

April 30th, 2024

H. 702 Testimony Notes

- I am going to talk, briefly, about two aspects of what Section 6 of H.702 proposes to look into along with its impact on my agency, and other agencies I communicate with.
- Historically, state grants, collectively, have not offered increases anywhere near annual rises in the cost of living increase
- In the last two years, it has been impossible for us to hire anyone at our old starting salary of \$17.
- In order to hire, we've had to increase our starting salary by 23% to \$22.
- Salaries for case managers, the folks who come in at our starting salary, represent 63% of our budget. So, this is a huge increase in expenses for us.
- We haven't received any significant state grant increases, broadly speaking. No where near to cover our increased cost.
- Over the last few years, all of our state contracts have moved from being paid up front to be reimbursable.
- State contracts reflect about 55% of our budget.
- This means that, as a nonprofit, we are required to have 50% of our monthly budget in the bank, unencumbered.
- Like most nonprofits, we don't have that amount to draw from, so we live off a line-of-credit with our bank.
- We run a lean and efficient agency, fiscally. But we have had times due to this change in funding process that we've been hundreds of thousands of dollars deep in our LOC.
- We pay interest on this. And when we aren't reimbursed within 30 days, we pay another month of interest on the money we wait for.
- We've estimated that in 2023, we spent approximately \$35,000 in interest on reimbursable contracts.
- If you take all of the above, you can see how financially shaky it is to run a nonprofit today.
- And, we are fortunate enough to have a LOC. I am aware of several nonprofits that are the precipice of collapse due to the above issues.
- It is important to also look at all of the topics proposed in Section 6 of this bill: indirect cost rates and streamlining the granting process.
- Indirect cost rate: complex process and have to have a federal grant to apply. Many smaller nonprofits don't get federal grants. Healthy nonprofit admin rates are 25-30%. Indirect rate increases does not have to mean 5% increase in grant
- I understand that state agencies that administer these grants run into similar issues that we do - especially in regards to hiring. This is a complex set of problems.
- And I truly fear for the continued existence of community-based human service nonprofits in VT.
- I am very much in favor of creating this working group and having people from the nonprofit world work closely with department administrators and legislators to help address these issues.

Sincerely,



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