



March 23, 2020

Via email

Governor Andy Beshear
Lt. Governor Jacqueline Coleman
The Honorable Robert Stivers
The Honorable Morgan McGarvey
The Honorable David Osborne
The Honorable Joni Jenkins

Dear Governor Beshear, Lt. Governor Coleman and Legislative Leaders:

This letter is intended to provide additional recommendations urgently requested by Kentucky's nonprofit sector as a follow up to the letter originally submitted via email on March 17 (see below). The original recommendations and these additions are critical to the nonprofit sector's ability to weather this storm and continue to serve Kentucky's most vulnerable during this crisis.

Disruptions in state grants and contracts could trigger massive layoffs or even permanently shut down organizations providing health services, food assistance, emergency shelter, senior care, emergency child-care, mental health, substance use disorder treatment and other essential services in the Commonwealth.

In addition to the original recommendations (see below), we recommend:

- **Special attention and funding are needed for the homeless population in Kentucky.** Homeless individuals are not able to safely practice social distancing, wash their hands or take other recommended precautions to stay safe. They are also more likely to have underlying health conditions and a high volume of infection among this population will seriously stress our health system. Emergency funding to agencies that provide housing, healthcare and other services to homeless populations are needed, as well as creative responses to relieve existing shelters that do not have enough distance between beds to keep the virus from spreading.
- We urge the Commonwealth to **maintain customary payments to nonprofits that have current grants and contracts.** If a nonprofit cannot fulfill its deliverables on a state contract or grant due to circumstances related to the COVID-19 pandemic, then we urge that state agencies be directed to allow billing to the contract based on customary deliverables (on the basis of average prior billings, or prior census of clients served) without penalty for inability to meet deliverables. Otherwise, forced layoffs of often hard-to-hire professional staff will seriously impact state services in the immediate future.

- **State agencies should be allowed to temporarily loosen grant and contract reporting, application, and renewal requirements,** following the lead of the federal Office of Management and Budget (OMB) (link to OMB directive), for both federally and state funded agreements. [www.whitehouse.gov/wp-content/uploads/2020/03/M-20-11.pdf]
- **Pay current invoices quickly.** A simple measure that will have a big impact is to pay current invoices from nonprofits (and businesses) on an expedited basis. State agencies often hold valid invoices for weeks or months prior to payment. An executive order requiring immediate and expedited payment of all current invoices will have an immediate positive impact on agencies' ability to make payroll and other obligations.
- **Ensure nonprofits are treated equitably in unemployment insurance relief.** To the extent that there are temporary changes to unemployment insurance (UI) benefits related to COVID--19, it is important to consider that nonprofits have the option of self-insuring and reimbursing the state for UI claims rather than paying SUTA based on experience rating. Many nonprofits self-insure unemployment benefits, under which they must reimburse the state dollar-for-dollar when a former or laid-off employee files for benefits. This is a sensible, cost-saving approach for the nonprofit and is intended for the individual instances when employees separate from their organizations. We are in a situation unlike any we have known and many critical nonprofit and public agencies that self-insure these benefits will go under if they do not receive help to offset dollars owed by nonprofits or direct reimbursement to nonprofits for the employer piece of self-insured unemployment benefits. **We support efforts to hold harmless businesses and nonprofits for UI claims resulting from this pandemic by not charging for unemployment benefits, regardless of whether they pay the tax or reimburse the state dollar for dollar. It is essential for any such policy to have a parallel provision ensuring that nonprofits that elect to reimburse are also held harmless.**
- **Utilize nonprofit-appropriate tax relief.** Any direct assistance to employers through a corporate or income tax mechanism will likely leave out nonprofit employers. **Any future employer tax benefit should be available to nonprofit employers, either by making the tax mechanism relate to taxes that nonprofits pay (such as payroll taxes), or by using a grant mechanism for nonprofits.**
- **Please direct local jurisdictions and intermediary organizations** to apply the same principles of maintaining customary payments, prompt payment of invoices, and loosening regulatory and contract requirements described above.
- **Clarify that key nonprofits meet the designation of "essential businesses."** There is a great deal of confusion among many nonprofits meeting Kentuckians basic needs with regard to whether or not they are deemed "essential," such as organizations providing food, shelter, social services and other necessities of life for economically disadvantaged or otherwise needy

individuals who need assistance as a result of this emergency and people with disabilities. We have language from executive orders in other states that we are happy to share if they would expedite this process.

Finally, we ask that a **single point of contact** be appointed for us to work with the Commonwealth on following through on these relief measures.

Thank you very much for your exemplary leadership in Kentucky. As the leader of the association of nonprofits in Kentucky, including our social safety net, we are partners committed to helping Kentuckians sustain health and safety in the midst of this pandemic. If I can provide clarity to any of the these recommendations or those sent on March 17, answer any questions at all or connect you with key nonprofit leaders moving forward, please don't hesitate to contact me directly at 859-963-3203 x3 or email danielle@kynonprofits.org.

Respectfully,

A handwritten signature in cursive script that reads "Danielle Clore".

Danielle Clore
Executive Director & CEO

Kentucky Nonprofit Network (KNN), a statewide association of more than 750 organizations connected with over 5000 organizations, is the voice for Kentucky's nonprofit community. Through our advocacy work and professional development investments in nonprofit leaders, we protect and enhance the ability of Kentucky's nonprofits to serve our Commonwealth, the nation and the world.

Kentucky Nonprofit Network, Inc., PO Box 24362, Lexington, KY 40524

T: 859.963.3203 F: 859.534.3310 www.kynonprofits.org



March 17, 2020

Via email

Governor Andy Beshear
Lt. Governor Jacqueline Coleman
The Honorable Robert Stivers
The Honorable Morgan McGarvey
The Honorable David Osborne
The Honorable Joni Jenkins

Dear Governor Beshear, Lt. Governor Coleman and Legislative Leaders:

Kentucky Nonprofit Network commends the administration and General Assembly leadership on your thoughtful response to the spread of the novel coronavirus within our state. Strong, unified leadership is needed now more than ever. Thank you.

Nonprofits touch the lives of every Kentuckian every day and play a vital role in the state's economy and provision of services. In response to COVID-19, Kentucky's nonprofits are stepping up without hesitation to serve their communities, to protect public health and to support their own employees. **But nonprofits need immediate contracting, budget, staffing and programming flexibility and timely resources from the state, local governments and philanthropy to be able to continue this work through the months ahead.**

As you consider policy measures to best equip Kentucky to weather this pandemic, we urge you to keep the needs of Kentucky's nonprofit community in mind. Attached is a joint letter from 30 national nonprofits to Congress that highlights some concerns and solutions related to COVID-19 and possible economic stimulus packages at the federal level, all of which apply at the state level.

In addition, below are policy recommendations from Kentucky Nonprofit Network (KNN) based on direct feedback from some of our more than 750 members across the state. As you know, nonprofits provide valuable, often essential, services in communities, often in partnership with the public sector. Kentucky's nonprofit sector is also a vital employer, the fourth largest private sector employer, representing 10% of Kentucky's workforce. **It is in everyone's best interest to maintain a thriving nonprofit sector in the Commonwealth.**

What KNN is Hearing:

- Nonprofits, particularly service providers, are being called in to adapt quickly to new operating requirements, educate community members and support vulnerable community members without any new resources.
- Many nonprofits are already facing a spike in demand for services that will certainly continue in the coming weeks and months.
- Nonprofits tend to be under-resourced and under-staffed in the best of times. A drop-off in staff and volunteers due to illness, vulnerability to illness, children home from school, etc., will pose threats to program continuity.
- Many nonprofits are already suffering significant financial losses due to cancelled fundraising events, cancelled performances, cancelled conferences and other programs. Like small businesses, nonprofits will need help to recover economically.
- In some cases, several factors may combine to create difficult challenges. For example, food banks will be more needed than ever, yet they tend to rely heavily on volunteers, many of whom are senior citizens and may be unable to volunteer at this time for safety reasons.

KNN's Recommendations:

Extend Business Assistance to Nonprofits

- Kentucky's nonprofit sector generates over \$7.5 billion in annual wages and their expenditures pump \$24 billion into Kentucky's economy annually. Nonprofit payrolls exceed those of most other Kentucky industries – it's the fourth largest private sector industry in Kentucky.
- Any employment-focused relief or stimulus policies must expressly apply to employment at tax-exempt organizations by making tax credits and deductions applicable not just to corporate income taxes, but to the taxes nonprofit pay, such as unrelated business income taxes and payroll taxes. As noted in the attached national nonprofit letter, **any assistance to employers through a corporate/income tax mechanism will leave out nonprofit employers.**
- Any employer benefit should be available to nonprofit employers, either through a grant mechanism or by making the tax mechanism relate to the taxes nonprofit pay, again such as unrelated business income taxes and payroll taxes. **It is vital that Kentucky not leave out 10% of its workforce.**
- Similarly, it is important that any plans to provide loans (such as the recently applied for SBA loans), financial assistance, insurance protections or other relief for businesses are structured so that nonprofits are also covered or eligible.
- If there is uncertainty regarding how any assistance to business might also support nonprofits, KNN stands ready to assist.

Grants and Contracts

- Nonprofits are critical service providers to the Commonwealth. Significant disruptions in state grants and contracts could permanently shut down organizations providing health services, child-care, food assistance, senior care and many other essential services. **We urge you to issue an executive order requiring that, if a nonprofit is unable to deliver services in the manner outlined**

in a state contract due to circumstances related to the pandemic, then the contract will be based on intended deliverables without penalty.

- For example, an expedited or automatic approval process for budget modifications that do not increase the contract total should be instituted to allow nonprofits the flexibility to move budget-line items associated with existing contracts to new priorities such as the cost of disinfecting facilities.
- Likewise, an expedited or automatic modification approval process should be instituted for contracts requiring face to face contacts that allow nonprofits the flexibility to comply with requirements using telemedicine, virtual home visits such as Facetime and/or other technology, telephone calls, etc. in a way that continues to meet vial needs and complies with guidance to keep Kentuckians safe.
- State agencies should be allowed, when appropriate, to waive certain certification procedures to let nonprofits provide emergency and essential services as needed.
- **In addition, we encourage all cabinets in the Commonwealth to consider following the lead of the federal Office of Management and Budget (OMB) in temporarily loosening grant and contract reporting, application, and renewal requirements ([link to OMB directive](#)).**

Unemployment Insurance

- Businesses and nonprofits throughout Kentucky are making (and will continue to make) difficult decisions in light of the economic challenges resulting from the public health response to the pandemic. **It is important to ensure nonprofit employees are eligible for Unemployment Insurance (UI) changes due to the pandemic response.**
- We support efforts to ensure that those COVID-19 related UI claims are not charged to the employer's experience rating. Since 501(c)(3) nonprofits also have the option to self-insure, we urge all steps necessary be taken to ensure that these reimbursing employers are to be treated just as those using the state UI system.

Encourage Charitable Giving

- Across the Commonwealth, charitable nonprofits are already in place serving the needs of residents. Every dollar granted, donated or earned goes back into the community immediately to address clear and present problems. **Nonprofits are our economy's shock absorber when crisis hits.** Dollars devoted to nonprofits – whether through new appropriations or expanded charitable giving incentives – will be spent immediately on solutions and recirculated in local communities.
- Kentucky nonprofits have seen a decline in the number of Kentuckians donating to charity over the past several years. Nonprofits are also complying with the Governor's guidance regarding gatherings. Widespread closures and cancellations of public and fundraising events have eliminated important sources of earned income revenue (tickets for performances, registration for educational conferences, special fundraising events, etc.) for the foreseeable future.
- **If the General Assembly is considering any tax changes to respond to the pandemic, we encourage solutions** that ensure communities are able to support their local nonprofits during this

crisis and beyond **by enacting giving incentives** that enable ALL Kentuckians, regardless of whether they claim itemized deductions, to receive a tax incentive for giving to the work of charitable nonprofits responding to critical needs in Kentucky.

Immediate Assistance

- **New and immediate emergency funds should be available to address increased costs** to nonprofits to support the uninterrupted delivery of essential services that affect public health, such as stepped-up sanitation, take-out meals for the homeless and pre-packaged food at food banks.

Continue to Listen to Nonprofits

- Finally, we are seeing that some states are putting together task forces or commissions to help advise the state on their COVID-19 response and ultimately, recovery. If that is something being considered, please know that KNN is ready and able to participate, bringing the important concerns and knowledge of the nonprofit sector into the conversation.

Each person receiving this letter has demonstrated a commitment to supporting Kentucky's nonprofit sector. We urge you to remember the sometimes unique needs of the nonprofit community and consult with nonprofit leaders as Kentucky continues to address the crisis (if you are not certain who to contact, KNN can help). I look forward to working with you to help Kentuckians thrive again and appreciate your consideration of these recommendations. If I can provide clarity to any of the recommendations, answer any questions at all or connect you with key nonprofit leaders moving forward, please don't hesitate to contact me directly at 859-963-3203 x3 or email danielle@kynonprofits.org.

Respectfully,



Danielle Clore
Executive Director & CEO

Kentucky Nonprofit Network (KNN), a statewide association of more than 750 organizations connected with over 5000 organizations, is the voice for Kentucky's nonprofit community. Through our advocacy work and professional development investments in nonprofit leaders, we protect and enhance the ability of Kentucky's nonprofits to serve our Commonwealth, the nation and the world.

Kentucky Nonprofit Network, Inc., PO Box 24362, Lexington, KY 40524

T: 859.963.3203 F: 859.534.3310 www.kynonprofits.org



The Charitable Sector: COVID-19 Relief and Economic Stimulus Package

America's charities request \$60 billion infusion of support to help the most vulnerable

The COVID-19 (Coronavirus) pandemic facing the country is having a profound impact on the economy and has greatly expanded the need for charitable organizations to provide additional services in an unprecedented manner. At the same time, the economic downturn will undoubtedly result in a contraction in contributions and other sources of revenue which are the lifeblood of many charitable organizations. America's charities are frontline responders providing food, shelter, medical services and other critical services to those in need in their communities. At this crucial time when the American people and governments will depend even more on charitable nonprofits, contributions are likely to decrease as happened following the 2008 recession.

Without dramatic and immediate financial and programmatic backstop from government, America's charitable nonprofits and the people we serve face a precipitous decline in mission services at a time when our efforts are needed like never before by the most vulnerable in our communities.

America's charitable nonprofits need an immediate infusion of \$60 billion in capital to maintain operations, expand scope to address increasing demands, and stabilize losses from closures throughout the country. Below are specific recommendations for assistance to help the nonprofit sector stay engaged serving the American people

- As 10% of U.S.GDP, we employ 12 million workers. We need to retain them.
- Nonprofits are on the frontlines serving people, especially those in need. We need business continuity relief.
- Give nonprofit payroll tax credit relief as this is the most significant tax we pay.
- Provide an "above-the-line" or universal charitable deduction for contributions through the end of 2021.

America's charitable nonprofits are significant employers

America's charities employ over 12 million people, with payrolls exceeding those of most other U.S. industries, including construction, transportation, and finance. The largest expenditures for most of America's charitable

organizations are personnel costs. Unfortunately, in multiple disaster relief laws in the past, Congress has approved employment-related tax credits that fail to recognize that we are significant employers.

Policy Solution: As is done in the Families First Coronavirus Response Act (H.R. 6201), any additional employment-focused relief or stimulus legislation must expressly apply to employment at tax-exempt organizations by making tax credits and deductions applicable not just to income taxes, but to the taxes nonprofits pay, such as payroll taxes. Further, Congress should also ensure that relief and stimulus legislation designed to assist for-profit businesses in the areas of unemployment insurance, employee retention, and risk insurance must also address the unique challenges and realities that nonprofits face.

America's charitable nonprofits need business continuity relief

Millions of jobs in America's charitable sector are at risk unless a reliable source of cash can be provided to assure continued operations. And in many cases the scope of operations will need to expand to accommodate increased demand for vital services. The survival of many of America's charities is jeopardized by unprecedented revenue losses from closed programming and services offered, as well as anticipated shortfalls in fundraising. America's charitable nonprofits, which are so essential to a healthy economy, need a reliable source of cash over the next several weeks and months to ensure we can continue to serve our communities.

Policy Solution: America's charitable nonprofits request \$60 billion in emergency stimulus funding aimed at helping adversely affected national and local organizations. These funds can be distributed quickly through multiple funding streams, including, but not limited, to expansion of the Economic Injury Disaster Loan program for nonprofit employers, emergency grants to nonprofits operating under grants from federal, state, local, or other pass-through entities, and other to ensure the continued flow of charitable donations.

Policy Solution: To incentivize all Americans to support the vital work of America's charities, we call on Congress to enact an "above-the-line" or universal charitable deduction for contributions through the end of 2021. Further, to help those who step forward to help America's charitable organizations immediately assist the most vulnerable, Congress should permit taxpayers to donate today – at the height of the pandemic – and claim the benefit from these deductions on 2019 tax returns.

America's charitable nonprofit employees must be protected

The workers in America's charities are on the frontlines of the coronavirus response. Our workers are the backbone of the food banks, shelters, domestic violence services, houses of worship, early care and education centers, after-school facilities, and more that are being called on to feed, house, and care for people whose lives have been disrupted by closures, job loss, and sickness.

Policy Solution: Every charity in America, regardless of size, that provides paid family and medical leave should receive a tax credit the organization can use. We applaud the HR 6201 approach to provide a *payroll tax credit* to all employers of a certain size (including charities and other nonprofits) providing emergency paid family leave and sick time pay for care related to the coronavirus. Congress should provide payroll tax credits to all charities, regardless of size, that provide such paid family leave and sick time pay as a result of the coronavirus.

America's Charitable Nonprofits Are in Every Community Ready to Serve

Everywhere in America charitable organizations are already in place serving the needs of residents. Every dollar granted, donated, or earned goes back into the community immediately to address clear and present problems. Charities are our economy's shock absorber when crisis hits.