



## **Strengthening Vermont's Nonprofit Sector – Appropriation Request Written Testimony**

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House Committee on Commerce and Economic Development

1/7/26

Common Good Vermont is a statewide program of United Way of Northwest Vermont dedicated to uniting, strengthening, and advocating for Vermont's nonprofit sector. We support organizations in all parts of the state and across all mission areas, including our 200 members.

I appreciate the opportunity to talk with you today about a proposal that is really about preparedness. Federal policy changes and funding uncertainty are already affecting nonprofits across Vermont. The question before us is whether we allow those impacts to unfold in a fragmented, reactive way, or whether the State partners with the sector to plan ahead, coordinate, and reduce risk to Vermonters and the State budget.

This proposal is not about growing programs or preserving the status quo. It is about making sure that as federal conditions change, Vermont avoids service disruptions, job losses, and emergency interventions that cost more and help fewer people. It is also aligned with recommendations made by the Treasurer's Taskforce on the Federal Transition, as described in the Taskforce's 2025 final report.

### **Our proposal requests:**

- \$295,665 in one-time funding to help nonprofits navigate federal cuts, executive orders, and policy shifts that affect service delivery.
- \$267,777 in base funding to improve nonprofit capacity, financial management, and compliance, strengthening the State's own grantmaking and contracting systems.

Common Good Vermont's members are reflective of Vermont's greater nonprofit community, though our network extends far beyond our membership. Through convenings, member roundtables, and close relationships, we are uniquely positioned to see what is happening on the ground. In recent years, challenges with state grants were elevated as a key priority for many nonprofits, including human services organizations, childcare providers, conservation groups, and more. With the support of the legislature and in collaboration with the state, we have made good progress that we seek to solidify and build on to strengthen state-nonprofit partnerships through our base proposal.

This is particularly important at this moment as federal funding and policy changes are presenting new challenges for Vermont nonprofits. While some trends span the sector, such as resource scarcity, each nonprofit is navigating a unique situation depending on factors including mission-area, revenue streams, service population, and organizational values. Common Good works closely with other intermediary organizations who are supporting subsector networks in areas such as food, housing, arts, and human

services, and while mission-specific leadership is critical, we also need to step out of our silos and work collaboratively in this moment.

Our one-time funding proposal would not only support coordination and collaboration throughout the nonprofit sector, but also engage stakeholders across sectors including state government, municipalities, and businesses. It would also provide technical assistance to nonprofits tailored to their specific needs which could include exploring business model adaptations and revenue diversification, assessing federal policy changes impacting their programs, or planning for major swings in federal funding, including merger or collaboration.

Our proposal has already been endorsed by more than 60 nonprofit organizations who are prepared to work collaboratively and efficiently in this moment of change, and ensure public investment in our sector will have a lasting impact.

### **Why This Matters to Vermont's Economy**

Nonprofits are often discussed only in terms of the services they provide, but they are also a major part of Vermont's economy.

Roughly one in five Vermont workers is employed by a nonprofit organization. These jobs exist in every region of the state and across sectors that this Committee cares about: health care, housing, child care, workforce development, arts and culture, community development, and rural infrastructure.

Nonprofits also make our communities better places to live, work, and play. Arts and culture organizations attract visitors who will spend money at local businesses. Training programs strengthen our workforce. People want to live where they have access to health care, outdoor recreation, and childcare. Nonprofits make this possible.

When nonprofits struggle, the impacts show up quickly. Workers are laid off. Services are reduced. Municipalities feel pressure. State agencies are asked to step in after the fact.

What we are seeing right now is not a theoretical risk. Nonprofits are already delaying hiring, pausing new initiatives, and making contingency plans because federal funding streams they rely on are becoming less predictable. In some cases, we are already seeing program closures and layoffs.

The cost to the State of reacting to those failures after they occur is almost always higher than the cost of planning ahead.

### **The Problem This Proposal Seeks to Solve**

We believe this proposal addresses a real and widespread gap, and that conclusion is supported by the Treasurer's Task Force on the Federal Transition.

That Task Force did not recommend creating new programs for the sake of it. It recommended proactive convening and coordination across sectors because the risks are shared and evolving quickly.

Right now, nonprofits are dealing with these changes largely on their own. Some have the capacity to plan. Many do not. No single organization has visibility into how these pressures are playing out across regions or service areas.

The gap is not a lack of effort. The gap is the absence of a structured, statewide way to identify shared risks early, compare notes, and coordinate responses before problems escalate.

Without that structure, Vermont risks a chaotic contraction of nonprofit capacity rather than an orderly transition that protects services and jobs.

### **What This Proposal Delivers in the Short-Term**

The most important thing this proposal delivers is direct technical assistance to nonprofits that are facing real and immediate disruption.

The one-time funding is tied to implementing the Treasurer's recommendations, but its primary purpose is practical, hands-on support for approximately one hundred nonprofits that are most exposed to federal funding and policy changes.

This assistance is not theoretical. It includes helping organizations plan for major swings in federal funding, work through Medicaid related scenarios, assess changes to housing and rental assistance programs, and obtain legal guidance when federal directives conflict with an organization's mission or operations. For many smaller and mid-sized nonprofits, this type of expertise simply does not exist in-house.

In some cases, the most responsible outcome is not survival at all costs. The technical assistance also supports organizations that need to explore collaboration, merger, restructuring, or, where appropriate, an orderly wind down that protects clients, workers, and public investments. That kind of planning is difficult, sensitive, and essential, and it rarely happens well without outside support.

Alongside this direct assistance, the proposal includes a limited number of structured Task Force meetings and cross-sector convenings over a twelve-month period. These are designed to surface shared risks early and give policymakers better information sooner, but they are not the centerpiece of the work. They exist to inform and strengthen the technical assistance being delivered on the ground.

The core goal is not to preserve every organization. It is to ensure that nonprofit services remain stable, transitions are managed responsibly, and public dollars are used efficiently rather than in crisis mode.

### **Why We Are Also Asking for Longer-Term Recurring Funding**

The base funding request is about improving the systems the State already relies on.

Nonprofits that receive state grants and contracts are often navigating complex compliance, reporting, and financial requirements with very limited administrative capacity. When those systems fail, the consequences land on both the organization and the State.

Base funding allows Common Good Vermont to provide ongoing training, technical assistance, and coordination that improves financial management, compliance, and grant readiness across the sector.

This strengthens the State's own grantmaking and contracting systems, reduces administrative burden on agencies, and lowers the risk of contract failure or service disruption.

In short, it is an investment in efficiency and risk reduction.

### **Conclusion**

Common Good Vermont already collaborates closely with statewide partners, sector-specific networks, shared services initiatives, and numerous community-based organizations. We also co-lead the Vermont Nonprofit Legal Hub and a shared services initiative focused on back-office efficiency.

The issue we are trying to solve is not a lack of programs. It is the lack of coordination across them in a fast-moving federal environment.

If funded, we are prepared to map existing capacity, identify overlap, and ensure that this work fills gaps rather than duplicating services. Our partners agree that the missing piece right now is coordination, not effort.

This proposal aligns closely with Vermont's priorities around affordability, economic stability, and protecting Vermonters.

Federal conditions suggest that the nonprofit sector will likely face retrenchment over the next several years. With proactive planning, that transition can be managed in a way that preserves essential services, protects workers, and avoids shifting larger costs onto the State later.

The goal is simple: use public dollars efficiently, reduce risk, and make sure Vermonters continue to receive the services they rely on.

In closing, this proposal is about foresight. It gives Vermont a way to manage change deliberately rather than react to disruption after the fact.