



## Improving Vermont's Public-Nonprofit Partnerships Through State Grant Reform

For decades, Vermont's government has relied on nonprofits to provide vital services to communities including providing housing for vulnerable youth and families, responding to growing mental health needs, generating revenue for the State through the creative economy, protecting our natural environment, and creating opportunities through economic and community development.

However, for most organizations, State funding has not kept up with rising costs, and many grant agreements require nonprofits to cover costs before being reimbursed. Oftentimes these payments are late, sometimes requiring nonprofits to obtain an interest-bearing line of credit to bridge receipt of grant funds. Furthermore, complicated and restrictive reporting requirements take valuable capacity away from mission-critical work.

**Reform is needed to sustain the delivery of services funded by the State of Vermont through nonprofit organizations and improve the efficiency and effectiveness of government-nonprofit partnerships.**

Legislation being reintroduced in 2025 seeks to:

- Create a process and formula for nonprofits to request an **indirect rate** above the current standard of 15%.
- Assess the extent to which **grant execution and payments are delayed** by more than 30 days.
- Create a Working Group to consider needed reforms to the State's grant and contracting system to make it **more viable, predictable, and efficient**. This includes evaluating:
  - The State's current grant and contracting **funding levels** and identify cost of living or other inflationary adjustments;
  - The specific circumstances under which funding should be an **advance payment** or reimbursable and solutions to improve reimbursement practices and processes; and,
  - **System improvements** that would simplify grant application and reporting processes across State agencies and departments.

**We must consider needed reforms to the State's grant and contracting system to make it more viable, predictable, and efficient to ensure taxpayers receive full value for the programs they fund, organizations can recruit and retain skilled employees to deliver vital services, and that community needs are met now and in the future.**