In 2014, the Urban Institute released the *National Study of Nonprofit-Government Contracts and Grants 2013: State Profiles*. That report is a compilation of state profiles generated from the data collected for Urban’s 2013 national survey of nonprofit organizations, and it documents the extent of nonprofit-government contracts and grants, processes, and problems. Building on this research, and in particular the state profile for Maryland, the Urban Institute’s Center on Nonprofits and Philanthropy partnered with the Community Foundation in Prince George’s County (CFPGC) to examine the nonprofit-government contracts and grants relationship at the local level in Prince George’s County, Maryland.

Like most places, in Prince George’s County government and nonprofit organizations have a long history of working together to address social issues and deliver publicly funded programs and services. The local government often allocates financial resources to nonprofits that help address local community needs; the nonprofits tend to be more narrowly focused, allowing Prince George’s County government agencies greater flexibility and reach to address specific issues or target populations. Although efficient and effective government contracts and grants processes can be mutually beneficial, such processes can be quite complex and difficult to implement. This brief describes both how Prince George’s County government and area nonprofits work together to build meaningful partnerships and the challenges encountered in managing the local contract and grant process.
Methodology

The Urban Institute research team designed and implemented a multiple-methods approach to study the relationship between Prince George’s County government and nonprofits via contracts and grants. The methods used in this study occurred through the following multistep process:

- First, in partnership with the CFPGC, we administered a survey to nonprofits in Prince George’s County. The survey contained questions regarding the current status of nonprofits, the extent of government contracts and grants, and nonprofits’ reporting experiences with government entities. To reach organizations not registered with the Internal Revenue Service (IRS), we used a convenience sample of CFPGC contacts. This allowed us to collect information on the small organizations that make up a large portion of nonprofits in Prince George’s County and that are not captured in other data sources. We received responses from 102 organizations out of a sample of 275 nonprofits, a 37 percent response rate.

- Second, we conducted a focus group with leaders of local nonprofits that receive local government funding. Focus group participants were purposively selected by CFPGC to provide a cross section of nonprofit organizations with diversity of organizational size, service area, and mission.

- Third, we conducted telephone interviews with two key local government officials who have direct knowledge of or involvement with Prince George’s County’s government funding of nonprofits through contracts and grants. The interviews were semistructured with open-ended questions and lasted between 45 and 60 minutes.

This brief synthesizes the data collected using those methods to produce cross-cutting lessons about the nonprofit and government experience with the contracts and grants processes in Prince George’s County.

Snapshot of the Nonprofit Sector in Prince George’s County

In Prince George’s County there are slightly over 4,400 nonprofit organizations registered with the IRS. About one-third of nonprofits are faith-based organizations, and more than one-quarter (29 percent) are human service or health organizations (figure 1). Public and societal benefit organizations and education organizations each account for 14 percent of all nonprofits in Prince George’s County. Arts, culture, and humanities nonprofits and other nonprofit organizations (e.g., environmental, international, and mutual-benefit organizations) make up about 5 and 6 percent, respectively.
Though the composition of the nonprofit sector in Prince George’s County is diverse according to type and service areas, overall the nonprofits tend to be smaller in size than state and national averages. The IRS requires nonprofits with gross receipts of $200,000 or more or with total assets of $500,000 or more to file a Form 990. Organizations with annual gross receipts less than $200,000 and total assets less than $500,000 can file either a Form 990 or Form 990-EZ. Small nonprofits with less than $50,000 in gross receipts and religious congregations of any size are not required to file, although many do. When looking at the IRS data for Prince George’s County for fiscal year 2012, only 20 percent of the roughly 4,400 registered nonprofits filed a Form 990 or Form 990-EZ; the total assets of those that filed are shown in figure 2 (McKeever and Pettijohn 2014). Notably, one-fourth of the nonprofits that filed a Form 990 or Form 990-EZ had total revenues less than $25,000. The large gap between the number of organizations registered and the number filing is partially explained by the prevalence of very small organizations operating in the county.

A reliance on small nonprofits to address complex social issues can be both beneficial and challenging. Small nonprofits make good local partners because they often have established trust and credibility with people in certain neighborhoods or communities, and they are therefore able to engage clients more effectively than government agencies. Moreover, small nonprofit organizations have a tendency to be more flexible and narrowly focused than government agencies, and therefore they are usually better positioned to identify, understand, and address specific issues or target populations more efficiently than their government partners. In contrast, small nonprofits tend to have fewer resources, low capacity, and difficulty performing the administrative requirements attached to certain kinds of funding, particularly funding via government contracts and grants (Hager, Galaskiewicz, and Larson 2004). As further described in the remaining sections of this brief, these kinds of challenges can affect the relationship between nonprofits and Prince George’s County government.
A Closer Look at the Nonprofit-Government Contracts and Grants Process in Prince George’s County, Maryland

This study explores how Prince George’s County government contracts with or awards grants to local nonprofit organizations to identify promising practices and challenges. The data collected focus primarily on the grant awards processes at the local level and offer little information pertaining to the contracting process used to fund nonprofits. The findings provide an overview of the underlying forces, organizational capacities, and activities that can affect various stages of government funding, with specific emphasis on the grant awards process carried out in Prince George’s County.

Overview of the Grants Process in Prince George’s County

Nonprofit organizations in Prince George’s County can apply for government grants from three primary local funding sources: the County Executive Community Partnership Grants, and two grant programs operated by the county council, the County Council Special Appropriations Grants and the County Council Non-Departmental Grants (table 1). Though Prince George’s County also receives federal and state funds that can be distributed to nonprofits through various local government agencies and foundations, this study is limited to those three local funding sources.

The reviewers of the County Executive Community Partnership Grants typically award funding to improve existing programs rather than to help nonprofits launch new initiatives within the community. As a government respondent explained,

“A lot of people think that expanding physically is the best way to go. We really encourage our nonprofits to expand within the services that they’re providing. To continue to enrich the lives of the clients they already have. And that’s a hard sell because people want to expand their reach.”

The County Council Special Appropriations Grants allow each member of the nine-person county council to award $100,000 in noncompetitive grants each year to nonprofits in their district. The
government respondent explained that each council member has its own process for awarding special appropriations grants. Some council members prefer to fund nonprofits directly; others choose to fund intermediary organizations, such as the Community Foundation in Prince George’s County, to redistribute funds to local nonprofits. Unlike the county executive grants, the county council does not have a preference for funding existing or new programs. Rather, funding is awarded based on the discretion of the council members, and council members usually align with the issues or causes specific to the communities they serve.

Unlike the other two grant programs, to be eligible to receive a County Council Non-Departmental Grant, nonprofits must be recommended by a council member, and the council collectively approves the grant award. These grants typically start at $10,000, but the council can decide to award higher amounts. While many nonprofits received a Special Appropriations Grant before being recommended for the nondepartmental grant, the criteria for assessing and selecting grantees remain somewhat unclear.

TABLE 1

Description of Key Government Grant Programs for Nonprofits in Prince George’s County

<table>
<thead>
<tr>
<th>Grant name</th>
<th>Grant source</th>
<th>Review process</th>
<th>Criteria</th>
<th>Award amounts</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Partnership</td>
<td>County executive</td>
<td>County employees review applications and score applications using a rubric system</td>
<td>▪ Nonprofit must be in service for at least 3 years</td>
<td>Range from $3,000 to $100,000; $1.63 million in yearly grant awards</td>
<td>Application process takes 5–6 months; nonprofits expected to receive funds one month after award notification</td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td></td>
<td>▪ Amount of funding request</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Experience or expertise</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Other sources of funding</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Partnerships and collaborations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Whether services meet county priorities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Appropriations</td>
<td>Individual county</td>
<td>Application reviewed by county council member (or committee); if nonprofit meets criteria, then invited for an interview</td>
<td>▪ History of nonprofit</td>
<td>Range from $500 to $5,000; $100,000 in yearly grant awards</td>
<td>Applications are accepted on a rolling basis until funds are expended</td>
</tr>
<tr>
<td>Grants</td>
<td>council members</td>
<td></td>
<td>▪ Leadership</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Partnerships and collaborations</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Sources of revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Whether nonprofit is focused on key service areas such as education, music, and mentorship of young people</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Departmental Grants</td>
<td>County council member</td>
<td>County council member makes recommendation to council and discussion is had in a public hearing</td>
<td>▪ Range from $10,000 to $14,000; $2 million in yearly grant awards</td>
<td></td>
<td>Once county budget is approved, organizations are notified of award.</td>
</tr>
</tbody>
</table>

Nonprofits More Likely to Have Grants Than Contracts

Fifty-four percent of nonprofits in Prince George’s County have contracts or grants (or both) with the local government. Consistent with the national survey results, the survey data collected for this study show that nonprofits in Prince George’s County received government funds via grants (84 percent) with more frequency than contracts (60 percent). About half of the nonprofits that receive funding from Prince George’s County government are classified as human services organizations that deliver programs to needy individuals and communities. So the use of grants over contracts seems fitting and mirrors similar trends at the state and federal levels: grants generally are structured to provide financial assistance to help address a public problem, advance a public issue, or support the delivery of public programs with more broadly defined outcomes. Such structure stands in contrast to contracts, which tend to be more demanding and designed to procure specific products or services (Pettijohn et al. 2013).

Political Challenges a Factor in Prince George’s County

Nonprofit and Prince George’s County leaders both reported some political challenges to securing and awarding grants to nonprofit organizations. Nonprofit respondents voiced concerns that the criteria used to make funding decisions, particularly for the Special Appropriations and Non-Departmental Grants administered by county council members, can be subjective and somewhat vague, making it difficult to prepare application materials and navigate the process. For example, several nonprofit respondents communicated that to secure grants from the county council, they must develop relationships or successfully lobby elected officials. In many cases, this can be particularly challenging for smaller, inexperienced nonprofits that may not have access to or knowledge of how to connect with elected officials. These organizations are more likely to find it difficult to secure these revenue streams because of the unwritten rules and expectations that override formal, written procedures. Conversely, the process can also provide instructive guidance to these organizations about the importance of building relationships and engaging new stakeholders for support.

The government respondents explained that elected officials tend to have causes or service areas they are most concerned about. Thus, they are most likely to fund nonprofit organizations that meet the needs of the communities that elected them into office. Elected officials face a challenge concerning the limited funds they have at their disposal and their subsequent inability to fund every nonprofit that applies for one of their grants. One respondent shared that nonprofit leaders sometimes take it personally if the local government chooses not to fund them, saying “If we fund them, they love us; if we don’t fund them, they hate us.”

Application Processes are Complex and Cumbersome

When compared with other states, Maryland has the second-highest percentage of nonprofits (83 percent) that reported a problem with the complexity of or time required by the government application processes for contracts and grants (Pettijohn, Boris, and Farrell 2014). Thus, it comes as no
surprise that complex and cumbersome application processes are problematic for Prince George’s County nonprofit organizations.

Generally, the decision to award a contract or grant comes down to the nonprofit’s ability to submit a well-written application or proposal that articulates the organization’s mission, goals, outcomes, and impact. Nonprofits with more professionalized development and grant-writing staff have greater capacity to win funding agreements; nonprofits with less capacity and experience in the grant application process face difficulties. One government respondent explained,

“We’re asking them for something that they don’t know they’re supposed to give us. So it’s a little unfair because experienced people who write grants really well know what [these] answers should look like.”

The nonprofit leaders that have been less successful securing local funding expressed frustration with trying to understand what an effective application looks like and the general expectations of the Prince George’s County government funders. They reported feeling pressured to choose between investing in program quality or building staff capacity that can help secure needed funding and resources.

Late Payments Are a Problem

Nonprofits in the focus group reported that a major problem is that they often receive late payments from local government for services rendered. The survey results further show that late payments are a problem in Prince George’s County. Fully 48 percent of survey respondents reported that they received late payments from local government. Of those who reported receiving late payments, almost two-thirds reported that their payments were over 90 days late (figure 3). Moreover, the survey and focus group data show that nonprofits could get paid for their services more than a year after they have been notified that they received an award and fulfilled the expectations of the contract or grant agreement. As one nonprofit leader explained,

“It took a year to receive the contract, and then months after that, we received the check. The reporting for that—they gave us a huge binder of what we have to do for the reporting. We went to this meeting, we’re turning in the reporting on a quarterly basis, and we haven’t even gotten the contract.”

Several focus group participants shared similar experiences. Nonprofits mentioned that they often have to open lines of credit to keep services running while they wait for payment, which creates an undue cost to the organization. Another nonprofit respondent said,

“We know at our organization that if we submit [an application] in September, we’re not seeing a dime until June. [The elected official] likes to hold it until the last minute; it looks good for his budget. But I know this means that I have to be in the office in May to remind them that I’m in that stack of paper and I need to be paid. I block out quarterly, when are the application deadlines, when I need to go remind them of payment, and when will the funds actually arrive.”

Although the reasons for late payments vary or are unknown, there are centralized processes and procedures to which county agencies must adhere that can contribute to delays or extend the contracts
and grants timeline. Prince George's County, for instance, has created a centralized finance center that issues payments for every branch of the county government. Unfortunately, this attempt at governmental streamlining has generated some concerns for nonprofits seeking timely payments for their services.

**FIGURE 3**

Percentage of Nonprofits with Late Payments from Prince George's County Government

![Bar chart showing percentage of nonprofits with late payments from Prince George's County Government.](chart)

Source: Survey of Nonprofits with Government Contracts and Grants in Prince George's County, 2014.

Prince George's County government officials acknowledge these challenges and the strain they place on their relationships with the nonprofits the county funds. A local government's complex institutional and structural dynamics can make it difficult to address and resolve inefficiencies. Government staff mentioned consequent efforts to partner with local and regional third-party groups with knowledge and expertise working with nonprofits (e.g., community foundations, nonprofit umbrella and membership groups, large nonprofit organizations, and coalitions) to enhance Prince George's County government's knowledge and provide guidance and support on ways the local government can improve the contracts and grants processes.

**Fiscal and Resource Constraints Place Strains on Nonprofit-Government Relationships**

Across the country, governments at all levels continue to face difficult budget situations that pose immediate or long-term challenges. Essentially, fiscal and resource constraints or changes have major effects on government funding priorities and can limit what a local government can do.

Both government and nonprofit participants raised concerns about the capacity of local government staff to manage contracts and grants processes with limited resources and the resulting
effect on the nonprofits they fund. When responding to fiscal pressures, local governments may reduce staff, which often leads to the remaining staff taking on more responsibilities with fewer resources to administer contracts or grants efficiently. Accordingly, government respondents admitted that staff and elected officials who administer contracts and grants sometimes lack the time and support necessary to efficiently process contracts and grants. Despite efforts to standardize local processes, the lack of dedicated staff often creates inconsistencies in how contracts and grants are implemented across nonprofits and leads to delays in reviewing applications, approving contract and grant awards, and distributing funds.

In another example, government respondents underscore the difficulties they face when trying to coordinate and monitor funding across agencies. The creation of the centralized finance department has made it easier for officials to decipher whether organizations are already being supported, but there is no system in place for county staff to review which government agencies plan to allocate funding to nonprofits, and how much has been budgeted, before actual payments are made. This makes it difficult for funders to determine the amount of funding already being received by a particular nonprofit and the appropriate amount of additional funding to award. The lack of such systems contributes to the complexities and recurrent problems associated with administering contracts and grants, another consequence of the limited fiscal and staff resources in this locality.

The survey results and the data collected in the focus group further highlight how local government fiscal constraints affect the operations and strategies of area nonprofit organizations. As mentioned, slightly more than half the nonprofits in Prince George’s County rely on local government funding. So when the government is dealing with fiscal and resource constraints, it can be expected that Prince George’s County’s nonprofit sector will be constrained as well. For instance, over 70 percent of the nonprofits surveyed reported running a deficit when their local government funding decreased in 2013. Nonprofits also reported that decreased local government funding in 2013 contributed to

- decreases in employee salaries (40 percent),  
- reductions in staff (40 percent),  
- increases in use of volunteers (60 percent), and  
- use of reserve funds (50 percent).

The fiscal and resource constraints experienced by Prince George's County government not only affect how local government agencies operate, but also can shape the relationship with the local area nonprofits with which they work, place constraints on nonprofit operations, and in many cases, weaken the financial stability of the local nonprofit sector. The government respondents noted the challenges of balancing policy priorities and funding constraints with managing relationships with nonprofits. Given the budget shortfalls Maryland has faced over the years, it remains questionable whether Prince George’s County will have the fiscal resources to improve or streamline its contracts and grants processes in the near future.
Prince George's County Government Efforts to Strengthen the Local Nonprofit Sector

Nonprofit organizational capacity is a concern for Prince George's County government officials. Government respondents primarily talked about two issues. First, they mentioned the capacity of area nonprofits to submit required paperwork and reports in a timely, complete, and acceptable manner. For example, nonprofits applying for government funding are required to use a standard budgeting plan to make it easier for Prince George's County staff to compare funding requests. But government respondents reported that many nonprofits resist using the standard format, a decision that can impede the review process and ultimately affect nonprofits' funding receipt.

This issue could arise because Prince George's County's nonprofit sector is mostly composed of small nonprofit organizations, which tend to lack the organizational infrastructure or support systems necessary to manage public money, such as specialized financial staff or technology. Several nonprofits remarked that they have to submit "the same paperwork every year," often to multiple government agencies. Such repetitious submittals place significant financial and temporal hardships on nonprofits. Moreover, government funding generally excludes or limits reimbursements for program and organizational administrative (overhead) expenses, which can affect a nonprofit's bottom line. Meeting the financial reporting standards and other requirements set forth by the local government funding stream can be burdensome and difficult for many small nonprofits.

Second, government respondents discussed the lack of collaborative capacity among area nonprofits. Forming collaborations with other organizations can help a nonprofit advance its goals, expand its influence, and secure necessary resources to strengthen its operations (Chen and Graddy 2010; Sowa 2008). The government respondents echoed the benefits of collaboration and stressed the need for nonprofit organizations to partner with others in the community and across Prince George's County to build capacity. For instance, to be eligible for funding, the County Executive Community Partnership Grant requires nonprofits to demonstrate that they have expertise, experience, and relationships with other community organizations within at least three years before submitting an application. The government respondents view collaboration as a way for nonprofits to access the guidance and expertise of others doing similar work, share resources, cope with fiscal and resource constraints, expand the reach and impact of their dollars, and strengthen the organizational infrastructure and capacity of nonprofit organizations.

Building nonprofit capacity is particularly important because Prince George's County relies on nonprofits for public service provision, but many of its nonprofits have annual budgets of less than $25,000 and cannot afford to make the necessary investments. The good news is that the government respondents recognize that they are well-positioned to strengthen the local nonprofits in Prince
George's County, especially those nonprofits that have not been able to obtain a contract or grant agreement. Currently, Prince George's County is investing time and funding into two nonprofit capacity-building initiatives. The first effort involves funding the Human Services Coalition of Prince George's County, which is a network of organizations, agencies, and individuals working to strengthen nonprofits by advocating for resources, building organizational capacity, and providing networking and collaboration opportunities. As a government respondent explained,

“[Nonprofits] have been challenged to figure out how to do marketing and do fundraising and expand themselves within their organizational leadership... Education for our nonprofits is critical. So we’ve invested time and money into [a coalition] which is responsible for working with our nonprofits.”

To foster the development of relationships and networks, the second capacity-building effort entails hosting an annual nonprofit conference that offers nonprofits continuing education and networking opportunities. Hosting this conference provides nonprofits with a venue and time to meet, interact, exchange information, learn about and from one another, and connect with agency leaders.

**Conclusion**

In Prince George’s County, local nonprofits strengthen the community by providing services, enhancing quality of life, and providing opportunities for people to interact with each other. Similarly, the local government is highly involved in improving communities and disburses close to $2 million in grant dollars every fiscal year to nonprofit organizations. Although nonprofits and governments may have different priorities and expectations, contracts and grant systems offer an opportunity for them to work together to address important social policy issues. Local governments and nonprofits are natural partners, and their combined efforts can yield significant results for their constituents.

This brief presents the findings from an initial exploration of local nonprofit-government contracts and grants relationships in Prince George’s County, Maryland. The experiences of the nonprofit and government respondents that participated in this study shed light on critical issues and conditions that can affect these systems. The data revealed several factors. Political and organizational policies can pose unique problems that affect the administration of grants in Prince George’s County. Nonprofits report that procedural hurdles lead to slow, long, and cumbersome dealings, and the ambiguity of criteria and requirements often stymie a nonprofit’s access to funding opportunities. Additionally, fiscal challenges present resource constraints and limit what the local government is able to do. Budget shortfalls and reduced government staff create inconsistencies across the various funding streams as well as confusion and paperwork burdens for both nonprofit and government organizations.

Because the data collected for this study primarily focus on the challenges of administering government grant awards, additional research is needed about Prince George’s County’s nonprofit-government contracting processes to enhance understanding of the issues and inform efforts to improve and streamline the system. The experiences of the study participants strengthen the case for nonprofit and government policymakers to strategize about how they can better align their efforts to
improve and ensure a more efficient and mutually beneficial contracts and grants process. Such efforts would benefit all who serve Prince George's County.

Notes
1. See for example, Chen and Grady (2010); Selden, Sowa, and Sandfort (2006); Wei-Skillern and Marciano (2008); and Wohlstetter et al. (2004).

References


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