ARPA FUNDING DISTRIBUTION
RECOMMENDATIONS FOR LOCAL GOVERNMENT PARTNERSHIPS WITH NONPROFITS

At a time of unprecedented federal relief funding flowing into Kentucky via the American Rescue Plan Act, nonprofit leaders stand ready to partner with local government to leverage these funds to accelerate economic recovery and improve community well-being. Nonprofits are experts on community needs. As you consider effective ways to invest ARPA funds, **we urge you to partner with nonprofits** to provide services or create a relief program to ensure a bridge to sustainability that will ensure Kentucky’s fourth largest employer can continue to employ and serve your constituents for years to come.

Should your local government partner with nonprofits, these funding principles are shared as recommendations to assist you in implementing best practices that will ensure your nonprofit partners can most effectively use resources of time and money to address community needs.

1. **Streamline and standardize grant processes to the extent possible.** Use a common cover sheet and application. Request financials in a format that the nonprofit would have readily available such as the IRS Form 990 tax return.

2. **Provide funding to your nonprofit partners in advance.** Nonprofits typically cannot access lines of credit and often do not have adequate reserves to “float” payroll and other expenses while they wait for reimbursement from funding partners. Requiring a reimbursement process will limit the number of nonprofits who can partner with your local government and as a result, will negatively impact the desired outcomes of the funding.

3. **Be transparent** regarding eligibility requirements, selection criteria, allowed uses of funds, reporting and compliance requirements. Nonprofits need to understand these issues up front, before investing time and energy into a proposal. In some cases, the requirements attached to an opportunity may mean it is not worthwhile for the organization to apply. Transparency will save both nonprofits and government precious time and resources.

4. **Investing in outreach and reasonable timeframes to submit proposals for funding will result in more equitable distribution of funding.** Proactive outreach is needed to ensure that organizations based in and serving marginalized communities who have been disproportionately impacted by COVID have access to funding.

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5. **Cover administrative costs.** Nonprofit programs cannot operate without supervision, financial management, office space, and other expenses that are often categorized as administrative costs or overhead. Failure to recognize and contribute to these costs undermines nonprofit effectiveness and organizational health. In fact, investment in building nonprofit infrastructure is a high impact way to benefit communities who need well-managed and stable nonprofit service providers.

6. **Work with experienced philanthropic partners** such as community foundations or other funders as trusted third parties to distribute funds to sub-recipients. Take advantage of the expertise to enhance the process and ensure documentation to ease reporting.

7. **Don't treat nonprofits differently from businesses.** Business grants tend to be distributed broadly to all types of businesses without judgment about which areas of service are worthy of support. Yet government targets nonprofit funding narrowly, imposing moralistic hierarchies between nonprofits of different types, e.g. food security deemed more critical than environmental conservation. Relief is needed across the nonprofit sector. Any small business relief grant program should also include nonprofits.

8. **Recognize that financial need is difficult to assess.** While many nonprofits show revenue losses on their books, many organizations have seen increased revenues as a result of a greater demand for services. These organizations need funding as much or more than some other nonprofits who's financial statements show revenue losses.

9. **Allow funding of fiscally sponsored projects.** Many smaller community-based projects choose to operate under the umbrella of a fiscal sponsor who can provide back-office support and professional fiscal management. This arrangement can increase community benefit, so fiscally sponsored projects should be eligible for funding and considered as independent applicants.

10. **Treat nonprofits as knowledgeable partners** and include them in strategy development. Nonprofit leaders bring years of experience solving community problems and addressing disproportionate outcomes, as well as experience in identifying and amplifying community strengths, fostering creativity and innovation. Communities with strong cross-sector collaboration are stronger and better prepared to utilize ARPA funds well. If you do not have regular conversations with nonprofit leaders, now is a good time to start.

**Nonprofits are your community's experts, serve those disproportionately impacted by the pandemic, have proven their ability to scale up to meet urgent needs, and are critical to our economy. We urge local governments to leverage partnerships with nonprofits to effectively use ARPA funds to meet federal requirements, advance communities, meet the needs of the most vulnerable, and provide a bridge to sustainability for nonprofit employers.**

More info/assistance: www.kynonprofits.org/advocate/arpaky