

PRIORITY 2: GOVERNANCE & POLICY INNOVATION FOR CBOs

Building Sustainable, Evidence-Based Community Organizations

POLICY BRIEF | JANUARY 2026

The Policy Problem

Community-based organizations (CBOs) in Puerto Rico face a structural crisis of financial sustainability and institutional capacity that threatens the continuity and effectiveness of essential services for approximately 700,000 individuals each year. Evidence from the Urban Institute indicates that Puerto Rico's nonprofit sector is significantly more vulnerable to disruptions in government funding than the national average. An estimated 84.2% of nonprofit organizations that file a 990 form in Puerto Rico would face financial deficits if government grants were reduced or eliminated, compared to 67.3% nationally. Even more concerning, the average nonprofit organization that files a 990 form in Puerto Rico would experience an operating deficit of 30.9% without government grants—nearly three times the national average deficit of 12.8% (Urban Institute, 2025).

This financial fragility persists despite the sector's critical economic and social role. Nonprofit organizations in Puerto Rico employ more than 100,000 individuals, representing nearly 15% of total employment; contribute between 5.6% and 6.3% of the gross domestic product; and mobilize approximately 734,000 volunteers, whose economic value is estimated at \$1.2 billion annually (Estudios Técnicos, 2022). These data demonstrate that the sustainability of the community-based sector is not merely an organizational concern, but a central component of economic stability, essential service delivery, and social resilience in Puerto Rico.

The literature indicates that this vulnerability is driven primarily by structural limitations embedded within



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public funding models, particularly in the design of government contracts and grants. From the perspective of state agencies themselves, these funding mechanisms often impose substantial administrative burdens, prolonged reimbursement timelines, and financing structures that inadequately support indirect costs and the organizational infrastructure required for effective implementation. These conditions contribute to financial instability, undermine workforce retention, and constrain long-term planning, even among organizations with strong performance and deep community roots (Fyffe, 2015).

These financial constraints translate directly into substantial gaps in organizational capacity. Government agencies serve as the custodial partners of federal funds that flow through community-based organizations to families across the island. However, as these agencies face declining federal resources, research reveals they simultaneously lack the technical infrastructure necessary to effectively support evidence-based service delivery by their CBO partners. A comprehensive assessment of evidence use capacity among 157 leaders from 18 Puerto Rico government agencies found that only 31% held certifications in evidence-based practices, and 74% of agencies lacked a shared or consistent understanding of what constitutes "evidence" in service delivery (Rosa et al., 2020). This means

that government agencies responsible for stewarding federal funds and providing technical assistance to CBOs are themselves operating without strong evidence-based frameworks. The dual challenge is clear: CBOs receive funding through government agencies that are both experiencing federal funding reductions and lack the capacity to function as evidence-informed implementation partners.

These capacity deficits are further compounded by persistent challenges related to leadership and institutional continuity. High staff turnover and frequent changes in executive leadership erode accumulated organizational knowledge and hinder medium- and long-term strategic planning. In addition, agencies continue to operate under traditional public administration models that prioritize regulatory compliance over systematic data use, evidence-informed decision making, and results-oriented management (Rosa et al., 2020). Without federal investment strengthening both the funding base and the evidence infrastructure of government agencies, CBOs face a cascading crisis: declining resources flowing through partners who lack the capacity to provide the technical assistance, data systems, and evidence-based frameworks necessary for effective implementation. In the absence of





deliberate investments in leadership development and institutional strengthening at both the government agency and CBO levels, organizations tend to function reactively, limiting their ability to adapt to funding environments that are increasingly oriented toward performance and measurable outcomes (Urban Institute, 2001).

Territorial funding disparities represent a third, distinct structural constraint undermining the sustainability of community-based organizations in Puerto Rico. Beyond the limitations of contract design and agency capacity, CBOs operating through Puerto Rico government agencies are systematically exposed to federal funding structures that impose capped, frozen, or reduced allocations compared to states, regardless of population need or cost of living.


Puerto Rico's Medicaid program operates under a capped block grant structure that is set to revert to significantly lower FY 2019 base funding levels after FY 2027 without Congressional intervention, threatening healthcare coverage for hundreds of thousands of residents (KFF, 2025). Similarly, the Nutrition Assistance Program (NAP) remains frozen without adjustment for population growth or inflation, despite Puerto Rico importing over 80% of its food and residents facing continuously rising prices (19th News, 2025). The Temporary Assistance for Needy Families (TANF) block grant has remained fixed at 1990s

funding levels without any adjustment for inflation or population changes over nearly three decades (Congressional Research Service, 2026).

These disparities are further exacerbated by proposed federal policy changes. The FY 2026 federal budget consolidates SAMHSA's Community Mental Health Services Block Grant, Substance Use Prevention/Treatment Block Grant, and State Opioid Response grants into a single "Behavioral Health Innovation Block Grant," representing an approximately \$500 million reduction from current funding levels and directly weakening the behavioral health infrastructure available to Puerto Rico government agencies and their CBO partners (National Council for Mental Wellbeing, 2025).

Moreover, the Temporary Assistance for Needy Families (TANF) block grant has remained fixed at 1990s funding levels without any adjustment for inflation or population changes over nearly three decades (Congressional Research Service, 2026). While Congress rejected the Administration's FY 2026 proposal to consolidate SAMHSA's Community Mental Health Services Block Grant, Substance Use Prevention/Treatment Block Grant, and State Opioid Response grants into a single "Behavioral Health Innovation Block Grant" — which would





have represented an approximately \$465 million reduction — the Administration separately canceled approximately \$1.2 billion in supplemental SAMHSA block grant funds appropriated under the American Rescue Plan, directly undermining the behavioral health infrastructure available to Puerto Rico government agencies and their CBO partners (Blumberg & Holahan, 2025; U.S. Congress, 2026).

Taken together, these challenges unfold within a highly competitive public funding environment characterized by additional structural constraints. Puerto Rico participates in separate grant competitions, faces lower funding caps, and is subject to more stringent local matching requirements than states, even as organizations serve populations with higher levels of social and economic need. These conditions reduce fiscal flexibility and the ability to invest in organizational infrastructure, amplifying risks of financial instability, and hindering the sustained adoption of evidence-based practices at community-based organizations.

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The Solution Approach

Strengthening CBO capacity and financial sustainability through: (1) federal infrastructure investments in evidence-based practice training and evaluation systems, (2) sustainable revenue streams beyond grant dependence, and (3) removing territorial funding disparities in federal programs.

Figure 1
Key Statistics

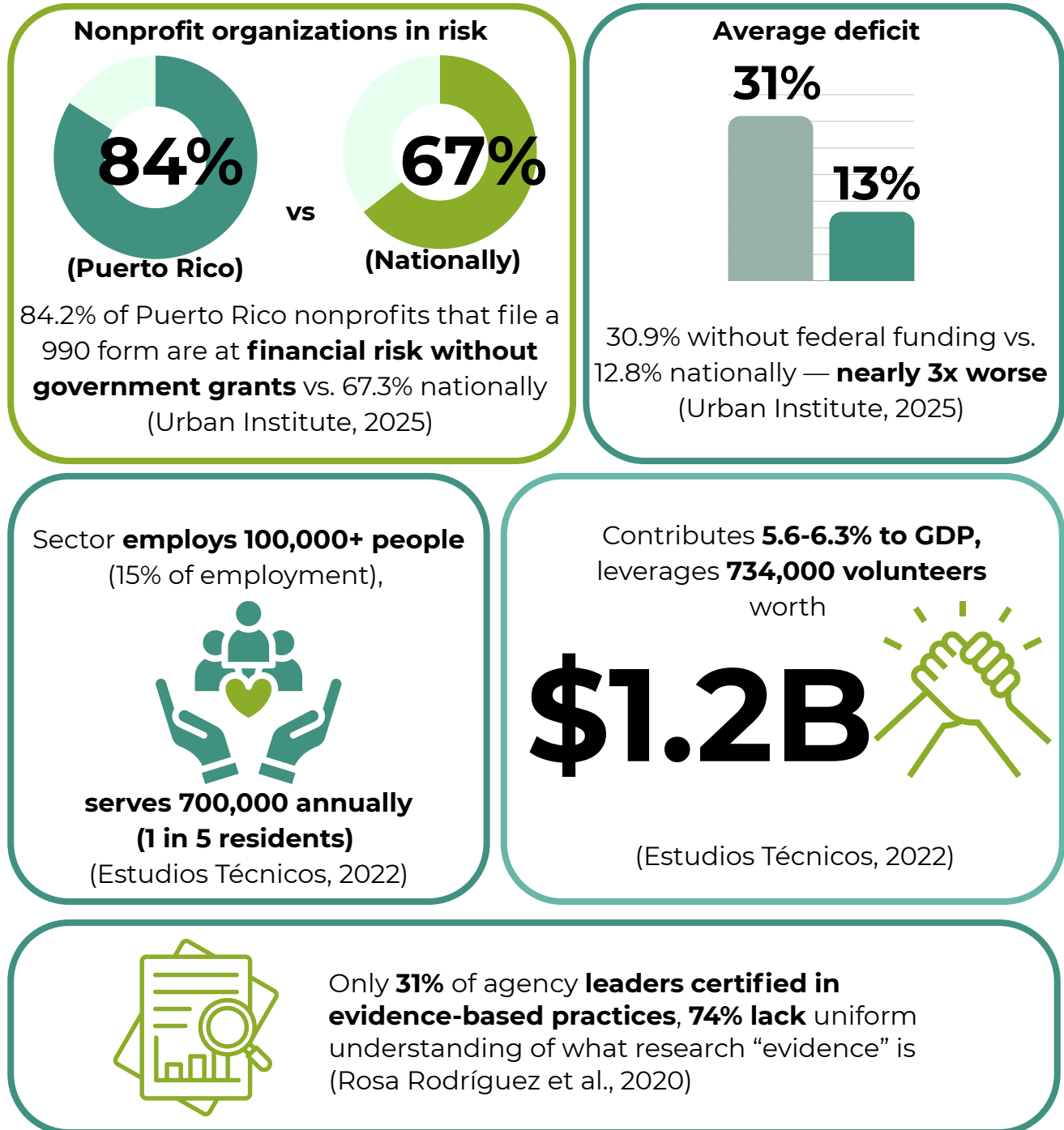




Table 1

Advocacy Actions

Key federal legislation and initiatives to strengthen CBO capacity and financial sustainability:

Action	Puerto Rico Relevance	Status/Link
<p>Community Services Block Grant Expansion: Flexible capacity-building infrastructure funding</p>	<p>Addresses documented evaluation capacity gaps and 44.3% cash flow problems. Provides training in evidence-based practices, financial management, and strategic planning. Proven model serving 1,000+ Community Action Agencies nationally.</p>	<p>acf.hhs.gov/ocs/csb g.</p>
<p>Federal Funding Equity: Eliminate discriminatory grant barriers</p>	<p>Puerto Rico CBOs face separate competitions, lower ceilings, and higher match requirements despite serving populations with 41.6% poverty rate. Funding equity enables CBOs to compete fairly for \$267B in federal nonprofit grants.</p>	<p>Ongoing advocacy</p>

Figure 2

Key Partners

Federal: HHS Office of Community Services, SAMHSA, CDC, CMS, ACF, HRSA
 Puerto Rico: ODSEC (State Office of Socioeconomic and Community Development), PR Department of the Family, ASSMCA

Examples From Other States

- Massachusetts Community Health Center CHC Capacity Building: \$50M over 5 years for infrastructure, evaluation systems, and evidence-based practice training. Results: 20% improvement in quality metrics, sustainable billing systems enabling long-term viability.
- Colorado Community Centered Boards: State-designated CBOs serving 200,000+ with developmental disabilities through prospective payment models. Creating sustainable revenue replacing grant dependence enables comprehensive services.
- Vermont Blueprint for Health: Integrated community health teams in 80% of practices with outcomes-based reimbursement. Demonstrates CBO sustainability through value-based payment moving beyond fee-for-service.



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