the contract), Virginia (thirty days from the date of invoice for state agencies and forty-five days for local agencies if no schedule is specified in the contract), and other states.[50,51] In 2025,

As an added benefit, fixed payment schedules can reduce the administrative burden on both government entities and CBOs because they dispense without the need for detailed expense tracking, invoicing, and reimbursement processes.

Maryland passed the Procurement Reform Act, which shortened payment timelines for small businesses from thirty days to fifteen days after invoice approval.[52] Fixed payment schedules can also be tied to performance milestones or project deliverables. This arrangement can help reinforce accountability, given that funding is linked to achievement of specific goals. For example, King County in Washington has worked to establish fixed, performance-based payments in their contracts with CBOs so organizations are paid at more frequent and predictable intervals. In moving to performance-based contracts, they shifted their focus from paying for quantity to paying for quality.[53]

Remove Other Barriers to Payment. Finally, government entities can remove other barriers to payment by simplifying invoicing requirements, moving administrative functions online, and using direct EFT instead of mailing physical checks. For example, Minnesota provides guidance for government entities using EFT,[54] and Texas authorizes the state comptroller to use EFTs at their discretion.[55] These modernization techniques are gaining popularity across the country, and several legislative bills have been introduced that propose implementing some of these solutions statewide.[56] Another emerging practice that can both lessen administrative burdens on CBOs and improve predictability of payments is the use of project-based billing as opposed to hourly billing. With project-based billing, contractors or grantees provide deliverables based on an agreed-upon scope of work in exchange for a set fee.[57] Using this structure can reduce or eliminate administrative burdens and costs related to timekeeping and provide a steadier income flow.[58] For example, the City of Los Angeles has developed guidelines for city contracts for consultant services that detail when project-based billing should be used instead of hourly billing.[59]

Reduce Burdens Associated with Administrative Requirements for Grants & Contracts

Revise or Reduce Reporting Requirements. Government entities can revise or reduce reporting requirements, especially when they do not meaningfully advance transparency and accountability. For example, if a CBO is required to submit quarterly reports but the government entity does not have the staff capacity to conduct detailed reviews of each submission, it could instead require reporting on a semiannual or annual basis. As an alternative measure, instead of frequent and detailed reporting on individual activities, reporting could be required at the conclusion of the project, with a focus on whether desired outcomes, as defined by the community, were achieved. Government entities can also allow more flexibility in reporting by specifying broad categories of data that they want to receive and letting grantees or contractors determine the reporting format or specific metrics.

Government entities can also allow more flexibility in reporting by specifying broad categories of data that they want to receive and letting grantees or contractors determine the reporting format or specific metrics.

Expand or Pilot the Use of Intermediary Organizations. In addition to the application assistance noted earlier, intermediaries can assist CBOs in managing funds and compliance with reporting requirements. They can also provide support in monitoring and evaluating the outcomes of funded projects to help CBOs demonstrate the impact of their work. These functions are often required to receive continued funding or to obtain new funding. Finally, intermediaries can serve as a single point of contact for multiple funders, saving CBOs time and effort by avoiding the need to navigate the unique reporting requirements of each funding source.

CONCLUSION

CBOs are crucial partners in advancing public health, yet they often encounter obstacles in accessing and managing the state and local funding needed to serve their communities effectively. This resource describes those obstacles and provides recommendations for how government entities can enact more equitable processes to improve CBO partnerships and expand community support. Addressing these challenges presents a meaningful opportunity for government entities to build stronger and longer-lasting partnerships, provide essential services and resources that support communities, and ultimately promote healthier, more resilient communities.

RESOURCES

- **Aging and Disability Business Institute –** *A Health Plan's Guide to Paying CBOs for Social Care*
- **Center for Labor and a Just Economy at Harvard Law School –** *Building Worker Power in Cities and States: Government Procurement and Spending Authority*
- **Centers for Disease Control and Prevention (CDC) Foundation –** *Recommendations for Strengthening Partnerships Between Health Departments and Community-Based Organizations*
- **Kansas Health Institute –** *Strategic Partnership Development: Achieving Collaborative Advantage in Public Health*
- **National Association of Community Health Workers –** *Recommendations and Resources for Public Health Departments Contracting with CBOs and Community Health Worker Networks*
- **Partnership to Align Community Care –** *Healthcare guide to contracting with community-based organizations (CBOs)*
- **Trust-Based Philanthropy Project –** *The 6 Grantmaking Practices of Trust-Based Philanthropy*

ACKNOWLEDGMENTS

Improving Community Health Through Government Funding Policies: Leveraging State and Local Government Funding to Support Community-Based Organizations was developed by ChangeLab Solutions. Development of this resource was overseen by Kimberly Libman, vice president of policy. It was written by Sara Bartel, managing director, Jessica Breslin, senior attorney, and Melani Tiongson, attorney, with support from Katie Michel, senior attorney. Legal review was provided by Sabrina Adler, vice president of law. Editing and production management was supported by Patrick Glass, digital content developer. Thanks to all the staff at ChangeLab Solutions who contributed to the creation of this resource.

This resource was informed by foundational research from *Unlocking California State Funding for Community-Based Organizations to Advance Health Equity*, which included key informant interviews, a literature review, and a review of state statutes and contracting requirements. Please note that this resource does not reflect all perspectives involved in the contracting process between CBOs and government agencies. Additionally, a comprehensive review of all state codes, regulations, and guides was not conducted as part of this analysis.

Support for this resource was provided by the Robert Wood Johnson Foundation. The views expressed here do not necessarily reflect the views of the Foundation.

ChangeLab Solutions is a nonprofit organization that provides legal information on matters relating to public health. The legal information in this document does not constitute legal advice or legal representation. For legal advice, readers should consult a lawyer in their state.

Content from this publication may be reproduced without permission, provided the following citation is made: ChangeLab Solutions. *Improving Community Health Through Government Funding Policies: Leveraging State and Local Government Funding to Support Community-Based Organizations*. 2026. changelabsolutions.org/product/improving-community-health-through-government-funding-policies.

Design and illustration: Karen Parry | Black Graphics

Copyright © 2026 ChangeLab Solutions.

This guide was published in September 2026.

REFERENCES

1 ChangeLab Solutions. *How California's Community-Based Organizations Filled the Gaps for Underserved Communities: Meeting the Needs of Racially & Ethnically Diverse Communities During the Pandemic*. 2021. changelabsolutions.org/product/ca-cbos-covid-report.

2 Partnerships among government and community groups can help boost health equity. The Pew Charitable Trusts. August 31, 2022. pewtrusts.org/en/research-and-analysis/articles/2022/08/31/partnerships-among-government-and-community-groups-can-help-boost-health-equity.

3 *Ibid*.

4 National Council of Nonprofits. Costs, Complexification, and Crisis: Government's Human Services Contracting "System" Hurts Everyone. 2010. councilofnonprofits.org/files/media/documents/2022/Costs-Complexification-and-Crisis.pdf.

5 *Ibid*.

6 Fyffe S. *Nonprofit–Government Contracts and Grants: The State Agency Perspective*. Urban Institute; 2015. urban.org/sites/default/files/publication/72526/2000496-Nonprofit-Government-Contracts-and-Grants-The-State-Agency-Perspective.pdf.

7 Gerstein T, Gong L. *How Local Governments Can Stand Up for Workers When States Try to Stand in Their Way*. Local Progress Impact Lab. September 2, 2024. localprogress.org/2024/09/02/new-report-how-local-government-can-stand-up-for-workers-when-states-try-to-stand-in-their-way.

8 Center for Labor and A Just Economy. *Government Procurement and Spending Authority – Center for Labor and a Just Economy*. September 1, 2024. clje.law.harvard.edu/publication/building-worker-power-in-cities-states/government-procurement-and-spending-authority. ("As the largest purchaser of goods and services in the world, spending over $2 trillion annually, the U.S. government wields considerable leverage at all levels of the economy.[1] Many of the core activities of government at the state and municipal level, such as building and maintaining infrastructure, involve purchasing goods and services from the private sector. By conditioning subsidies and bids for public contracts on compliance with strong labor standards, cities and states can procure quality goods and services on a timely basis while supporting high-quality jobs.")

9 Neal M, Wekulom A. *How Racial Disparities in Small Business Ownership Affect Black Wealth and Economic Prosperity*. Urban Institute. June 3, 2025. Accessed June 29, 2026. urban.org/research/publication/how-racial-disparities-small-business-ownership-affect-black-wealth-and.

10 Theodos B, McManus S, Rajninger T. *Removing Barriers to Participation in Local and State Government Procurement and Contracting for Entrepreneurs of Color. Urban Institute*. May 1, 2024. Accessed June 29, 2026. urban.org/research/publication/removing-barriers-participation-local-and-state-government-procurement.

11 National Council of Nonprofits. General FAQs on Executive Actions Impacting Nonprofits. Accessed June 29, 2026. councilofnonprofits.org/general-faqs-executive-actions-impacting-nonprofits.

12 *Ibid*.

13 National Association of State Procurement Officials. *2024 Survey of State Practices Report*. 2024. pp 39-41. cdn.naspo.org/RI/2024SurveyofStatePracticesExecutiveSummary.pdf.

14 National Association of State Procurement Officials. *2024 Survey of State Practices Report*. 2024. p 24. cdn.naspo.org/RI/2024SurveyofStatePracticesExecutiveSummary.pdf.

15 Common problems in government–nonprofit grants and contracts. National Council of Nonprofits. n.d. councilofnonprofits.org/trends-and-policy-issues/state-policy-tax-law/common-problems-government-nonprofit-grants-and.

16 Nonprofit–government contracts and grants. Urban Institute. n.d. urban.org/policy-centers/center-nonprofits-and-philanthropy/projects/nonprofit-government-contracts-and-grants.

17 Ga. Code Ann. § 50-5-67(a).

18 *Ibid*.

19 Fla. Stat. Ann. §§ 287.017, 287.057.

20 Cal. Gov. Code § 14827.3; Cal. Pub. Contract Code § 10348.

21 Ala. Code § 41-16-51(a).

22 Grantmakers for Effective Organizations. *What Financial Challenges Do Nonprofits Face?* March 5, 2015. Accessed August 6, 2026. geofunders.org/wp-content/uploads/2015/03/nonprofit_financial_challenges.pdf.

23 National Association of State Procurement Officials. Arkansas. Accessed June 22, 2026. naspo.org/research-and-innovation/rosp/arkansas. (In Arkansas, the bidding timeline can be as few as 5 days).

24 National Association of State Procurement Officials. South Carolina. Accessed June 22, 2026. naspo.org/research-and-innovation/rosp/south-carolina. (In South Carolina, the bidding timeline can be as few as 7 days).

25 National Association of State Procurement Officials. *2024 Survey of State Practices Report*. 2024. p 24. cdn.naspo.org/RI/2024SurveyofStatePracticesExecutiveSummary.pdf.

26 Young V, Satchell T, Yuen T. *Unlocking California State Funding for Community Based Organizations to Advance Health Equity*. ChangeLab Solutions. May 2024. FN 24. changelabsolutions.org/product/unlocking-california-state-funding-cbos.

27 *See e.g.*, Level Set. *Guide to Prompt Payment in All 50 States*. Accessed June 29, 2026. levelset.com/tools/guide-prompt-payment-laws-all-50-states (States with prompt progress payment requirements for public construction projects: Cal. Pub. Cont. Code § 10261.5; Colo. Rev. Stat §§24-91-101 – 104; Ind. Code Ann. §§ 5-15-5-1 – 5-17-5-5; Iowa Code §§ 573.12, 573.14, La. Rev. Stat. Ann. §§ 9:2784, 38:2191, 48:251.5; Mass. Gen. Laws ch. 30 §§ 39F, 39G, 39K; Minn. Stat. §§ 15.71 – 15.74, 16A-124; Miss. Code Ann. §§ 31-5-25 – 31-5-27; Nev. Rev. Stat. §§ 338.400 – 338.645; N.M. Stat. §§ 57-28-1 – 57-28-11; Or. Rev. Stat. § 279C.570; 62 Pa. Const. Stat. §§ 3932, 3935, 3941; Utah Code Ann. §§ 13-8-5, 15-6-1 – 15-6-6).

28 Department of General Services Procurement Division. Prompt Payment Assistance Program. Accessed August 6, 2026. dgs.ca.gov/PD/Resources/Page-Content/Procurement-Division-Resources-List-Folder/Late-Payment-Penalty-Paid-Reports.

29 Oklahoma Office of Management and Enterprise Services. About Transaction Processing. Accessed August 6, 2026. oklahoma.gov/omes/divisions/central-accounting-reporting/transaction-processing/about.html.

30 Division of Administration, Office of State Procurement. Procurement Handbook, Section 26. Accessed August 6, 2026. doa.la.gov/media/q05pg2ym/procurement-handbook-revised-2024.pdf.

31 National Collaborative for Health Equity and NORC at the University of Chicago. *From Insights to Action: Strengthening Community-Based Organizations for a Healthier Future*. December 2025. Accessed August 6, 2026. nationalcollaborative.org/wp-content/uploads/2025/11/New-Survey-Shows-Community-Based-Organizations-Face-Substantial-Funding-and-Resource-Gaps.pdf.

32 Urban Institute. What is the Financial Risk of Nonprofits Losing Government Grants? Updated March 23, 2026. Accessed June 22, 2026. urban.org/research/publication/what-financial-risk-nonprofits-losing-government-grants.

33 Westergreen B. *On Time, Every Time: Fix Vendor Payment Delays in Three Practical Steps*. Procurement Excellence Network. 2025. partnersforpublicgood.org/procurement-excellence-network/wp-content/uploads/sites/2/2025/10/PEN-Prompt-Payment_R02.pdf.

34 La. Rev. Stat. § 38:2191.

35 Miss. Code Ann. § 31-7-305.

36 Ky. Rev. Stat. Ann. § 45.453.

37 Trust-based Philanthropy Project. *The 6 Grantmaking Practices of Trust-Based Philanthropy*. 2021. static1.squarespace.com/static/607452f8ad01dc4dd54fc41f/t/629e7f6e63704d64040cc554/1654554478550/6+Grantmaking+Practices+of+TBP_June+2022.pdf.

38 Trust-based Philanthropy Project. *How Is Trust-Based Different from Conventional Philanthropy?* static1.squarespace.com/static/607452f8ad01dc4dd54fc41f/t/646bbd21b89fc210cd308a90/1684782395844/TBP+v.+Conventional+Grantmaking.pdf.

39 Trust-based Philanthropy Project. *The 6 Grantmaking Practices of Trust-Based Philanthropy*. 2021. static1.squarespace.com/static/607452f8ad01dc4dd54fc41f/t/629e7f6e63704d64040cc554/1654554478550/6+Grantmaking+Practices+of+TBP_June+2022.pdf.

40 California Strategic Growth Council. Community Resilience Centers (CRC) Program: Round 1 Final Program Guidelines. December 2023. Sec. 11. sgc.ca.gov/wp-content/uploads/20231214-CRC_Round_1_Guidelines_Revised.pdf.

41 *E.g.* Strategic Growth Council. Case Study: Regional Climate Collaboratives Technical Assistance Programs. Accessed June 22, 2026. sgc.ca.gov/technical-assistance/toolkit/case-studies/regional-climate.

42 Results for America. *King County, Washington Applies an Equity Lens to Design More Accessible, Collaborative, and Outcomes-Focused Contracting Processes*. 2018. Updated January 15, 2019. results4america.org/wp-content/uploads/2019/02/KingCountyCaseStudy_FINAL.pdf.

43 West Virginia Community Development Hub. How our work works. Accessed July 1, 2026. wvhub.org.

44 Smith J. Increasing Rural Capacity: Ways Intermediaries Can Contribute. Federal Reserve Bank of Richmond. March 17, 2022. Accessed July 1, 2026. richmondfed.org/region_communities/regional_data_analysis/regional_matters/2022/rm_03_17_2022_rural_intermediaries.

45 Greater Cincinnati Foundation. About: Building thriving communities for all. Accessed July 1, 2026. gcfdn.org/about.

46 Funders for LGBTQ Issues. About: The Out in the South Fund. Accessed July 1, 2026. lgbtfunders.org/programs/ots.

47 Walker F, Torres Rodriguez S, O'Brien M. *Local Data as an Equity Tool*. Urban Institute. October 2021. Accessed July 1, 2026. urban.org/sites/default/files/publication/105011/local-data-as-an-equity-tool.pdf.

48 A.B. 590, 2023 (Cal. 2023). leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240AB590.

49 Governor signs advanced pay pilot legislation to support equitable access to state funding. News release. California Strategic Growth Council; October 11, 2022. Accessed June 22, 2026. sgc.ca.gov/news/2022/10-11.html.

50 62 Pa. Stat. and Cons. Stat. Ann. § 3932.

51 Va. Code Ann. § 2.2-4347.

52 Maryland's Landmark Procurement Reform Act Takes Effect October 1. News release. Maryland Department of General Services. October 1, 2025. Accessed June 22, 2026. news.maryland.gov/dgs/2025/10/01/marylands-landmark-procurement-reform-act-takes-effect-october-1.

53 Results for America. *King County, Washington Applies an Equity Lens to Design More Accessible, Collaborative, and Outcomes-Focused Contracting Processes*. 2018. Updated January 15, 2019. results4america.org/wp-content/uploads/2019/02/KingCountyCaseStudy_FINAL.pdf.

54 Office of the State Auditor. Electronic Funds Transfers. Accessed July 1, 2026. osa.state.mn.us/audit-resources/audit-guidance/avoiding-pitfalls-articles/electronic-funds-transfers.

55 34 Tex. Admin Code § 5.13.

56 Business Software Alliance. 2023 BSA State Legislative Summary: Procurement. September 21, 2023. bsa.org/policy-filings/us-bsa-2023-state-legislative-summary-procurement.

57 See Funding for Good. Benefits of Project-Based Pricing for Consultants. Funding for Good Blog. January 6, 2025. Accessed July 10, 2026. fundingforgood.org/project-based-pricing-billing.

58 *Ibid*.

59 City of Los Angeles. Project Delivery Manual § 6.3. Revised May 15, 2018. Accessed July 10, 2026. projectdeliverymanual.engineering.lacity.gov/chapter-6-using-consultants/63-cost-reimbursement-or-lump-sum-contract-which-use.