

American Rescue Plan State Fiscal Recovery Fund Recommendation

Cover Sheet

Please submit this document with any recommendations for funding from Rhode Island's allocation of federal fiscal recovery funds available through the American Rescue Plan Act. This information will be made available to the public along with any detailed documents submitted that describe the proposal. It is encouraged that such documents identify clear goals and objectives and quantifiable metrics.

This is not a formal request for funds, and submission of recommendations does not guarantee a response, public hearing, or appropriation from the General Assembly.

Name of Lead Agency: United Way of Rhode Island

Additional agencies making recommendation (if applicable): _____

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Brief Project Description (attachments should contain details)

In light of the state's reliance on community-based nonprofit organizations to provide essential services, and in recognition of the personal and financial toll the pandemic has taken on nonprofits that have shouldered the burden of the state's emergency relief efforts, the state must address the current financial and workforce crisis facing the nonprofit sector and invest to build the capacity of the nonprofit sector moving forward. We request:

Financial Relief from the Economic Impact of the Pandemic on Nonprofits (\$35 million)

1. Provide 100% retroactive relief for reimbursing nonprofit employers (nonprofits who reimburse the state for unemployment claims) -- \$15 million
2. Nonprofit Relief and Recovery Fund with equity lens -- \$20 million

Stabilization and Development of Nonprofit Workforce (\$50 million)

1. Hazard pay for frontline emergency relief staff -- \$15 million
2. Market rate staffing in government contracts and grants -- \$25 million
3. Nonprofit workforce development programs -- \$10 million

Capacity Building (\$50 million)

1. Nonprofit resource center -- \$5 million
2. Capacity-building fund for essential community-based partners -- \$25 million
3. Capacity-building fund for BIPOC-led and equity-focused community-based partners -- \$15 million
4. Improved data management and referral system – Investment in 211 2.0 -- \$4 million
5. Donor collaborative technology platform to generate additional resources for community-based initiatives in areas hardest hit by the pandemic -- \$1 million

Government Policy and Service Infrastructure (\$10 million)

1. Office of Nonprofit Partnerships and Policy -- \$3 million
2. Interagency Nonprofit Partnerships and Policy Cabinet -- \$1 million
3. Nonprofit Advisory Council -- \$1 million
4. Revolving/Bridge Loan Fund -- \$5 million

Total request: \$145 million

One-time or Recurring Expense? _____

ARPA Eligibility Category (check all that apply) – See link for further information

<https://www.rilegislature.gov/commissions/arpa/commdocs/Treasury%20-%20Quick-ReferenceGuide.pdf>

- Respond to the public health emergency and its economic impacts _____
- Premium pay to eligible workers _____
- Government services/state revenue replacement _____
- Water/sewer/broadband infrastructure _____

EXECUTIVE SUMMARY

In recognition of the essential role that nonprofit organizations play in the state's service infrastructure, the critical role they play in the state's economy, the central role they have played in the pandemic relief effort, and the economic and workforce crises currently facing the nonprofit sector in Rhode Island as a result of the pandemic, the state must act in an urgent and comprehensive way to invest in the sustainability of the nonprofit sector. This investment must address the current crisis as well as build the necessary capacity in the sector to ensure that community-based organizations can continue to be the cornerstone of the state's service and economic infrastructure in the future.

Without ensuring the long-term capacity of the nonprofit sector, the state will need to develop its own direct service infrastructure, which would be far more costly and less effective. Without support for nonprofit recovery, the state's overall economy cannot recover, since Rhode Island's workforce development, childcare, senior care, minority business support, arts/creative placemaking, affordable housing, basic needs, and other economic building blocks are dependent on the nonprofit sector. Without adequate resources for community-based organizations, the state will also be unable to adequately address the disparities and inequities highlighted by the pandemic, which is a primary focus of the federal funding allocated through the American Rescue Plan Act (ARPA).

Therefore, we request the following investments, for a total of \$145 million from the state's ARPA allocation and/or state surplus funds:

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FUNDING PROPOSAL

The Rhode Island nonprofit sector has been the backbone of the state's relief and recovery efforts since the pandemic began almost two years ago. Even as local businesses begin to recover, nonprofits continue to address the enduring physical, psychological, educational, and economic impact of the pandemic on Rhode Islanders. Nonprofits are struggling with the significant financial cost of the pandemic on their organizations, and the emotional and physical toll of the pandemic on their exhausted staff. An increasing number of experienced staff are leaving the sector entirely, and many organizations cannot fill critical open positions.

Nonprofits and their staff will not be able to continue provide essential services on behalf of the state, respond to the needs of their neighbors, anchor their communities, and enrich our cities and towns without a significant, comprehensive, long-term state investment in **Relief and Recovery; Workforce Development; Capacity Building; and Government Policy Changes**.

In recognition of the crucial role that nonprofits play in the state's emergency relief efforts, essential social services, and community building, the state needs a whole-of-government commitment to support and partner with nonprofits:

- **Relief and Recovery (\$35 million)** -- Targeted relief and recovery funds are needed to help nonprofits recover from the economic impact of the pandemic. Similar to proposed small business support and support for hard-hit industries, these general operating support funds should include targeted support for [organizations led by people of color, who were already under-resourced before the pandemic, and for small and mid-sized organizations](#) that have not had access to the philanthropic funding necessary to make up for pandemic-related shortfalls.
- **Workforce Stabilization and Development (\$50 million)** -- The state needs to marshal its pandemic-related funding, traditional workforce resources, and contractual policies to address the acute nonprofit staffing crises in hiring, wages, retention, and burnout to ensure that essential services can continue. The state needs to recognize the sector's long-term importance as a primary employment sector and economic engine, and intentionally support nonprofit career pathways similar to its investment in other priority sectors.
- **Capacity Building (\$50 million)** -- Nonprofit organizations and networks are "civic infrastructure" -- the cornerstone of critical state and community work. As such, the state needs to invest in capacity building support for the sector, networks, and individual nonprofits to ensure that they are able to continue to provide state services and strengthen Rhode Island communities.
- **Government Policy (\$10 million)** -- The state needs to prioritize its partnership with nonprofits, integrate nonprofit input and expertise in the development of state strategies, innovate new approaches to support community-based initiatives, and modernize contracts and policies to eliminate harmful and inequitable practices.

Guiding Principles:

- *State decision-making, investments and policy should recognize -- and resource -- nonprofits as essential partners.*
- *State grants and contracts should include timely reimbursement for the full cost of services, market rate staffing, and capacity-building.*
- *State investments and policy should utilize an equity lens and be evaluated on their effectiveness to effectively address chronic racial disparities and inequities.*
- *ARPA investments should be targeted to communities and populations that have been disproportionately affected by the pandemic.*

FUNDING REQUEST

A. Financial Relief from Economic Impact of the Pandemic on Nonprofits

1. Provide 100% retroactive relief for reimbursing employers -- \$15 million

Forgiveness and/or reimbursement of unemployment insurance payments for self-funded nonprofits. Congress has acknowledged that no employer should be held financially liable because of the pandemic, and most states have held contributing employers harmless for the unemployment costs of the pandemic. Reimbursing employers should likewise be held harmless.ⁱ

2. Nonprofit Relief and Recovery Fund with equity lens -- \$20 million

Create a Nonprofit Relief and Recovery Fundⁱⁱ to provide general operating support grants for nonprofits affected by the pandemic, to be distributed with an equity lens. Small to mid-size nonprofits and those led by people of color were under-resourced prior to the pandemic, and were not able to draw on reserves or have access to adequate additional philanthropic support during the pandemic, so they should be prioritized.

B. Workforce Stabilization and Development

1. Hazard payment for frontline emergency relief workers – homeless assistance, food pantry, CAP agency staff, and 2-1-1 staff -- \$15 million

Homeless shelter and street outreach workers, food pantry staff, direct service Community Action Program staff, 2-1-1 call center staff, and other staff directly distributing emergency relief and resources who have not been previously eligible for premium pay and are not covered by other requests should be allocated one-time stipends for the essential role they have played in pandemic relief efforts.ⁱⁱⁱ These frontline positions are low-paying jobs, and the workers are suffering burnout at high levels from carrying secondary trauma. Without their tireless work, the state would not have been able to provide community support to those who need it most.

2. Market rate staffing in government contracts -- \$25 million

The state should use ARPA funds to immediately amend and update state contracts and grants with nonprofit organizations to include market rate wages for staff involved in implementing those programs and services. Plans should be made to ensure that this becomes permanent state policy, and necessary funding should be allocated in the state budget once ARPA funds have been depleted.

3. Nonprofit workforce development pathways, certificate programs and apprenticeship programs -- \$10 million

To address the staffing crisis in the sector, nonprofit workforce development certificate and apprenticeship programs should be implemented in partnership with DLT, the Governor's Workforce Board, the state's higher education institutions, and workforce development providers.^{iv} Although it makes up 17% of the state workforce, the nonprofit sector is not currently served by the Real Jobs RI program, and Rhode Island is the only state in the country that saw a negative nonprofit job growth rate in the decade before the pandemic.^{vi} Certificate programs in areas such as child and youth development, case management, nonprofit supervision, and nonprofit finance and budgeting are critical in building the pipeline of workers in this essential industry.

C. Capacity Building

1. Nonprofit Resource Center -- \$5 million

Funding is necessary for a new nonprofit resource center to provide sector-specific professional development, technical assistance, and capacity building for nonprofits. This work has been initiated by United Way of Rhode Island in partnership with community organizations and will be a centralized resource hub for support, collaboration, workforce development, innovation, and capacity building for the sector. This request will be supplemented with additional philanthropic investments.

2. Capacity Building Fund for Community-Based Government Partners -- \$25 million

Rhode Island state agencies depend on community-based organizations to provide essential services in areas such as disability services, emergency relief, child services, community health access and preventative services, childcare and youth programs, senior care, open space preservation and management, re-entry programs, referral and information services, etc. These partners are an essential part of the state's service infrastructure, and need an ongoing investment in their capacity, in addition to programmatic funding. The current situation is untenable, and without an ongoing investment in the sustainability and capacity of these organizations, the state would need to develop an extensive direct service infrastructure that will be far more costly and less effective than community-based organizations are able to provide.

3. Capacity Building Fund for BIPOC-led and equity-focused organizations -- \$15 million

ARPA funds are designed to address the needs of communities and populations disproportionately affected by the health and economic impacts of the pandemic.^{vii} The pandemic has had a disproportionate impact on Rhode Island's communities of color, and further exacerbated existing disparities and structural inequities affecting the health and well-being of Rhode Islanders of color. BIPOC-led community-based organizations are uniquely positioned to address these disparities and have historically been under-resourced. Targeted funding should be allocated to build the capacity of these organizations, in addition to programmatic funding to address inequities in these impacted communities.

4. Improved data management, referral and care coordination system – Investment in 211 2.0 -- \$4 million

An investment is needed in the state's service referral system and social services data system to allow social service providers to exchange client information in a secure and efficient manner, eliminate the current silos of support services, and document the outcome of referrals between health care and human service providers. This shared data platform will unite health and human services organizations to facilitate a coordinated, community-oriented, person-centered approach to delivering care in Rhode Island. The system will also generate data to highlight service standards, capacity restraints and elucidate gaps in services to allow for more strategic growth and deployment of resources statewide. The proposed investment will build upon an existing effort already underway with the RI Executive Office of Health and Human Services, which has contracted with United Way of Rhode Island and Unite Us to serve as the statewide referral platform for Medicaid Accountable Entities. United Way of Rhode Island (UWRI) has already begun collaborating with Unite Us, a shared technology platform, enabling providers and to community organizations to send and receive electronic referrals, address people's social needs, and improve health across communities. This materially expands upon the current capacity of Rhode Island's 211, allowing for real-time updates to resources and patient services as they occur. In partnership, UWRI and Unite Us plan to build a staffed, rapid response network to coordinate social services and manage enrollment of new entities into the network while performing ongoing verification to ensure a network with up-to-date referral information.

5. Donor collaborative platform to leverage public-private funding opportunities to generate additional resources for community-based initiatives in areas hardest hit by the pandemic -- \$1 million

In order to grow the pool of resources available for community-based initiatives, particularly in areas hardest hit by the pandemic, the state should invest in a Donor Collaborative technology platform. This will enable the state to leverage the potential alignment of public-private funding to maximize the impact of state-funded initiatives that address issues of racial equity, social determinants of health, and support for communities disproportionately affected by the pandemic. A Rhode Island platform similar to, or adapted from an existing program like Just Fund or Global Giving, could provide individual philanthropists, family foundations and donor advised funds with information about community needs, access to community assessment data that highlights community identified priorities, opportunities to leverage local funding to access additional federal funding sources, as well as local matches needed to draw investment by national and regional private philanthropy. Currently, several state departments are not fully accessing federal grant sources because of the lack of local funding matches, and other innovative programs cannot be piloted or adequately scaled because of federal funding restrictions. The Donor Collaborative platform could also be utilized when rapid response philanthropic efforts are needed to address community crises before state or federal funding becomes available. The Donor Collaborative can also be a forum to increase local interest in impact investing, including private-public ventures like social impact bonds, which can utilize private funding to pilot innovative public solutions to community issues.

D. Government Policy and Service Infrastructure

- 1. Office of Nonprofit Partnerships and Policy -- \$3 million**
- 2. Interagency Nonprofit Partnerships and Policy Cabinet -- \$1 million**
- 3. Nonprofit Advisory Council -- \$1 million**

The former EOHHS Director of Community Investments position should be incorporated into a new Nonprofit Policy and Partnerships Office to serve as an interagency hub for ensuring responsiveness, equity, and accountability in the state's work with nonprofits across departments. Similar to the Children's Cabinet, this office needs to bring together state departments to develop improved public-nonprofit partnership practices, streamline the bureaucratic burden placed on nonprofits, innovate systemic reforms, share best practices, and create opportunities for collaboration. It should oversee policy changes to ensure that government contracts and grants provide the full cost of programs and services, and that nonprofits are paid quickly and in full. It should also provide ongoing opportunities for nonprofit leaders to advise state leaders and the General Assembly on issues related to nonprofit policies, community investments, and provide feedback and accountability from frontline community perspectives.

4. Revolving/Bridge Loan Fund -- \$5 million

Small and mid-sized nonprofits, and those led by BIPOC leaders, are trusted voices in their communities and have the expertise and relationships to engage most effectively with target populations in order to achieve the goal of addressing outcome disparities in communities hardest hit by the pandemic, which is both a state and ARPA-designated priority. However, because these same nonprofits are under-resourced, carry limited reserves and do not have easy access to capital, they do not have the cash on hand to upfront several months of services to wait for state reimbursement. Therefore, the state needs to create a revolving/bridge loan fund to enable these community-based partners to do this essential work. ARPA funds should be used for the feasibility study and startup costs for this program.

SUPPORTING DETAIL FOR FUNDING PROPOSAL

There are over 3,400 501c3 public charities in the Ocean State, providing services and programs as diverse as emergency food and shelter, workforce development, child and eldercare, healthcare, education, arts and culture, animal welfare, and conservation. Nonprofits strengthen and enrich our communities, providing essential contributions to the resilience of cities and towns, the strength of safety net programs, opportunities for residents to reach their potential, and the flourishing culture and quality of life that makes Rhode Island unique.

Nonprofits Are the Cornerstone of the State's Service Infrastructure

Nonprofits form the foundation of the state's ability to provide essential services and achieve its goals. Almost all state departments contract nonprofit organizations to provide programs and services integral to their missions, and nonprofits do so more effectively and cost efficiently than government could do directly. From vaccine outreach, to early intervention, to afterschool and childcare programs, to open space preservation and management, to minority business development, to senior care, to voter information and referral to social services, to emergency relief, to financial literacy and affordable housing, Rhode Island state government depends on nonprofits to do critical work.

Although the state relies on nonprofits and has delegated many of its essential services to the sector, the state does not provide adequate resources to ensure the sustainability of the sector. State grants and contracts not only do not provide the full cost of providing programs and services, they do not support the capacity of these essential organizations to sustain or expand their work. The state's cumbersome and inequitable contracting and procurement policies do not provide market rate (or in some cases, even livable) wages, and harmful delays in reimbursement force nonprofits that are already financially constrained to draw down cash reserves, furthering imperiling their organizations.

Pandemic Burdens and Costs

The Rhode Island nonprofit sector has been the backbone of the state's relief and recovery efforts for the last 18 months. Thanks to vaccinations, businesses are beginning to return to pre-pandemic levels, but nonprofits are facing two major fiscal cliffs. The end of federal relief programs like expanded unemployment and the eviction moratorium mean increased community need and demand for services, and the end of federal recovery programs like PPP and COVID-specific philanthropic funding, combined with decreased fundraising events mean that nonprofits do not have adequate financial or staffing resources to continue to respond to the increased need.

The sector's tireless commitment during the pandemic has required great personal and organizational sacrifice. Nonprofits and their staff will not be able to continue to anchor their communities, respond to the needs of their neighbors, provide critical services on behalf of the state, and enrich our cities and towns without a significant, comprehensive, long-term investment in nonprofit workforce development, capacity building, and civic infrastructure.

Nonprofits Are Key to the State's Economic Recovery

Nonprofits drive economic growth -- the nonprofit sector comprised 5.6% of the country's GDP in 2016.^{viii} Nationally, nonprofits spent roughly \$1 trillion in 2019 on goods and services^{ix}, and accounted for more than \$826 billion in salaries, benefits and payroll taxes. Locally, nonprofits generate additional economic activity through creative placemaking and arts and entertainment, which supports tourism, hospitality and attracts workers and businesses from other states.

Nonprofits provide job training and workforce development, and provide support for entrepreneurs, social impact ventures and minority-owned businesses. They provide care for children and seniors to allow family members to work outside the home. As we have seen during the pandemic, inadequate staffing of these programs and limited offerings have kept many workers from returning to their jobs, which has slowed the economic recovery. Investments in early childhood learning, afterschool programming, and health prevention provided by nonprofits save the state millions of dollars in long-term costs.

The sector is an economic engine, generating over \$13 billion in annual revenues in Rhode Island^x, as well as wages that total more than almost all other sectors in the state. Nationally, the nonprofit workforce is the third largest workforce of any U.S. industry, behind only Retail Trade and Accommodation/Food Service, and ahead of the Manufacturing and Construction sectors.

Rhode Island however, has done a poor job of supporting growth in this sector, and is the **only state in the country that experienced an overall decline in nonprofit employment in the decade before the pandemic.**^{xi}

Nonprofit Workforce Crisis

Nonprofits were a primary driver of job growth and economic development across the country in the decade before the pandemic, but Rhode Island has been a uniquely challenging location for nonprofits to thrive. According to Johns Hopkins' *2020 Nonprofit Employment Report*, all but 4 states and Puerto Rico experienced a nonprofit job growth rate that exceeded the average economy-wide for-profit job growth rate of 6.2% between 2007-2017. Many states experienced even stronger economic benefits; every other New England state experienced vigorous nonprofit job growth over 15% between during this time period (Connecticut 15.3%, Massachusetts 16.3%, New Hampshire 19.4%, Maine 16.0% and Vermont 21.8%). Nationally, 25 states recorded a nonprofit employment growth rate of 20% or more between 2007-2017.^{xii}

In stark contrast, Rhode Island was the only state in the country with a net loss of nonprofit jobs during the same time period at -2.3%. (The state with the second worst growth rate was Wyoming, which saw 2.6% nonprofit job growth, or 4.9% higher than Rhode Island.)

The pandemic has exacerbated the growth challenges already experienced in the nonprofit sector here and nationally. An estimated 1.6 million nonprofit jobs were lost nationally in the first three-month period of the pandemic. In other words, 13% of nonprofit jobs disappeared during that timeframe.^{xiii}

In Rhode Island, 19% of nonprofits reported that they had to lay off staff, and 15% had to furlough staff because of the pandemic, according to a survey of 330 Rhode Island nonprofits in September 2021, conducted by Grantmakers Council of Rhode Island (GCRI) and United Way of Rhode Island (UWRI). Remaining staff are physically and emotionally exhausted from shouldering the burden of the state's relief efforts for 18 months, dealing with inadequate staffing, and caring for community members who are dealing with toxic levels of stress and trauma.^{xiv}

Virtually all nonprofits have staff who are experiencing burnout (78%), compassion fatigue (73%), crisis levels of exhaustion (emotional exhaustion 86%, and physical exhaustion 74%) and unhealthy, persistent stress. Almost a third of community-based organizations (29%) have seen staff leave the nonprofit sector completely, and almost 40% have staff who are considering doing so. The dramatic statistics on nonprofit staff burnout and the potential exodus of large numbers of nonprofit staff (and their institutional knowledge and expertise) from the sector in Rhode Island are cause for considerable alarm.

As one respondent to the GCRI/UWRI survey stated, "People are leaving their jobs and there are no new people applying... In my 45 years leading organizations, I have never seen such widespread stress, dissatisfaction and diminished resiliency that is almost impossible to penetrate."

This workforce crisis is affecting a sector that employs more than 16.5% of the overall workforce in the Ocean State, employing 71% more workers than the manufacturing sector.^{xv} In Rhode Island, there are more Health Care/Social Assistance and Educational Services positions than Retail and Food/Accommodations combined. Workforce issues in retail, tourism and the restaurant industries have been highlighted and prioritized in Rhode Island, but this crisis facing a more significant proportion of the state's workforce has been largely ignored.

September's employment data shows that the two sectors losing jobs were arts/ recreation and healthcare/social assistance, both of which include many nonprofit employers.

The state needs to prioritize the nonprofit sector for a significant investment so that organizations can retain the qualified staff who have heroically shouldered the emotional and physical burden of responding to communities in crisis during the pandemic. In order to ensure that nonprofits can access the skilled staff necessary to continue to serve their vital community functions, the state must also invest in support for nonprofit workforce development in the short- and long-term.

Organizational Capacity Building

The nonprofit sector provides the state's "service infrastructure" of organizations providing essential services on behalf of the state, and its "civic infrastructure" of networks, connections, resources, services, supports, and enrichment that the state and its residents depend on in order to engage in community life and thrive. These service and civic infrastructures are as essential to a flourishing and engaged citizenry as roads and bridges and other physical infrastructure, and require a similar ongoing investment in capacity and sustainability.

Many Rhode Island nonprofits entered the pandemic with less than 3 months of financial reserves, and then 64% had to cancel fundraising activities because of the pandemic, 38% experienced increased expenses because of increased demand, and 49% had increased pandemic-related program expenses. This is an untenable confluence of factors that has further jeopardized their stability and ability to respond to community needs. Even before COVID-19, Rhode Island ranked 45th among states for individual charitable giving, and during the pandemic 33% of Rhode Island nonprofits experienced a decline in individual giving, even beyond the cancellation of fundraising events.

Over 78% of surveyed nonprofits received PPP loans, and many of those organizations cited the loans, as well as other COVID-specific relief, such as the RI COVID Relief grants through Rhode Island Foundation and United Way (42%), Commerce Restore RI grants (27%), and federal grants provided by RI State Council of the Arts and RI Council for the Humanities, as "lifesavers" and the main reason they remain solvent. Survey respondents were very worried about "looming fiscal cliffs" unless they receive additional financial resources. One respondent said, "Looking ahead to the next few years, I'm worried about a financial gap after funding from recovery dollars is through. The long-term implications of the pandemic on the populations we serve will still be felt, but the supports will no longer be there." Another said that the pandemic had wiped out reserves that had taken 20 years to build up.

Out of \$100 million of CARES Act funding allocated for Rhode Island small businesses, only \$2.5 million was targeted for nonprofits. Many nonprofits have accessed PPP funding designed for small businesses, and some were able to access the end of the Recover RI grants designed for small businesses, but the state has not prioritized or targeted any significant relief toward the sector during the pandemic. The ARPA Interim Final Rule clearly states that funds may be used to "respond to the public health emergency or its negative economic impacts, including assistance to...nonprofits" (p.26787).

Last year, Candid released an analysis of COVID-19 effects on projected nonprofit closures nationwide and estimated Rhode Island to have the fourth-highest rate of anticipated nonprofit closures per capita.^{iv} The combined health and economic traumas of 2020 threaten the long-term sustainability of the sector in Rhode

Island and could cause the irreparable loss of foundational supports in our communities across the state. Recovery will not be a short-term endeavor.

Government Partnership and Policy

While the state usually views the business sector as a “target audience” to be wooed, supported and catered to, the state often views nonprofits as “suppliers,” to be dealt with through a procurement lens, or as “amateurs,” who should invest in the well-being and richness of their communities out of altruism, without recompense for their contributions to the well-being and vibrancy of their communities.

The state should instead view nonprofits through a partnership lens – recognizing that the state’s goal of healthy, strong, prosperous, and equitable communities is only possible through a productive, collaborative, supportive synergy with the nonprofit sector. Nonprofits should be a partner in decision-making processes, sharing their expertise on the frontlines of community challenges and successes, and they should be recognized as an integral part of the state’s goals, investments, programs, and services for residents. There needs to be a coordinated, interagency effort to revise state policies, procedures and contracts through an equitable, partnership lens that ensures that the state contracts provide the full cost of contracted services, including market rate wages, and that reimbursement is provided in a timely, efficient manner. The state should also work with nonprofits to develop new approaches, including a revolving/bridge loan program to ensure that BIPOC led nonprofits have access to the capital necessary to expand programs and services to address the racial disparities highlighted by the pandemic, and a donor collaborative platform to leverage the potential of public-private funding alignment to access additional federal and national philanthropic resources for community-based initiatives in the communities hardest hit by the pandemic.

Finally, the state needs to invest in the capacity of its essential community partners – 211, child and disability service providers, homeless assistance providers, community action programs, VOAD partners (Voluntary Organizations Activated in Disasters), etc. -- as well as community partners serving the communities and populations disproportionately affected by the COVID-19 pandemic. The pandemic has spotlighted historic inequities and racial disparities that were exacerbated by the public health and economic crises, and the state needs to invest in the capacity of BIPOC-led and BIPOC-serving community organizations who have the expertise and trusted community relationships to do the grassroots work needed to address these inequities.

APPENDIX

Additional Supporting Information

Benchmarking Examples from Other States and Municipalities

Rhode Island State Government Depends on Nonprofits for Essential Services

Nonprofits are a crucial part of the state's infrastructure. They provide essential services on behalf of the state and help the state achieve its goals.

For instance, a non-exhaustive list includes:

- The **Department of Children, Youth and Families** depends on nonprofits to provide home visiting, early intervention, children's services, training of foster families, childcare and afterschool programs.
- The **Department of Health** depends on nonprofits to provide preventative healthcare programs, community healthcare, and programming to address health disparities and social determinants of health. Nonprofits have been the primary outreach partners in COVID vaccine efforts as well.
- Rhode Island's **Emergency Management Agency** activates United Way's 2-1-1 in times of crisis, and depends on Voluntary Organizations Active in Disaster (VOAD) to support families and communities facing crises.
- The **Department of Human Services** depends on nonprofits to oversee refugee resettlement and do Special Nutrition Assistance Program (SNAP) outreach. The department depends on Community Action Programs to process applications for Energy Assistance, United Way's 2-1-1 to support the Pandemic EBT program, and United Way's POINT program to assist seniors with Medicare enrollment.
- The **Department of Labor and Training** depends on nonprofits to develop worker pipelines through workforce training programs, and adult education programs to provide career readiness. Nonprofits also provide SNAP Employment and Training programs.
- The **RI Commerce Corporation** depends on nonprofits like the RI Hispanic Chamber, the RI Black Business Association and Social Enterprise Greenhouse to provide support and outreach to minority-owned businesses and social enterprises. Arts and culture programming are essential attractions in recruiting new businesses and employees to Rhode Island.
- The **Behavioral Healthcare, Developmental Disabilities, and Hospitals Department** depends on nonprofits to provide mental healthcare and crucial supportive services.
- The **Office of Healthy Aging** depends on United Way to provide case management for seniors through POINT, and depends on nonprofits to provide senior care, long-term care and assistance to homebound seniors.
- The **Department of Corrections** depends on nonprofits to provide supportive re-entry programs for formerly incarcerated individuals.
- The **Department of Education** and local school districts depend on nonprofit afterschool/summer programs to provide not only academic support but also social and emotional learning, particularly in response to pandemic-related learning loss.
- The **Department of Environmental Management** depends on local land trusts to aid in open space conservation and management.
- The **Housing Resources Commission** depends on nonprofit community development corporations to develop affordable housing and training for prospective homeowners.
- The **General Treasurer's Office and Department of Education** depend on nonprofits to provide financial literacy and empowerment programs for students and low/moderate income adults.
- The **Secretary of State's Office** depends on United Way's 2-1-1 to provide a call center for voter information.

Rhode Island's Economy Depends on Nonprofits

- The sector is an economic engine in Rhode Island generating over \$13 billion in annual revenues.
- The RI nonprofit workforce comprises 17% of the state's private workforce, employing over 68,000 people, 69% more than manufacturing. In Rhode Island, there are more Health Care/Social Assistance and Educational Services positions than Retail and Food/Accommodations combined.
- Nonprofits provide care for children and seniors to allow family members to work outside the home. As we have seen during the pandemic, inadequate staffing of these programs and limited offerings has kept many workers from returning to their jobs, which has slowed the economic recovery, and made it difficult for businesses to return to full capacity
- They provide job training and placement services for those who might otherwise have difficulty entering the workforce, and provide support for entrepreneurs, social impact ventures and minority-owned businesses.
- They spur economic activity through creative placemaking and improved quality of life. Arts and culture programming supports tourism, hospitality, and helps attract workers and businesses to the state.
- Investments in early childhood learning, afterschool programming, and health prevention save the state millions of dollars in long-term costs.

National Economic Impact

- [Nonprofits drive economic growth](#) -- the nonprofit sector contributed over \$1 trillion to the U.S. economy in 2016, comprising 5.6% of the country's GDP, and accounting for more than \$826 billion in salaries, benefits and payroll taxes.
- Nonprofits employed 12.3 million Americans out of a 164 million person workforce at the beginning of 2020. Employing 7.5% of working Americans results in significant spending on wages, salaries, and benefits.
- Nonprofits spent roughly \$2 trillion in 2019, \$826 billion of which was spent on payroll (salary, benefits, payroll taxes, etc.). The remaining \$1 trillion was spent on goods and services, ranging from large expenses, like medical equipment for hospitals, to everyday purchases such as office supplies, food, utilities, and rent.

Rhode Island's Lack of Investment Has Long-Term Economic Costs

- Even before the pandemic, Rhode Island did not invest in this vital sector. [Nonprofit job growth has outpaced overall job growth in virtually every state in the country, except for Rhode Island](#). While our New England neighbors experienced vigorous nonprofit job growth of over 15% from 2007-2017, and 25 states had nonprofit job growth of over 20%, **Rhode Island was the only state in the country with negative nonprofit job growth during the same time period (-2.3%).**
- Investing in preventative programs and supportive services like early intervention, afterschool programming, and social determinants of health, will save the state millions of dollars in long term costs for prisons, welfare, healthcare, etc. One [independent analysis of early childhood education](#), for example, showed on average, a "profit" to society of \$15,000 for every child served. Another [study of a community health worker program](#) in another state showed a savings of \$1.4 million, an ROI of \$2.47 for every dollar invested in social determinants of health.

GCRI/UWRI 2021 COVID-19 Impact on RI Nonprofits Survey Highlights

330 nonprofits, August/September 2021

The survey spotlighted the workforce and financial crises facing this sector, which has shouldered the burden of the state's relief and recovery efforts for almost two years, at great personal and organizational cost. While inadequate staffing in retail and hospitality have been given extensive attention, the staffing crisis in the nonprofit sector is acute and must be addressed so that essential services can continue to be provided.

Nonprofits have suffered financially from the pandemic, having to cancel fundraisers and seeing increased demand and costs. They are in need of relief, and the state has prioritized small businesses for relief funds, without recognizing the need to provide similar supports to the nonprofits that have provided critical services for Rhode Islanders throughout the pandemic, even when they struggled with inadequate staffing and resources.

Staffing Crisis

19% of nonprofits reported that they had to lay off staff, and 15% had to furlough staff because of the pandemic. 55% are struggling with hiring, recruitment and inadequate staffing.

The remaining staff are physically and emotionally exhausted from shouldering the burden of the state's relief efforts for 18 months, dealing with inadequate staffing, and caring for community members who are dealing with toxic levels of stress and trauma.

Virtually all nonprofits have some or all staff experiencing burnout (78%), compassion fatigue (73%), crisis levels of exhaustion (emotional exhaustion 86%, and physical exhaustion 74%) and unhealthy, persistent stress.

Almost a third of community-based organizations (31%) have seen staff leave the nonprofit sector completely, and almost 44% have staff who are considering doing so.

The dramatic statistics on nonprofit staff burnout and the potential exodus of large numbers of nonprofit staff (and their institutional knowledge and expertise) from the sector in Rhode Island are cause for considerable alarm. As one respondent stated, "People are leaving their jobs and there are no new people applying... In my 45 years leading organizations, I have never seen such widespread stress, dissatisfaction and diminished resiliency that is almost impossible to penetrate.

Finances

63% name finances as a pressing challenge, and 34% of organizations are currently operating at a deficit.

This is due to the confluence of factors – increased demand for services, increased expenses, and a loss of revenue from decreased donations and cancellation of fundraising events.

64% experienced loss of revenue from cancellation of fundraising events. 47% lost fee for service revenue due to program/event cancellation. 33% had decline in individual donations, 46% lost more than 15% of revenue. 28% had expense increases of more than 15%.

The pandemic is not over for our communities. **59% of organizations expect community needs to increase now that government relief programs have ended.**

References and Benchmarking Examples from other States and Municipalities

Other states and municipalities have recognized the essential role that nonprofits play in providing critical services. In 2020, a report from New York City's Comptroller stated, "New York City's nonprofit sector is a critical driver of the City's economy. Nonprofit organizations provide essential cultural, educational, health and social services, and employ a substantial percentage of the City's private workforce. Nonprofits generate billions of dollars for the local economy and tax base each year through wages, employment taxes, programmatic and operating spending, and indirect employment."^{xvi}

Especially after watching the heroic work of nonprofits during the pandemic, states and municipalities are increasingly recognizing the priority of investing in nonprofits and the need to respond to the urgency and opportunity presented by this moment, to address the acute crisis facing the nonprofit sector and to "build back better."

The following is additional supporting information and examples of similar investments from states and municipalities across the country.

A.1 Provide 100% retroactive relief for reimbursing employers

From the National Council of Nonprofits:

All employers and employees are experiencing a crisis that the unemployment system was never created to handle. Through the CARES Act, and expanded by the American Rescue Plan, Congress took steps to protect both employees and employers by ensuring that workers who lost their jobs due to the pandemic got the unemployment assistance they need. Most employers – those that contribute taxes to the state unemployment system – will likely experience little or no additional costs resulting from mass COVID-19-related layoffs thanks to federal action; any potential costs are far down the road and will come well after the crisis has passed. Self-insured (also known as reimbursing) employers, however, are suffering the immediate and costly application of a policy that they pay 50-percent of the costs of benefits paid to employees they were forced to lay off or furlough due to the pandemic. While others have been able to conserve resources to weather the pandemic storm, reimbursing employers are forced to make major outlays of cash, now during the pandemic. The better policy, as the nonprofit community has repeatedly communicated to Congress and the Administration, is for the federal government to cover the full costs of claims of coronavirus related job disruptions. During a virtual briefing on July 15, 2020, [Unemployment and Self-Insured Nonprofits: Ending the Pressure to Lay Off More Employees](#), nonprofit leaders reported staggering unemployment costs that will lead to even more layoffs.^{xvii}

Contributing employers and reimbursing employers suffered from the exact same health and economic crisis; should they not be treated the same? Last year, several states answered that question by saying it absolutely would be unfair for governments to protect one set of employers (contributing employers) from dramatic cost hikes while leaving the other set of employers (nonprofits and local and Tribal governments) financially liable for essentially the same unemployment burdens. To correct that unfairness, [about a dozen states provided needed relief to reimbursing employers](#). However, that relief has largely expired or must be revised to hold these innocent employers harmless from these pandemic-caused costs from which their contributing counterparts have been protected. We strongly recommend that states provide the same level of protection granted to contributing employers – zero costs from the outset of the pandemic – to all reimbursing employers. This equal treatment can be achieved by states and localities by: (i) cancelling all unemployment bills for COVID-related layoffs; and (ii) repaying these

employers for the amounts paid on unemployment costs charged to them since the declaration of the national emergency on March 13, 2020.^{xviii}

Other state examples:

- [Delaware](#): The state permitted nonprofits with a balance of reimbursable unemployment claims related to COVID-19 to self-certify and request that CARES Act funding be allocated to their accounts, resulting in the cancellation of unemployment costs charged to them in 2020.
- [Kentucky](#): The Governor directed \$51.5 million in federal CARES Act funding to be used for unemployment insurance relief for reimbursing employers in the state. The announcement clarified that the Governor was applying CARES Act funds to “eliminate the other 50 percent owed to the state Unemployment Insurance Trust Fund by [reimbursing] employers.” The relief helped nearly 1,000 nonprofits in the Commonwealth so they could keep advancing their missions for people in local communities, according to the Kentucky Nonprofit Network.
- [North Carolina](#): Legislators acted at the start of their 2021 legislative session to extend the noncharging period for COVID-related unemployment claims for reimbursing employers through the end of 2021, building on previously enacted legislation. The action resulted in the state not charging reimbursing employers the remaining costs not covered federally under the ARPA.
- [New Jersey](#): Recently enacted legislation in New Jersey provided full unemployment relief to reimbursing employers – nonprofits and local governments that in the past elected to reimburse the state for the costs of unemployment benefits paid to former employees – during the Governor’s declared state of emergency through June 2021.
- [Additional State Examples](#)

A.2 Create Nonprofit Relief and Recovery Fund

The nonprofit sector has been the backbone, hands, and feet of both public and private efforts to support residents and businesses in the last year and a half. And while increased vaccination rates have improved the circumstances for many Rhode Island businesses, the end of federal relief programs is resulting in even greater demand for social services from community-based organizations, which have been stretched thin from almost two years of crisis-level care for their neighbors.

The tireless leadership and support provided by Rhode Island nonprofits during the pandemic has come at great personal and organizational cost. Community-based organizations are facing unprecedented staff burnout and turnover, along with a dire financial formula of increased demand for services and decreased fundraising revenue (64% have lost revenue because of the cancellation of fundraising events).

According to a recent survey of 330 Rhode Island nonprofits conducted by Grantmakers Council of Rhode Island (GCRI) and United Way of Rhode Island (UWRI), 34% are operating at a deficit. Many others have used up reserves and have only been able to make ends meet because of PPP loans (received by 78% of respondents).

Additionally,

- 49% have experienced additional expenses for service delivery due to issues such as PPE, cleaning, space configurations, lower staff ratios, etc.
- 46% have experienced a loss of at least 15% of their revenue during the pandemic.
- 28% have seen expenses increase more than 15%.
- [2021 Survey Results Highlights](#)

- [Full Survey with Qualitative Responses](#)

While some limited funding has been available to cover specific COVID-related expenses, nonprofits need general operating supports to address the overall financial impact of the pandemic that has dramatically reduced their ability to raise private funds.

Other State Examples:

- [New Hampshire Nonprofit Emergency Relief Fund](#): New Hampshire was the first state in 2020 to set aside Coronavirus Relief Fund monies (\$60 million) for nonprofits. It was overseen by the Governor's Office for Emergency Relief and Recovery Stakeholder Advisory Board, which included among its members Kathleen Reardon, CEO of the New Hampshire Center for Nonprofits. All New Hampshire-based 501(c)(3) nonprofits not assisted through other funding opportunities (e.g., hospitals, colleges, and universities) that were experiencing necessary expenditures and/or losses due to the COVID-19 public health emergency were eligible for funding under the program. Awards were based on actual expenses, net actual losses of revenue, projected expenses, or net projected losses of revenue due to COVID-19. The fund was administered through a true government-nonprofit partnership between the New Hampshire Center for Nonprofits, the New Hampshire Charitable Foundation, and the state's Community Development Finance Authority.
- The [Delaware Community Investment Recovery Fund](#) will provide \$100 million in ARPA funds to nonprofits with one-time funding for major nonprofit capital projects that meet federal eligibility standards. Joining the Governor in announcing the Recovery Fund for nonprofits, the Lieutenant Governor observed, "We rely on our nonprofits to care for and serve Delawareans, especially our most vulnerable residents every day. This has been especially true throughout the COVID-19 pandemic. This ARPA investment will provide critical support for our nonprofits and community organizations that have stepped up every day to ensure Delaware families have the services they need."
- Montana -- A special [Coronavirus Relief Fund Advisory Council](#), which included Liz Moore, Executive Director of the Montana Nonprofit Association, made recommendations for how the state could best use its allocation of CARES Act funding. The Montana Department of Commerce then created, approved, and administered various grant opportunities based on 30 distinct program areas for nonprofit organizations and for-profit businesses in the state. The program areas ranged from agriculture to business adaptation, innovation, and stabilization to childcare, food banks and food pantries, the arts, private and public schools, and loan deferment. The Department awarded more than \$786 million at levels ranging from less than \$30 to more than \$800,000.
- [Baltimore, Maryland Nonprofit Relief Fund](#): Baltimore recently awarded nearly 70 nonprofits grants of up to \$50,000 each in ARPA funds from the city's second round of grantmaking. Nonprofits can use the award to help "address the negative financial impacts of the COVID-19 pandemic, both reimbursing organizations for unexpected funds spent to respond to the pandemic, as well as addressing future needs related to COVID-19." In announcing the awards, the Mayor highlighted how governments and nonprofits rely on each other to better serve the public: "As our nonprofit organizations continue to keep Baltimoreans afloat through this pandemic, I am proud that we are able to reciprocate the support. This round of funding will supplement our economic recovery efforts and help these important organizations plan ahead and continue their services to support our residents as we continue to navigate the effects of COVID-19." Legislative Branch Created Nonprofit Relief Fund
- [South Carolina Nonprofit Relief Grant Program](#): At the end of their 2020 legislative session, South Carolina legislators established a nonprofit-entity reimbursement grant program under the SC Grant Management Program. Lawmakers appropriated \$25 million for grants of up to \$50,000 to qualifying nonprofit entities to cover two-month's payroll expenses.

- [Alaska](#) – Alaska created a \$20 million grant program to help offset nonprofit revenue losses due to the pandemic.
- [California](#) has provided an additional \$1.5 billion in funding for a COVID-19 relief grant program for small businesses and nonprofits created in 2020.
- [Louisiana](#) – The Louisiana Small Business and Nonprofit Assistance Program uses all but \$400 million of the state’s allocation of ARPA funds for 2021 to provide grants up to \$25,000 to small businesses and eligible nonprofit organizations, including public charities and faith-based organizations.
- [Tennessee Community CARES Program](#): The largest nonprofit-specific grant program in 2020 was for \$150 million in Tennessee. The program tapped four United Ways, the Women’s Foundation for a Greater Memphis, and the Second Harvest Food Bank of Middle Tennessee as grant-administrators, which “helped decentralize the work” and to “ensure the basic eligibility standards and screening was applied.” Nonprofit grant-administrators recognized nonprofit-specific needs for applications, monitoring and oversight, and back-end reporting. The Department of Human Services and the nonprofit grant-administrators received 1,350 applications seeking \$435 million in proposed expenses to support diverse populations and communities across the state.
- [Denver](#), Colorado has extended the Nonprofit Emergency Relief Fund that it created last year using CARES Act funds, and expanded the fund by adding \$485,000 from its ARPA allocation. The nonprofit relief fund is designed for “nonprofit organizations experiencing financial hardships due to the COVID pandemic (increased demand, decreased income, new services).”
- [Loudon County](#), Virginia is awarding nearly \$2.5 million in grants to 36 nonprofits and faith-based organizations out of the locality’s allotted \$40.2 million ARPA funds. The nonprofit grant program provides awards for services in one of four categories: emergency food assistance, COVID-19 service expansion, service interruption, and nonprofit service continuity. The organizations receiving the funds range from adult and early education, direct assistance, domestic violence, employment assistance, food assistance, public and mental health, legal services, rental assistance and housing, transportation, and utility assistance.^{xix}

B.1 Hazard/premium pay for frontline emergency relief workers

The ARPA legislation makes clear that funds can be used to support frontline workers who have been providing direct relief to communities and individuals during the pandemic “Resources to offer premium pay to essential workers, in recognition of their sacrifices of the last year” is one of the recommended uses of ARPA funds (Interim Final Rule, p.26787-8).

Rhode Island should make one time hazard/premium payments to frontline nonprofit emergency relief workers who have not been previously eligible under other requests or appropriations. This should include food pantry staff, homeless shelter staff, staff involved in street outreach to unhoused individuals, Community Action direct relief staff, 2-1-1 call center staff, and other staff involved in direct emergency relief in recognition of their sacrificial, tireless frontline work over the last 18 months. They should be recognized for the physical and psychological toll of caring for their neighbors in crisis, which is referred to as secondary trauma.

[COVID-19's essential workers deserve hazard pay. Here’s why – and how it should work](#) -- Brookings

[Coping With COVID-19: Emergency Stress, Secondary Trauma and Self-Efficacy in Healthcare and Emergency Workers in Italy](#) – *Frontiers in Psychology* September 2020

[Burnout, Self-Care & COVID-19 Exposure for First Responders](#) -- Federal Healthcare Resilience Task Force

B.2 Market rate staffing in government contracts and grants

State contracts and grants should be updated to reflect market staffing reimbursement rates. Many nonprofits are underpaying staff because they are working with state contract rates that were set one or two decades ago, which no longer reflect market rates or even basic cost of living adjustments.

State contracts should set staffing rates based on market rates and be regularly updated to reflect the actual cost of living in Rhode Island. Nonprofit staff who are helping their neighbors access safety net programs should be paid at a level where they do not also require safety net programs themselves.

Several recent articles have detailed the challenges facing the sector in Rhode Island:

- [‘We’re sinking’: R.I. human services agencies face workforce crisis – Boston Globe, December 6](#)
- [Stakeholders in children’s services discuss wage boost to stem staffing shortages – Providence Journal November 5](#)

These issues are affecting nonprofit staff across the country. A 2021 [report by the New York Human Services Council recommended](#):

Nonprofit human services workers were on the frontlines of the pandemic, often without adequate supplies and amid an explosive increase in demand for the services their organizations provide. These workers continued to serve predominantly Black, Latinx, and Asian communities—which experienced the bulk of COVID-19 infections, death, and economic hardship over the past year—while putting themselves and their families at risk of contracting the virus. The nonprofit employees who continued working on-site throughout the pandemic were disproportionately people of color (85 percent), with white workers making up only 14 percent of frontline roles.

And like so many essential workers who kept New York City running, nonprofit human services workers did so while being chronically undercompensated. These workers are overwhelmingly female (66 percent), over two-thirds are full-time workers of color (68 percent), and nearly half (46 percent) are women of color, according to an analysis of American Community Survey data (2016–18) conducted by the Center for New York City Affairs. Despite the importance of their work, they earn an average annual income of \$32,700—making this sector the [second-lowest paid](#) in New York City, behind the restaurant industry.¹ Members of the human services workforce generally make about 71 percent of what government employees make and 82 percent of what private sector workers receive, despite the fact that 63 percent of full-time nonprofit human services workers have a four-year college degree or more, 10 percentage points greater than for the private sector overall.² Insufficient pay means that more than [60 percent of workers](#) in this sector qualify for some form of public assistance, putting many of them in financial positions similar to the New Yorkers their organizations serve.³

… **For too long, nonprofit human services organizations have been undervalued, as have their staff and the communities they serve, both of which are made up primarily of low-income people of color.** As the next mayor looks to rebuild New York City—and make it a fairer, safer, and more prosperous home for all New Yorkers—the mayor must focus on supporting and investing in New York City’s human services sector. Sixty percent of nonprofit human services workers qualify for public assistance; 15 percent qualified for food stamps in the 2016–18 period, and if child care workers and home health aides are included in the sector, nearly a quarter of all nonprofit human services workers received food stamps in that period. Government’s current treatment of the human services sector perpetuates the economic instability and poverty human services organizations work to address.

Recommendations from the report included:

- **Pay equitable wages to all contracted nonprofit human services workers**, with appropriate cost-of-living adjustments and a wage floor.
- These recommendations aim to support more effective delivery of vital human services to millions of New York City residents by fostering stability for organizations and their workers. A new administration should aim to establish a wage floor for the 120,000 nonprofit human services workers in New York City of no less than \$21 an hour.^{xx}

B.3 Nonprofit workforce development pathways, certificate programs and apprenticeship programs

The Rhode Island Real Jobs program of the Department of Labor and Training (DLT) supports over 16 industries, but no nonprofit programs other than healthcare. Over 50% of nonprofits are currently experiencing struggles in hiring and recruitment, and there is a need to develop a talent pipeline in the nonprofit sector.

While several Rhode Island universities offer nonprofit management degree programs, and the Institute for Nonprofit Practice offers a cohort-based nonprofit leadership program, there are no supports for those without the resources for these programs, or those without degrees who want to progress from entry level nonprofit positions to supervisory roles.

United Way and Grantmakers Council of Rhode Island have had initial conversations with University of Rhode Island and the Community College of Rhode Island about potential nonprofit certificate programs that could be developed in partnership with DLT and/or the Governor's Workforce Board to support career pathways and leadership development pipelines within the nonprofit sector. The nonprofit resource center (below) that is being formed will also help support this effort.

C. 1 Nonprofit resource center

Recognizing the social and economic impact of nonprofits, more than 40 other states have nonprofit centers or associations that provide professional development, organizational capacity building, opportunities for collaboration and innovation, and advocacy, similar to business chambers of commerce, technical assistance centers, and workforce development programs for for-profit businesses. Rhode Island is one of only nine states without a statewide network for social impact organizations.

For example, the [Connecticut Nonprofit Alliance](#) provides a nonprofit center, professional development and training, cost-savings opportunities, academic partnerships, peer to peer learning, advocacy and a jobs board. The [Massachusetts Nonprofit Network](#) provides nonprofit capacity building, professional development, trainings, advocacy, public awareness and jobs board.

United Way is currently working with other nonprofit organizations to design a Rhode Island nonprofit resource center. This project is designed to build on previous nonprofit capacity building efforts, and to centralize social impact sector resources in a way that is accessible and inclusive for nonprofits across the state, with a particular focus on small to mid-size organizations, and those led by and serving people of color.

Plans for the nonprofit resource center will be developed using stakeholder input from social sector organizations in Rhode Island, and will draw from successful local models, like New Roots, national best practices from the 42 statewide nonprofit associations that comprise the National Council of Nonprofits, and build on the valuable recent grantee capacity building efforts sponsored by funders who are members of the Grantmakers Council of Rhode Island.

The Center's proposed leadership development initiatives, in collaboration with existing programs like the Institute for Nonprofit Practice and Leadership Rhode Island, will help to build a pipeline of diverse leaders to address the anticipated generational turnover of current leaders in the sector. The Center's cohort and community of practice/learning community programming will expand accessibility to intensive capacity building support beyond the limited funder-sponsored cohorts currently offered in the state, and provide peer support and opportunities for collaboration. There are also opportunities for workforce development programs in partnership with DLT and Rhode Island's higher education institutions to develop a leadership pipeline for entry level nonprofit staff, and provide them with the management skills necessary to take on increasing responsibility within their organizations and across the sector.

United Way will also be researching the feasibility of incorporating back-office support into the resource center, which would provide low-cost shared services to enable organizations to focus on their mission, while ensuring financial compliance and accountability. This could also enable grassroots organizations and under-resourced organizations led by people of color to demonstrate the infrastructure necessary to receive more significant grant funding and resources. This will enable those organizations to scale and replicate successful programs.

Creating a sustainable nonprofit resource center in Rhode Island could provide valuable tools to address both current and ongoing challenges facing the nonprofit sector in the state.

Other state and municipal examples of nonprofit centers include:

[Center for Nonprofit Management](#) (Texas)

[Georgia Center for Nonprofits](#)

[Nonprofit Leadership Center](#) (Florida)

[Center for Nonprofit Advancement](#) (Washington, DC)

[North Carolina Center for Nonprofits](#)

C.2 Capacity-building fund for essential community-based partners

C.3 Capacity-building fund for BIPOC-led and equity-focused community-based partners

"Just as a city's physical infrastructure crumbles over time if it is not maintained, so it is with nonprofit infrastructures. While the signs of erosion are rarely dramatic in one year, prolonged neglect will ultimately result in their total breakdown - and in the collapse of the programs they operate. Nonprofits are essential to the well-being of our citizenry; the need to strengthen their organizational capacity cannot be ignored. Grantmakers, because of their unique relationships with nonprofits, are well-suited to help build their infrastructure." *Joyce Bove & Lawrence Mandell, introduction to "Strengthening New York City Nonprofit Organizations: A Blueprint for Action"*

Currently, most Rhode Island state agencies rely on nonprofits for essential service provision but do not invest in building the ability of these community-based partners to sustain and scale their work. The RI Department of Health has pioneered some capacity support for place-based collaborative work through its Health Equity Zone investment in collective impact backbone organizations focused on social determinants of health. This needs to be expanded across programs and agencies. Without a significant, sustained investment, vital community-based

New York City has incorporated capacity building training into its discretionary grantmaking process for nonprofit organizations: "Nonprofit organizations that wish to receive discretionary funding must submit a City Council Discretionary Funding Application.... Awardees that receive more than \$10,000 in discretionary funding, but less than \$1 million in cumulative City funding, must complete City Council's Capacity Building Training and obtain certification. "

The 2021 New York Human Services Council report stated,

These [pandemic-related] challenges compounded the problems of an already overburdened and undervalued sector. For decades, human services organizations have had to rely on city contracting practices that pay late, fail to cover full costs of service delivery, and require tedious reporting and procurement metrics that do little to capture the extent to which their services meet the needs of New Yorkers.

As the next mayor looks to rebuild New York City's economy and workforce and support individuals and families recovering from the pandemic and its financial consequences, the mayor must prioritize reforming supports for the human services sector. Nonprofits rose to the occasion of the pandemic—expanding service offerings to meet the moment's needs—but they will not be able to survive unless there are meaningful changes to how they are contracted, paid, and included in future disaster and recovery planning. New York City cannot reduce poverty, expand economic mobility opportunities, and improve equity if the organizations that support low-income communities do not have the resources they need.

The Hewlett Foundation has stated that capacity building is a key need facing nonprofits. In response, they created a funding program for organizational effectiveness: "Organizational effectiveness grants were created to help address a perpetual (and formidable) challenge: The organizations we depend on to achieve the foundation's goals are often under-resourced and understaffed, and do not have the time or capacity to focus on building strong internal systems, developing plans for the future, or cultivating leadership and future talent. In order to navigate the constant changes in the world and inevitable organizational challenges, nonprofits need strong leadership, effective operational systems, and robust, actionable plans to ensure long-term viability and success. The OE program aims to help grantees build their resiliency for this purpose. As supplemental grants given to current grantees, OE grants act as "booster shots" to enable nonprofits to focus on capacity building, which often gets neglected or deprioritized because of competing program priorities that tend to be viewed as more urgent and critical."^{xxi}

In 2014, the Red Tape Commission in New Jersey recommended a similar fund, that would "Invest in the capacity and health of New Jersey's non-profit and provider community by establishing a 'Management Assistance Fund' to enable New Jersey organizations to access funds to secure technical assistance and other infrastructure support."

In 2014, the New York City Council established the Communities of Color Nonprofit Stabilization Fund (CCNSF): "the first New York City Council fund of its kind, CCNSF aims to build the capacity of New York City nonprofits in recognition of the fact that organizations led by people of the community are best equipped to meet the needs of the community."^{xxii}

This year, 52 community-based organizations (CBOs) throughout New York City will receive transformative grants to support and create critical functions, and provide economic stimuli and capacity-building support to emerging and seasoned social services organizations. These CBOs offer an array of services to New Yorkers and are being funded to address a variety of infrastructural needs including leadership development, financial management, and outcomes system development, among others.... The monies have had a considerable impact on the sustainability, growth, and prosperity of many organizations providing crucial services to the most vulnerable communities in New York City. CCNSF was championed by NYC Council Speaker Corey Johnson and has broad support among Council Members, including the Black, Latino/a, and Asian Caucus. Oversight of the funding is provided by the New York City Department of Youth and Community Development (DYCD).^{xxiii}

Working with the Hispanic Federation (HF), Coalition for Asian American Children and Families (CACF), New York Urban League (NYUL), and Asian American Federation (AAF) the fund provides capacity-building support to Black, Latino, and Asian-led community-based organizations (CBOs) throughout New York City's five boroughs. This initiative has supported 464 capacity-building projects for nonprofit organizations to date for capacity in the areas of management information systems design and development, financial management and planning, evaluation and outcomes system development, leadership development, new program planning and development, strategy and organizational development and collaboration and strategic alliances.^{xxiv}

Minnesota Housing, the state housing finance agency, has a Capacity Building Initiative focused on addressing disparities facing BIPOC communities, and building the capacity of those communities to develop solutions to housing-related needs.

Minnesota Housing's Capacity Building Initiative is intended to build organizational capacity to address housing disparities, build power in communities most impacted by housing challenges and disparities, pilot innovative solutions to housing challenges, and support inclusive and equitable communities. We want organizations and communities to use their knowledge and creativity to develop strategies that work for them.

We recognize that historical and institutional racism has disproportionately created housing challenges and disparities for Black, Indigenous, and People of Color (BIPOC) communities and recognize the importance of BIPOC communities leading and driving solutions to these challenges. We also recognize that there are other communities most impacted* by housing challenges and housing instabilities who have a critical role to play in addressing the challenges that affect them. Through increasing their capacity we seek to build communities where everyone can thrive.

Examples of eligible activities include but are not limited to:

- Pilot projects (e.g., housing models for those with background check challenges; solutions that increase housing stability and access, such as renter protections that is guided by evidence-based research; tenant engagement and advocacy training).
- Community engagement, education and leadership development to facilitate community-led decision-making to reduce the homeownership disparity gap or meet a housing need.
- Partnership development, including a fiscal agent or consultant relationship, to build organizational capacity, leverage resources, relationships and expertise to comprehensively address community housing needs.
- Staff development and training to build organizational capacity to meet community needs.^{xxv}

Metro, the regional planning and transportation governance body in the Portland, Oregon metropolitan area provides Civic Engagement Capacity Building Grants.

The Civic Engagement grant program will fund community-based organizations working to increase civic engagement and community participation within greater Portland's Black, Indigenous and communities of color. The multi-year grant program's objectives are to: Help grantee organizations build capacity and scale their civic engagement efforts; Strategically invest in communities facing high barriers to civic participation, particularly in underserved areas of Clackamas, Washington and East Multnomah counties; Support equitable decision-making across the garbage and recycling system and Metro's other programmatic areas; Build long-term, trusted relationships with community-based organizations and the Black, Indigenous and other communities of color they serve; Bring more BIPOC leaders into Metro decision-making processes and committees.^{xxvi}

The Seattle Mayor's office oversees an Equitable Development Initiative Fund to support projects that address displacement and lack of access to opportunity for historically marginalized communities in Seattle, including capital projects needed by BIPOC-led and serving nonprofits.

This year, the City is awarding \$9.1 million to community organizations for site acquisition and major capital projects and another \$750,000 for capacity-building support for organizations seeking to advance anti-displacement projects.

'The Equitable Development Initiative has helped community-based organizations in our city tackle the challenges of displacement and helped strengthen underserved communities and create economic vitality. The Equitable Development Initiative has a strong record of creating generational change by investing in affordable homes and community spaces for our City's residents and non-profits,' said Mayor Durkan. 'We know that the COVID-19 pandemic has been especially devastating for our Black, Indigenous, and communities of color – that why we are growing our investments in this critical program as we build back better and more equitably.'

The EDI fund, administered by the [Office of Planning and Community Development](#) (OPCD), was created to respond to the needs of marginalized populations, reduce disparities, and support access to opportunity in healthy, vibrant communities. The initiative is championed by community organizations concerned about displacement pressures and the historical lack of investment that has occurred in communities of color in Seattle. All 46 EDI partner organizations who have received \$49 million in EDI funding to date are led by and serve people of color. OPCD and partner departments, including [Office of Economic Development](#) (OED), [Office of Housing](#) (OH), [Department of Neighborhoods](#) (DON), [Office of Arts & Culture](#) (ARTS), and [Office for Civil Rights](#) (OCR), have coordinated the administration of the EDI Fund. The program was established in November 2016, using one-time funding. Mayor Durkan proposed a sustained funding source for the program in 2019 and has continued to grow the program.

'These projects are grounded in community-led vision for responding to displacement pressures,' said Rico Quirindongo, interim director of OPCD. 'Census data show that Seattle continues to grow rapidly, but our shared prosperity isn't reaching all neighborhoods and communities. Our vision for the future of Seattle must include a permanent home for these and other BIPOC organizations.'

EDI fosters community leadership and supports organizations to promote equitable access to jobs, education and childcare, outdoor space and recreation, cultural expression, healthy food, and other community needs and amenities. These partnerships are designed to support leadership and build capacity among the most historically marginalized groups in Seattle, sharing in decision-making and power, and working towards racial equity outcomes that allows all communities to thrive.^{xxvii}

C.4 Improved data management and referral system – Investment in 211 2.0

United Way 211 in Rhode Island is the largest information and referral contact center in the state with the most comprehensive database comprised of 4,472 agencies encompassing 11,000 services, and handles more than 250,000 requests for help annually. Whether you are looking for support with tax preparation or childcare, or need help with food, housing or medical costs, 211 specialists are here, every day of the year, especially during emergencies.

Despite the strong statewide success of 211 to date, the traditional information and referral model does not fully meet the market demands of today. The current model relies on the client to initiate a request for assistance, and take the next steps with respect to follow up. It also does not allow social service providers to

exchange client information in a secure and efficient manner. More importantly, the multiple silos of support services is a barrier, which does not respond to the complex needs of individuals and families. The COVID-19 pandemic has heightened the need for a robust resource directory that unites health services and human services on a shared platform, allowing for a coordinated and person-centered approach to delivering care in Rhode Island.

United Way of Rhode Island has established a partnership with social services technology innovator Unite Us, which will connect clients with community resources more holistically, and allow clinical and social service providers to have a feedback loop on the outcome of those connections. The Unite Us technology platform will provide United Way of Rhode Island and network partners with the ability to coordinate and connect Rhode Islanders to social services more effectively. This flexible and scalable platform will help network partners track every step of a patient's total health and social service journey. Additionally, data generated by the platform will highlight service standards, capacity constraints, and elucidate gaps in services allowing for more strategic growth and deployment of resources community-wide in pursuit of improved health.

United Way of Rhode Island 211 has implemented a successful information and referral service for 13 years. The current model, which relies on the client to take the initial steps in seeking assistance, has great-untapped potential to better serve Rhode Islanders and the organizations with which they interact. However, there are barriers to realizing this potential. Internally, our present system does not allow service providers to exchange client information in a secure manner. Externally, siloed health care and social service systems create information and navigation barriers for residents and is not responsive to the complex needs of individuals and families.

The COVID-19 pandemic has heightened our awareness of the need for a robust resource directory that unites health and human service organizations on a shared data platform in order to facilitate a coordinated, community-oriented, person-centered approach to delivering care in Rhode Island. United Way of Rhode Island, in partnership with Unite Us, are proposing to create this integrated platform, which will include a feedback loop to capture and document the outcome of referrals between health care and human service providers.

This flexible and scalable platform helps network partners track every step of each patient's total health journey inside and outside their four walls. United Way will act as the coordination center -- a centralized referral intake and dispatch navigator, which will improve referral volume and velocity, and provide quality control. Data generated by the platform highlights service standards, capacity constraints, and elucidates gaps in services. All of this is used to continually monitor, improve, and maintain the network. The United Way of RI will also use aggregated data to help drive policy needs and identify opportunities for further investment. The network will facilitate lasting health system transformation, ensuring equity so all communities can thrive. United Way of Rhode Island's collaborative approach delivers measurable return on investment to all partners and bridges the gap between clinical care and social services. Unite Us' team of public health experts works deeply with each community to achieve equity by building accountable coordinated networks of health and community services. Through tactical identification and engagement of community-based organizations ("CBOs"), Unite Us' team creates an accountable network to support referral coordination and outcome tracking. This model has seen great statewide success collaborating with United Ways in communities such as North Carolina and Connecticut.

C.5 Donor collaborative technology platform to generate additional resources for community-based initiatives in areas hardest hit by the pandemic

Nonprofits in Rhode Island struggle with inadequate resources, even as they innovate new approaches that would have lasting impact if they could be scaled. National philanthropic funders and some federal programs

require matching funds from private philanthropy, without which Rhode Island misses out on resources that could help pilot new strategies, scale effective initiatives, and build on existing strengths.

Currently, there is no way to inform and engage individual philanthropists, impact investors, donor advised funds or small foundations about strategic community programs and services, so the state is unable to leverage and align public and private funding streams to maximize both resources and impact. Developing or adapting a technology platform similar to [Just Fund](#) could enable the state to engage private philanthropy as a more significant partner to address issues highlighted by the pandemic including social determinants of health and racial inequities, which are priority areas for ARPA funding.

Expanding successful place-based initiatives like Health Equity Zones will require national and local philanthropic partners, and government staff do not have access to most of these networks. There are no channels for communicating with individual philanthropists about opportunities like SNAP Employment & Training or SNAP Outreach funding matches, which would provide a significant return on investment for private funders, while providing needed federal resources to address workforce and food insecurity needs in Rhode Island. In a time of crisis, the platform could also provide a method of communicating rapid response needs to funders who may have more flexibility and a shorter turnaround time than government. And the platform may help solidify the interest of potential impact investors for financial vehicles such as social impact bonds in the future.

D.1 Office of Nonprofit Partnerships and Policy

D.2 Interagency Nonprofit Partnerships and Policy Cabinet

D.3 Nonprofit Advisory Council

While state government depends on nonprofits to provide essential services, it does not adequately compensate nonprofits for the full cost of the services they provide, and contracting policies and timelines further endanger nonprofits financially. Many of these harmful practices have arisen because nonprofits are viewed as vendors rather than partners, are not consulted in the development of regulations and policies, and unlike for-profit businesses, do not have an ongoing lobbyist presence at the State House.

The state needs to recognize the central role that nonprofits play in its ability to provide essential services and develop coordinated supports and strategies to build productive working relationships with community-based organizations. Nonprofits need to be involved in the development of policies and regulations that will ensure both accountability and impact.

The 2021 New York Human Services Council report stated,

This enormous increase in demand for services, coupled with government budget cuts and fundraising challenges, forced nonprofits to dip into their own accounts and reserves to pay for protective equipment (PPE) for staff, other essential supplies, and expanded offerings. Data from the Bennett Midland survey shows that nonprofits statewide spent an average of \$539,000 each last year on costs related to COVID-19, from PPE to new technology enabling remote services, where feasible. Organizations overwhelmingly had to turn to philanthropy (79 percent) or draw down their general operating funds (69 percent) to pay for items essential to maintaining operations and keeping their workforce safe during the pandemic.

When city and state government assistance finally materialized, nonprofit service organizations were only reimbursed for a fraction of their costs. According to HSC, of the total amount that organizations spent on COVID-19-related expenses, only about 38 percent was reimbursed by city and state

government, leaving the rest unreimbursed, despite government dependence on nonprofits to deliver more and more services to meet emerging needs of residents. While COVID-19 expenses ate up valuable financial resources, New York City and New York State took drastic measures to shore up their own budgets, at the expense of providers and communities.

As with housing, education, the economy, and the health care system, the pandemic exacerbated existing structural flaws and inequities within the human services sector and its relationship with city, state, and federal governments. In the decades preceding COVID-19, the New York City government has transferred most legally mandated human services functions to the nonprofit sector, in order to save money and contract out addressing many of society's most challenging problems. Meanwhile, nonprofits have had to endure chronic underfunding, delays in payment, and lack of support and cooperation from all levels of government, making it nearly impossible for them to create meaningful and sustainable interventions that will improve quality of life and equitable outcomes for all in New York City.

Lack of sufficient support and resources from New York City and New York State governments and agencies have pushed the human services sector into financial and programmatic jeopardy that threatens the availability of high-quality services for New Yorkers. Data from HSC shows that, historically, city and state government agencies typically cover only about 80 percent of a nonprofit human services organization's total costs to provide services—services that these governments are legally required to ensure are provided. This underfunding forces organizations to scale back essential programs that New Yorkers need, to cut pay to an already underpaid workforce, and to dedicate huge portions of staff time and effort (which could otherwise be dedicated to serving New Yorkers) on raising money from philanthropies, corporate, and private donors.

The city and the state not only fail to pay nonprofits what they need to cover costs on government contracts, they also fail to make payments on time, putting nonprofits further at risk. Data from the Bennett Midland survey⁸ cited earlier found that delays in payments from the city and state governments wreak havoc on organizations, with 70 percent of organizations reporting a delayed payment from the city and 60 percent from the state in the past year. Over the past year, the average value of delayed payments to nonprofit services organizations from the city was \$8,025,000 (an average of 13 percent of organizations' annual operating budgets).

Underfunding and late payments, combined with the unprecedented challenges resulting from COVID-19 and the economic crisis, have pushed nonprofits into deeper financial duress and insolvency. The Bennett Midland survey⁹ found that 62 percent of organizations statewide had to either permanently or temporarily lay off or furlough staff, and among the organizations that made permanent layoffs, an average of 74 percent of their staff are Black or Latinx. The survey found that more than half of organizations reported a decline in expected revenue for calendar year 2020, with an average decline of nearly \$9.1 million. Nearly half of organizations surveyed were forced to take out loans or draw on a line of credit due to withheld or delayed payments—sometimes at significant cost. The average annual cost of interest for those organizations that had to take on interest-bearing loans is reported as \$223,000. While financial hardships have undoubtedly intensified since the pandemic, even in 2018, 20 percent of New York City human services organizations were fiscally insolvent.¹⁰

Other states and municipalities have recognized the importance of a coordinated interagency structure to support community-based partners, and facilitate improved practices and policies for government-nonprofit partnerships.

The [Connecticut nonprofit health and human services funding] Commission ... proposed improved coordination between government agencies, reimbursement of full costs, prompt payment and prompt contracting reforms, simplified application and reporting processes, standardization of audits and monitoring, use of multi-year contracts, and more. The report also adopted the *Fair and Accountable: Partnership Principles for a Sustainable Human Services System*, created by Donors Forum in Illinois as part of its collaborative efforts to improve government-nonprofit contracting.

In response to the Commission's recommendation that a body be created to provide both ongoing and focused commitment to implementation of the report's recommendations, Connecticut's Governor established a Cabinet on Nonprofit Health and Human Services. The Cabinet is made up of the Commissioners of state agencies overseeing human services programs and the representatives of several nonprofits and nonprofit associations representing human services providers. The Cabinet has built on the Commission's work by focusing on recommendations that enhance client outcomes and the cost-effectiveness, accountability, and sustainability of the partnerships between the state and nonprofit health and human service providers. In October 2012, the Cabinet submitted its first report to the Governor.

Connecticut's Governor also established the nation's first Cabinet-level position of Nonprofit Liaison to facilitate the work of the Cabinet on Nonprofit Health and Human Services, serve as the Governor's advisor, build relationships with the nonprofit community, and guide the implementation of recommendations. The Nonprofit Liaison serves as co-chair of the Nonprofit Human Services Cabinet along with a nonprofit service provider.^{xxviii}

The City and County of Denver, Colorado established an Office of Nonprofit Engagement within the Office of Strategic Partnerships, which is supported by a Nonprofit Engagement Commission. The Denver Office of Strategic Partnerships (DOSP), an office in the Human Rights and Community Partnerships agency (HRCP), was created in 2004 by then-Mayor John Hickenlooper:

DOSP's purpose is to serve as an intentional bridge between the City and County of Denver and the nonprofit sector. The Denver Office of Strategic Partnerships Commission advises the Executive Director of the Agency for Human Rights and Community Partnerships and the Mayor and is made up of representatives from the nonprofit, government and for-profit sectors. DOSP has offered different programs since its founding. It now serves as a resource center for systems change (through policy and best practices) to enhance the relationship between nonprofits and the City and County of Denver. DOSP's core belief is that by working collectively, the public, and nonprofit sectors can be more efficient and effective in strengthening Denver's communities."^{xxix}

The DOSP Office put together a report, "[The Well-Being of Nonprofits in Denver 2020](#)" that included current needs and recommendations, including:

For the past several years, nonprofits across the nation have consistently reported that achieving long term financial sustainability and an increased demand for services are two of their greatest challenges. There are several strategies an organization can use to achieve financial sustainability, but those strategies cater to private sector businesses and do not address the varied nuances of the social sector.

Many nonprofits operate in a starvation cycle; they tend to keep low operating expenses and reserves to appear more attractive to funders. Because of the ways nonprofits are typically discouraged from amassing savings, most nonprofits tend to keep less than three months of operating expenses on hand, making them more unprepared for unexpected costs and emergencies.

Further compounding this problem, nonprofits report that the public sector only pays upon completion, does not cover the full cost of running programs, and frequently delays payments. These kinds of disconnects make paying fixed overhead costs such as staff compensation, rent, and utilities difficult to meet when combined with the lack of savings/reserves. Considering the rapidly rising cost of operations and other organizational challenges being faced in Denver, it's imperative that the City investigates solutions to help its nonprofit partners continue to operate within the communities they serve.

Recommendations included:

- T 1.3 Convene a team of city employees in the PEAK Academy to create a “Social Sector Action Lab” that includes DOSP staff, and city agencies’ staff that do significant contracting with the social sector. This Action Lab would address Tiers 1, 2 and 3 planning design needs and support for changes needed in policies, practices and partnerships....
- T 1.5 Assure timely payment for contracted services with a goal of two weeks from invoice, but never to exceed 30 days.
- T 1.6 Assure nonprofit contractors that any changes in scope and costs to contracts would allow for time and funding modifications for adequate compensation.
- T 1.7 Expand and adequately staff the Funding and Contracting Effectiveness (FACE) initiative that currently resides in DOSP and HRCF to serve as the catalyst to convene and train nonprofit staff and city staff together to develop prototypes for best practices that could support real world examples for the Peak Academy Social Sector Lab.
- T 2.2 Determine the gap in funding the full costs needed by nonprofits for service demands, sustainability, and managing growth, and create alternatives to modify the scope and funding levels to address such gaps in the contracting process.
- T 3.2 Consolidate the entry points for social sector contractors through one department that would also be the central place for RFPs and NOFAs for all city funding opportunities for services offered by nonprofits.
- T 3.3 Reinvent the relationship between nonprofits, contractors, and city agencies as a partnership to avoid treating community-based organizations like vendors.
- T 3.4 Expand the role and staffing of DOSP to create an equity-informed approach that supports the social sector by leveraging business input with volunteers and philanthropy helping to develop nonprofit enterprises with the city.^{xxx}

In January 2022, Representative Betty McCollum will be introducing [federal legislation to create a similar model on the federal level, creating a White House Office of Nonprofit Sector Partnership, an Interagency Council on Nonprofit Sector Partnership and an Advisory Board on the Nonprofit Sector](#).

In January 2021, the District of Columbia enacted the [Nonprofit Reimbursement Fairness Act](#) to ensure that government grantees receive payment of their indirect costs as required under the OMB Uniform Guidance. Similar legislation is pending in [Massachusetts](#) with the goal of “enhancing the effectiveness of nonprofits’ core mission work through full cost funding”. Massachusetts previously introduced [An Act to Strengthen Impact, Efficiency and Accountability in the Government-Nonprofit Partnership](#). “The office makes recommendations on federal policies that would strengthen the nonprofit sector and its partnership with government. The office also coordinates an annual release of data about nonprofits collected by federal agencies and works to improve federal grant and contracting processes for nonprofits.”^{xxxii}

In 2014, the Red Tape Review Commission in New Jersey^{xxxiii} formalized the following recommendations that are relevant in Rhode Island as well:

Establish a mandatory system of information sharing and coordination within government across departments and divisions, in partnership with and reflecting strong input from regulated and contract entities, grantees and other outside experts, in order to reduce conflict and duplication in the development and implementation of policies and procedures. Consolidate contract reform task forces across divisions/departments in order to better utilize the recommendations and reports of these work groups, foster consistency and leverage expertise and creativity. This system of information sharing and coordination should include a mechanism to report back to the Lieutenant Governor's office on the impact of the reduction of conflict and duplication...

Work jointly with non-profit organizations to establish and adopt clear and consistent definitions of administrative costs, indirect costs, and overhead for use in the contracting and reporting process. ☐ Repeal arbitrary limits on indirect costs in contracts, and instead encourage payment of reasonable and legitimate indirect costs as a standard contracting procedure....

Work jointly with non-profit organizations to establish and adopt clear and consistent definitions of administrative costs, indirect costs, and overhead for use in the contracting and reporting process. ☐ Repeal arbitrary limits on indirect costs in contracts, and instead encourage payment of reasonable and legitimate indirect costs as a standard contracting procedure....^{xxxiii}

D.4 Revolving/Bridge Loan Fund -- \$5 million

Rhode Island's smaller nonprofits, and those led by people of color, often have the expertise and relationships to address significant issues facing communities disproportionately affected by COVID-19. However, because state grants operate on a reimbursement basis, typically only large organizations with adequate working capital can afford to apply and execute the work before they are paid. This framework severely restricts access to this funding and limits the effectiveness and impact of initiatives in target communities.

To address this problem, the state should invest in a feasibility study and start up costs for a revolving loan fund that can provide liquidity to community-based organizations. The proposed fund could provide upfront capital to organizations that are awarded state grants, particularly for work in communities disproportionately affected by COVID. This will help to broaden the pool of qualified grantees, and increase the potential impact in addressing social determinants of health in these communities, which is a primary focus of the ARPA funds.

Boston Globe, October 29, 2021

<https://www.bostonglobe.com/2021/10/29/metro/rhode-island-can-no-longer-overlook-underfund-its-nonprofit-sector/>

Rhode Island can no longer overlook, and underfund, its nonprofit sector

The pandemic has highlighted the essential, irreplaceable roles played by Rhode Island nonprofits. And our state investments and attention to the sector needs to reflect that

By Mario Bueno, Anthony Hubbard, Cortney Nicolato and Daniel Schliefer

Updated October 29, 2021, 3:51 p.m.

Over the last 19 months, Rhode Island's nonprofit organizations have been the heart, hands and feet of Rhode Island's relief and recovery efforts. They provided food and shelter to Rhode Islanders in need. Helped underserved communities access testing and vaccines. Supported children and families with the challenges of distance learning. Provided physical and behavioral health care. Helped isolated seniors connect with loved ones and services. Provided support and training for small businesses and social entrepreneurs. Trained workers for new jobs. Uplifted somber days with beautiful music and art.

In some ways, the last year-and-a-half has been a story of unprecedented commitment and heroism. Faced with the confluence of health, economic, and racial justice crises, Rhode Island nonprofits rose to the challenge of skyrocketing need. At great personal and organizational cost, they overcame public health restrictions, inadequate staffing, physical and emotional exhaustion, and fundraising limitations to deliver services in innovative ways. They were a lifeline to thousands of Rhode Islanders during their darkest moments.

In other ways, the commitment and heroism displayed by our state's nonprofits during the pandemic is completely normal. It is what happens when organizations are driven by mission and collective social benefit.

Every single day, pandemic or not, quiet, essential work is done across Rhode Island by nonprofit organizations. Skilled, dedicated, compassionate staff work with limited resources to care for our neighbors, empower our children, and build flourishing communities. Community-based organizations provide the expertise, energy, and innovation to make the state's vision for strong, equitable, prosperous cities and towns a reality. Every. Single. Day.

And every day, whether in times of crisis or plenty, the state depends on these same nonprofits to make Rhode Island lives and communities better. Yet, at nearly every turn, this vital sector is under-resourced, stretched thin, and often taken for granted.

Like the steel beams that undergird our bridges, the crucial work of our state's nonprofits is so integral to the health and well-being of our communities that it can easily be overlooked. But like our physical infrastructure, our "civic infrastructure" of unheralded nonprofits, collaborative networks, and community-based initiatives cannot continue to carry the weight of our state's critical needs without comprehensive, long-term investment.

For too long, the state has viewed nonprofits simply as vendors or as altruistic volunteers. It has not fully recognized the sector's vital, central role in providing emergency relief, social services, community building, and economic development. Even though 17 percent of Rhode Island's workforce is employed by nonprofit organizations, the state has not invested in nonprofit staff properly, especially since these are highly trained professionals who have been a cornerstone of the state's work.

Nonprofit staff are exhausted and burnt out. They're also increasingly leaving the sector for good, which should be an alarm for all of us who call the Ocean State home.

They have shouldered much of the burden of the state’s relief efforts with persistence and empathy, but the need and stress are unrelenting. Much attention has been given to the staffing issues facing retail and service industries, but the burnout crisis facing the nonprofit sector has been mostly ignored.

While small business recovery is an understandable focus of the state’s planning for American Rescue Plan Act funds, support and capacity building for our nonprofit sector is noticeably absent from the Governor’s Rhode Island 2030 work plan. It should not be.

In the decade prior to the pandemic, our New England neighbors all saw vigorous nonprofit job growth of more than 15 percent. Similarly, 25 other states benefited from growth of 20 percent in nonprofit jobs.

Rhode Island, however, missed out on this crucial economic engine. In fact, we are the only state in the country to experience a [negative rate of nonprofit job growth](#) during the same time period (-2.3 percent).

Now is the time to change that. The pandemic has highlighted the essential, irreplaceable roles played by Rhode Island nonprofits. And our state investments and attention to the sector needs to reflect that.

Investment in nonprofit capacity building and the nonprofit workforce should be a cornerstone of the state’s vision for the future, since the other pillars of the Rhode Island 2030 plan will be impossible to accomplish without the expertise and engagement of a strong, flourishing nonprofit sector.

In a time when Rhode Island needed nonprofits the most, they were there for us. Now Rhode Island needs to be as committed and intentional about its investment in our nonprofits as nonprofits are in strengthening our state every single day.

Mario Bueno is the executive director of Progreso Latino. Anthony Hubbard is the CEO of YouthBuild Preparatory Academy, Inc. Cortney Nicolato is the president and CEO of United Way of Rhode Island. Daniel Schliefer is the executive director of New Urban Arts.

ⁱ <https://www.councilofnonprofits.org/sites/default/files/documents/strengthening-state-and-local-economies-partnership-nonprofits-models.pdf>, p. 2.

ⁱⁱ <https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf>, p. 5, Question 2.5.

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Rhode Island State Government and Nonprofits

State Service Infrastructure

Nonprofits are the primary service infrastructure for the delivery of essential state services.

Nonprofits have expertise and are trusted by the community.

Nonprofits' work is more effective and cost efficient than direct state services.

Long-term Cost Savings

Investing in programs like early childhood education, youth development and re-entry programs save on prison costs.

Community healthcare and social determinants of health programs save on Medicaid.

Adult education, workforce development and childcare save on welfare and increase tax revenue.

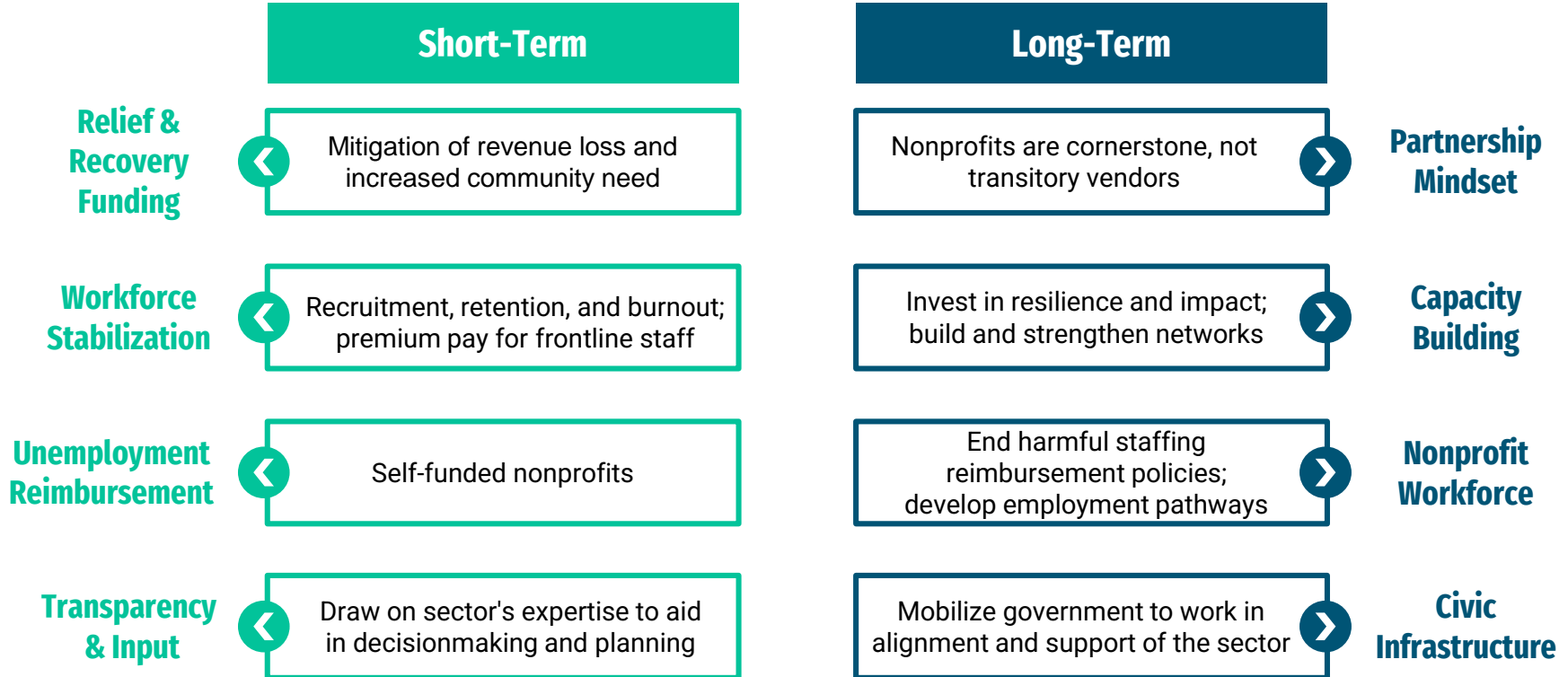
Essential to the Economy

Nonprofit workforce makes up 17% of the private workforce in the state.

Without nonprofit childcare, afterschool and senior care, workers cannot participate in the economy.

RI is the only state in the country to have missed out on the growth in nonprofit jobs since 2007.

Response to Current Crisis and Planning for the Future



November 3, 2021

The Honorable Daniel J. McKee
The Honorable Sabina Matos
Rhode Island State House
82 Smith Street
Providence, RI 02903

Dear Governor McKee and Lieutenant Governor Matos,

Thank you for the thoughtfulness that went into the development of *Rhode Island 2030: Charting a Course for the Future of the Ocean State*.

We appreciate the important priorities that are contained in the working draft, particularly the focus on equity and the need for long-term solutions to systemic issues like structural racism, climate change, affordable housing, social determinants of health, and education.

At the same time, we are concerned that the plan lacks a recognition of the crucial role that the nonprofit sector plays in the state's ability to provide essential services and to build strong, equitable, resilient communities, and therefore the necessity to provide capacity building resources to ensure the sustainability and long-term impact of the sector.

Over the last 18 months, community-based organizations have provided vital supports and services, ranging from vaccine outreach, emergency shelter and food, access and navigation for federal relief programs, small business supports, physical and behavioral health services, out of school time programming to address learning loss, outreach to homebound seniors, workforce development, supplies for those in quarantine, voter information, and arts and culture programming.

In all of these areas and countless others, the sector provided services that state and local governments are not able to provide directly. The sector serves a foundational role in:

- the state's emergency response efforts in times of crisis,
- the state's provision of essential social services on a daily basis,
- community resiliency and recovery efforts moving out of the pandemic,
- opportunities for residents and communities to grow and thrive, and
- the cultural richness that undergirds the state's attraction to residents and tourists alike.

The nonprofit sector has been the backbone, hands, and feet of both public and private efforts to support residents and businesses in the last year and a half. And while increased vaccination rates have improved the circumstances for many Rhode Island businesses, the end of federal relief programs is resulting in even greater demand for social services from community-based organizations, which have been stretched thin from almost two years of crisis-level care for their neighbors.

The tireless leadership and support provided by Rhode Island nonprofits during the pandemic has come at great personal and organizational cost. Community-based organizations are facing unprecedented staff burnout and turnover, along with a dire financial formula of increased demand for services and decreased fundraising revenue (64% have lost revenue because of the cancellation of fundraising events).

According to a recent survey of 330 Rhode Island nonprofits conducted by Grantmakers Council of Rhode Island (GCRI) and United Way of Rhode Island (UWRI), 34% are operating at a deficit. Many others have used up reserves and have only been able to make ends meet because of PPP loans (received by 78% of respondents). Additionally,

- 49% have experienced additional expenses for service delivery due to issues such as PPE, cleaning, space configurations, lower staff ratios, etc.
- 46% have experienced a loss of at least 15% of their revenue during the pandemic.
- 28% have seen expenses increase more than 15%.

The nonprofit workforce, which employs over 68,000 people and comprises over 16.5% of the state's workforce, is also in crisis:

- 86% of nonprofits in the survey say that some or all of their staff is experiencing emotional exhaustion, 78% say some or all of their staff is burned out, and 74% say that some or all of their staff is experiencing physical exhaustion.
- 54% cited inadequate staffing and difficulty in recruitment and hiring as pressing challenges facing their organization.
- 29% have at least some staff who have left the nonprofit sector completely, and 38% have at least some staff who are contemplating doing so.

Even before the pandemic, Rhode Island did not invest in this vital sector. Nonprofit job growth has outpaced overall job growth in virtually every state in the country, except for Rhode Island. While our New England neighbors experienced vigorous nonprofit job growth of over 15% from 2007-2017, and 25 states had nonprofit job growth of over 20%, **Rhode Island was the only state in the country with negative nonprofit job growth during the same time period (-2.3%).**

This lack of investment means that the state is losing out, not only on the essential services provided by nonprofits, but also the economic spark the nonprofit sector can provide. Nonprofits drive economic growth -- the nonprofit sector contributed over \$1 trillion to the U.S. economy in 2016, comprising 5.6% of the country's GDP, and accounting for more than \$826 billion in salaries, benefits and payroll taxes.

The sector is an economic engine in Rhode Island generating over \$13 billion in annual revenues. Nonprofits provide care for children and seniors to allow family members to work outside the home. They provide job training and placement services for those who might otherwise have difficulty entering the workforce, and provide support for entrepreneurs and social impact ventures. They spur economic activity through creative placemaking, arts and cultural programming, and improved quality of life. Investments in early childhood learning, afterschool programming, and health prevention save the state millions of dollars in long-term costs. Despite this impact, nonprofits are not included in the state's support for small businesses or economic development.

In light of these crises, and the central role that the nonprofit sector plays in the well-being, vitality, and prosperity of the Ocean State, we are requesting that an additional pillar be added to the *Rhode Island 2030* plan focused on building the short- and long-term capacity of the nonprofit sector.

Several existing sections of the workplan include references to nonprofits as providers of key services, but it is also critical that the state recognize the foundational role that the sector plays in emergency relief, providing human services, strengthening and enriching communities, and making Rhode Island a

desirable place to live. Without comprehensive, long-term supports and strategies, this vital “civic infrastructure” will be irreparably damaged -- the state will need to find a way to provide crisis response and direct services, and one of the largest workforce and economic sectors of the state will no longer be able to contribute to the vitality and prosperity of the Ocean State.

For many Rhode Islanders, it will take years to recover from the physical, financial, psychological, and educational trauma of the pandemic. Community-based organizations cannot continue to play their central role in providing essential programs and services to support our neighbors without targeted investment from the state in the form of immediate relief and a long-term, intentional strategies to support nonprofit workforce development, organizational and network capacity, and the civic infrastructure that undergirds the state’s emergency response, social services, and cultural and community resources.

Nonprofits have heroically shouldered the burden and responsibility of the state’s relief and recovery efforts for the last 18 months. They are the cornerstone on which thriving communities are built. This is critical work that cannot continue without significant, comprehensive support from the state.

We look forward to meeting with you to discuss the policy investments that can reinforce the foundations of this sector, to ensure that it can continue to serve as a cornerstone of much of the state’s most important work.

Sincerely,

United Way of Rhode Island
YouthBuild Preparatory Academy, Inc.
Progreso Latino
New Urban Arts
Man Up, Inc.
Institute for Nonprofit Practice
Cumberland School Volunteers
Rhode Island Coalition to End Homelessness
Volunteer Services for Animals
Higher Ground International
Brain Injury Association of Rhode Island
RI Black Business Association
Roger Williams Park Zoo
Providence Afterschool Alliance
Anchor Recovery Community Centers
Oasis International
Grantmakers Council of Rhode Island
Meeting Street
Riverzedge Arts
ARISE
West Bay Community Action
Economic Progress Institute
Girls on the Run Rhode Island

Inspiring Minds
Multitude Ministries
The Empowerment Factory
South Kingstown CARES
Refugee Dream Center
Amos House
Community Care Alliance
Open Doors
Mentor RI
House of Hope
Women's Fund of RI
Communities for People
Newport Partnership for Families
Lights and Sirens International
Domestic Violence Resource Center of South County
The Manton Avenue Project
Mt. Hope Learning Center
Center for Youth & Community Leadership in Education (CYCLE) at Roger
Williams University
Mental Health Association of Rhode Island
Thrive Outside
Sojourner House
Rhode Island Environmental Education Association
Dare to Dream Ranch, Inc.
Wilbury Theatre Group
NE Basecamp
Amenity Aid
Better Lives Rhode Island
Downcity Design
Trinity Tabernacle, Inc.
A Leadership Journey
Audubon Society of Rhode Island
Center for Dynamic Learning
Global Science Envirotech, Inc.
Narrow River Preservation Association
Gloria Gemma Breast Cancer Resource Foundation
Woonasquatucket River Watershed Council
CORE
St. Mary's Home for Children
Fab Newport
Community Boating Center
Rhode Island Parent Information Network
Young Voices

Pawtucket Central Falls Health Equity Zone
Books Are Wings
One Neighborhood Builders
Fresh Start Learning Center
Church Community Housing Corporation
Rhode Island Coalition for Children and Families
Reentry Campus Program
Pawtucket Housing, Inc.
Sankofa Community Connection
African Alliance
Southside Cultural Center
Opportunities Limited
Generation Citizen
COYOTE RI
Federal Hill House
The Groden Network
Youth in Action
Beautiful Day
Diversity Talks PD Inc.
PCF Development
15 Minute Field Trips
Big Brothers Big Sisters of Rhode Island
Day One
Women's Refugee Care
Housing Works RI at Roger Williams University
West Elmwood Housing Development Corporation
RI for Community and Justice
Shri Service Corps
Neighborworks Blackstone Valley
The Interior
Southside Community Land Trust
Hamilton House Senior Adult Learning Exchange
Breakthrough Providence
AS220
Hera Educational Foundation
J. Arthur Trudeau Memorial Center
Providence Preservation Society
Family Service of Rhode Island
Providence Children's Film Festival
Innovation Studio
Reach Out and Read RI
Providence Public Library
The Arc Rhode Island

Ocean Tides
Be the Change/Project Hand Up
Jules Hope Chest
Sea Rose Montessori School
Community Provider Network
Robert Potter League for Animals
Moms Demand Action for Gun Sense in America
Art League of RI
IMPACT RI
Student Clinic for Immigrant Justice
The MAE Foundation
2nd Act Org, Inc.
134 Collaborative
Gallery Night Providence
Community String Project
Perspectives Corporation
Seven Hills Rhode Island
West Bay RI
Providence Inner City Arts
Children's Friend
Meeting Street
Nonviolence Institute
J. Arthur Trudeau Memorial Center
The Groden Center