

K E N T U C K Y

**NONPROFIT**

N E T W O R K

**Government  
Grants/Contracting  
Practices Are Hurting  
Nonprofits' Ability to  
Effectively Serve Kentucky  
Communities**



# The Issue:

## ⇒ When government grants/contracts with nonprofits...

- Do not cover the full cost of services
- Are not executed before the period of service begins
- Do not require on-time payment of invoices
- Require nonprofits to float government while waiting to receive reimbursements after services are provided

## ⇒ Then nonprofits...

- Cannot hire and retain vital staff
- Are unable to make payroll without taking out costly lines of credit or loans
- Face destabilized operations and unsustainable business model

## ⇒ And the community...

- Faces waitlists for needed services
- Endures program closes
- Cannot access services that support self-sufficiency, workforce participation, and community safety

# House Bill 777 Creates a Framework for Efficient Government

Sponsor: Rep. Shawn McPherson

- ➔ Streamlines agreement definitions to reduce confusion
- ➔ Requires payments within 30 days of invoice
- ➔ Provides 12% interest penalty per annum for late payments
- ➔ Requires the Finance & Administration Cabinet to create clear regulations that address payments to make entities whole after using lines of credit, equity loans, and other financial tools to float the state's late payments, as well as a establishes a dispute resolution process

## **HB 777 Helps Ensure KY Pays Its Bills On Time**


- Creates foundational, structural solutions for the state's payment process to ensure nonprofits can get to work delivering services
- Helps employers recruit and retain staff
- Helps ensure nonprofits can pay their vendors on time
- Allows Kentucky to maximize and leverage federal dollars
- Creates communities where all Kentuckians can thrive



## Risks of Inaction

- ✗ State not meeting its legal obligations
- ✗ Stymied workforce participation
- ✗ Unsustainable nonprofit cash flow impacting services and quality of life
- ✗ Closed programs
- ✗ Kentuckians not receiving care they need
- ✗ Communities are less safe
- ✗ Increasing 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.

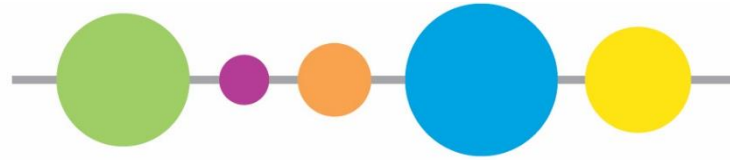


# Nonprofits are Essential to Workforce Participation (and so much more)

- Job training and readiness
- Care responsibilities (childcare, elder care, etc.)
- Physical health
- Mental health
- Transportation
- Substance use treatment
- Stable housing
- Food security
- +



# Thank you!



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