RHODE ISLAND FOOD DISRUPTION PLAN

POLICY BRIEF 4: Expediting Funding During a Long-Term Disruption to the Food System

EXECUTIVE SUMMARY

The planning process surfaced challenges the state faced in quickly releasing funds to community-based organizations and others to fund their current and enhanced operations, obtain essential supplies and equipment, and otherwise provide access to food and other critical resources. While some states, such as New York, issued executive orders that authorized the release of funding without following the standard notice and procurement process, it is not clear that Rhode Island did the same. This policy brief will examine how other states addressed the issue of facilitating the disbursement of the federal funds it received to community-based and other entities that were on the ground addressing the food and other basic needs aspects of the pandemic. Recommendations for consideration will also be shared.

INTRODUCTION

While many nonprofit organizations have long struggled with finances overall and cash flow in particular, the pandemic highlighted the financial fragility of the entities charged with meeting the food security (and other) needs of Rhode Island's most vulnerable populations. The significant influx of response and recovery funds that Rhode Island received from the federal government filled the state's coffers, but contracting, payment, and other barriers prevented in many cases not only advance payment to the nonprofit organizations but also timely reimbursement for these services. This brief examines opportunities to learn from that experience and identifies policy opportunities to prevent such issues in future states of emergency.

THE CHALLENGE

Nonprofit organizations are the backbone of the charitable food system and were instrumental partners with the state in responding to the immediate and long-term food access and availability needs of all Rhode Islanders, particularly the most vulnerable, during the pandemic. At the same time, many of these organizations were under significant financial duress during the pandemic, as historic funding streams (fee-based services, charitable giving) were adversely impacted by state policies related to in-person services and events. Even after the pandemic, nearly 40% of nonprofits surveyed by the United Way of Rhode Island in 2023 had less than three months of cash reserves and 1 in 5 had one month of cash on hand or less.

The financial health of the nonprofit sector is not only important to provide this important role as a backstop to address community needs, but it is also an integral part of the state's economy, with nearly 17% of the state's workforce employed by nonprofits (making this sector larger than manufacturing in Rhode Island).

While the state sought to be nimble and flexible in addressing the immediate operating needs of nonprofit organizations during the pandemic and resourcing them to address the significant increase in needs, particularly around food access and food security, there were still structural barriers to ensuring that these backbone organizations had the resources they needed to support the State. In the words of one stakeholder, *"the State still treated the funds as a reimbursement program. Other states allowed nonprofits to get money fronted to them; we were going into our lines of credit while the State was sitting on the money. We paid first and asked for it back. It was a foolish and inadequate system."*

EMERGING BEST PRACTICES

The following policy analysis incorporates both experiences from states and other jurisdictions during the pandemic as well as recommendations from nonprofit advocates and organizations to consider in future long-term disruptions to the food system.

- For example, in March 2020, the Governor of New York issued Executive Order 202 that suspended several laws related to the State Finance Law to enable the awarding of emergency contracts and waive the standard state procurement process to expedite state contracts.
- The federal Office of Management and Budget, in Memorandum 20-17 issued on March 19, 2020, encouraged federal agencies to relax administrative and performance requirements during the public emergency, recognizing that many governmental grantees and contractors would not be able to fully perform due to shutdown orders and public safety requirements.
- Colorado passed legislation during the pandemic that permitted a state agency to pay up to 25 percent of the total value of payments to the grantee immediately upon execution or renewal of the contract, thereby preventing late payment and underpayment challenges confronting nonprofits.
- In New York, Chapter 166 of the Laws of 1991 added Article XI-B (The Prompt Contracting Law) to the State Finance Law, promoting prompt contracting with not-for-profit (NFP) organizations. More specifically, the Prompt Contracting Law establishes time frames for processing contracts and related documents; provides for written directives, waivers of interest, advances, and

loans to NFPs when those time frames cannot be met; and requires interest payments to NFPs when contract payments are late due to untimely processing of contracts and no advance or loan was provided.

Nonprofit advocacy groups around the country also highlighted opportunities to modify prevalent state policies and regulations to help support nonprofits continue to operate without disruption.

- "Pay current invoices quickly. Pay current invoices from nonprofits (and businesses) on an expedited basis. State agencies often hold valid invoices for weeks or months prior to payment. An executive order requiring immediate and expedited payment of all current invoices will have an immediate positive impact on nonprofit agencies' ability to make payroll, fulfill obligations, and stay in business. Pennsylvania Association of Nonprofit Organizations
- "State agencies should be allowed to temporarily loosen grant and contract reporting, application, and renewal requirements, following the lead of the federal Office of Management and Budget...for both federally and state-funded agreements." Maryland Nonprofits
- "An expedited or automatic approval process for budget modifications that do not increase the contract total should be instituted to allow nonprofits to move budget-line items associated with existing contracts to new COVID-19 related priorities such as the cost of disinfecting facilities." CalNonprofits
- With respect to considerations related to equity, the State Association for nonprofit organizations in Washington State recommended that *"government funders can and should remove or mitigate barriers to contracting that disproportionately impact nonprofits serving BIPOC, rural and other marginalized communities. These include reimbursement-based contracting, delayed payments, matching funds requirements, and onerous insurance requirements."*

RECOMMENDATIONS

The State relies and depends on the nonprofit sector to help respond to a long-term disruption to the food system. Steps to ensure the financial and organizational stability of the nonprofit sector are paramount to ensuring readiness for future disruptions to the food system. In the words of Washington Nonprofits, the Government can best reach its goals when (its) partners are strong and capable.

To the extent that timely or expedited payments are impeded by a lack of staff or old technology, the State should invest in creating the needed capacity (people, process, software, artificial intelligence) to ensure the prompt flow of funds, before, during, and after a long term disruption to the food system. This should happen during the state agency budgeting process for FY27

Internal and external advocacy efforts for this investment should focus on the fiscal health of Rhode Island's safety-net providers and other essential components of Rhode Island's food system and economy, including small businesses and other organizations for whom cash flow presents barriers to contracting with the State. To this end, the State and food security advocates should give full consideration to the executive orders from New York State and the model legislation from Colorado to more formally codify practices to support these practices during the 2025-2027 sessions of the General Assembly.