

Task Force on Improving Relations with Nonprofits
Report & Legislative Recommendations to 83rd Texas Legislature

Prepared by

Task Force on Improving Relations with Nonprofits

Submitted to

House Committee on Human Services
House Committee on Public Health
Senate Health and Human Services Committee

December 4, 2012

ACKNOWLEDGEMENTS

The Task Force on Improving Relations with Nonprofits expresses its appreciation to the Texas Health and Human Services Commission, its Office of Community Access, led by Liz Garbutt; and the State Commission on National and Community Service and the One Star Foundation, both led by Elizabeth Darling; and their respective staffs.

This *Report & Legislative Recommendations to 83rd Texas Legislature* is the result of intensive interaction by Task Force members with the leadership and participants within the Interagency Coordinating Committee, its sub-committees, and other state agencies' representatives; and independent Task Force discussions informed by the individual Task Force members' extensive connections within the overall Texas nonprofit community.

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EXECUTIVE SUMMARY

“Task Force members have brought an external perspective to the ICG’s Improving Contracting Relationships subcommittee and their participation has added value to the group’s work. It has been helpful to hear their thoughts and experiences as we explore ways to improve contracting relationships, share information, and receive feedback from direct representatives of faith and community based organizations.”

Liz Garbutt, Chair, Sub-Committee on Improving Contracting Relationships & Associate
Commissioner, Community Access & Services, Texas Health & Human Services
Commission

The Texas nonprofit community plays an essential role in providing health and human services and social services to Texans in need throughout the state. As the needs of Texans have grown, so too has the nonprofit community, which has had a demonstrable and widespread impact on many critical economic sectors within this state. The nonprofit community and State government are in the position of providing mutual support that will improve the lives of tens of thousands of Texans by expanding and strengthening sustainable partnerships between state agencies and nonprofit organizations.

The Texas Health and Human Services Commission (HHSC), established the Task Force on Improving Relations with Nonprofits, as directed by House Bill (H.B.) 1965, 82nd Legislature, Regular Session, 2011 "to help direct the interagency coordinating group in carrying out the Inter Agency Coordinating Group's duties" as defined therein.

The Task Force organized itself to participate in all Interagency Coordinating Group (ICG) meetings, assigned liaisons to all ICG committees, and actively participated in both group and committee deliberations. A key result was greater familiarity of all with the language, perspectives and needs of both state agencies and their staff and nonprofit organizations and the populations in need they serve.

Many of the recommendations of the earlier Task Force on Strengthening Nonprofit Capacity require technical solutions; resolvable through already established procedures, resources and processes. Others require adaptive solutions; resolvable by changing attitudes, values, and behaviors among and between the state's representatives and nonprofits.

During the past year, working closely with the Interagency Coordinating Group and its sub-committees, our Task Force on Improving Relations with Nonprofits has brought an influential external perspective to all of the ICG participants and state agency program staff with whom we have interacted. This has changed attitudes and exponentially improved communications among key stakeholders. New relationships have been fostered and a stronger common agenda between the state and nonprofits has evolved.

The evidence of our effectiveness is in the various initiatives already being implemented including, but not limited to:

- (1) Increasing user friendliness and therefore utility of state materials relating to nonprofits and individuals using state services;
- (2) Using Task Force members' extensive networks within the Texas nonprofit community to reach and communicate with more FBCOs so as to get greater participation and fill gaps in state services;
- (3) Developing training modules to address barriers to compliance with Federal rules, with future training modules addressing other challenges facing the state – nonprofit relationship;
- (4) Creating a specific FBCO website that educates and communicates partnership opportunities for nonprofits with the state of Texas; and
- (5) Identifying strategies and implementable approaches to reduce perceived barriers to nonprofits seeking to obtain state contracts and grants.

Task Force members have been welcomed into all of the ICG and its sub-committee meetings and encouraged to engage in a two way dialogue whose value lies in the concrete outcomes described above and in the remainder of this Report.

As Texas moves forward in its faith-based and community organization initiatives, it is breaking new ground for our state and for our nation. To reflect that, the Task Force asked the National Council of Nonprofits to compile a report on *Collaborations for Government – Nonprofit Contracting Reform* – attached here as Appendix D. Among other matters, it outlines the Lessons Learned about the Collaborative Process. Here in Texas we are systematically and successfully applying these lessons learned, especially:

- (1) Fostering true public-private collaboration
- (2) Establishing clear common goals
- (3) Implementing collaboration as a process, not an event
- (4) Achieving real change in organizational culture

Legislative Recommendations

The National Council of Nonprofits report emphasizes that in every state making significant progress in strengthening the nonprofit sector, meaningful change requires sustained effort over time . Based on Task Force members’ experiences within both the earlier Task Force on Strengthening Nonprofit Capacity and the current Task Force on Improving Relations with Nonprofits, the extensive interest among the ICG participants and nonprofits we relate to throughout the state, and the importance of building on the current work of the ICG and Task Force we offer the following recommendations:

1. **Legislators should establish a permanent Nonprofit Partnership Council** comprising representatives from a broad range of nonprofit perspectives. The co-chairs of the Council should serve as ex officio members of the ICG. The Council should work with the ICG, lawmakers, and local communities to strengthen collaboration between public programs and the nonprofit sector.

2. **Legislators should establish a nonprofit legislative caucus** to serve as a legislative focal point for nonprofit policy, and to provide resources and information on the nonprofit community for legislators and their staffs.

TASK FORCE BACKGROUND

“House Bill (H.B.) 1965 also created the “Task Force on Improving Relationships with Nonprofits” to assist the ICG in carrying out its duties. The Executive Commissioner for the Health and Human Services Commission (HHSC), in consultation with the chair of the ICG, appointed eight Task Force members representing different sectors as delineated in the Act. Task Force members have been invaluable in advising the work of the four ICG subgroups to ensure that the point of view of faith-and community-based organizations was always considered. ICG member agencies frequently sought the advice of Task Force members on issues such as effective messaging, outreach, and use of language that can be more easily understood by nonprofits.”

Interagency Coordinating Group Legislative Report to the 83rd Texas Legislature, p.3

The Task Force on Improving Relations with Nonprofits was created by H.B. 1965 (Kolkhorst/Deuell) and represents the latest step in the evolution of Texas’ Faith and Community-Based Initiative. It follows the Task Force on Strengthening Nonprofit Capacity, created by H.B. 492 (Zerwas) in 2009.

HB 1965 implements findings from the Task Force on Strengthening Nonprofit Capacity, which was charged with strengthening nonprofit capacity and building partnerships between state agencies and local nonprofits. It expanded on earlier legislation—HB 492 in the 81st legislative session—which established a standing “interagency coordinating group” (ICG) of liaisons from several state agencies to work with the nonprofit community.

The Interagency Coordinating Group is submitting a separate **Report** on its activities to the 83rd Texas Legislature.

In addition to expanding the number of agencies participating in the ICG, HB 1965 established a stakeholder task force to assist the ICG in its work. Together, the ICG and the Task Force on Improving Relations with Nonprofits were charged with specific tasks for the next biennium, including:

- developing and implementing a plan for improving **contracting** relationships between state agencies and faith- and community-based organizations;
- developing **best practices** for cooperating and collaborating with faith- and community-based organizations;
- identifying and addressing **duplication of services** provided by the state and faith- and community-based organizations; and
- identifying and addressing **gaps in state services** that faith- and community-based organizations could fill.

As noted, this charge derived from the recommendations of the earlier Task Force on Strengthening Nonprofit Capacity.

HB 492 included a number of innovative strategies for improving partnerships between public and nonprofit agencies and programs and increasing the capacity of nonprofits in Texas to carry out their missions and serve their communities. It established national model practices in the areas of interagency coordination, accountability and transparency, and nonprofit capacity-building, based on information gleaned from Task Force Public Hearings across the state.

The current Task Force has conducted its work in close collaboration with the Interagency Coordinating Group, which has issued its own report of its activities to date.

TASK FORCE ACTIVITIES DURING ITS FIRST YEAR

The Task Force's activities during its first year were in four categories:

- (1) Task Force members served as liaisons and consultants between Texas State programs and the Faith Based Community Organization (FBCO) sector;
- (2) Task Force members provided expert input on subjects being discussed by ICG participants; and
- (3) Task Force members promoted Texas State government – nonprofit collaboration and cooperation; and
- (4) Task Force members deliberated as to how the government – nonprofit collaboration and cooperation might best be effected long-term.

Much of the Task Force's work was laying foundations to establish the trust and understanding necessary to achieve the strongest possible partnership between the State and its more than 40,000 501(c) (3) charitable FBCOs. Emphasis was placed on establishing common language, explaining the reasons for various state processes and requirements, and creating an environment of acknowledged interdependence.

The ICG Sub-Committee on Improving Contracting Relationships, for example, identified components of an evolving plan to reduce barriers and improve state – nonprofit relationships. It noted that the state agencies should consider one or more of the following approaches:

- A. Providing online information and education to FBCOs on the state procurement and contracting process, which follows the contracting lifecycle;
- B. Providing an online Frequently Asked Questions (FAQ) section for common concerns;
- C. Providing online external resources for additional grant and contracting education;

- D. Providing online information for FBCO self -assessment of contracting readiness;
- E. Assessing the FBCO issues, from the November 2010 report, to determine if they can be addressed by
 - o Providing state agency awareness
 - o Collaborative agreement and revision or amendment of process/procedure/forms, and if not, why; and
- F. Identifying Issues that require legislative action to ensure change/consistency.

While item “F: Identifying Issues that require legislative action to ensure change/consistency” is an inappropriate activity for a state funded agency, it is an appropriate focus for the Task Force; in addition to our pursuing the other identified approaches and strategies.

SUBCOMMITTEE ACTIVITIES AND OUTCOMES

SUB-COMMITTEE ON CROSS-AGENCY PROGRAMS

Key Issues Addressed by this Sub-Committee

Promote effective partnerships between state agencies and FBCO’s to service Texas residents who need assistance;

- (1) Develop best practices for cooperating and collaboration with FBCO’s; and
- (2) Identify gaps in state services that FBCO’s could fill.

Four programs were identified as having great potential to help foster partnerships between the state agencies and FBCO’s: HHSC Navigator Program, DFPS Foster/Adoptive Parent Program, Dept of Agriculture Hunger Initiative; PUC Texas Electric Choice Program.

Obstacles addressed were:

- (1) how to seek out and find appropriate FBCO’s;
- (2) how to communicate opportunities to these FBCO’s;
- (3) how to produce information that was user friendly to the clients of FBCO’s; and

- (4) how to use the systems or processes already in place through FBCO's to promote and improve these programs.

Key Outcomes:

1. Task Force Members were educated on existing State Programs that could be shared with FBCO's. The above referenced topic areas/ programs were presented to Task Force members through presentations, meetings, conference calls. Specific meetings were held with the PUC to learn about their Utility Rate Programs for low-income TX residents; DFPS to discuss transitional housing for youth aging out of the foster care system and recruitment for foster/adoptive homes; presentation by representatives from the Department of Agriculture to educate about the summer food program and its requirements.
2. Existing and new FBCO's systems were utilized to help find appropriate partners and disseminate information. Discussion was held and action taken on how to best reach and communicate with FBCO's. Along with existing known networks that were represented by the Task Force Members, this sub-committee worked with the sharing information and resources committee to utilize their web based platform for the dissemination of information. The development of the website was a collaborative effort between all of the sub-committee groups for the purposes of pushing out information to FBCO's.

Examples: The Texas Connector through One Star Foundation was utilized to seek out potential partners for the Department of Agriculture Summer Food Program; the website prototype lists programs that are available for partnership opportunities; information about TX HHSC Community Partners was distributed through task force networks.

3. Materials used to promote programs were designed and adjusted to be understandable to FBCO's which will result in increased distribution to FBCO's clients. Meetings were held with representatives from both state and FBCO's to discuss materials and presentations that are typically used for promotion of these state programs. Joint agreement was reached on

incorporating more FBCO's user friendly language into state materials.

Example: Through face-to-face meetings and conference calls FBCO's language was incorporated into materials and into the 'train the trainer' presentation utilized by the PUC to promote its Texas Electric Choice program. Discussions were held during these times to help educate PUC staff as to the needs of the low-income population they were targeting as well as the best avenues to reach this sector. The TX HHSC Community Partners program presentation was reviewed by task force members for appropriate language and understanding. Further, a representative from HHSC did two presentations to new networks in Houston and Dallas.

4. Best Practices of how to appropriately share information with FBCO's were developed.
5. The newly developed web-site by for FBCO's was agreed upon to be a best-practice from Task Force members. Continued input on the content and language was also identified as a best practice.
6. Utilizing the networks of current Task Force members to invite FBCO's to participate in state programs was identified as a best practiced and a way to fill gaps in state services. By educating and informing the Task Force members of these various opportunities, they were able to invite their networks to participating in these programs.

Example(s): An invitation to participate in the navigator program was sent to community based health clinics around the state. A representative from the state will also be presenting at a stateside conference of these clinics in April of 2013. Information about foster/adoption was disseminated to a large faith based network. For many in these organizations, this information has not been previously available.

Role Played by the Task Force

Task Force members played the role of liaison and consultant between Texas State programs and the FBCO's sector. TF members had the opportunity to give input and insight into how best to

reach and engage FBCO's and the clients they serve. Task Force members also had the opportunity to present the needs and capacity of FBCO's to help make state programs more appealing to participate in. Direct input of Task Force members were solicited and utilized to help improve many aspects of the state system regarding cross agency programs.

Task Force Members Participating: Juanita Budd, Donna Chatham, Jody Hopkins, Bee Moorhead

SUB-COMMITTEE ON ENHANCED TRAINING

Key Issues Addressed by this Sub-Committee:

Sub-Committee on Enhanced Training focused its work on enhancing training to state agency representatives who create and provide funding and contracting opportunities to FBCOs while also offering clear information to FBCOs on how to engage with state agencies.

The sub-group addressed two of the four HB 1965 directives while at times overlapping with other sub-groups:

- (1) Develop and implement a plan for improving contracting relationships between state agencies and FBCOs; and
- (2) Develop best practices for cooperating and collaborating with FBCOs

While learning opportunities are ongoing needs of both the state agencies and the FBCOs, the Sub-committee sought to address one of the major barriers to effective partnerships between state agencies and FBCOs with the first of a series of training modules.

Key Outcomes

The first training module that was selected addresses the barrier of compliance with Federal rules in 45 CFR Part 87 that ensures that First Amendment protections are not violated and is also known as the "Equal Treatment" rule. While the Federal rules also help programs deliver social

services in a secular manner, all involved must familiarize themselves with, understand, and follow the legal safeguards to comply with Federal regulations.

The knowledge that is essential for FBCOs and state agencies to support existing or new secular programs is difficult to comprehend by simply reading the Code of Federal Regulations.

Therefore, using strategies utilized by Federal agencies in their work with grantees; the Sub-group created a 22 slide presentation with specific learning objectives that will be both made available to state agency employees as well as linked to state agency websites where FBCOs and potential partners can easily access the information in a user-friendly format.

Learning Objectives of the first module includes the ability to demonstrate an understanding of the following:

- (1) How the state upholds separation of church and state while fostering robust partnerships with FBCO's;
- (2) The rights and benefits of building partnerships between government agencies and FBCO's; and
- (3) The constitutional safeguards in place that allow for successful collaborations between government agencies and FBCO's

The module provides information in simple language, real-life scenarios with built in questions and answers, plus links to additional information.

Future modules may include training information that focus on the following:

- (1) Contracting life cycle;
- (2) Template guidance / How-to;
- (3) Monitoring versus Auditing; and
- (4) FAQs (myths and facts) / contracts versus grants (e.g. state agency pass through)

Role Played by the Task Force

Task force members provided input on the current barriers as experienced by all types of FBCOs across Texas. The lack of easy to find and easy to use state level guidance for state agencies as well as FBCOs on Equal Treatment safeguards led to discussions as well as sample documents brought forth by Task force members.

Task Force Members Participating: Donna Chatham, Jody Hopkins, Lucila Lagace, Bee Moorhead

SUB-COMMITTEE ON SHARING INFORMATION AND RESOURCES

Key Issues Addressed:

- Develop a method to communicate and promote opportunities for partnerships between state programs and FBCO's.
- Develop best practices for cooperating and collaboration with FBCO's

In this sub-committee group the issue of how to best communicate with FBCO's was addressed. The primary project was the creation of a website that would specifically be developed and implemented to share information with FBCO's.

Obstacles addressed were how to develop a centralized and sustainable communication system that could be easily maintained; how to appropriately communicate through this system to FBCO's; how to relay information in such a manner that was user friendly to FBCO's.

Key Outcomes:

1. The creation of a specific FBCO's website that educates and communicates partnership opportunities with the state of Texas. Through extensive discussion and cooperative learning, topics were discussed and decisions made that resulted in the creation of collaborative state/FBCO website.

2. The physical appearance as well as information displayed on this website were designed and adjusted to be understandable to FBCO's. During sub-committee and task force meetings the structure, look, exact language, headings etc. of the FBCO website were all vetted to help ensure understanding and active use by FBCO's.

Role Played by the Task Force

Task Force members played an active role in the creation of this FBCO website. Content, language, physical appearance and where the website was ultimately accessed from (One Star Foundation) were all influenced by the opinions of the task force. Task Force members also had the opportunity to present the needs and capacity of FBCO's to help state program staff understand what types of partnership opportunities were most important to this sector.

Task Force Members Participating: Donna Chatham, Beth Olson Drew, Jody Hopkins, Bee Moorhead, Barry Silverberg

SUB-COMMITTEE ON IMPROVING CONTRACTING RELATIONSHIPS

Key Issues Addressed by this Sub-Committee

This area of concern contained the largest number of recommendations within the Report and Legislative Recommendations of the Task Force on Strengthening Nonprofit Capacity to the 82nd Texas Legislature. These included:

- (1) Lack of consistent applications to apply for state agency programs
- (2) Need for funding for multiple grant year cycles
- (3) Process to ensure the cost in time and money associated with the application process is commensurate with the size of the award
- (4) Need to fund the full cost of program evaluations to ensure that organizations are able to comply with grant and contract requirements
- (5) Inexperience at writing proposals (listed as the single greatest barrier to funding)
- (6) Restrictive applicant qualifications

- (7) Duplicative, time-consuming, competing, and inconsistent reporting requirements
- (8) Need to coordinate audit functions, including financial audits and monitoring
- (9) Develop consistent metrics to measure effectiveness
- (10) Establish reasonable and appropriate indirect and administrative cost structure
- (11) Align funding level to be proportionate to contract deliverables
- (12) Prompt payment provisions
- (13) Perception appears to exist among FBCOs that in order to receive state funds, some specific minimum of tenure, experience, minimum budget size, or number of years of operation are necessary

Key Outcomes:

The major work product of this Sub-Committee is a “*Draft Plan and Analysis of Issues for Improving Contracting Relationships between State Agencies and Faith- and Community-Based Organizations*” which is still evolving at the time of this Report. As noted above, it seeks to address the concerns and recommendations emanating from the public hearings and recommendations made in the Report from the Task Force on Strengthening Nonprofit Capacity. It states:

“HB 1965 directs the ICG to develop and implement a plan for improving contracting relationships between state agencies and Faith Based Community Organizations (FBCO) s. With input from t data collected in FY 2010 from the state agency ICG liaison internal barrier assessments and the Task Force on Strengthening NonProfit Capacity, the ICG committee on Improving Contracting Relationships has developed a plan for ICG approval and implementation.

Plan Information and Components: It is the recommendation that the contracting relationships may be improved by:

- A. Providing online information and education to FBCOs on the state procurement and contracting process, which follows the contracting lifecycle
- B. Providing an online Frequently Asked Questions (FAQ) section for common concerns

- C. Providing online external resources for additional grant and contracting education
- D. Providing online information for FBCO self -assessment of contracting readiness
- E. Assessing the FBCO issues, from the November 2010 report, to determine if it can be addressed by
 - Providing state agency awareness
 - Collaborative agreement and revision or amendment of process/procedure/forms, and if not, why.
- F. Identify issues that require legislative action to ensure change/consistency

The plan will be implemented incrementally beginning in FY 2012, and through ICG collaboration. Since the plan is extensive, ICG priorities and timelines will be set each fiscal year.

The following pages highlight the analysis of issues from the Nov 2010 task force report and ICG liaison barrier assessment results, and a listing of possible external resources for FBCOs. “

Task Force member interaction with ICG participants representing key state agencies created a working environment focused on finding ways to cooperate through better understanding of the potential constraints and opportunities before the group. Specifics will be reflected in the final draft of the above-noted plan.

Role Played by the Task Force

Task Force members provided input on the real impact of decisions made and approaches taken by state agencies in dealing with nonprofit contracting. State agency representatives explained why they do what they do, and were open to modifications where possible. Task Force members have shared this with others in the Texas nonprofit sector; promoting healthier and more productive perspectives by all.

Task Force Members Participating: Donna Chatham, Bee Moorhead, Barry Silverberg

PLANNED TASK FORCE ACTIVITIES DURING ITS NEXT YEAR

During the remaining year of the current Task Force, we plan to:

- (1) Continue our close interaction with the ICG and its sub-committees, lending our expertise and relationships and strengthening the state – nonprofit relationship;
- (2) Focus on the implementation of the recommendations emanating from the ICG and its sub-committees;
- (3) Communicate the preliminary results of the Task Force’s work through gatherings of nonprofit leaders across the state; to both share the state of discussions and implemented programs as well as to elicit greater interaction among our state’s nonprofits with our state government;
- (4) Expand our availability to state agencies to offer advice and counsel on ways they may better serve, collaborate with, and benefit from the state’s nonprofits;
- (5) Increase awareness of similar government nonprofit partnership building in other states (as outlined in “*Appendix B: Collaborations for Government-Nonprofit Reform; Preliminary Report: November 2012*” so that Texas benefits from the work being done elsewhere;
- (6) Share the results of our Texas initiatives so that other states benefit from the work being done in Texas.

MEMBERS OF TASK FORCE ON IMPROVING RELATIONS WITH NONPROFITS

Co-Chairs:

Bee Moorhead, Executive Director, Texas Impact

Faith-based Organization

Barry Silverberg, President & CEO, Texas Association of Nonprofit Organizations

Statewide Association of Nonprofit Organizations

Juanita Budd, Executive Director, Austin Free.Net

Community-based Organization

Donna Chatham, Executive Director, Association of Rural Communities in Texas

Local Government

Beth Olson Drew, Texas Hunger Initiative

Statewide Nonprofit Organization

Courtney Groves

Consultant to Nonprofits

Jody Hopkins, Executive Director, Lone Star Association of Charitable Clinics

Statewide Nonprofit Organization

Lucila Garcia Lagace, Executive Director, Del Sol Foundation for Nonprofit Management

Expert Grant Writer

LEGISLATIVE RECOMMENDATIONS

- 1. Legislators should establish a permanent Nonprofit Partnership Council** comprising representatives from a broad range of nonprofit perspectives. The co-chairs of the Council should serve as ex officio members of the ICG. The Council should work with the ICG, lawmakers, and local communities to strengthen collaboration between public programs and the nonprofit sector.
- 2. Legislators should establish a nonprofit legislative caucus** to serve as a legislative focal point for nonprofit policy, and to provide resources and information on the nonprofit community for legislators and their staffs.

APPENDIX A: SNAPSHOT OF TEXAS NONPROFIT SECTOR

Every Texan has, or will, interact with a nonprofit entity, during his or her life.

“In communities across America, charitable nonprofit organizations are working to address local needs: protecting and educating children, training the workforce, nursing the sick, supporting our elders, caring for returning soldiers, rebuilding cities, fostering faith, elevating the arts, protecting natural resources, and more. Some nonprofits successfully pursue their public-spirited missions with very little government interaction; but often governments turn to nonprofits to provide vital services to citizens and fulfill commitments and programs established by policymakers. In all cases, charitable nonprofits are essential partners with state and local governments in solving problems and implementing solutions.

... Charitable nonprofits and governments [often] serve the same individuals and communities every day to address local needs and improve the quality of life for all residents. They exist to solve problems in their communities and are natural allies.”¹

Today, Texas has 40,550 501(c) (3) charitable nonprofits that fulfill their legal obligation of submitting an annual IRS form 990². Despite the sector’s economic contributions and scope of services, the sector comprises largely small and medium size organizations: 92.1% have total annual revenue less than \$1 million; with the vast majority having total annual revenue of less than \$100,000.

¹ National Council of Nonprofits, Three Simple Things Statewide and Local Elected Officials Can Do to Strengthen Communities, Improve Government, and Save Taxpayers Money, October 2012 - http://www.councilofnonprofits.org/public-policy/three-simple-things-state-local-elected-officials?utm_campaign=admatnov05&utm_medium=email&utm_source=newsletter&utm_content=Three%20Simple%20Things%20Statewide%20and%20Local%20Elected%20Officials%20Can%20Do

² There are 25,531 Texas nonprofits registered with the IRS that have not filed their IRS form 990

Level of Total Revenue	Number of Organizations Filing Form 990	Percentage of Organizations Filing Form 990	Cumulative Filing Form 990	Cumulative Percentage Filing Form 990
A. Less than \$100,000	29,386	72.5%	29,386	72.5%
B. \$100,000-249,999	4,116	10.2%	33,502	82.6%
C. \$250,000-499,999	2,174	5.4%	35,676	88.0%
D. \$500,000-999,999	1,663	4.1%	37,339	92.1%
E. \$1-5 mil.	2,065	5.1%	39,404	97.2%
F. \$5-10 mil.	466	1.1%	39,870	98.3%
G. \$10-100 mil.	549	1.4%	40,419	99.7%
H. More than \$100 mil.	100	0.2%	40,519	99.9%
Not Reported	31	0.1%	40,550	100.0%
Total	40,550	100.0%		

Table 1: Registered Texas Nonprofit Organizations by Level of Total Revenue (BMF 08/2012)³

Accordingly, they rely heavily upon individual, foundation, business and federal and state support. They also rely upon a positive environment in which the state encourages citizen engagement and supports the growth of the sector.

The Texas nonprofit sector employs more than six times as many workers as the state’s oil and gas extraction industry and 20% more than the state government. Nonprofit employees represent 3.8% of the total Texas workforce (1 out of every 26 workers), which is below the US average of 7.2%. Health services account for 55% of all Texas nonprofit employment, including jobs at hospitals, health clinics and residential care facilities.

Texas ranks third in the nation for number of nonprofits with government contracts and ninth in total number of government contracts. That’s a total of 6,776 government contracts and grants divided among 1,706 nonprofit organizations (Boris et al. 2010). Of these contracts, 63% are between human service related nonprofits and the government (Urban Institute: Nonprofit-Government Contracts and Grants: Overview 2010b). Although Texas ranks better than most states in a recent study nonprofits and government contracting, the contracting relationship remains complex and costly (National Council of Nonprofits, 2010), as similarly reported on in the Task Force’s own research findings. In addition, \$1,266, the average charitable contribution per tax return puts Texas fourteen in comparison to other U.S. states (Urban Institute 2010c).

³ The Urban Institute, National Center for Charitable Statistics, <http://nccsdataweb.urban.org/>

Nonprofits contribute to the reduction of labor force inequalities by hiring disadvantaged groups of workers. The nonprofit sector brings a significant share of private employment to both urban and rural areas. Nonprofits also take advantage of the power of volunteers. In 2009, 24.4% of Texas residents volunteered, slightly under the national average of 26.8%. Overall, 566.7 million hours of service were donated in Texas, worth a total of \$11.8 billion (Corporation for National & Community Service 2009).

Nonprofit contributions to the welfare and cultural enrichment of Texans are often underrated. By supporting the Nonprofit Sector, the Texas government both strengthens a critical partner as well as the quality of life of all Texans.

AN ACT

relating to the expansion of faith- and community-based health and human services initiatives.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 535.051, Government Code, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b) The chief administrative officer of each of the following state agencies, in consultation with the governor, shall designate one employee from the agency to serve as a liaison for faith- and community-based organizations:

- (1) the Texas Department [Office] of Rural [Community] Affairs;
- (2) the Texas Commission on Environmental Quality;
- (3) the Texas Department of Criminal Justice;
- (4) the Texas Department of Housing and Community Affairs;
- (5) the Texas Education Agency;
- (6) the Texas Juvenile Probation Commission;
- (7) the Texas Veterans Commission;
- (8) the Texas Workforce Commission;
- (9) the Texas Youth Commission;
- (10) the office of the governor;
- (11) the Department of Public Safety;
- (12) the Texas Department of Insurance;
- (13) the Public Utility Commission of Texas;
- (14) the office of the attorney general;
- (15) the Department of Agriculture;
- (16) the office of the comptroller;
- (17) the Department of Information Resources;
- (18) the Office of State-Federal Relations;
- (19) the office of the secretary of state; and
- (20) ~~[(10)]~~ other state agencies as determined by the governor.

(c) The commissioner of higher education, in consultation with the presiding officer of the interagency coordinating group, shall designate one employee from an institution of higher education, as that term is defined under Section 61.003, Education Code, to serve as a liaison for faith- and community-based organizations.

SECTION 2. Sections 535.053(a) and (b), Government Code, are amended to read as follows:

(a) The interagency coordinating group for faith- and community-based initiatives is composed of each faith- and community-based liaison designated under Section 535.051 and a liaison from the State Commission on National and Community Service. The commission shall provide administrative support to the interagency coordinating group.

(b) The liaison from the State Commission on National and Community Service [~~commission employee designated as a liaison under Section 535.051~~] is the presiding officer of the interagency coordinating group. If the State Commission on National and Community Service is abolished, the liaison from the governor's office is the presiding officer of the interagency coordinating group.

SECTION 3. Section 535.054, Government Code, is amended to read as follows:

Sec. 535.054. REPORT [REPORTS]. (a) Not later than December 1 of each year, the interagency coordinating group shall submit a report to the legislature that describes in detail the activities, goals, and progress of the

interagency coordinating group. [~~A liaison designated under Section 535.051 shall:~~

~~(1) provide periodic reports to the executive commissioner or other chief executive officer who designated the liaison, as applicable, on a schedule determined by the person who designated the liaison; and~~

~~(2) report annually to the governor's office of faith and community based initiatives and as necessary to the State Commission on National and Community Service regarding the liaison's efforts to comply with the duties imposed under Sections 535.052 and 535.053.]~~

(b) The [~~Each~~] report made under Subsection (a) [~~(a)(2)~~] must be made available to the public through posting on the office of the governor's Internet website[, and the reports may be aggregated into a single report for that purpose].

SECTION 4. Subchapter B, Chapter 535, Government Code, is amended by adding Section 535.055 to read as follows:

Sec. 535.055. TASK FORCE ON IMPROVING RELATIONS WITH NONPROFITS. (a) The interagency coordinating group task force is established to help direct the interagency coordinating group in carrying

out the group's duties under this section. The commission shall provide administrative support to the task force.

(b) The executive commissioner, in consultation with the presiding officer of the interagency coordinating group, shall appoint as members of the task force one representative from each of the following groups and entities:

- (1) a statewide nonprofit organization;
- (2) local governments;
- (3) faith-based groups;
- (4) community-based groups;
- (5) consultants to nonprofit corporations;
- (6) experts in grant writing; and
- (7) a statewide association of nonprofit organizations.

(c) In addition to the interagency coordinating group's other duties, the interagency coordinating group, in coordination with the task force, shall:

- (1) develop and implement a plan for improving contracting relationships between state agencies and faith- and community-based organizations;
- (2) develop best practices for cooperating and collaborating with faith- and community-based organizations;
- (3) identify and address duplication of services provided by the state and faith- and community-based organizations; and
- (4) identify and address gaps in state services that faith- and community-based organizations could fill.

(d) The task force shall prepare a report describing actions taken or not taken by the interagency coordinating group under this section and include in the report any recommendations relating to legislation necessary to address an issue identified by the group under this section. The task force shall present the report to the House Subgroup on Human Services or its successor, the House Subgroup on Public Health or its successor, and the Senate Health and Human Services Subgroup or its successor not later than September 1, 2012.

(e) This section expires September 1, 2013.

SECTION 5. Not later than October 1, 2011, the executive commissioner of the Health and Human Services Commission shall appoint members to the interagency

coordinating group task force in accordance with Section 535.055, Government Code, as added by this Act.

SECTION 6. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2011.

President of the Senate

Speaker of the House

I certify that H.B. No. 1965 was passed by the House on April 19, 2011, by the following vote: Yeas 144, Nays 0, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 1965 was passed by the Senate on May 19, 2011, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____
Date

Governor

AN ACT

relating to the expansion of faith- and community-based health and human services and social services initiatives.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. (a) Subtitle I, Title 4, Government Code, is amended by adding Chapter 535 to read as follows:

CHAPTER 535. PROVISION OF HUMAN SERVICES AND OTHER
SOCIAL SERVICES THROUGH FAITH- AND COMMUNITY-BASED ORGANIZATIONS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 535.001. DEFINITIONS. In this chapter:

(1) "Community-based initiative" includes a social, health, human services, or volunteer income tax assistance initiative operated by a community-based organization.

(2) "Community-based organization" means a nonprofit corporation or association that is located in close proximity to the population the organization serves.

(3) "Faith-based initiative" means a social, health, or human services initiative operated by a faith-based organization.

(4) "Faith-based organization" means a nonprofit corporation or association that:

(A) is operated through a religious or denominational organization, including an organization that is operated for religious, educational, or charitable purposes and that is operated, supervised, or controlled, wholly or partly, by or in connection with a religious organization; or

(B) clearly demonstrates through the organization's mission statement, policies, or practices that the organization is guided or motivated by religion.

(5) "State Commission on National and Community Service" means the entity used as authorized by 42 U.S.C. Section 12638(a) to carry out the duties of a state commission under the National and Community Service Act of 1990 (42 U.S.C. Section 12501 et seq.).

Sec. 535.002. PURPOSE. The purpose of this chapter is to strengthen the capacity of faith- and community-based organizations and to forge stronger partnerships between those organizations and state government for the legitimate public purpose of providing charitable and social services to persons in this state.

Sec. 535.003. CONSTRUCTION. This chapter may not be construed to:

(1) exempt a faith- or community-based organization from any applicable state or federal law; or

(2) be an endorsement or sponsorship by this state of the religious character, expression, beliefs, doctrines, or practices of a faith-based organization.

Sec. 535.004. APPLICABILITY OF CERTAIN FEDERAL LAW. A power authorized or duty imposed under this chapter must be performed in a manner that is consistent with 42 U.S.C. Section 604a.

[Sections 535.005-535.050 reserved for expansion]

SUBCHAPTER B. GOVERNMENTAL LIAISONS FOR FAITH- AND
COMMUNITY-BASED ORGANIZATIONS

Sec. 535.051. DESIGNATION OF FAITH- AND COMMUNITY-BASED LIAISONS. (a) The executive commissioner, in consultation with the governor, shall designate one employee from the commission and from each health and human services agency to serve as a liaison for faith- and community-based organizations.

(b) The chief administrative officer of each of the following state agencies, in consultation with the governor, shall designate one employee from the agency to serve as a liaison for faith- and community-based organizations:

- (1) the Office of Rural Community Affairs;
- (2) the Texas Commission on Environmental Quality;
- (3) the Texas Department of Criminal Justice;
- (4) the Texas Department of Housing and Community Affairs;
- (5) the Texas Education Agency;
- (6) the Texas Juvenile Probation Commission;
- (7) the Texas Veterans Commission;
- (8) the Texas Workforce Commission;
- (9) the Texas Youth Commission; and
- (10) other state agencies as determined by the governor.

Sec. 535.052. GENERAL DUTIES OF LIAISONS. (a) A faith- and community-based liaison designated under Section 535.051 shall:

(1) identify and remove unnecessary barriers to partnerships between the state agency the liaison represents and faith- and community-based organizations;

(2) provide information and training, if necessary, for employees of the state agency the liaison represents regarding equal opportunity standards for faith- and community-based organizations seeking to partner with state government;

(3) facilitate the identification of practices with demonstrated effectiveness for faith- and community-based organizations that partner with the state agency the liaison represents;

(4) work with the appropriate departments and programs of the state agency the liaison represents to conduct outreach efforts to inform and welcome faith- and community-based organizations that have not traditionally formed partnerships with the agency;

(5) coordinate all efforts with the governor's office of faith-based and community initiatives and provide information, support, and assistance to that office as requested to the extent permitted by law and as feasible; and

(6) attend conferences sponsored by federal agencies and offices and other relevant entities to become and remain informed of issues and developments regarding faith- and community-based initiatives.

(b) A faith- and community-based liaison designated under Section 535.051 may coordinate and interact with statewide organizations that represent faith- or community-based organizations as necessary to accomplish the purposes of this chapter.

Sec. 535.053. INTERAGENCY COORDINATING GROUP. (a) The interagency coordinating group for faith- and community-based initiatives is composed of each faith- and community-based liaison designated under Section 535.051 and a liaison from the State Commission on National and Community Service.

(b) The commission employee designated as a liaison under Section 535.051 is the presiding officer of the interagency coordinating group.

(c) The interagency coordinating group shall:

(1) meet periodically at the call of the presiding officer;

(2) work across state agencies and with the State Commission on National and Community Service to facilitate the removal of unnecessary interagency barriers to partnerships between state agencies and faith- and community-based organizations; and

(3) operate in a manner that promotes effective partnerships between those agencies and organizations to serve residents of this state who need assistance.

Sec. 535.054. REPORTS. (a) A liaison designated under Section 535.051 shall:

(1) provide periodic reports to the executive commissioner or other chief executive officer who designated the liaison, as applicable, on a schedule determined by the person who designated the liaison; and

(2) report annually to the governor's office of faith- and community-based initiatives and as necessary to the State Commission on National and Community Service regarding the liaison's efforts to comply with the duties imposed under Sections 535.052 and 535.053.

(b) Each report made under Subsection (a)(2) must be made available to the public through posting on the office of the governor's Internet website, and the reports may be aggregated into a single report for that purpose.

Sections 535.055-535.100 reserved for expansion]

SUBCHAPTER C. RENEWING OUR COMMUNITIES ACCOUNT

Sec. 535.101. DEFINITION. In this subchapter, "account" means the renewing our communities account.

Sec. 535.102. PURPOSES OF SUBCHAPTER. Recognizing that faith- and community-based organizations provide a range of vital charitable services to persons in this state, the purposes of this subchapter are to:

(1) increase the impact and effectiveness of those organizations;

(2) forge stronger partnerships between those organizations and state government so that communities are empowered to serve persons in need and community capacity for providing services is strengthened; and

(3) create a funding mechanism that builds on the established efforts of those organizations and operates to create new partnerships in local communities for the benefit of this state.

Sec. 535.103. RENEWING OUR COMMUNITIES ACCOUNT. (a) The renewing our communities account is an account in the general revenue fund that may be appropriated only to the commission for the purposes and activities authorized by this subchapter and for reasonable administrative expenses under this subchapter.

b) The account consists of:

(1) all money appropriated for the purposes of this subchapter;

(2) any gifts, grants, or donations received for the purposes of this subchapter; and

(3) interest earned on money in the account.

(c) The account is exempt from the application of Section 403.095.

(d) The purposes of the account are to:

(1) increase the capacity of faith- and community-based organizations to provide charitable services and to manage human resources and funds;

(2) assist local governmental entities in establishing local offices to promote faith- and community-based initiatives; and

(3) foster better partnerships between state government and faith- and community-based organizations.

Sec. 535.104. POWERS AND DUTIES REGARDING ACCOUNT. (a) The commission shall:

(1) contract with the State Commission on National and Community Service to administer funds appropriated from the account in a manner that:

(A) consolidates the capacity of and strengthens national service and community and faith- and community-based initiatives; and

(B) leverages public and private funds to benefit this state;

(2) develop a competitive process to be used in awarding grants from account funds that is consistent with state law and includes objective selection criteria;

(3) oversee the delivery of training and other assistance activities under this subchapter;

(4) develop criteria limiting awards of grants under Section 535.105(1)(A) to small and medium-sized faith- and community-based organizations that provide charitable services to persons in this state;

(5) establish general state priorities for the account;

(6) establish and monitor performance and outcome measures for persons to whom grants are awarded under this subchapter; and

(7) establish policies and procedures to ensure that any money appropriated from the account to the commission that is allocated to build the capacity of a faith-based organization or for a faith-based initiative, including money allocated for the establishment of the advisory subgroup under Section 535.108, is not used to advance a sectarian purpose or to engage in any form of proselytization.

(b) Instead of contracting with the State Commission on National and Community Service under Subsection (a)(1), the commission may award account funds appropriated to the commission to the State Commission on National and Community Service in the form of a grant.

(c) Any funds awarded to the State Commission on National and Community Service under a contract or through a grant under this section must be administered in the manner required by this subchapter, including Subsection (a)(1).

(d) The commission or the State Commission on National and Community Service, in accordance with the terms of the contract or grant, as applicable, may:

(1) directly, or through agreements with one or more entities that serve faith- and community-based organizations that provide charitable services to persons in this state:

(A) assist faith- and community-based organizations with:

(i) writing or managing grants through workshops or other forms of guidance;

(ii) obtaining legal assistance related to forming a corporation or obtaining an exemption from taxation under the Internal Revenue Code; and

(iii) obtaining information about or referrals to entities that provide expertise in accounting, legal, or tax issues, program development matters, or other organizational topics;

(B) provide information or assistance to faith- and community-based organizations related to building the organizations' capacity for providing services;

(C) facilitate the formation of networks, the coordination of services, and the sharing of resources among faith- and community-based organizations;

(D) in cooperation with existing efforts, if possible, conduct needs assessments to identify gaps in services in a community that present a need for developing or expanding services;

(E) work with faith- and community-based organizations to identify the organizations' needs for improvements in their internal capacity for providing services;

(F) provide faith- and community-based organizations with information on and assistance in identifying or using practices with demonstrated effectiveness for delivering charitable services to persons, families, and communities and in replicating charitable services programs that have demonstrated effectiveness; and

(G) encourage research into the impact of organizational capacity on program delivery for faith- and community-based organizations;

(2) assist a local governmental entity in creating a better partnership between government and faith- and community-based organizations to provide charitable services to persons in this state; and

(3) use funds appropriated from the account to provide matching money for federal or private grant programs that further the purposes of the account as described by Section 535.103(d).

(e) The commission shall monitor the use of the funds administered by the State Commission on National and Community Service under a contract or through a grant under this section to ensure that the funds are used in a manner consistent with the requirements of this subchapter. Records relating to the award of a contract or grant to the State Commission on National and Community Service, or to grants awarded by that entity, and records relating to other uses of the funds are public information subject to Chapter 552.

(f) If the commission contracts with or awards a grant to the State Commission on National and Community Service under this section, this subchapter may not be construed to:

(1) release that entity from any regulations or reporting or other requirements applicable to a contractor or grantee of the commission;

(2) impose regulations or reporting or other requirements on that entity that do not apply to other contractors or grantees of the commission solely because of the entity's status;

(3) alter the nonprofit status of that entity or the requirements for maintaining that status; or

(4) convert that entity into a governmental entity because of the receipt of account funds through the contract or grant.

Sec. 535.105. ADMINISTRATION OF ACCOUNT FUNDS. If under Section 535.104 the commission contracts with or awards a grant to the State Commission on National and Community Service, that entity:

(1) may award grants from funds appropriated from the account to:

(A) faith- and community-based organizations that provide charitable services to persons in this state for capacity-building purposes; and

(B) local governmental entities to provide seed money for local offices for faith- and community-based initiatives; and

(2) shall monitor performance and outcome measures for persons to whom that entity awards grants using the measures established by the commission under Section 535.104(a)(6).

Sec. 535.106. REPORTS AND PUBLIC INFORMATION. (a) The commission shall provide a link on the commission's Internet website to the Internet website of the State Commission on National and Community Service if the commission contracts with or awards a grant to that entity under Section 535.104. The entity's Internet website must provide:

(1) a list of the names of each person to whom the entity awarded a grant from money appropriated from the account and the amount and purpose of the grant; and

(2) information regarding the methods by which the public may request information about those grants.

(b) If awarded a contract or grant under Section 535.104, the State Commission on National and Community Service must provide to the commission periodic reports on a schedule determined by the executive commissioner. The schedule of periodic reports must include an annual report that includes:

(1) a specific accounting with respect to the use by that entity of money appropriated from the account, including the names of persons to whom grants have been awarded and the purposes of those grants; and

(2) a summary of the efforts of the faith- and community-based liaisons designated under Section 535.051 to comply with the duties imposed by and the purposes of Sections 535.052 and 535.053.

(c) The commission shall post the annual report made under Subsection (b) on the commission's Internet website and shall provide copies of the report to the governor, the lieutenant governor, and the members of the legislature.

Sec. 535.107. TASK FORCE ON STRENGTHENING NONPROFIT CAPACITY. (a) The executive commissioner, in consultation with the governor, shall establish a task force to make recommendations for strengthening the capacity of faith- and community-based organizations for managing human resources and funds and providing services. The members of the task force must include:

(1) representatives from state agencies, nonprofit organizations, the academic community, and the foundation community; and

(2) other individuals who have expertise that would be valuable to the task force.

(b) Using money appropriated from the account, the task force shall hold at least three public hearings in various geographic areas of this state, at least one of which must be outside of Central Texas. The task force shall hear testimony at the hearings regarding strengthening the capacity of faith- and community-based organizations to manage human resources and funds and provide services.

(c) The task force is not required to hold a public hearing if the remaining money appropriated from the account to the commission for the state fiscal biennium is insufficient for the performance of the duties or activities under this subchapter.

(d) The task force shall present a report and legislative recommendations to the House Subgroup on Human Services or its successor, the House Subgroup on Public Health or its successor, and

the Senate Health and Human Services Subgroup or its successor not later than September 1, 2010, regarding its recommendations.

(e) This section expires September 1, 2011.

Sec. 535.108. RENEWING OUR COMMUNITIES ACCOUNT ADVISORY SUBGROUP. (a) The executive commissioner shall appoint leaders of faith- and community-based organizations in this state to serve on the renewing our communities account advisory subgroup. The advisory subgroup members must be representative of the religious, cultural, and geographic diversity of this state and the diversity of organization types and sizes in this state.

(b) The advisory subgroup shall make recommendations to the executive commissioner regarding the powers and duties with respect to the account as described by Section 535.104.

(c) Except as otherwise provided by this subsection, the advisory subgroup shall meet at least twice each calendar year. The advisory subgroup is not required to meet if the remaining amount appropriated from the account to the commission for the state fiscal biennium is insufficient for the performance of any duties or activities under this subchapter.

(d) Chapter 2110 does not apply to the advisory subgroup.

(e) The advisory subgroup is subject to Chapter 551.

(b) The executive commissioner of the Health and Human Services Commission and the chief executive officers of the Office of Rural Community Affairs, the Texas Commission on Environmental Quality, the Texas Department of Criminal Justice, the Texas Department of Housing and Community Affairs, the Texas Education Agency, the Texas Juvenile Probation Commission, the Texas Veterans Commission, the Texas Workforce Commission, the Texas Youth Commission, and any other state agency as determined by the governor shall designate the liaisons for faith- and community-based initiatives as required under Section 535.051, Government Code, as added by this section, not later than December 1, 2009.

(c) The interagency coordinating group established under Section 535.053, Government Code, as added by this section, shall hold its first meeting not later than February 1, 2010.

SECTION 2. This Act does not make an appropriation. A provision in this Act that creates a new governmental program, creates a new entitlement, or imposes a new duty on a governmental entity is not mandatory during a fiscal period for which the legislature has not made a specific appropriation to implement the provision.

SECTION 3. If before implementing any provision of this Act a state agency determines that a waiver or authorization from a federal agency is necessary for implementation of that provision, the

agency affected by the provision shall request the waiver or authorization and may delay implementing that provision until the waiver or authorization is granted.

SECTION 4. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2009.

President of the Senate

Speaker of the House

I certify that H.B. No. 492 was passed by the House on April 24, 2009, by the following vote: Yeas 119, Nays 15, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 492 on May 18, 2009, by the following vote: Yeas 139, Nays 2, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 492 was passed by the Senate, with amendments, on May 14, 2009, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____
Date

Governor



Collaborations for Government-Nonprofit Contracting Reform Preliminary Report: November 2012

Governments and their nonprofit partners in recent years have come to recognize that problems they have experienced in the contracting relationship are not unique to them. This realization was hastened in 2010 when two landmark studies presented the stark realities of government-nonprofit contracting at the state and local levels. The Urban Institute's in-depth study, [Human Service Nonprofits and Government Collaboration: Findings from the 2010 National Survey of Nonprofit Government Contracting and Grants](#), provided the results of the first national survey documenting the serious and widespread problems experienced by nonprofit human service providers under contract with governments throughout the country. A companion report by the National Council of Nonprofits, [Costs, Complexification and Crisis: Government's Human Services Contracting "System" Hurts Everyone](#), provided additional context to the Urban Institute's findings by identifying specific practices that contribute to the problems being experienced and identified solutions that nonprofits, government officials, funders, and citizens can adopt to improve services, restore value for taxpayers, and strengthen communities.

Governments, nonprofit service providers, and in many cases, state associations of nonprofits have utilized these and similar reports as an impetus for collaborative efforts designed to improve what has been documented as "broken" government-nonprofit contracting systems. This preliminary report reviews the efforts of several state-level task forces working on government-nonprofit contracting reform. It provides insights into lessons learned about the collaborative process that can be replicated in other jurisdictions. This report also summarizes the background, process, and recommendations of those task forces to help inform those considering reform collaborations about the potentials and avoid the pitfalls that can occur.

The examples included in this preliminary report focus on the efforts of state-wide task forces dedicated to streamlining broad aspects of the government-nonprofit contracting process. The National Council of Nonprofits reviewed enabling legislation and official reports produced by these task forces. Interviews with participants of the different collaborations were conducted to identify common experiences to support the future efforts of others. Because it is not possible in this brief analysis to impart the depth of commitment reflected in these collaborative efforts, links have been provided to encourage reading them in full.

The focus here is on the process for reaching consensus on recommendations. In many cases, recommendations await legislative action or adoption within the executive branch. Significantly, however, many states have made great progress in implementing recommendations for the very reason that scarce or declining resources dictate creative solutions that protect the public and taxpayers. This preliminary report is dedicated to those task force participants, legislators, and public servants who cast aside conventional wisdom and solved their communities' costly problems.

Lessons Learned About the Collaborative Process

The creation of inclusive, nonpartisan collaborations offers promising first steps for fixing broken contracting systems. These collaborations create an environment in which pragmatic reform efforts can be proposed, evaluated, and then successfully developed and implemented. There are several seemingly simple points for all participants to keep in mind when building a collaborative effort. Although these may appear to be obvious, failure to be cognizant of them can interfere with the group's ability to develop a plan that is truly mutually beneficial.

- **Cooperation is not the same thing as collaboration.** Collaboration entails exchanging information, altering activities, sharing resources, and enhancing the capacity of another for mutual benefit and to achieve a common purpose.
- **Clear common goals are established.** Everyone must identify, understand, and accept the goals established in the same way in order to move forward together in the same direction.
- **Collaboration is a process, not an event.** Trust is a necessary component of collaboration, and this takes time to develop. It is not uncommon for participants of a group to initially come with baggage related to their past relationship with another participant that may take time for them to overcome. However, trust can be built by sharing important information. Additionally, all human groups go through normal stages of development, typically referred to as *norming*, *storming* and *conforming*. Although this can be difficult, it is a sign of positive progress.
- **No one is to blame for the current condition of the government-nonprofit contracting system.** The current condition of the government-nonprofit contracting system has developed over many decades through adding new reporting regimes, contract clauses, and other items often created in response to a certain situation without attention to how the components fit into the system as a whole. There is no point in focusing on blame since it prevents moving forward.
- **Everyone recognizes the need for reform.** Both government and nonprofits are hampered by the cumbersome, redundant, antiquated processes and are eager for improvement.
- **Everyone's concerns are valid.** One of the most important reasons that both government and nonprofit contractors must be equal participants is because what may make perfect sense to one could have unintended consequences for the other. These things must be identified so solutions can be developed that are mutually beneficial.
- **A collaborative effort needs public support from government leaders.** At a minimum, the head of the government agency must be willing to support the collaborative if plans are ultimately to be implemented.
- **The successful implementation of any plan includes changes to the organizational culture.** The reason so many reform efforts fail to reach their potential is because implementation efforts more often than not focus only on the mechanics of the change and not investing enough effort into changing the surrounding culture.
- **Everyone must be open to doing things differently.** This means being willing to make adjustments mid-stream when necessary since nothing ever goes exactly as planned.
- **Meaningful change takes time.**

Review of State Contracting Reform Collaborations

Several states are in various stages of reforming their government-nonprofit contracting systems, but no two have approached it exactly the same way. Since there is no one-size-fits-all method, the following examples offer ideas that can be adapted based on a state's particular needs.

Connecticut

In 2010, the Connecticut Legislature created a task force through [Special Act 10-5 \(Page 20\)](#), recognizing that “quality and effectiveness of services are predicated upon a viable and sustainable nonprofit sector,” and that “the pursuit of efficiency and streamlining processes is a mutual goal of both purchasers [*i.e.*, governmental agencies] and service providers.”

The public and private sector members of the Commission examined the costs of institutional versus community-based care, private provider cost increases and the financial condition of the system, cost comparisons of private providers versus state-provided services, and administrative efficiencies that could be achieved in the system.

The Commission, composed of 28 legislators and nonprofit human service providers, prepared a report with 49 recommendations. In addition to the recommendations discussed below, the Commission proposed creation of a document vault to reduce paperwork and processing costs, greater coordination between government agencies, reimbursement of full costs, prompt payment and prompt contracting reforms, simplified application and reporting processes, standardization of audits and monitoring, multi-year contracts, and more.

The Governor of Connecticut established a Cabinet on Nonprofit Health and Human Services in response to the recommendation from the Commission's report that included the creation of another body to provide ongoing and focused commitment to the implementation of the report's recommendations. That body is made up of the Commissioners of state agencies overseeing human services programs and the CEOs of several nonprofits and nonprofit associations representing human services providers. The Cabinet has built on the work of the Commission focusing on analyzing data from nonprofits to make recommendations that enhance client outcomes and the cost-effectiveness, accountability, and sustainability of the partnerships between the state and nonprofit health and human service providers. In October 2012, the Cabinet submitted its first report to the Governor.¹

In addition to the substantial work done in analyzing data and offering recommendations based on these results, the report also adopted the [Fair and Accountable: Partnership Principles for a Sustainable Human Services System](#) (discussed below), created by Donors Forum in Illinois as part of its collaborative efforts to improve government-nonprofit contracting.

Connecticut's Governor also established the nation's first Cabinet-level position of Nonprofit Liaison to facilitate this work of the Cabinet on Nonprofit Health and Human Services, serve as his advisor, build relationships with the nonprofit community, and, perhaps most importantly, guide the implementation of recommendations. The Nonprofit Liaison serves as co-chair of the Nonprofit Human Services Cabinet along with a nonprofit service provider.

On July 1, 2012, Connecticut launched its statewide [online document vault](#) through which nonprofits and other state contractors can upload standard contracting documents, thus facilitating and streamlining the government contract reporting process for nonprofits and alleviating the burden on state agencies of receiving, cataloguing, storing, and then retrieving by hand mountains of paperwork.

Hawai'i

In 2011, the Hawai'i Legislature created a task force to look into the recurring problem of late payments to government contractors, expressly relying in part on the research of the Urban Institute.² This year, the [Legislature](#) expanded the limited-scope Prompt Pay Task Force to address the broad array of problems in the broken contracting system, specifically empowering the collaboration to “examine state contracting from the initial planning phase through service delivery, and issues relating to payment when invoices are submitted.” The Government Contracting Task Force, on which the Executive Director of the Hawai'i Alliance of Nonprofit Organizations serves as the nonprofit representative, is also charged with identifying “areas that can be simplified and standardized between government agencies ... and the parties contracted to deliver services.” The Task Force is also expected to develop a “dashboard” demonstration project “to test business process improvements or other approaches to streamline the contracting process, with the goal of clarifying problem areas and solutions for government agencies and the parties contracted to provide services.”

As of November 2012, the Task force was readying a final report to be submitted to the 2013 Legislature that reportedly calls for the identification of a governing entity - either already in existence or creation of a new position or council - to oversee the contracting functions (as opposed to the procurement functions) of the three Departments of Human Service, of Health and of Public Safety. Significantly, the new State CIO is helping to spearhead the work of the Task Force by creating dashboards to measure progress, and aligning the work with a wholesale transformation of government technological and business practices.

Illinois

The Illinois General Assembly, acknowledging “the State’s budget crisis,” created a bi-partisan panel in 2010 “to recognize and address the redundant monitoring and reporting requirements which divert time and resources away from client service delivery.”³ Legislation created a Steering Committee entrusted with setting priorities for streamlining. It is composed of representation from providers, trade associations, and the four State of Illinois human services departments: the Department of Human Services, the Department of Healthcare and Family Services, the Department of Children and Family Services and the Department of Public Health. In early 2011, the Steering Committee submitted, [Streamlined Auditing and Monitoring of Community Based Services: First Steps Toward a More Efficient System for Providers, State Government, and the Community](#), to the General Assembly. The report established a series of priorities with proposed goals, which reflected work done by work groups focused primarily on accreditation and deemed status reforms, single audit requirements and standardization of audits, and appointment of a lead audit agency. It also called for centralizing contracting and monitoring functions, crafting of clear and consistent definitions, creation of an integrated electronic procurement system and a document vault (which was launched on July 1, 2012), standardization of contracts, streamlined financial reporting, prompt payments, and multi-year contracts. These work groups were facilitated by a consultant lent by Donors Forum to the Department of Human Services as a means of expediting consensus in time for the November report deadline.

The Steering Committee, in addition to recognizing that its report was only a first step, noted in its cover letter to the Legislature that it was continuing to meet to begin discussing implementation even though it had completed its official charge. Most notably, the Steering Committee report provided clear timetables and identification of responsibility for making sure that recommendations were put into place.

In May 2011, the Illinois Legislature approved legislation [to simplify the contracting process](#)⁴ between human service providers and the state by consolidating the pre-qualification process,

developing a cross-agency master service agreement, and codifying common service taxonomy across agencies. This then paved the way for true cross agency collaboration. In August 2011 House Bill 1488 was signed by Governor Quinn designating a Management Improvement Initiative Committee (MIIC) to be led by the Secretary of Human Services who was tasked with implementing the priorities established in the legislative report.

The Public/Nonprofit Partnership Initiative: Led by Donors Forum, Illinois' association of nonprofits, and funded by The Wallace Foundation, this Initiative began in the fall of 2008 and integrated into the Initiative its direct involvement in facilitating the above legislatively mandated streamlining processes. The Initiative's participants crafted "a vision of a system that is responsive and efficient in meeting the needs of the community, and in which the interaction between government and human services providers reflects fairness and mutual accountability."⁵ Activities to date have included extensive interviews, research, analysis, and the convening of a Policy Forum representing 41 leaders and experts with an interest in human services, and public and nonprofit partnerships. The result of the collaboration was the publication of [Fair and Accountable: Partnership Principles for a Sustainable Human Services System](#). The "Partnership Principles" identify a series of six guiding principles for improving the contracting process, as well as the relationship between government and nonprofit service providers. These principles are being adopted, in whole or part by other state collaborative efforts.

The Initiative continues efforts to promote an understanding and the adoption of *Partnership Principles* by key leaders in the private, nonprofit, and public sectors. In March 2012, Donors Forum completed an assessment⁶ of the progress of integrating the partnership principles across all agencies and sectors. The study's findings emphasize the importance of state agencies, the Governor, and lawmakers working with nonprofits to ensure that the state budget reflects the true cost of delivering public services, including indirect costs. Donors Forum is partnering with the Department of Human Services to implement the *Management Improvement Initiative* to "increase the priority and accountability for implementation" of contracting streamlining with "leadership responsibility resting with the Governor."⁷ Donors Forum has lent another consultant to help the state agencies consolidate their business processes (contracting, financial reporting, centralized repository and auditing) across five state agencies. To date, a centralized repository has been created saving \$40,000 dollars in first quarter of FY 2012 alone. Donors Forum's experience in over two years of partnering with DHS has demonstrated there is a willingness within government to partner -- and that it often takes a third party advocate to promote accountability from within.

In addition, Donors Forum, other nonprofit leaders, as well as policymakers from both the executive and legislative branches, are currently working together to craft legislation to provide a more rigorous, transparent system that ensures the valued input of nonprofits and providers through Budgeting for Results, a performance-based budget process being undertaken by the state.

In late October 2012 at the Donors Forum's 1st Annual Policy Institute, the Illinois Comptroller announced her intention to create a Nonprofit Advisory Council within her office as a result of Donors Forum's suggestion that they work together in an effort to address the State's \$1.1 billion in delayed reimbursements still owed to Illinois' nonprofits.

Maine

With the support of Maine's Commissioner of Health and Human Services, the Maine Association of Nonprofits convened the Partnerships for Health and Human Services Steering Committee to develop recommendations designed to improve the relationship between the department and the provider community, as well as improve outcomes for the residents served. This resulted in more than 150 recommendations, culled from over a decade of reports created by various in-state and

national groups, with an initial emphasis on those recommendations which could streamline processes and procedures to save money for the State and the nonprofit community. One such example includes the vigorous and timely implementation of the recently-passed deemed status law for behavioral and developmental service providers.⁸

Recognizing the size and complexity related to addressing 150 recommendations, the decision has been made to approach implementation in stages. The Commissioner of Health and Human Services has asked the Maine Association of Nonprofits to continue to serve as the convener for the group, which includes both nonprofit providers and senior-level managers from DHHS.

Maryland

In an effort to create a procurement system that is transparent, competitive, fair, and flexible, Maryland's 2008 General Assembly created a Task Force to Study the Procurement of Health and Social Services by State Agencies.⁹ It was recognized from the outset that the existing service system often falls short in terms of efficiency and effectiveness. The Task Force, composed of state agencies contracting for services, state agencies involved in managing state funds, legislators, representatives from the Governor's Office, and nonprofit providers, surveyed Maryland nonprofits and focused on each stage of the procurement process.

The Task Force report¹⁰, issued in late 2011, recommends practical steps such as including provider input when drafting specifications, learning from other jurisdictions by obtaining copies of their requests for proposals, and standardizing contracting processes among and within state agencies. The Task Force embraced changes to promote prompt payments to contractors, such as expanding electronic invoicing and payments, as well as allowing contracted providers to draw funds to pay for items in advance of services. Further recommendations include streamlining the contract monitoring processes, with an emphasis on setting reasonable standards for requiring audits, and the creation of an Internet-based data warehouse (document vault) that would "eliminate the need for providers to submit the same documents to multiple agencies."

In 2012, the Maryland General Assembly enacted two bills based on the Task Force recommendations to improve the way certain state agencies work with nonprofit and other service providers. The first [measure¹¹](#), which took effect October 1, 2012, creates a permanent Council for the Procurement of Health, Educational, and Social Services with state agency and provider representatives to implement numerous procurement reforms recommended by a recent Task Force study, report on forward progress, and monitor these issues in the future. The second [newly enacted provision¹²](#) allows government agencies to receive input and comments from provider groups on draft versions of requests for proposals that relate to human service procurement.

New Jersey

Through [Executive Order 41](#) signed in September 2010,¹³ New Jersey's Governor established a permanent, bi-partisan Red Tape Review Commission to assess government interaction with businesses and make detailed findings and recommendations, including an analysis of existing rules, regulations, and legislation that are burdensome to the state's economy, and ways to improve the regulatory process of state government. Although the Commission was originally conceived with a sole emphasis on for-profit entities, the Center for Non-Profits and other advocates were able to convince the Administration to broaden the Commission's focus to include nonprofit concerns as well. As a result of this success, the Center and nonprofit allies provided testimony and submitted comprehensive policy recommendations to the Commission in July 2011¹⁴ and have been meeting regularly with the Lieutenant Governor's policy advisors to pursue these suggestions.

A report issued by the [Commission](#)¹⁵ in February 2012 called for the implementation of several recommendations offered by the nonprofit community to lighten the regulatory burdens on local nonprofits. These recommendations include increasing stakeholder input prior to the issuance of proposals, implementation of electronic bidding and procurement systems, and improved coordination between human services agencies of government.

A year following their original report and testimony, the Center for Non-Profits, on behalf of a coalition of nonprofits and provider organizations across the state, presented additional recommendations¹⁶ at a Trenton hearing of the [Red Tape Review Commission](#) chaired by the Lieutenant Governor. In keeping with the hearing's focus on contracting and procurement issues, the testimony and written reports concentrated on the wide array of contracting problems that have burdened nonprofits and which have significant implications for program and service delivery. Since this time, a small working group composed of Red Tape Commission staff and nonprofit and provider representatives has continued meeting regularly to explore solutions to the broader issues presented previously to the Commission.

New York

In New York, the Attorney General appointed a Leadership Committee for Nonprofit Revitalization, composed of 32 nonprofit leaders, including the CEOs of the New York Council of Nonprofits and the Nonprofit Coordinating Committee of New York. Committee members were tasked with finding solutions on “how to reduce regulatory burdens and more effectively address regulatory concerns; developing legislative proposals to modernize New York's nonprofit laws that would eliminate outdated requirements and unnecessary burdens while strengthening accountability; and proposing measures to enhance board governance and effectiveness, including through new programs to recruit and train nonprofit board members.”¹⁷

The report of the Leadership Committee,¹⁸ released in February 2012, found that New York laws “and regulatory practices have placed unnecessary and costly burdens on the nonprofit sector,” and that “redundancies throughout the system waste scarce taxpayer and nonprofit dollars, and bury nonprofits in duplicative paperwork and audits.” Its findings recognized “the need for government to treat nonprofits as essential business partners and makes recommendations to reduce burdens to conserve nonprofit and taxpayer dollars.” The report also addresses “outdated and burdensome requirements that result from a regulatory scheme that has not been meaningfully updated in decades. The report recommends modernizing laws and eliminating regulatory burdens so that the state remains home to the country’s strongest and most vibrant nonprofit sector.” It goes on to offer 38 specific recommendations to streamline current practices.

The report also recommended that the Governor appoint a single official with significant authority to begin the work of streamlining the state contracting process. As envisioned by the Leadership Committee, this new Nonprofit Liaison to the Governor would strengthen the State’s partnership with nonprofits by serving a dual role: beginning to implement recommendations to improve contracting processes and serving as nonprofits’ point-person and troubleshooter within government.

In May 2012, the Governor did in fact create the position and appointed an Interagency Coordinator for Nonprofits. Only a few months into the position, the Interagency Coordinator for Nonprofits has drafted a standardized contract that is currently being reviewed for comment by nonprofits.

North Carolina

In response to the Urban Institute report and the National Council on Nonprofit’s [Complexification report](#), the North Carolina Center for Nonprofits arranged meetings with nonprofits and a variety of state agencies to address concerns specific to their offices. After a contingent of 35 nonprofits met

with the Secretary of the Department of Health and Human Services, a Department of Health and Human Services/Nonprofit Task Force was formed to develop solutions to 10 specifically identified inefficiencies that nonprofits were experiencing in their contracts.¹⁹ The identification of problems led to recommendations for reform, including prompt payment and reimbursement of full costs of performing under contracts, crafting clearer definitions to avoid confusion and delays, standardization of contracts and of monitoring processes, and shared training.

Efforts in North Carolina to end contracting abuses, ensure taxpayer value, and improve services provided through nonprofits saw mixed results in 2011, according to a [report of the North Carolina Center for Nonprofits](#) issued in May 2012. On the positive side, the report notes collaborative efforts have been successful in reducing red tape and streamlining some operations. However, the report also found that governments were continuing to pay nonprofits late or less than the value for services provided under contracts. The North Carolina Center identified [34 specific steps](#)²⁰ that policymakers can take to improve contracting and services for the state's citizens and nonprofits. These include designating nonprofit liaisons in each government agency and provide funding for audits, training, and accreditation required of nonprofits that perform services on behalf of the state. In the spirit of collaboration, the Center has called on government to seek input from nonprofits about possible improvements to departmental policies and procedures and set up regular meetings between agency heads and nonprofits to exchange ideas to improve North Carolinians' lives.

Texas

The Texas Legislature established a task force to develop "recommendations for strengthening the capacity of faith- and community-based organizations (FCBOs) for managing human resources and funds and providing services to Texans in need."²¹ The Task Force, composed of government and nonprofits including the CEO of the Texas Association of Nonprofit Organizations, held a series of public meetings to obtain information from the nonprofit sector, in addition to soliciting written comments and conducting a survey to collect input for the Task Force to generate recommendations in their first report to the Legislature in 2010.

In November 2010, the Task Force on Strengthening Nonprofit Capacity issued a series of recommendations to improve the public-private partnership, expand capacity, and improve government contracting. The task force specifically recommended that the Legislature instruct state officials to develop standard contract and grant language that provide "common application, metrics/reporting, compliance, and payment processes;" coordinate audit functions; establish "reasonable and appropriate indirect and administrative cost structures;" and promote the creation of a single web portal for contracting access and information. In addition, the report recommended that the Interagency Coordinating Group (ICG), created through legislation in 2009, lead a multi-agency effort to simplify and standardize contracting practices including common application, reporting, and audit processes, and prompt payment provisions.

Additionally, the Texas Legislature established another Task Force on Improving Relations with Nonprofits which is working closely with the multi-agency effort to accomplish the recommendations of the earlier Task Force. The CEO of the Texas Association of Nonprofit Organizations co-chairs the Task Force. The Task Force report is due in December 2012, while the work of the Task Force continues through September 2013.

Conclusion

Each of the reports of government-nonprofit task forces speaks to the considerable and ongoing strain being put on state agencies and nonprofit providers by cumbersome, redundant, and untimely contracting practices that cost both the government and nonprofits scarce resources. While each of

these reports may vary to some degree in terms of ways to implement the recommendations developed, the themes are quite consistent throughout. Each highlights the need for ongoing collaborative efforts between government and nonprofits to create the most effective, efficient, and accountable contracting systems through the coordination and standardization of practices across agencies. Each focuses on the elimination of redundant application and reporting processes and procedures, and each encourages utilizing the benefits of technology as a necessary step in order to do so.

These reports further emphasize that the inclusion of certain elements in developing a collaborative are critical to their success despite the model ultimately used. The inclusion of the following common features has provided the opportunity for these collaborations to be effective:

- **Leadership:** Someone in a leadership position has initiated the collaborative—a Governor, Attorney General, State Legislature, or the head of a state agency.
- **Collaboration:** The members of the collaborative task forces include both government officials and nonprofit leaders.
- **Goal Oriented:** Each started with a specific goal in mind or charge that offered benefits to both government and nonprofits.
- **Pragmatic:** The reports and recommendations produced were based on consensus and were specific and pragmatic, rather than vague and aspirational.
- **Ongoing Improvement:** Each came to the conclusion that its efforts were only one step in a larger process. Even if the same group stayed intact, there was recognition of being in a new stage of improvement.

Task Force Recommendations

	Connecticut	Hawaii	Illinois	Maine	Maryland	New Jersey	New York	North Carolina	Texas
General Management, Oversight & Streamlining									
Nonprofit Liaison	X						X	X	
GV-NP Taskforce	X	X	X	X	X	X	X		X
NP Caucus									
Contractor Capacity Building	X			X		X			X
Centralized Contracting and Monitoring			X			X	X		
Coordination Between Agencies	X	X			X				X
Governments Pay Full Cost of Contracted Service									
Reimbursement of Full Costs	X					X		X	X
Clear Consistent Definitions		X	X	X				X	
No Fee Electronic Fund Transfers		X			X	X			
Governments Pay Timely									
Prompt Payment	X	X			X	X	X	X	X
Simplified Application and Reporting Processes									
Integrated Electronic Procurement System	X	X	X		X	X	X		
Prompt Contracting	X				X	X	X	X	
Accreditation/Deemed Status	X		X	X	X	X		X	
Standardization of Contracts	X	X	X	X	X	X	X	X	X
Document Vault	X	X	X	X	X	X	X	X	
Single Audit Requirements/Standardization of Audits	X	X	X	X	X	X	X		X
Lead Audit Agency			X	X		X	X		
Standardization of Monitoring	X	X	X	X	X	X		X	
Other Contracting Issues									
Multi-Year Contracts	X		X			X	X		X
Selection is Transparent and Competency Based	X			X	X	X	X	X	
Shared Trainings	X	X		X	X				
Allow Capital Reserves	X					X			
Partnership Principles	X		X			X			
Provider Input	X	X	X	X	X	X	X	X	X

Note: This chart reflects various Task Forces' recommendations only and not existing processes. In Texas, the TPASS' Texas SmartBuy electronic procurement portal has been in place for some time and is heavily used by the state for procurement and contracting with all sorts of vendors. As such, there was no need to recommend an Integrated Electronic Procurement System, as it already exists.

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