

Kentucky Communities at Risk:

State Contracting Practices Fueling Workforce Shortage and Threatening Services for Kentuckians

THE ISSUE:

Current state grant and contracting practices strain nonprofits and their ability to effectively provide services, including statutorily mandated services. These practices are impacting nonprofits' ability to recruit and retain staff, and with the increased demand for services and declines in charitable giving, the result is waiting lists for services and, in some cases, closed programs at some nonprofits.

Kentucky results from a National Council of Nonprofits Workforce Survey:

- 78% of KY respondents reported staffing vacancies
 - 42% reported vacancies of 20% or higher
 - 70% of vacancies were in front-line service delivery positions
- 65% of KY respondents had waiting lists for services
 - 28% - up to a month
 - 22% - one month +
 - 44% - varied by program

RISKS OF INACTION:

- State not meeting legal obligations
- Unsustainable nonprofit cash flow impacting services and quality of life
- Workforce shortages continue
- Closed programs
- Kentuckians not receiving care they need
- Communities are less safe
- Increased costs to the state and nonprofits

Late payments are putting our organization in an impossible position. We've exhausted our small cash reserves 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...

When we ask for approval of changes to agreements, we sometimes wait up to a year for an approval. We are stuck and unable to be as effective in service delivery as is needed.

PROPOSED SOLUTIONS:

- ➔ Streamline contract definitions
- ➔ Execute prompt and timely agreements
- ➔ Execute prompt and timely payments
- ➔ Require full reimbursement plus interest for delayed agreements and payments
- ➔ Require full reimbursement of interest costs and of investment income lost on lines of credit and other financial resources nonprofits must access to float government
- ➔ Allow for initial, upfront funding to permit nonprofits to get to work

WHY NOW?

- Reforms are foundational, critical, immediate steps to address grants and contracting practices that are hurting charitable nonprofits' ability to effectively serve communities.
- While not all charitable nonprofits receive grants from and/or have contracts with state government, the ripple effect of these practices is exacerbating the sector's workforce crisis and, as a result, putting a tremendous strain on the entire sector.
- Charitable donations are down, and the need for programs and services is at an all-time high - nonprofits can no longer use private donations to float late government payments.

THE OPPORTUNITY:

We urge the General Assembly to work with nonprofits to create foundational, structural solutions to problems that are destabilizing nonprofit operations, exacerbating the workforce shortage, and diminishing service quality that stands in the way of workforce participation and self-sufficiency for all Kentuckians.

Grants/contracting reform will:

- help ensure the Commonwealth is meeting its legal obligations,
- allow Kentucky to maximize and leverage federal dollars, and
- create communities where all Kentuckians can thrive.