

K E N T U C K Y

NONPROFIT

N E T W O R K

ALL TAX-EXEMPT NONPROFITS BY LOCAL WORKFORCE AREA

Source: IRS Business Master File,
October 2023



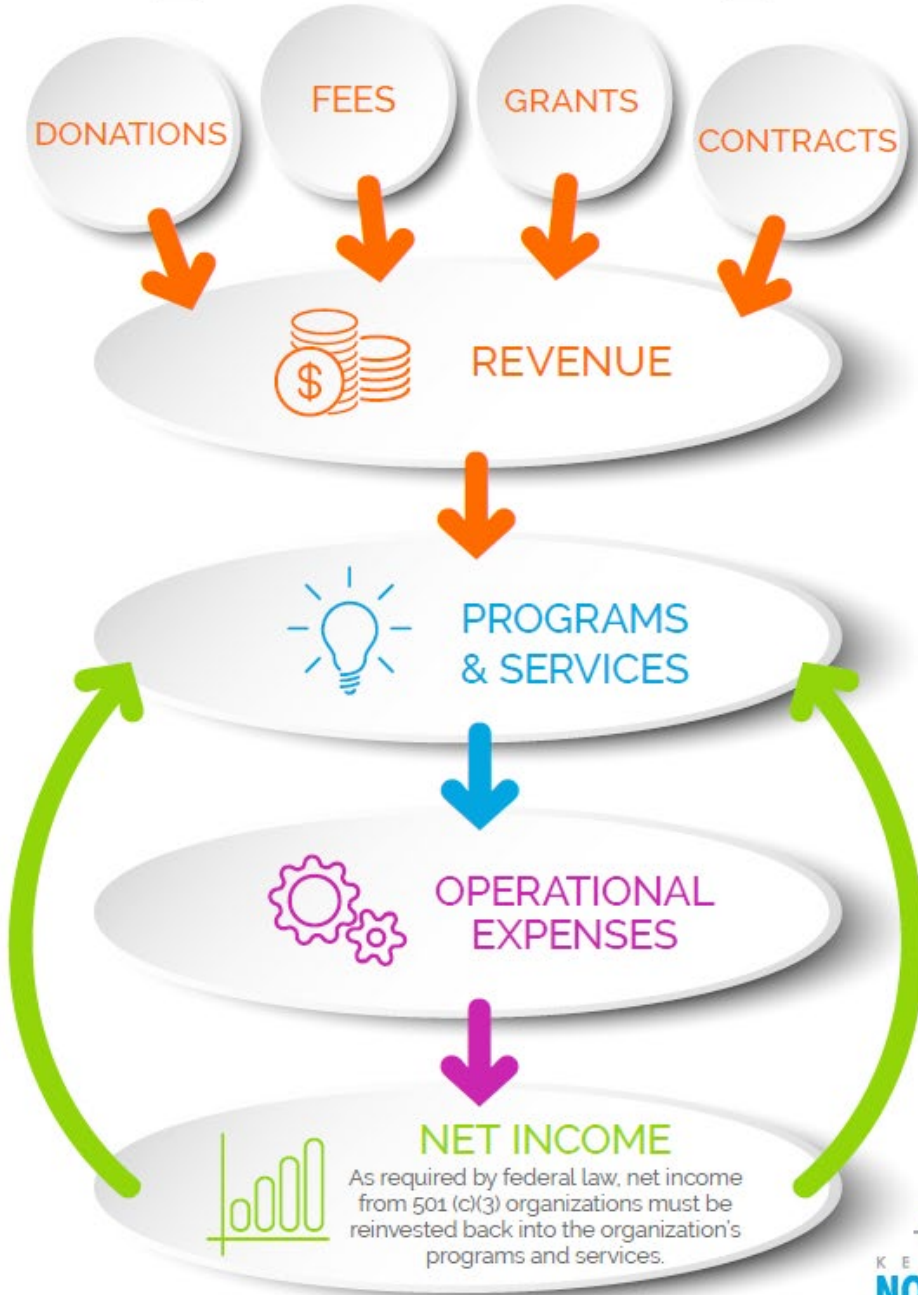
total: **21,468**
registered Kentucky nonprofits



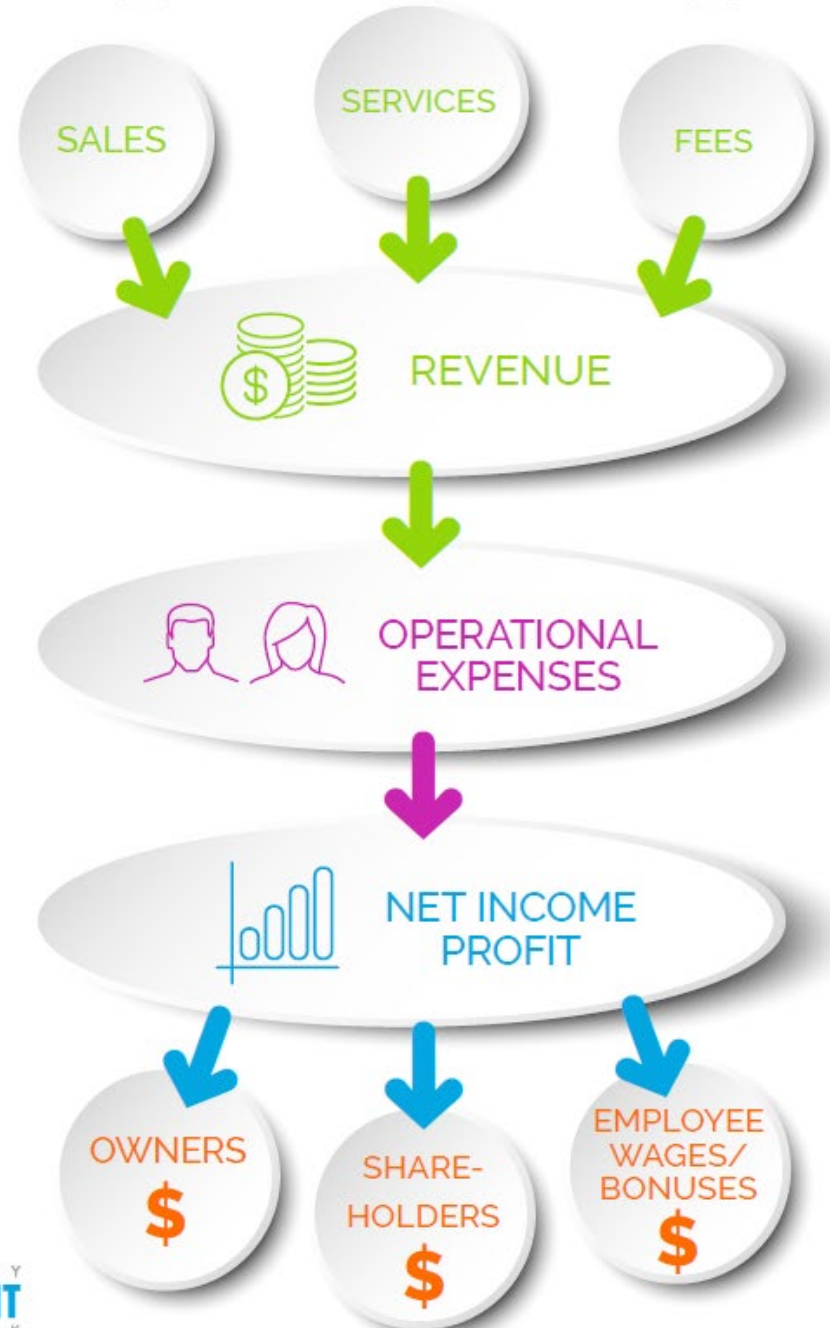
13,587

Total charitable nonprofits
in Kentucky

NONPROFIT



FOR-PROFIT



Saving KY Nonprofits Time & Money = Improved Focus on Their Missions

KENTUCKY NONPROFIT NETWORK
EMPLOYEE BENEFITS
PROGRAM



CAREER
C E N T E R

KENTUCKY NONPROFIT NETWORK
RETIREMENT SOLUTION

Powered by Retirement (k)oncierge Group



2024
Kentucky Nonprofit
Compensation
Report

ORDER NOW!



KNN MEMBERS
SAVE \$87.50!

 401(k) Plan  403(b) Plan  Traditional Plan

2024 Association TERRACE



KENTUCKY
NONPROFIT
NETWORK



Paducah Regional Forum

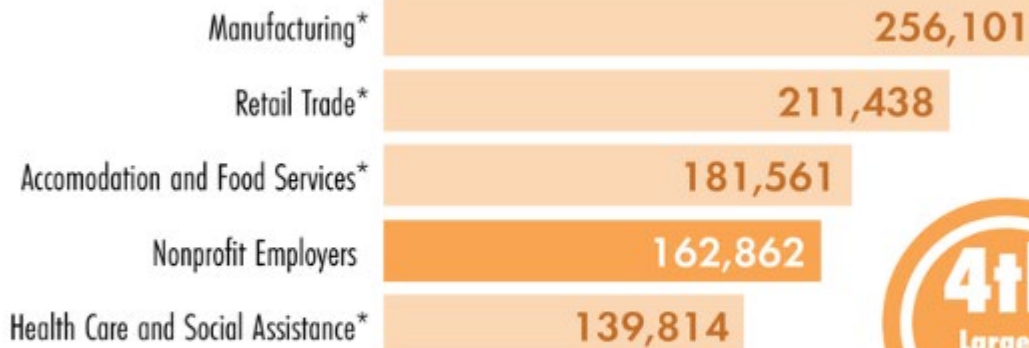


Hazard Regional Forum



Nonprofits Are Vital to KY's Economy

NONPROFIT EMPLOYERS COMPARED TO LARGEST PRIVATE SECTORS



*excludes nonprofit jobs



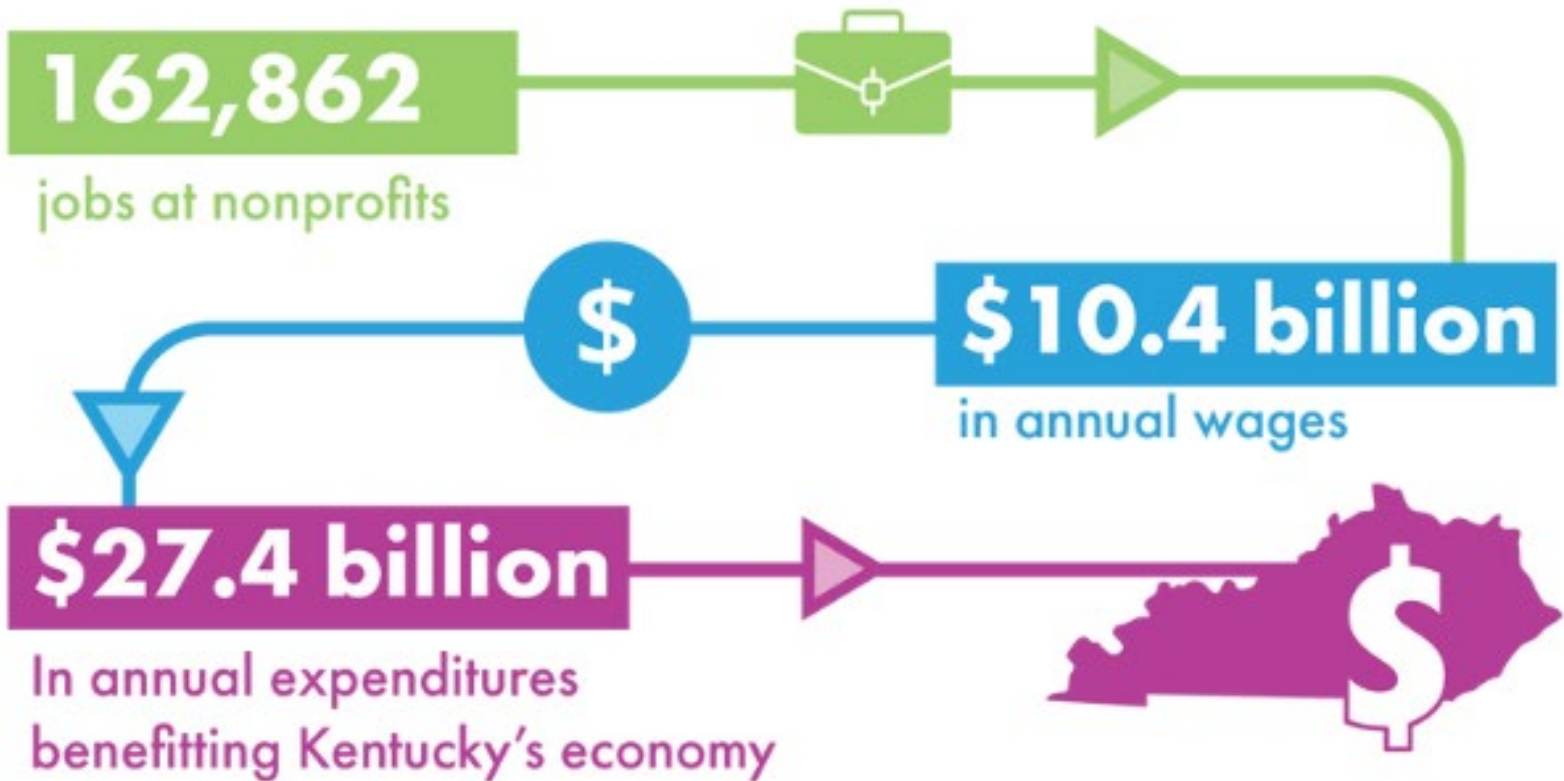
Sources: IRS Exempt Organization Business Master File and Kentucky Center for Statistics, Labor Market Information Branch Quarterly Census of Employment and Wages, 2022; Expenditure data: IRS Business Master Files 2019-2022, IRS e-File and Revenue Transaction Files FY ending circa 2021, via DataLake Nonprofit Research



1 in 10

Kentucky private sector jobs are at nonprofits

Nonprofits Are Vital to KY's Economy



Sources: IRS Exempt Organization Business Master File and Kentucky Center for Statistics, Labor Market Information Branch Quarterly Census of Employment and Wages, 2022; Expenditure data: IRS Business Master Files 2019-2022; IRS e-File and Revenue Transaction Files FY ending circa 2021, via DataLake Nonprofit Research

CHARITABLE NONPROFITS:



Improve Lives



Are Economic Engines



Attract Other Employers
& Industries



Bring Americans Together
to Solve Problems



Build & Strengthen Democracy



Promote Civic Engagement

**100% OF
KENTUCKIANS
BENEFIT FROM
THE WORK OF
NONPROFITS**

Nonprofits are Essential to Workforce Participation

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



THANK
YOU!

House Bill 777 (2024)



Kentucky Communities at Risk: State Payment Practices Fueling Nonprofit Workforce Shortage and Threatening Services for Kentuckians

Late payments are:

- destabilizing nonprofit operations, including the operations of organizations providing statutorily mandated services
- requiring nonprofits to seek costly lines of credit, equity lines, and other financial instruments to float state payments
- exacerbating the workforce shortage
- diminishing service quality that stands in the way of access to supports to improve workforce participation, self-sufficiency, and safety for all Kentuckians
- putting the state at risk of not meeting federal obligations

“Late payments from the state are putting our organization in an impossible position. We’ve exhausted our small cash reserves, tapped out lines of credit, 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...”

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 dispute resolution process

Join the Nonprofit Caucus!





Senate Republican Co-Chair:
Julie Raque Adams
Senate Majority Caucus Chair

CO- CHAIRS



KENTUCKY
NONPROFIT
CAUCUS



Senate Democrat Co-Chair:
David Yates
Senate Minority Whip



House Republican Co-Chair:
Samara Heavrin
Chair, House Standing Committee
on Families & Children



House Democrat Co-Chair:
Cherlynn Stevenson
House Minority Caucus Chair

Join the Nonprofit Caucus!



email: Christy.glass@lrc.ky.gov
cc: Danielle@kynonprofits.org

Kentucky Communities at Risk:

**State Contracting and Payment Practices
Are Fueling Nonprofit Workforce
Shortage and Threatening Services for
Kentuckians**

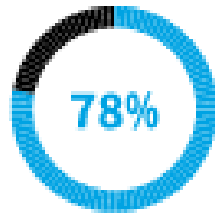




National
Council of
Nonprofits

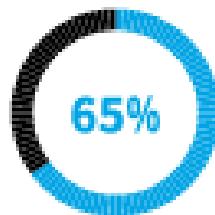
Nonprofit Workforce Shortage Survey

KENTUCKY RESULTS



Nonprofits reporting staffing vacancies

- 42% reported vacancies of 20% or higher
- 70% of vacancies were in front-line service delivery positions



Nonprofits reporting waiting lists for services

- 28% - up to a month
- 22% - one month +
- 44% - waiting lists existed, but varied by program

Why Does Government Work with Nonprofits?

- Government often looks to nonprofits to provide services on its behalf – including statutorily mandated services
 - More affordable, effective, collaborative
 - Nonprofits can leverage other funds and partnerships when government cannot

Why Does Government Work with Nonprofits?

- Government also looks to nonprofits to address critical community needs it deems important investments in Kentucky communities and quality of life:
 - Health, including mental health
 - Housing
 - Childcare, enrichment, youth development
 - Quality of life – the arts, environment, etc.
 - And SO much more!



Some of the Barriers to Nonprofits Accessing Government Grants/Contracts:

- Locating information about grant/contracting opportunities
- Lack the expertise and/or resources to write the application
- Do not have the often required matching funds – THANK YOU for the GRANT Program via 2023's HB 9!
- Do not have sufficient cash flow, cash reserves, and/or lines of credit to “float” government delays in agreements and/or payments
- Lack the expertise and/or resources to meet reporting requirements
- Cannot hire and/or retain staffing as a result of late agreements, late payments, uncertainty, and funding that does not cover the cost of providing services



**Government
Grants/Contacting 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

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.

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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

What's Next?

- Reforms are critical, foundational, and immediately-needed steps to address grants and contracting practices that are hurting charitable nonprofits' ability to effectively serve communities – even charitable nonprofits that do not receive grants from and/or have contracts with state government are impacted. This issue puts a tremendous strain on the entire sector.



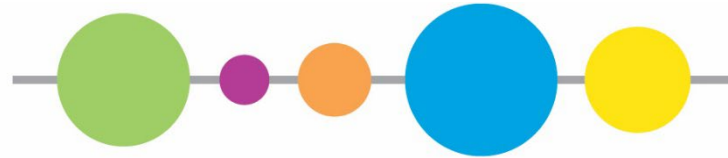
What's Next?

- Continue working collaboratively with the Finance & Administration Cabinet to determine what reforms can be addressed via Administrative Regulation and what must be addressed legislatively.
- Ask the General Assembly to pass much-needed reform legislation in 2025.

What's Next?

- Work with the Administration, the General Assembly, and nonprofits to continue to research and monitor the causes of the problems and the impact of attempted solutions.

Thank you!



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