

Improving Access to Federal Grants for Underserved Communities

Hearing before the Senate Homeland Security & Governmental Affairs Committee

May 2, 2023

Statement By

Jody Levison-Johnson, Ph.D., LCSW, President & CEO

Blair Abelle-Kiser, Ph.D., Senior Director of Government Affairs

Social Current, a U.S.-based nonprofit, is the premier partner and service provider to a diverse network of 1800+ human and social service organizations in the United States, Canada, Puerto Rico, and beyond. We offer a range of services and learning opportunities, driving the future of the social sector through collaboration, policy and advocacy, knowledge exchange, consultation, training, certification, and accreditation.

Overview

Nonprofit, social sector organizations and the individuals employed by these vital organizations are crucial in promoting the health and welfare of the entire American population. Together these organizations and the people who staff them perform a range of critical duties, such as furnishing mental health and in-home assistance to those who require it, operating homeless shelters and domestic violence centers across the country, supervising foster care services and placements for people involved in the child welfare system, and enhancing young children's access to early education opportunities, which are essential for their success. These functions are merely a few examples of their invaluable services, which are fundamental in establishing a flourishing community.

Despite their immense contributions to communities nationwide, the social sector's impact remains unrecognized, and the critical community services they offer remain underfunded. Nonprofit organizations in the social sector have been struggling with mounting financial pressures, hindering their capacity to produce substantial results for an extended period. The complexity, lack of transparency, and convoluted federal grant-making process have exacerbated their financial constraints, making it difficult for them to access the necessary funding to maintain their current level of service delivery or expand in the face of increased demand. Even when they receive funding, it is often inadequate, failing to cover the expenses to provide essential services to their communities.

Social Current, in our work, supporting a network of over 1,800 organizations, including nonprofit and community service organizations, has identified several categories of persistent problems plaguing the government grant-making and contracting systems. Here we present and summarize four concerns that are of immense importance to the nonprofit organizations we support:

Government Contracting Reform is Required for the Long-Term Health of Social Sector Nonprofits and Community Service Organizations

In partnership with the American Public Human Services Association (APHSA), Social Current issued a 2018 [report](#) examining the financial health of human services sector nonprofits and community service organizations. Our report found that half of all community-based nonprofit social sector organizations reported persistent operating deficits, one in eight was technically insolvent, and one in three had less than one month of operating expenses on hand.

According to our report, five years ago, the major hindrance faced by community-based organizations in attaining financial stability was the inadequacy of government contracts to cover the actual cost of their services. This issue existed even before the COVID-19 pandemic, and the subsequent economic recession and inflation have further compounded the problem. There has also been a significant increase in demand for services these organizations provide. Despite these challenges, nonprofit employees served as frontline workers throughout the pandemic and continue to do so throughout our nation's recovery.

When providing funding, the government often specifies how nonprofit human services and community-based organizations can utilize the funds, including detailing specific actions to provide services and care. This lack of flexibility reflects a lack of trust between government

fundors and service providers. It hinders their ability to identify and respond to their community's most pressing needs while covering the indirect costs associated with service delivery. Furthermore, this rigidity can limit nonprofit organizations' ability to pursue more effective treatment strategies or meet specific community needs in innovative or creative ways.

The leadership of a **Florida-based social sector nonprofit** engaged in our network spoke to how overly prescriptive federal grants limit the ability of community-based organizations to serve their populations effectively:

"You can create programs to meet guidelines and get paid, or you can create programs that you know work better and not get paid. That is a tough place to be in as a mission-driven organization."

Amongst organizations in the network of social sector nonprofit and community service organizations that we support, there is a belief that the chronic underfunding in government grants relates to a view amongst policymakers that private, philanthropic funding can and should bridge this widening funding chasm, as it represents an appropriate investment by the communities that benefit from these critical services. Consequently, nonprofits must utilize philanthropic donations to fill the funding void rather than allocating resources towards research, technology, reserves, staff, quality improvement, knowledge, and organizational strategy, all vital for organizational health, stability, and growth.

The Complexity of the Government Grant Application and Compliance Process Creates an Undue Burden on Organizations Seeking to Provide Critical Community Services

Applying for government grants can be extraordinarily complex and time-consuming, burdening nonprofit and community service organizations seeking to provide critical community services. These organizations often have limited resources and may need more staff or expertise to navigate the complex application process effectively.

A large, multi-state, family services nonprofit organization finds that they are regularly unable to apply for needed grants due to the financial and personnel resources necessary to complete the federal grant application process:

"Even though we have staff dedicated to finding and applying for grants, we regularly cannot apply for federal grants because we lack the personnel resources to complete the application."

The extensive documentation requirements and the need to comply with various regulations and reporting requirements can make it difficult for nonprofit and community service organizations to secure the funding they need to deliver essential services to their communities. The complexity of the process also makes it more challenging, if not impossible, for smaller organizations to compete for funding against larger, more established nonprofits. These smaller community-bred and led organizations are forced to divert scarce resources from their core mission to focus on the grant application process, which can significantly strain their operations and impact care delivery.

A Delaware-based Children and Family Services nonprofit organization have first-hand experience with how onerous grant reporting requirements can put a strain on an entire organization that many communities, families, and children depend on:

"Nonprofit agencies are the backbone of communities. The staff works diligently and passionately to support people and communities with various needs. Unfortunately, the funding provided by federal grant opportunities is often just enough to hire staff to provide services but insufficient to ensure compliance and management of the grant itself—this work often strains already overtaxed agency infrastructure due to the complexity of record-keeping and reporting."

A Kansas-based community health provider with a record of successful grant applications found one federal agency's application and reporting requirements so onerous and costly that it decided to forgo seeking funding from this agency in the future altogether:

"In the end, we finally decided to cut our losses with the federal agency because the amount funded was not worth the time spent on compliance requirements and website issues."

Despite the complex and cumbersome federal grant application process, obtaining technical assistance from federal funding agencies during the application process can often be challenging, significantly hindering or entirely thwarting an organization's application. Nonprofit and community service organizations seeking federal grants may encounter several obstacles, including waiting to speak with a representative, unresponsive agency staff, or inadequate training resources. Additionally, navigating the bureaucratic procedures and technical requirements can be overwhelming, particularly for smaller organizations with limited resources.

An extensive, **multi-state, family services nonprofit organization** has had to incur high legal costs to handle conflicting compliance guidance from a single federal funding agency:

"We have one federal contract where we receive conflicting guidance from the contracting officer and the contract itself about whether certain federal compliance regulations are required – making sense of those discrepancies shifts the risk to our organization and again forces us to incur costs consulting legal counsel."

The Usability, Navigability, and Accessibility of Government Grant-Making Websites Remains Significant and Pose Continual Barriers to Grant Application, Reporting, and Compliance

Pursuing grant funding can pose significant challenges for nonprofit organizations, particularly regarding the federal websites and software that govern the process. Even in a best-case scenario where a social sector nonprofit service organization possesses the institutional knowledge or solicits outside consulting to assist with the federal grant application process, navigating the various federal grant application websites poses new challenges and issues.

Numerous technical issues arise during this process, causing many nonprofit organizations difficulties in carrying out fundamental tasks. These include challenges with utilizing the search feature to locate grant opportunities, navigating grant listings on aggregator websites like grants.gov, and dealing with unique technical issues specific to a particular federal agency's website.

The organizations that Social Current supports range from organizations with significant institutional knowledge regarding the federal grant application process to newly minted community service organizations seeking first-time federal grant funding opportunities. Despite

this range in expertise and experience, many organizations struggle to navigate the numerous and sometimes cumbersome federal grant websites.

For example, a prominent **human services nonprofit in New England** with a significant and successful record of securing federal grant funding still struggles with navigating the online portion of the application. This organization notes:

"Our staff finds that the online resources require streamlining. Currently, there are too many different federal websites. In addition to grants.gov, individual departments have grant portals that lack consistency. Then as they move through the process, they must use other websites for application, post-award reporting, and federal drawdowns. It would be more efficient to have one destination for the entire process that is more user-friendly."

The same nonprofit organization notes that changes made to federal grant application website(s) and software are poorly advertised and often appear without explanation:

"When changes are made to the software and its subsequent reporting, there is no hands-on training for users, so staff is left to teach themselves, which is time-consuming."

A **Human Services and private educational organization based in Illinois** reports that even the process of searching for grant opportunities using federal websites requires a significant amount of time and manual searching, even when using the provided search function:

"The HHS (Health and Human Services) grants portal is challenging to navigate and find the right opportunities that align with the goals of our organization. For example, if you filter for mental health counseling, the portal will produce hundreds of different types of results, including research, software development, programs, etc."

This same sentiment is echoed across multiple organizations that Social Current supports. Including both a **behavioral health and social services nonprofit organization in the Mid-Atlantic region** and a **Nebraska-based family services nonprofit**, respectively:

"It is difficult to find relevant funding opportunities. The SAMHSA (Substance Abuse and Mental Health Services Administration) website is extremely complex, making navigation difficult. Many have specific agency-type requirements and are only open to government entities but are appropriate to a broader range, including nonprofit behavioral health agencies. When a funding opportunity does present itself, the application process is highly cumbersome. Applying requires logging into multiple systems, each with unique username and password requirements, and navigating several websites, each with multiple tabs without clear guidelines."

"Looking for federal grant opportunities is a challenge. You can go to grants.gov and search, but the search functions do not work well unless you already have the opportunity numbers. Grants.gov is not particularly user-friendly."

How To Move Forward: Solutions & Suggestions

Social Current, and the over 1,800 organizations we help support, are incredibly grateful to Chairman Peters and Ranking Member Paul for their interest in these vitally important policy issues. Social Current stands ready to assist the Majority and Minority Members of this committee and their respective staff in formulating evidence-based and field-tested policy solutions that will enable community nonprofits to provide critical services and serve their communities more effectively. With this sentiment in mind, we offer the following broad suggestions from nonprofit community service organizations nationwide. These general concepts are the building blocks of much needed and practical legislative and policy reform efforts.

The federal grant process can be improved for nonprofit organizations in several ways. First, simplifying the application process and reducing the administrative burden on nonprofits would make it easier for these organizations to access federal funding. These efforts include creating more standardized forms, reducing documentation requirements, and streamlining reporting procedures. By reducing administrative hurdles, nonprofits can devote their resources to their core missions rather than being bogged down by paperwork and compliance-related tasks.

Second, there needs to be greater consistency and transparency across different federal agencies regarding their grant application procedures and eligibility criteria. This action can help nonprofits understand what is expected of them, what projects are eligible for funding, and how the review and award process works. By having greater clarity and transparency, nonprofits can more effectively prepare their applications, target their funding requests, and better understand their chances of success.

Last, federal funding agencies should allow greater flexibility in how nonprofits can use grant funds. By allowing nonprofits to direct grant resources where they are most needed and permitting flexibility to take a more innovative and strategic approach to service delivery, the impact of funding can exponentially increase, resulting in increased well-being in the communities they serve. For example, interventions could involve allowing nonprofits to use grant funding to support indirect costs such as staff training, overhead expenses, or greater collaboration and partnerships across different service providers to address complex social problems.

Social sector nonprofits have a unique lens on the social determinants of health and the systems that shape and support people throughout their lifespan. At the heart of our work is the understanding that impact is not about what we do – how many people we serve or how long our organization has existed – it is about moving beyond the foundation of program delivery and service efficiency to address root cause-driven solutions. We must enhance the relationship and trust between social sector nonprofits and government contract funders to achieve this. By striking the right balance, nonprofits can develop the capacity to innovate, widen the focus beyond service delivery to include improved outcomes and return on investment, enhance financial stability, and enable the sector to offer more efficient, effective, and better-coordinated care across communities. We welcome the opportunity to support Congress and federal agencies in addressing these critical issues to ensure a viable nonprofit community service sector that improves the health and well-being of all Americans.