



MINNESOTA NONPROFIT RELIEF FUND

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TABLE OF CONTENTS

INTRODUCTION	3
PARTNER AGENCY	4
INTERMEDIARIES	4
BASIC ELIGIBILITY REQUIREMENTS	4
APPLICATION/CONFIRMATION.....	5
GEOGRAPHY	5
PRIORITY ELIGIBILITY REQUIREMENTS (GRANT CATEGORIES 1-5)	6
FINAL CATEGORY ELIGIBILITY REQUIREMENTS (GRANT CATEGORY 6)	7
DISTRIBUTION AND PROCESS	7
ADMINISTRATION	8

INTRODUCTION

Making the Case for a Minnesota Nonprofit Relief Fund

Minnesota's nonprofit organizations are the first line of community support and play a critical role in connecting people to supportive programs, funding, and services. Their deep experience and commitment to the well-being of each person in all phases of life – and all phases of the COVID-19 pandemic – has helped our communities persevere.

However, funding shortfalls and a diminished workforce paired with an increased demand for services is making it difficult for nonprofits to continue operating at the level our communities need to recover and rebuild from COVID-19. **Since the beginning of the pandemic, many nonprofits – who already operate on thinner margins than for-profit businesses – had to make significant cuts to budgets, hours and programming to continue operating**, even with the support of their philanthropic partners. In 2020 alone, 40% of Minnesota's nonprofit workers filed an initial claim for unemployment benefits.

These cuts in staff, services, and programming have had the greatest impact on Minnesotans of Color, who have also been disproportionately impacted by COVID-19 and are often clients of nonprofit organizations. According to the Minnesota Department of Employment and Economic Development (DEED), initial unemployment insurance claims in 2021 in BIPOC communities were 326% higher than initial claims in 2019. Looking at total initial claims from all Minnesotans in 2019 compared to 2021, the increase in 2021 was 192%. This indicates that the pandemic and economic uncertainty is still being felt by many, but more acutely in communities of color, further widening historic disparities and systemic inequities. Not only do nonprofits address these disparities directly, but they also act as critical partners within communities to build trusting relationships with the people they serve.

To continue providing the support communities need during COVID-19 and to accelerate a more equitable recovery, Minnesota needs essential services and job creation. An investment in our nonprofits can provide both. **To date, nonprofits have been largely left out of state and federal relief programs. While many industries and sectors have had access to one or more programs with dollars specific to their needs, the nonprofit sector has not had designated relief dollars for its recovery.**

That is why we are proposing the creation of a nonprofit relief fund, leveraging \$200 million in federal relief dollars administered in partnership with DEED.

Nonprofits are key to economic expansion in Minnesota. While nonprofits undoubtedly help individuals and communities, their contribution to the overall economy is also very significant. The nonprofit sector is the third largest sector of employers in the country, and they employ 14% of Minnesota's workforce. In addition to those they employ directly, nonprofits serve as economic multipliers by providing needed services, like after school programs, elder care, and job training, that allow others to find employment and make it possible to work outside the home. Nonprofits stimulate economic activity – attractions like nonprofit cultural centers and museums lead visitors to spend money at other nearby businesses on items such as parking, eating out, shopping, and more. Nonprofit amenities can also attract other employers to choose to locate in the area and create opportunities for welcoming newcomers and connecting community.

We hope you will read on to learn more about this proposed fund and join us in making this one-time investment in the well-being of Minnesotans and the future recovery of our state.

FUNDING REQUEST:

- ✓ **\$200 million** for a Minnesota Nonprofit Relief Fund.
- ✓ Leverage federal funds for COVID-19 relief.

PARTNER AGENCY

- Fund administration would be in partnership with DEED.
- The funding model is based upon DEED's 2020 Small Business Relief Grants program which applied a simplified lottery process.
- DEED will accept applications, assess initial eligibility and determine which organizations "win" the lottery for each of 6 grant categories.

INTERMEDIARIES

- Intermediaries will provide technical assistance, community outreach and marketing, confirm eligibility for selected organizations, secure required documentation and make grant payments.
- The following organizations have confirmed their participation as intermediaries to support distribution of funds to awarded organizations:
 - Minnesota Initiative Foundations (Greater MN): Northland Foundation, Initiative Foundation, Northwest Minnesota Foundation, Southwest Initiative Foundation, Southern Minnesota Initiative Foundation, West Central Initiative
 - St. Paul and Minnesota Foundation (7-county Twin Cities metro area)

BASIC ELIGIBILITY REQUIREMENTS

- Must be a 501(c)(3) public charity or tribal nonprofit under IRC 7871
- IRS Letter of Designation or proof of good standing required for 501(c)(3) organizations
- Must be physically located within the state of Minnesota
- Excludes hospitals, private schools, credit unions and higher education institutions
- Only one application can be submitted for most 501(c)(3) organizations, regardless of number of locations. Human service nonprofits can submit one application per location; non-headquarter locations must submit in Category 3, and the state headquarters can submit in the Category that fits the overall size of the nonprofit.
- Must be adversely impacted due to COVID-19 such as loss of revenue, increased expenses or expanded services to meet community needs.



APPLICATION/CONFIRMATION

- Self-attestation within application to meeting all eligibility requirements.
- The organization does not have a MN tax lien filed with the Secretary of State.
- The designated nonprofit (headquarters) mailing address will be used to determine its assigned intermediary.
- Provide total organizational revenue for fiscal year 2019 to determine eligible grant award amount (organizational size determination).
- Attest to organizational impact due to COVID-19, including loss of revenue, increased expenses or expanded services to meet community needs.
- Provide current 501(c)(3) IRS designation letter or proof of good standing OR provide evidence of a submitted application for 501(c)(3) status awaiting approval will also be accepted as long as it is dated before December 31, 2019 OR written fiscal sponsor agreement signed by the fiscal sponsor (the fiscal sponsor must have a current a 501(c)(3) designation) and the sponsored organization.
- Provide the organization's federal taxpayer ID number (EIN).

GEOGRAPHY

Total funding for the Minnesota Nonprofit Relief Fund program must be split evenly between Greater Minnesota and the 7-county Twin Cities metro area.

This can look differently for each Grant Category as long as the total split of funds is even.





PRIORITY ELIGIBILITY REQUIREMENTS (GRANT CATEGORIES 1-5)

The Minnesota Nonprofit Relief Fund aims to support economic expansion in the state by stabilizing the nonprofit sector and promoting an inclusive nonprofit recovery.

The fund will target the resources where they are most needed; to human service providers, culturally specific nonprofit organizations, and small nonprofits supporting Greater Minnesota communities.

Grant Categories 1-5 would provide grants to eligible nonprofits that serve culturally specific communities, support community well-being through human services per the definitions below, and/or are headquartered in Greater Minnesota.

Culturally Specific Organizations:

- Culturally specific nonprofit organizations that primarily serve historically underserved cultural communities are eligible for priority funding in Category 1, regardless of whether or not they provide the human services listed below.

Small Nonprofits in Greater Minnesota:

- Small nonprofits headquartered outside the 7-county metro area will be eligible for priority funding in Category 2, regardless of whether or not they provide the human services listed below. These organizations must have organizational revenue for fiscal year 2019 of less than \$1.5 million.

Human Services Organizations:

Organizations that support community well-being through human services will be eligible for priority funding in Category 3-5. Human services are inclusive of the following:

- Community health services - including medical & dental services
- Services for those experiencing housing insecurity and homelessness, including those making homes safe for occupancy
- Food insecurity and food assistance services
- Services for youth and/or families in crisis
- Services providing advocacy, safety, and protection from abuse
- Behavioral health and chemical dependency services
- Income assistance, employment services, or job training
- Services for Individuals with physical or developmental disabilities
- Educational support services
- Services for aging adults
- Mental health services
- Technology access services to support educational, employment and tele-health access

FINAL CATEGORY ELIGIBILITY REQUIREMENTS (GRANT CATEGORY 6)

- Category 6 is open to all nonprofits meeting basic eligibility requirements. This could include organizations in the arts, culture, environment, economic development, civic engagement, etc.
- It will include a general pool of all remaining applications that either did not win an award in Categories 1-5 OR do not meet priority category definitions.

DISTRIBUTION AND PROCESS

Grant funds will be awarded in six categories.

Each category will receive a designated amount of the overall fund. Beyond supporting human services with the majority of the funds, Category 1 and Category 2 reflect a priority to support culturally specific organizations and small nonprofits in Greater Minnesota in order to support a more inclusive nonprofit recovery. Any unspent funds from Category 1-5 will be added to Category 6.

GRANT CATEGORY	ORGANIZATIONAL REVENUE FOR FISCAL YEAR 2019	TARGETED SERVICES	INDIVIDUAL GRANT AWARDS	PERCENTAGE OF TOTAL FUNDING
1	All sizes	Culturally specific organizations anywhere in Minnesota	\$75,000	10%
2	Small < \$1.5M	Headquartered in Greater Minnesota	\$50,000	15%
3	Small < \$1.5M	Provides human services anywhere in Minnesota	\$50,000	40%
4	Medium \$1.5M to \$5M	Provides human services anywhere in Minnesota	\$100,000	12.5%
5	Large > \$5M to \$35M	Provides human services anywhere in Minnesota	\$150,000	12.5%
6	All sizes	Meets basic eligibility requirements; were not previous lottery winners	\$50,000	10%

ADMINISTRATION

- Provides a 5% administration fee for intermediaries.
- Provides \$150,000 admin fee for DEED for application intake and lottery-based award process.
- Intermediaries will be responsible for:
 - Marketing and communications
 - Community outreach
 - Confirmation of eligibility
 - Technical assistance
 - Issuing grant payments
 - Tracking fund payments