

# Los Angeles Leads the Way Implementing New OMB Grant Rules

04.14.16 | Linda J. Rosenthal, JD



A year ago, in March 2015, we reported on a landmark development in federal grants administration. In “[New Year, New Accounting Rule: But Don’t Sleep Through This One](#),” we warned that it was all about “overhead” and “reasonable indirect costs” and “cost allocation rules”: ordinarily a snooze-inducing topic. Nevertheless, there was lots of excitement about it:

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*The Controller of the Office of Management and Budget waxed poetic about the OMB Uniform Guidance: ‘[T]his historic reform will transform the landscape [for government grants and contracts]. . . for generations to come.’*

The new OMB rules “were a signature accomplishment of the pro-nonprofit lobbying of the National Council of Nonprofits” which “released enthusiastic comments, ... calling them “... a major victory for people who depend on nonprofits every day.”

What’s all the fuss about? In a nutshell, the federal government acknowledged that nonprofits had been seriously underpaid for services rendered under federal grants and contracts. “Since the federal government is a source of money that flows through to the states and local governments, (which make their own grants and contracts), this problem appeared in government awards at all levels and around the nation.” For contracts entered into on and after December 26, 2014, all of these governments –

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*that hire nonprofits to deliver services are now required to reimburse nonprofits for the reasonable indirect costs (sometimes called ‘overhead’ or ‘administrative’ costs) they incur on behalf of governments when federal dollars are part of the funding stream.*

The nonprofit community was “encouraged to ... be proactive in enforcing these new rights for their benefit” because they “may encounter resistance from federal, state, or local employees, or other opposition based on lack of knowledge or understanding of these new rules.”

#### *L.A. Board of Supervisors Takes Action*

In November 2015, the L.A. County Board of Supervisors voted unanimously to formally “extend to Los Angeles nonprofits the new OMB standards for reimbursing nonprofits on government contract work – the OMB Uniform Guidance.”

Los Angeles has now led the way with this first-in-the-nation endorsement of these important new rules. This action is particularly significant because Los Angeles is the most populous county in the United States, and is home to more nonprofits than anywhere else.

Supervisor Hilda Solis, formerly U.S. Secretary of Labor, shepherded this resolution through the Board. It called on “County Chief Executive Sachi Hamai to consult with Los Angeles nonprofits to develop an implementation strategy” and to present it within 120 days. Also, there was to be a letter urging state government leaders “to fully embrace and implement the OMB rules.”

Supervisor Solis explained: “By ensuring we are covering the full and reasonable cost for [nonprofit-provided] services, we can in turn help our nonprofit partners better serve their constituents and fulfill their important and irreplaceable missions.”

#### *Implementation Report Released*

Los Angeles County officials met the deadline imposed by the November 2015 Board of Supervisors resolution calling for plans to fully implement the new OMB Uniform Guidance.

On March 3, 2016, the LA County Chief Executive Officer released an official report with “background on the Federal Uniform Guidance Regulations, County fact finding efforts with respect to the nonprofit advocacy and philanthropic communities, results of ... survey and focus groups, and recommendations related to furthering the implementation of the Guide.” “This news isn’t simply a local matter for Los Angeles; it should resonate

across the country with important lessons for nonprofits, foundations, and government.”