

Kentucky Communities at Risk: State Payment Practices Fueling Nonprofit Workforce Shortage and Threatening Services for Kentuckians

Late payments are:

- destabilizing nonprofit operations, including the operations of organizations providing statutorily mandated services
- requiring nonprofits to seek costly lines of credit, equity lines, and other financial instruments to float state payments
- exacerbating the workforce shortage
- diminishing service quality that stands in the way of access to supports to improve workforce participation, self-sufficiency, and safety for all Kentuckians
- putting the state at risk of not meeting federal obligations

“Late payments from the state are putting our organization in an impossible position. We’ve exhausted our small cash reserves, tapped out lines of credit, and with a decline in donations, we simply can no longer afford to float the state while we wait for late payments and agreements. And even if we could, we should not have to...”

House Bill 777 Creates a Framework for Efficient Government

Sponsor: Rep. Shawn McPherson

- ➔ Streamlines agreement definitions to reduce confusion
- ➔ Requires payments within 30 days of invoice
- ➔ Provides 12% interest penalty per annum for late payments
- ➔ Requires the Finance & Administration Cabinet to create clear regulations that address payments to make entities whole after using lines of credit, equity loans, and other financial tools to float the state’s late payments, as well as a establishes a dispute resolution process

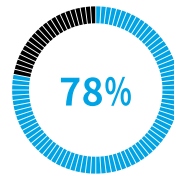
HB 777 Helps Ensure KY Pays Its Bills On Time

- Creates foundational, structural solutions for the state's payment process to ensure nonprofits can get to work delivering services
- Helps employers recruit and retain staff
- Helps ensure nonprofits can pay their vendors on time
- Allows Kentucky to maximize and leverage federal dollars
- Creates communities where all Kentuckians can thrive

Risks of Inaction

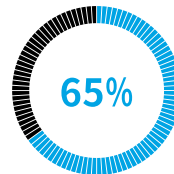
- ✗ State not meeting its legal obligations
- ✗ Stymied workforce participation
- ✗ Unsustainable nonprofit cash flow impacting services and quality of life
- ✗ Closed programs
- ✗ Kentuckians not receiving care they need
- ✗ Communities are less safe
- ✗ Increasing costs to the state and nonprofits

KY Results of a National Council of Nonprofits Workforce Survey



Nonprofits reporting staffing vacancies

- 42% reported vacancies of 20% or higher
- 70% of vacancies were in front-line service delivery positions



Nonprofits reporting waiting lists for services

- 28% - up to a month
- 22% - one month +
- 44% - waiting lists existed, but varied by program