



BDR 31-589: Prompt and Advance Payment of State Grants to Qualifying Nonprofit Entities (Sponsored by Assemblyman Howard Watts)

Introduction: State service contracts and grant agreements, including those funded by federal pass-through and State dollars, provide critical support to nonprofits as we serve communities across the state.

The Challenge: The current payment terms and timelines of these contracts and grants can cause significant financial and operational hardships for nonprofits and, in turn, the people and communities they serve. The limited availability of advance payment plus uncertain payment timelines, often more than Net 30, makes partnering with the State unnecessarily difficult and often impractical, leaving federal funds underutilized and much-needed programs dormant. According to a [recent analysis of Nevada's nonprofit sector](#), the median nonprofit in Las Vegas does not have enough cash on hand to cover 3-months of expenses. These low liquidity rates make it extremely difficult for nonprofits to 1) front the cash needed to launch and operate State-funded programs; and/or 2) wait more than 30 days for reimbursement payments.

The Solution: Advance and Prompt Payment

Adapting payment approaches to meet the needs of the State *and* its partners will open the door to new, improved opportunities to serve Nevadans. We propose the following:

DRAFT bill language:

In a new section under NRS Chapter 353:

1. The State shall make advance payments to 501(c)3 nonprofit corporations to cover eligible costs the nonprofit will incur in implementing services under a properly executed grant agreement or services contract.
 - (a) Advance payments shall equal up to 25% of the annual award amount or the amount requested by the nonprofit, whichever is lesser.
 - (b) Advance payments shall be made only after the requesting nonprofit provides a sufficient expenditure plan that aligns to eligible activities and expenditures under the subject award, justifies the need for the advance, and demonstrates that it has appropriate financial management policies to track.
 - (c) The Chief shall develop and maintain a process that allows nonprofits to clearly understand what is required for a request and how determinations will be made, and ensures that requests are reviewed and acted upon expeditiously.
 - (d) A request for advance payment must be submitted to the Chief on the form and with supporting information as the Chief prescribes.
2. A nonprofit receiving advance payment shall abide by all applicable guidelines and requirements, including customary reporting on usage of funds.
3. If a nonprofit misuses advance payments, it shall be responsible for repayment and customary penalties.

Legislative References:

- Federal: [2 CFR 200.305 \(b\)](#) – Effective October 1, 2024, new rules in place by the Office of Management and Budget strongly encourage federal grants to charitable

nonprofit organizations be paid upfront entirely to minimize any lapse in payment time. Furthermore, the new rule clarifies that federal agencies employ the reimbursement model only when absolutely necessary.

- State: [Colorado: HB 21-1247](#)
 - [Louisiana Revised Statute 39:1613](#)

Prompt Payment: The State should pay correctly submitted reimbursement requests within a reasonable period. If payments are delayed at no fault of the nonprofit, the State shall owe reasonable interest. This would promote accountability for prompt payments and, when that does not happen, provide some relief to nonprofits for the harm they incur.

DRAFT bill language:

In a new section under NRS Chapter 353:

1. The State shall make prompt payments to nonprofit corporations for goods and services they provide pursuant to properly executed grant agreements or services contracts.
 - (a) Prompt payment shall mean payment within 30 days after i) the day on which the payment becomes due under such agreement or contract or ii) if later, the day on which the State receives a proper payment request under the terms of the agreement or contract.
 - (b) The State shall be liable for interest that accrues at the rate of 9% a year on any amount:
 - (1) That is due and payable; and,
 - (2) For which the State received a proper payment request and failed to remit payment within 30 days.
2. The Chief of the Governor’s Office of Federal Assistance shall work with agencies to develop and adopt uniform guidance, forms, processes, training, dispute resolution processes, and the like that facilitate efficient, fair nonprofit reimbursements.
3. The Chief shall monitor and report to the Legislature the frequency of incorrectly submitted invoices, the frequency of delayed payments, and the causes of these delays.

Legislative References

- Maryland [SB 112](#) and [HB 328](#) established invoicing and prompt payment requirements for specific state grants and requires grants to be paid within 37 days.

Summarized Findings from GrantLab’s 2024 Survey of the Nonprofit Sector

Nevada GrantLab received 152 responses from Nevada nonprofits on the current state of the reimbursement model for state grants. Of these:

- 51.7% have been awarded a grant from the State of Nevada in past 5 years
- 25% of awardees report average reimbursement timelines of over 60 days
- 50% of awardees report moderate to extreme challenges with cash flow on state grant-funded projects
- 22% of awardees have taken out bridge loans to address cash flow issues related to state grant reimbursement
- 88.7% would endorse a policy allowing advance payment on State grants