Intervention/Prevention: *Template for consistently addressing the contracting challenges faced by nonprofits (and others) when testifying before the General Assembly and/or meetings with legislators and other officials*

Today, I'm here as a representative of Kentucky's third largest private sector employer – nonprofit organizations that are contracting with the state to deliver on the Commonwealth's commitment to preventative services and interventions that strengthen our communities.

Our contract(s) with the Commonwealth means the state is proactively investing in programs and services that help keep Kentuckians healthy and safe, and ultimately save the state money and resources in the long term.

Organizations like ours providing critical prevention and intervention services are in a difficult position because we have little negotiating power when contracting with or receiving grants from the state. The reality is that all levels of government – federal, state, and local – use funding methods that strain a nonprofits' finances and very survival. This means:

- Regulatory and contractual reporting, and the obligations of providing services, are significant and costly. State payments rarely pay enough to cover substantial and rising costs.
- In most cases, agreements are decades-old and the pandemic has shined a bright light on the fact that our organizations have no ability to respond to roughly 30% increases in wages and nearly 10% inflation on other expenses. Government funding is not indexed to inflation, and as such, the nonprofit cannot cover market salary changes or cost increases for utilities and supplies. Nonprofit organizations have no control over the labor market or inflation and cannot pass on those expenses to the consumer.
- Nonprofits with government contracts and grants, including those using the cost-reimbursement method, are often required to provide the service in advance of getting paid. Meaning, the organization must front money to provide the service, making prompt service delivery nearly impossible. And then government if often slow to reimburse, creating unsustainable cash flow problems.
- Government grants and contracts often do not adequately fund critical infrastructure costs, which must be covered too. Infrastructure is capacity – it is the building where business is conducted, it is the software used to track outcomes and expenditures, it is the truck and gas used to deliver food, and more importantly, it is the people that coordinate all of the support functions that make the outcome possible.
- It is nearly impossible to effectively recruit and retain the needed workforce – a number of full-time nonprofit employees' wages are so low that they are eligible for public assistance to support their families.

- Unrealistic expectations continue to exist that somehow charitable contributions/donations or revenue the organization may receive from other programs will pick up the slack for the lack of adequate funding of agreements with the state.
- It is difficult for nonprofits to effectively plan and budget for the future – putting organizations in a constant state of financial crisis.

Can you imagine trying to run a business in this way? With this uncertainty?

- Virtually no control over costs.
- Extremely limited ability to impact revenue.
- Increasing your volume actually increases your deficit. Reimbursement doesn't cover the costs, therefore this is not an effective strategy to make up for insufficient revenue.
- Virtually no ability to invest in necessary infrastructure, research and development, new technologies or to build or maintain financial reserves

Yet, even with all these variables that are contradictory to sound businesses practices, the organization is still required to comply with the terms of the contractual agreement – even when the state is not providing sufficient revenue to cover costs.

For example, (insert your organization's specifics).

What would happen if our organization and other organizations went away? Had to close our doors? Play this out (share – what does it mean when people are not served, waiting lists, closed programs, jobs lost, etc.).

Again, organizations like ours are contracting with the Commonwealth to provide vital intervention and prevention services. As I said earlier, nonprofits are in an unsustainable position. In spite of our best efforts to continue to provide effective services, this position we are in results in an ineffective use of taxpayer dollars that is playing out through waiting lists and closed programs. Taxpayers expect intervention and prevention services to be delivered by quality organizations that employ skilled and capable staff. This can't be done when organizations are not being paid what's needed to effectively run a business or employ people who are paid competitive wages that allow them to provide for their families without also needing public assistance to supplement their income. The state should pay its nonprofit partners with the same consideration it uses in paying its for-profit vendors, such as a road contractor.

(Opportunity to add your own data here. Why invest – here's why…)

A new model of grants and contracting is needed where resources are directed toward the fiscal, practical, and operational solutions that ensure real success, high quality services, and community well-being. We urge you to work with us to explore underlying structural solutions that are destabilizing operations and diminishing service quality; solutions that ensure the

taxpayer investments in prevention and intervention are as impactful as possible, set providers up for success and not crisis; and provide Kentucky with the best return on its investments. Solutions are needed that:

- Invest in the continued and effective delivery of services
- Alleviate wait lists, reinstitute effective services, and reopen closed programs vital to safe and thriving communities
- Empower Kentuckians to participate in the workforce and contribute to the economy
- Move people off public assistance
- Prevent the state from having to spend more on mandated services – prevention and intervention is sound public policy that is a good use of taxpayer dollars
- Keep state payroll and pension costs low by continuing to invest in prevention and intervention services provided by nonprofits
- Streamline the contracts, grants, reporting, and payment processes so that nonprofits can focus on accomplishing our missions without having to front government funds or spend time on duplicative reporting
- Allow Kentucky to leverage and maximize federal dollars
- Support prevention and intervention services that supplement and enhance services that ensure the state is meeting its statutory obligations
- Create a Commonwealth where all of your constituents can thrive

Include a short closing thank you statement.

About KNN:
Kentucky Nonprofit Network is the Commonwealth's state association of nonprofits. Please connect with us at emailus@kynonprofits.org if your organization is interested in standing with other nonprofits to address issues impacting your ability to service Kentuckians and Kentucky communities. www.kynonprofits.org