Testimony

Dear Committee members, My name is Morgan Webster and I am the Director of Common Good Vermont. Thank you for inviting me to speak today on behalf of Vermont's nonprofit sector and the CRF funding. I appreciate how hard this committee has worked to make this revenue available for small businesses of which nonprofits are part of and a driving force for our economy.

- *To start, i'd like to briefly tell you the story, of which you likely already know, of Vermont's nonprofits:*
- More than **6220 nonprofits** contribute **$5.7 billion** per year to VT's economy through wages paid, retail and wholesale purchases, and professional service contracts.
- They pay nearly **$2 billion** in **wages**, translating to an estimated $34 million of personal income tax revenue.
- They contribute to nearly **20% of the State's gross state product**–greater than the manufacturing and construction industries combined and employ an estimated **1 in 7 Vermont workers**, making the nonprofit sector the largest industry in the state after the government.
- 20% of our sector work in health and human services, 16% arts and culture, 16% community/Economic Development, and 14% education.
- We serve and advocate for Vermont's **4463 501c3 public charities** which tend to be small, operate with modest revenues and many with less than 6 months reserves. 86% of Vermont nonprofits report less than $500,000 in revenue. While larger organizations **receive the majority of their revenue from program services, smaller organizations rely on contributions, gifts, and grants as their primary source of revenue.**

We have several recommendations related to CRF funding and for supporting Vermont's nonprofit Sector.

- ***First, we recommend a 2nd round of the Economic Recovery Grants that*** *expands the eligibility definitions for nonprofits to* ***allow charitable giving to be included in revenue losses for small to mid-sized nonprofit organizations.*** *If the federal guidelines permit, we strongly recommend that this revenue source be included in the calculations of revenue eligibility. This could increase the # of nonprofits who are able to benefit from the recovery grants and provide vital resources to smaller organizations across the state. While Vermont nonprofits depend on variety of revenue sources, smaller organizations are more dependent on charitable giving and grants. According to the* ***Association of Fundraising Professionals' (AFP) Coronavirus Response Survey****, we know that donations have taken a significant hit during covid emergency. More than half of charitable organizations are expecting to raise less money in 2020 than they did in 2019, and an equal percentage believe the same will occur in 2021, The cancellation of in-person fundraising events has posed a significant challenge for most charities. Nearly*

64% have had to cancel at least one event, and 24% have canceled three or more events. As a consequence we are hearing from Vermont nonprofits that they are suffering from revenue shortfalls that compromise their ability to continue to provide services.

a. ***One such Nonprofit Story comes from*** *Gretchen Elias, Executive Director of Good beginnings of Central Vermont explained how her organization, which provides direct services to vulnerable populations, was left out of the first round of Economic recovery Grants. In addition to lifting charitable donation restriction, she also suggested allowing nonprofits to count anticipated lost revenue for the entire FY (not just for the March - Sept period) for the same reason.*

- ***Next, we urge you to further consider the need for technical support and assistance specifically for nonprofit organizations. This is a 2 part request.***

a. ***First, we recommend nonprofit specific technical support within ACCD and SBA.*** *As nonprofits applied for federal and state relief funds, nonprofits sought answers from common good Vermont to help guide their applications, eligibility, forgiveness, and other decision-making. We heard that Technical assistance frequently favored for-profit language, systems, and documentation further complicating small to midsized nonprofits ability to apply for critically needed funds.*

i. A recent study showed that Nonprofits nationally received less than 4 percent of all loans under the Payroll protection program. Long term, embedding nonprofit expertise within the sba and accd could provide a stronger support system for our nonprofits.

b. Second, we recommend funds allocated via grants to nonprofits to pay for technical assistance specialists such as financial, legal, and strategic - who can guide short-term and long-term decision-making:

i. *For example, when nonprofits were applying for ppp loans, they received conflicting recommendations from their lenders, the SBA, and financial advisors.*

ii. We also recommend funds that would support facilitation and training for mergers and acquisitions within the nonprofit sector. As our sector responds to the immense changes, ethical decision-making around long-term viability and closures is a necessity.

- ***Next, we would like to draw your attention to the federal "Protecting Nonprofits from Catastrophic Cash Flow Strain Act": ("Protecting Nonprofits Act")*** *which has corrected misguidance from the U.S. Labor Department and makes sure that self-insured employers should only be charged 50% of the cost of unemployment benefits. S**tates have several options for addressing unemployment costs of self-insured employers that aren't covered by the CARES Act:** Waive the remaining 50%; delay the due date for payments; charge 50%; or charge 100% of costs and reimburse self-insured employers for half at some later date.*
- ***Lastly, and not a conversation for today, we seek increased transparent & accessible nonprofit data from Department of labor data and other agencies.*** *Data helps assess the short-term and long-term needs of our sector. Without it, we cannot quickly access facts to provide policymakers like yourselves information to guide your decision-making.*

a. ***For example:*** *When federal guidelines changed the self-insured Unemployment reimbursement rate from 50% to 100% it was and is still unclear how many nonprofits would be impacted. The DoL, being under immense pressure from unemployment applications, had little resources and time at the time to provide data to assess the state impact.*

These are a few key recommendations that your committee might consider to support our sector. We are working with our partners in other states who have provided sample bills and ideas that Vermont might consider:

- The North Carolina Job Retention Grant provides up to $250,000 for operational purposes
- Two North Dakota grant programs provide funds for economic resiliency and technical skills training for for-profit business and nonprofits, respectively.
- Our colleagues in Hawaii recommend creating "a nonprofit reimbursement fund" because "from the beginning nonprofit organizations have stepped up and extended all available resources to meet the urgent and growing needs of the communities they serve." We could reimburse organizations that have already spent money in response to COVID-19, by adding on to existing CRF-funded programs such as housing and workforce development. They also suggest having the remainder of the funds revert to an Unemployment Insurance Trust Fund.

We will have more data in the coming months with the completion of the 2020 wages & benefits survey which we look forward to sharing with you.
Thank you, again, for your work supporting Vermont's relief strategies and supporting Vermont's nonprofits as they are a vital portion of Vermont's economy.

Resources:

- *http://data.commongoodvt.org/*
- AFP COVID Survey Findings: United States
- Article: We Need To Spend Half A Billion Dollars In 123 Days. Here's How To Do It.
- National Conference of State Legislatures' webpage on State Actions on Coronavirus Relief Funds

Story for Sen Economic Committee - Good Beginnings of Central Vermont

I run a small nonprofit that serves families with babies in Central Vermont. We serve hundreds of families a year with 3 part time staff members who support a network of nearly 70 community volunteers. The pandemic has increased the needs of the population we serve: families with babies are more isolated than ever, and at greater risk of perinatal mood and anxiety disorders, yet many of the sources of support they would rely on in normal times are not available due to safety concerns.

Serving families under these circumstances is very resource-intensive. We are overwhelmed with the work involved in re-training our volunteers to new modes of supporting families, while at the same time developing new forms of socially-distanced programming that keeps families connected. We need to find new ways to reach out to families who are potentially at risk, and we need to stay in constant contact with partner organizations to keep them updated on our service changes and vice versa.

This is a moment when financial stability is imperative. We need all hands on deck to focus on the core work of adapting our programs to the current need. Yet our experience is exactly the opposite. Right around the time the pandemic hit, our annual grant from the State of Vermont was discontinued for unspecified budgetary reasons. Our two major in-person fundraising events this year were cancelled for safety reasons, leaving us with an additional hole in our budget. And many of our foundation and corporate donor partners have reduced our funding - even as they have publicly announced increased support for other organizations who have high-profile roles in pandemic relief.

The Emergency Relief funds administered by the State of Vermont seem not to offer much relief to organizations like ours. There are carve-outs for arts organizations but not for organizations like ours who provide services that, while not directly in response to the pandemic, are nonetheless essential for vulnerable populations. We are small and focused; we work on a specific and crucial aspect of family mental health - perinatal mental health - which remains vitally important during the pandemic. We partner with key state agencies - the Child Development Division, and the Maternal Child Health Division of the Dept of Health in particular - on state policy priorities, but because we play a complementary, community-based role, we are not eligible for the emergency support that other state partners in the early education field are receiving. We do not have the organizational capacity to pivot to other relief work for which there are dedicated funding streams, like food security.

We need core support for our core mission to support perinatal families. We are facing a 20% hole in our FY 21 budget, yet the eligibility criteria for the Emergency Economic Relief grants don't correspond to the funding environment we live in. Although we lost our $10,000 state grant, a month-to-month comparison does not capture that loss because the grant had been paid out in quarterly installments over a 12 month period. Only one of those payment losses appears during the window that counts for eligibility for this grant. The remaining three won't show up until after October. For our two biggest annual fundraising events, all the work takes place in spring and summer- but the corresponding revenue wouldn't hit our books until October or later. We often create invoices in July for the town funding that communities approved at that year's Town Meeting Day. But we do that mostly for administrative purposes, because each town has its own reporting requirements and deadlines, and creating all invoices in advance helps us keep track of the many details. However, it makes it look like that revenue all appears in July, when in reality it dribbles in over the course of the year. As a part time ED, with an even more part time bookkeeper, I just don't know how to map our financial reality against the funding criteria in a way that represents our need accurately and adheres to the guidelines. I also don't have the time or the resources to figure it out. We just need stability - we just need our funders to stay the course OR we need access to emergency funding that accomplishes the same thing.

Two Recommendations:
1. Lifting charitable donation restriction to increase eligibility for Vermont Economic Recovery Grants
2. Allowing nonprofits to count *anticipated* lost revenue for the entire FY (not just for the March - Sept period) for the same reason.

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