

Proposed Changes to House Bill 1 to Ensure an IMPACTFUL \$75 million Grant Program Investing in the Sustainability of KY Nonprofits and the Recovery of KY Communities

Kentucky Nonprofit Network applauds the inclusion of a \$75 million grant program for Kentucky nonprofits in the Senate version of House Bill 1. Thank you for including this funding that can be a critical lifeline for nonprofits in meeting community needs as Kentucky emerges and recovers from the pandemic. We request the General Assembly adopt the attached changed to House Bill 1 to address the following concerns and opportunities:

- House Bill 1 needs more **flexibility**. Nonprofits are facing a workforce shortage, financial strain, fundraising declines, and increased demand for services. These organizations leapt to action to support their communities impacted by the pandemic AND for some, the devastating tornadoes. Many nonprofits STILL need funds to ensure sustainability of their mission to serve communities and the way the current legislation is written, many of the most relied upon charities would not be eligible for investments.
- The attached changes are proposed to achieve **maximum impact of taxpayer dollars**. The proposed changes assure eligibility parameters are met as provided by the American Rescue Plan Act, protect legislative intent, and also ensure needed flexibility to ensure sustainability for nonprofits and recovery of the communities they serve.
- Nonprofits are stretched thin and need clear, straightforward opportunities to access the grant program. The proposed Advisory Committee will ensure **straightforward, clear application processes and reporting requirements**, as well and outreach and technical assistance to support nonprofit applications.

Kentucky's third largest private sector employer is a resilient sector. The solutions to sustainability and recovery are not one-size-fits-all. We urge the General Assembly to adopt the proposed changes to House Bill 1 to ensure an effective and impactful grant program that invests in jobs, strengthens Kentucky communities and quality of life, and supports more Kentuckians returning to work.



A Bridge to Sustainability & Recovery for Kentucky Nonprofits

Establish a Nonprofit Sustainability & Recovery Fund: Invest \$75 million in the work of KY nonprofits and the recovery of Kentucky communities

A \$75 million allocation from the 2022 General Assembly to fund a grant program using American Rescue Plan Act (ARPA) funds provides immediate investments in nonprofits as they work to counter the pandemic's impact across our economy and aids the Kentuckians disproportionately affected. Kentucky's nonprofit community stands ready, with its 151,000+ employees and thousands of volunteers, to partner with the Commonwealth to leverage federal funds for COVID recovery and increased workforce participation.

A fund specifically for Kentucky's third largest private sector industry not only ensures a path to sustainability for nonprofit organizations, a fund also invests in careers for their employees, as well as programs and services essential to workforce participation and quality of life in the Commonwealth. 40% of prime working-age Kentuckians cite care responsibilities, such as children, elderly, or COVID-19 positive cases, as reasons for not working. Childcare, mental health services, housing assistance, job training, transportation, substance use treatment, a flourishing arts and culture economy to bolster tourism, and many other components of thriving communities are essential to Kentucky's pandemic and economic recovery.

THE PROPOSAL:

\$75 million

3% of Kentucky's ARPA funds - an investment that benefits every Kentuckian and helps sustain Kentucky's third largest private sector employer

THE FRAMEWORK:

ELIGIBILITY

The total allocation is \$75,000,000, with grant funding awarded in two application windows.

- Grants awarded would range from \$25,000 to \$750,000.
- 70% of funds would be available for grants in round one and 30% of grants would be available in round two to address the uncertain challenges facing communities as the pandemic continues.

AVAILABLE GRANTS

As provided for by ARPA, all 501(c)3 nonprofits are eligible for funding, specifically those that:

- have experienced a loss of income caused by broad-based economic damage wrought by the pandemic, or
- have incurred or will incur expenses in direct response to the coronavirus public health emergency.

*Note eligibility within the ARPA Final Rule: Both the Interim Final Rule and Final Rule by the US Treasury, plus ARPA legislation itself, explicitly states that aid to nonprofits is an eligible use of ARPA funds to: 1. Address the negative economic impact of COVID-19 on nonprofits (Final Rule, page 153) 2. Provide eligible services in communities (Final Rule, page 173). Funds must be obligated by December 31, 2024 and spent by December 31, 2026 (Final Rule, page 11).

The following would NOT be eligible for grant funding:

- Individuals
- Local, state, or federal government agencies
- Requests for support that do not fall within the ARPA funding guidelines
- Activities conducted outside of Kentucky

ADMINISTRATION & OVERSIGHT

A state entity would provide management and oversight of the fund with guidance from an Advisory Committee of nonprofit experts and government leaders.

A 14-member Advisory Committee would work with the Cabinet/Agency to finalize eligibility, application processes, and reporting requirements, as well as ensure appropriate marketing and outreach. The Committee would include:

- 7 nonprofit representatives appointed by House and Senate Leadership, recommended by Kentucky Nonprofit Network (to include various subsectors: arts, human services, etc.)
- 1 representative each from the Attorney General's Consumer Protection Division; Secretary of State; Governor's Office
- 1 legislator each appointed by House and Senate majority and minority leadership.

A 1% administration fee provided to the Cabinet/Agency for administrative, monitoring, and reporting costs to include a \$250,000 administrative fee to KNN and nonprofit partners for marketing and communications, community outreach, and technical assistance to nonprofits with applications.

Reporting requirements would include:

- an online application,
- grant contract,
- and final report to capture the need, and then the impact of grants, with information available for public review as necessary.

All grant recipients must agree to meet state and federal assurances.

