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Pending federal grants reforms could make life easier for nonprofits

In potentially big news for tens of thousands of nonprofits, last month, the Biden Administration proposed significant [changes to the rules governing federal grantmaking](#) that would correct longstanding challenges that have limited nonprofit effectiveness, discouraged qualified organizations from seeking federally funded grants, and wasted billions of dollars and countless hours in jumping through needlessly complex reporting requirements. We'll get to the substance, but first let's review why people in just about every role at a charitable nonprofit should be happy if these proposed reforms ultimately get adopted as drafted:

- **Chief Executive Officers** would likely see fewer bureaucratic hurdles and lost opportunities for mission-focused grants.
- **Development staff** would be able to identify funding opportunities more easily while no longer having to raise money to subsidize governments for the parts of grant performance and overhead they too often refused to pay.
- **Finance staff** would see improved cash flow and fewer intrusive audits, saving even more money.
- **Program staff** would be able to focus more on performance and less on arbitrary and inconsistent reporting requirements.

The proposed [“fundamental rewrite” of the Office of Management and Budget Uniform Guidance](#) would promote equity, remove barriers for smaller organizations, and simplify the federal grantmaking process, particularly at the application stage.

The package of reforms includes numerous nonprofit-friendly reforms including:

- Raising the *de minimis* indirect cost rate from 10% to 15%;
- Prohibiting federal agencies from pressuring organizations to accept lower reimbursements for indirect costs; and
- Creating what amounts to an appeals process when federal agencies fail to follow OMB guidance.

The proposals also seek to advance equity and overcome barriers to federal grants by requiring plain language in notices, applications, and reporting; imposing community outreach obligations on federal agencies to ensure needs assessments; and clarifying when federal entities should consider diversity when developing policies and procedures.

Additional significant proposed reforms include:

- Increasing the single audit threshold up to \$1 million (from \$750,000);
- Reorienting and simplifying the format for Notices of Funding Opportunities (NOFOs) so they provide basic information up front, and
- Eliminating reports and metrics that are not necessary for the effective monitoring of a grant.

All of these laudatory aims are subject to review and revision by the Office of Management and Budget after a 60-day period of public comments that ends on December 4, 2023. We encourage your nonprofit to submit comments, sharing the positive effects these potential reforms could have for your work. For more information, see National Council of Nonprofits analysis: [Significant Improvements to Federal Grants Rules Proposed](#).