

June xx, 2022

Members of the Joint Finance Committee
Delaware State Legislature
411 Legislative Avenue
Dover, Delaware 19901

RE: Request for Cost-of-Service Increase for Contracted Nonprofit Service Providers and Access to State Health Care

Dear Chairman Paradee, Chairman Carson, and esteemed members of the Joint Finance Committee:

We appreciate your thoughtful approach to the fiscal year 2023 budget in the last few months, in particular the actions year over year to fully fund the McNesby Act to address pay disparity to Direct Support Professionals providing services to individuals with disabilities. While these efforts are laudable, this does not address similar concerns across the larger nonprofit sector.

As you know, the nonprofit community has been in discussions with lawmakers regarding the disparity in the state's contracts with nonprofit contracted service providers. While Delaware state employees deserve pay increases, the state is outsourcing many services to the state's nonprofit service providers.

Delaware nonprofits are compensated for the work they complete on behalf of the state through contracts and grants. We have consistently heard from DANA nonprofit members, that year over year, these contracts and grants have not been adjusted to reflect the increased cost to deliver those services. In most cases, these contracts have remained level-funded over six plus years. Most nonprofits who have contracts or grants with the state, indicate their contracts/grants were not adjusted from the last minimum wage increase. This year will only show higher costs due to minimum wage increases, and essential materials, products, and services costs rising at rates unseen in more than a decade. This is a phenomenon that extends to multiple divisions throughout multiple state agencies to include Department of Health and Social Services, KIDS Department, Department of Correction, Department of Labor, and the Department of Education. On behalf of the nonprofit sector, we request the following additions to the FY 2023 Grant-in-Aid bill:

1. Provide contracted nonprofit service providers a cost-of-living increase by the rate of the increase in the minimum wage on all contracts with the state
2. Add epilogue language to allow nonprofit organizations to access the State Health Insurance Plan: *"Notwithstanding anything in the Title 29 of the Delaware Code, organizations shall be able to purchase health benefits (health, dental, and vision insurance) through the State Employee plans if: they are a 501(c)(3); receive a Grant-in-Aid appropriation over \$50,000 or are contracted with the State to provide services; have at least five staff members; and have an operating budget of less than \$10 million."*

Without the state's action to alleviate the financial burdens created by below market rates for services and increase the contractual rates paid to these nonprofit-providers, these organizations will not be able to serve at existing levels. Contractual pay rates are non-negotiable and are established based on state budget levels approved by the General Assembly. Those rates remain consistent unless the General Assembly specifically notes in epilogue language the funds are to be dedicated for the specific purpose of contract increases.

In addition to addressing the outdated funding for state contracted nonprofit service providers, **it is critical to acknowledge that not all nonprofits that do good within the state are contracted by department agencies. Grant-in-Aid is an important funding line for senior and youth services, community development, and historic preservation. While the state is experiencing increasingly profitable revenue projections there should be a significant investment in our state's nonprofit sector through an increase to the FY2023 Grant-in-Aid bill.** Though the total Grand-in-Aid bill has increased in recent years, it is through one-time spending; often to pay for legislative initiatives, not to nonprofits.

The nonprofit sector is the third largest collective employer in Delaware. If you add in the volunteers who donate their time, would be a workforce of over 300,000 individuals all focused on making our communities and your districts better. Our community plays a critical role in the health of Delaware's economy through mentoring students, protecting the welfare of animals, providing accessible, low-cost health care, short- and long-term housing options for our homeless population, maintaining a clean and healthy environment and a robust cultural sector which annually attracts millions of visitors to Delaware, who spend in our local economies. These factors make our state a destination for businesses wanting to relocate and expand in the first state. Our state's corporate and foundation philanthropy partners cannot continue to make up ever increasing gaps for contracted services.

Delaware nonprofits are rising to meet the service demands and the social justice efforts necessary for all Delawareans to have opportunity. **We respectfully request you make the decision to fulfill our requests for a cost-of-service increase to contracted nonprofit service providers, access to State Health Insurance Plan, and a funding increase to nonprofits through the Grant-in-Aid bill.**

Thank you for your leadership and for your consideration of this request.

Respectfully,



Sheila Bravo, MBA, Ph.D.
President & Chief Executive Officer

CC: All members of the Delaware General Assembly
Cerron Cade, Director, Office of Management and Budget
Ruth Ann Jones, Controller General, Office of the Controller General