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Nonprofits Rally for Reform, Ability to Serve Their Communities

Ky nonprofits need more staff to provide essential programs, so why are there so many vacant jobs?

FRANKFORT, Ky. – Kentucky Nonprofit Network (KNN), the state association of nonprofits, assembled more than 100 nonprofit leaders and supporters from around the state at the Capitol today to rally for legislative support to address the workforce shortage being fueled by state contracting practices, including late payments. Their message was galvanized by data revealed in KNN's 2024 More Than Charity Report, released during a press conference that served as the focal point of the sector's Day at the Capitol event.

KNN and its member organizations are urging Kentucky legislators to support their call for reforms to the state's contracting practices. Current grant and contract systems are causing delayed agreements and late payments, which in turn are impacting nonprofits' ability to recruit and retain workers and effectively serve their communities. These issues often lead to waiting lists for essential services and, in some instances, the closure of programs at nonprofits when they cannot be adequately staffed. The More Than Charity Report highlights these challenges, showing that Kentucky's 13,587 charitable nonprofits provide crucial services via government contracts and grants that supply as much as 88% of their funding. In the years following COVID, many nonprofits saw a sharp increase in job growth as they rose to meet the vital needs of their communities.

"One of the big issues that we're dealing with in Frankfort right now is we recognize, in the Kentucky General Assembly, that state grant and contracting practices strain our nonprofits and their ability to effectively provide services for our people," said Rep. Samara Heavrin, R- Leitchfield, during the conference.

"Kentucky's nonprofit sector remains critical to our quality of life and as is clear with our latest report, our workforce and our economy. We must have these foundational contracting reforms to allow nonprofits to do their best work," said KNN CEO, Danielle Clore, in a statement. "Some of our members are spending over \$75,000 each year on interest for lines of credit to float late contracting payments and agreements with the state. No other industry is expected to operate in this way – nonprofits certainly cannot. There's simply too much at stake," Clore added.

Nonprofits have additional funding challenges, with the federal Tax Cuts and Jobs Act of 2017 making fewer taxpayers eligible for tax incentives to donate to their favorite charities. Individual giving fell by 13.4% nationally (2018-2022) when adjusted for inflation, according to the Giving USA 2023 report. KNN's data further underscores that when nonprofits struggle, there are economic implications for the entire state. Nonprofits are the fourth largest private sector employer in Kentucky, providing nearly 163,000 combined jobs, equal to one-tenth of the state's private sector workforce.

Rep. Shawn McPherson, R-Scottsville, has agreed to champion the legislation that will require the state to deliver prompt and timely agreements and payments, provide interest when agreements and payments are late, and allow for full reimbursement of interest costs when a nonprofit had to access a line of credit or take out an equity loan to float state government. McPherson spoke at the event, emphasizing his desire to streamline the process with this bill.

“We understand that we do not need these nonprofit organizations having to go into their personal finances or go to a bank and try to borrow money to fulfill [the work] that we've already granted the money for,” said McPherson. “I always want to be very efficient with our money. If it was important enough to give the grant, it's important enough to complete the paperwork to completely fund the grant so we get our dollars put out as efficiently as possible.”

Kentucky results from a National Council of Nonprofits Workforce Survey showed that 78% of Kentucky respondents reported staffing vacancies, with 42% reporting vacancies of 20% or higher. Of those reporting vacancies, surveyed nonprofits said 70% were in front-line service delivery positions. As a result, 65% reported waiting lists for services, with nearly a quarter (22%) saying clients are waiting a month or more.

“So many people don't realize [...] that government does not function without the partnership of nonprofits,” said Rep. Cherlynn Stevenson, D–Lexington, speaking at the event. “There are so many services that we are statutorily obligated to provide for Kentuckians that the government itself cannot meet. We must rely on a nonprofit to deliver those services to Kentuckians that are in need, and without them, our government would absolutely fail.”

Serving as the state's association of nonprofits, **KNN** was founded in 2002 and exists to strengthen and advance the Commonwealth's nonprofit organizations, which are essential to vibrant communities. KNN provides quality education, sharing of best practices and resources, time and money-saving member benefits and a unified public policy voice for its 1,000+ member nonprofits.

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