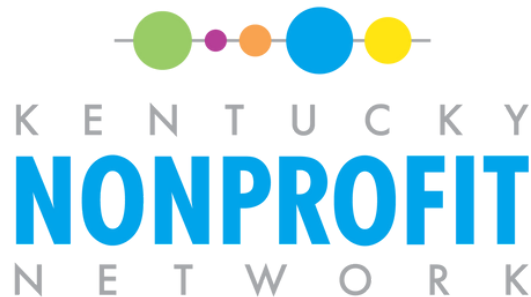


Federal Policy Impacts on Lexington Nonprofits

LFUCG Council Budget, Finance, & Economic
Development Committee
September 2025



Danielle Clore, CEO

IMPORTANT TO NOTE:

- **Rapidly changing environment.** Things are changing and today's information is as of today.
- **Sector-wide Voice.** KNN and the Lexington Nonprofit Coalition advocate for issues impacting the sector as a WHOLE. Other organizations may advocate for subsectors such as healthcare, arts, housing, domestic violence, food banks, childcare, etc. We look to them for their leadership and advocacy.
- **Limited Time.** We will cover as much as we can with our limited time today.
- **Fear.** Today's examples of direct impact are not comprehensive because nonprofits' fear of sharing information publicly.

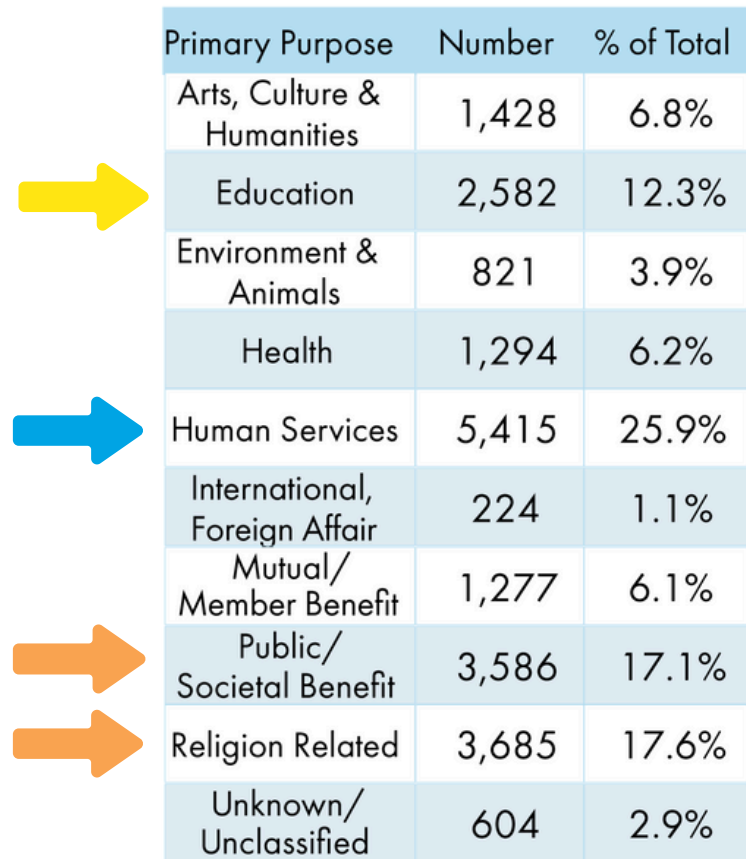
WHO IS KNN?

- State Association of Charitable Nonprofits
- 1180 member organizations
 - 300+ orgs serving Lexington



- NONPROFITS' TRUSTED RESOURCE
 - Unified public policy voice - federal, state, & local
 - Professional development
 - Resources to help accomplish their missions
 - Time & money-saving benefits

KY NONPROFIT SUB-SECTORS



Primary Purpose	Number	% of Total
Arts, Culture & Humanities	1,428	6.8%
Education	2,582	12.3%
Environment & Animals	821	3.9%
Health	1,294	6.2%
Human Services	5,415	25.9%
International, Foreign Affair	224	1.1%
Mutual/Member Benefit	1,277	6.1%
Public/Societal Benefit	3,586	17.1%
Religion Related	3,685	17.6%
Unknown/Unclassified	604	2.9%

NONPROFIT ECONOMIC IMPACT

Local Workforce Area: **Bluegrass**



3,337

501(c)(3)
Charitable nonprofits

877

Charitable nonprofits
with paid employees

26,055

Jobs at nonprofits

\$1.48 B

In annual wages

\$5.37 B

In annual expenditures
benefitting Kentucky's
economy

LEXINGTON NONPROFIT COALITION

A local alliance of Kentucky Nonprofit Network members



LEXINGTON NONPROFIT COALITION'S ECONOMIC IMPACT

SERVING LEXINGTON



Members are collectively serving over 1,026,159 constituents annually

KEY TO OUR WORKFORCE



6,594 full-time employees
1,344 part-time employees

SIGNIFICANT ECONOMIC IMPACT



\$642 million in annual payroll & other expenditures contributing to the Lexington economy

100% of Lexington residents benefit from the work of nonprofits

45 member organizations across Lexington...and growing

REVENUE SOURCES: HOW LEXINGTON NONPROFIT COALITION MEMBERS ARE FUNDED



Total Annual Revenue: \$676 million

74% Program Revenue
(including fee for service income and government grants and contracts)

20% Contributed Revenue
(private donations from individuals, foundations, corporations, and bequests)

6% Other Revenue
(investment and interest income, etc.)

ON KNN'S RADAR (TODAY):

- Executive Orders & Funding Environment
- One Big Beautiful Bill
- Rescission Packages
- Federal Budget Proposal & Potential Shutdown
- Threats and Disruptions to the Work & Rights of Charitable Nonprofits
- Impact on State & Local Funding



**FUNDING, POLICIES, & UNCERTAINTY ARE
THREATENING THE WORK OF CHARITABLE
NONPROFITS SERVING LEXINGTON RESIDENTS**



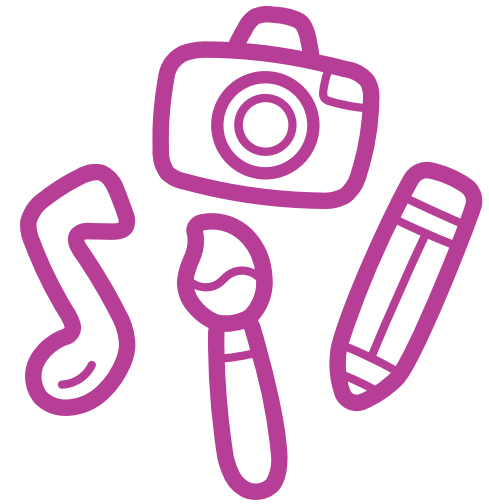
EXECUTIVE ORDERS (EO), FEDERAL GRANT ISSUES, LAWSUITS

- **Nationwide Federal Grant Pause** - January 2025
 - Funds were released after an injunction was granted, thanks to a lawsuit by the National Council of Nonprofits
- **53** Executive Orders impacting nonprofits
- **DOGE cuts primarily impacted:**
 - DEI, Immigration & Refugee services, USDA (food/env.), Arts & Humanities, AmeriCorps, & more
 - Some lawsuits have been successful at restoring funds for now
- Grant freezes/cuts, along with tariffs & stock market fluctuations, have led to a **challenging funding environment for nonprofits**, even for those without federal funding.



ARTS & HUMANITIES FUNDING

- Many Natl. Endowment for the Humanities and Natl. Endowment for the Arts grants that were already appropriated were frozen, some were restored, others weren't, and in the FY26 proposed federal budget, they are both zeroed out.



"All of our programs, including the Kentucky Book Festival, have been downsized or curtailed in some fashion. Two programs, Prime Time Family Reading and our grants program for community organizations, have been cancelled until we find out more." – **Bill Goodman, Executive Director, Kentucky Humanities, September 2025**

ARTS & HUMANITIES FUNDING

"We know for sure we have about \$65K in grant funds and \$30K in contributions that were lost due to federal impacts on grants, tariffs, and the stock market, and strongly suspect at least \$50K-100K more of our income losses were a result of those changes and people's reactions to them. We had layoffs, staff pay reductions, program reductions, fewer open hours, and more as a result of this. If National Endowment for the Arts funding is completely eliminated, it will also impact Kentucky Arts Council and LexArts' funding to local arts organizations, which already survive on a shoestring budget." -

Anonymous, September 2025

IMMIGRATION & REFUGEE SERVICES

"In light of the portion of federal funding that KRM was receiving being frozen, KRM has shifted focus. "Our focus now is entirely on the clients that are already present in the United States and continuing to provide critical services and support to those individuals and families." Coulston continued, "We are heartbroken and dismayed to see the actions taken by this administration to dismantle the robust refugee resettlement program that has welcomed vulnerable people to the US for nearly forty-five years, offering them safety and security in cities and towns across the country. We are working to raise awareness of what is being done and how to take action to support refugees and immigrants." - Kentucky Refugee Ministries, The Asbury Collegian, March 2025

YOUTH-SERVING ORGANIZATIONS

*“Due to federal funding turmoil, RFPs for youth-serving work have still not been released. They’re typically released and awarded in summer, with funding beginning Sept. 1. This has caused a reduction in staff for us and threatens the non-renewal of a grant-funded position in Q1 of 2026 and another in Q3 of 2026 (all federally funded). It has strained our bandwidth and operational attention.” – **Christian Postel, CEO, Lexington Leadership Foundation, September 2025***



EXECUTIVE ORDER ON FEDERAL GRANTMAKING

- Issued August 7, 2025 - EO #14332
- **Political appointee** at each agency responsible for oversight of grant process to ensure that grants are “consistent with agency priorities and the national interest.”
- **Prohibiting federal grants for purposes inconsistent with the President’s priorities.**
- Discretion to terminate federal grants to nonprofits for any reason - **particularly programs an administration decides it disagrees with.**
- Disincentivizes proposals that seek to include core costs to administer grants.
- & more



ONE BIG BEAUTIFUL BILL

- H.R.1 signed into law on July 4, 2025
- Takes effect for this tax year
- **Good News:**
 - Charitable Giving:
 - Universal deduction modeled after The Charitable Act, impacting 90% of taxpayers
 - \$1000 individuals, \$2000 married
 - Provisions Successfully Removed:
 - Tax on private foundations
 - Tax on nonprofit employee transportation benefits
 - Provision granting executive branch ability to revoke tax exempt status without due process



ONE BIG BEAUTIFUL BILL

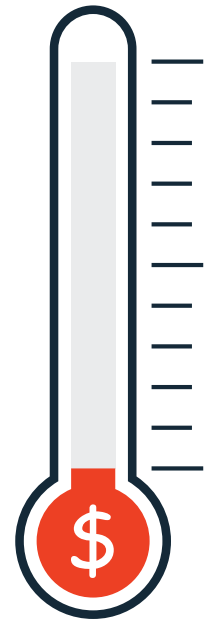
- **Bad News:**

- Charitable Giving

- Cap: creates a cap that decreases the value of charitable deductions for high-income taxpayers
 - Floor: sets a new .5% floor for the itemized deduction
 - Floor: creates a new 1% floor for corporate charitable gifts

- Safety net

- Largest cuts in history to Medicaid and SNAP - increased demand for services
 - KY Voices for Health and Feeding Kentucky offer additional details



RESCISSION PACKAGE(S)

- Rescissions allow Congress, at the direction of the President, to rescind funding already Congressionally approved
 - H.R. 4 signed into law in July 2025, \$9 billion rescissions package
 - Primarily for international aid, the Corporation for Public Broadcasting, & NPR
 - Rescission memo of \$4.9 billion for foreign aid proposed, August 2025
- **More rescissions coming**



RESCISSION PACKAGE(S)

- **Impact:**

- Threatens and undermines federal budget negotiations prior to deadline to approve federal budget (October 1) - appropriation bills require bipartisan support and the inability to reach an agreement could lead to a government shutdown
- Results in significant uncertainty and destabilization for nonprofits (and others) receiving funding
- Competition for fundraising increases among community-based nonprofits

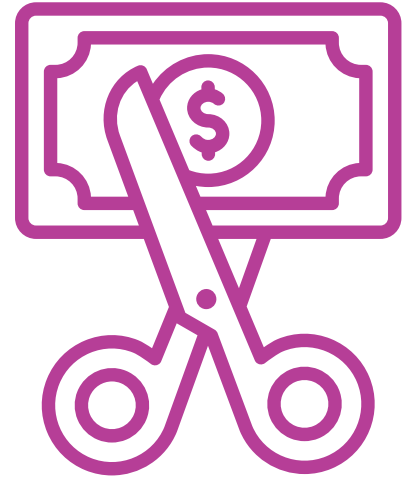


RESCISSIONS IMPACT - KET

"Kentucky Educational Television is cutting more than 20% of its staff to help make up for the reduction of federal funds. It cut 22% of its staff, including 15 staff members and 21 positions. Shae Hopkins, executive director and CEO of KET, said the staff reduction was unavoidable because of the loss of federal funding." - **Herald-Leader, September 2025**

THE ADMINISTRATION'S BUDGET PROPOSAL

- Administration proposed \$163 billion in budget cuts
 - Proposed cuts to FEMA, SAMHSA, EPA, Fair Housing, Refugees, heating assistance, community services block grants, rental assistance, AmeriCorps, & more
- Congress discussing now
- Congress has until October 1 to pass a budget
- Rescissions have undermined this process - threats of government shutdown



FEDERAL FUNDING - DOMESTIC VIOLENCE PROGRAMS

"Federal funding makes up 45% of our budget, and it supports every service our network provides, including crisis lines, emergency shelter, safety planning, court advocacy, housing assistance, child supervised visits, food assistance, and more."

– Darlene Thomas, Executive Director,

Greenhouse17, September 2025

FEDERAL FUNDING IMPACTS

“Layoffs are coming and we are holding off on hiring. Ultimately, we are sacrificing staffing best practices for fear of future lost revenue.” -

Anonymous, August 2025

“We cannot float payments and access lines of credit at this time. The risk is too high.” –

Anonymous, August 2025

FEDERAL PASS-THROUGH FUNDING - ENERGY EFFICIENCY

*“Due to Federal Funding uncertainties, we are not sure when (or if) we will be able to begin work on our Energy Efficiency Workshops, which help low to moderate income Lexington residents understand how they can save money on energy bills. The \$80,000 in annual funding came through the **state's Office of Energy Policy**, which was a pass-through for the Federal Department of Energy. These workshops provide free resources and education that allow renters or homeowners to immediately make changes to lower their energy bills and be more comfortable in their homes. This loss will not result in an immediate reduction of staff, but if our annual funding is cut completely, we will have to make hard decisions.” – Amy Sohner, Executive Director, Bluegrass Greensource,*
September 2025

THREATS AND DISRUPTIONS TO THE WORK & RIGHTS OF CHARITABLE NONPROFITS

Diversity, Equity, and Inclusion (DEI) Policies & Practices, “Unlawful Discrimination:”

- Dept. of Justice Guidance, July 2025
- Although the guidance document is non-binding, the text implies that violations could result in investigation, litigation, or criminal prosecution.
- It is unclear if this directive applies only to programs and services delivered with federal funds or organization-wide.
- Some nonprofits without federal funds are also uncertain on impacts to their work and are being cautious.
- Partnerships with colleges and universities being impacted.



THREATS AND DISRUPTIONS TO THE WORK & RIGHTS OF CHARITABLE NONPROFITS

Politicizing Charities:

- Since 1954, the U.S. IRS 501c3 tax code has stated: a charitable nonprofit may “not participate in, or intervene in, any political campaign on behalf of any candidate for public office.”
- Repealing nonprofit nonpartisanship is a bad idea. Allowing nonprofits to engage in partisan politics would undermine public trust, politicize community service, jeopardize donations and volunteer support, and create confusion.
- In 2017, over 100 religious denominations and organizations representing all 50 states signed on to the Community Letter in Support of Nonpartisanship.
- Nonprofits are on high alert and we are closely monitoring a court case in Texas and anticipate this issue may reach the Supreme Court.



THREATS AND DISRUPTIONS TO THE WORK & RIGHTS OF CHARITABLE NONPROFITS

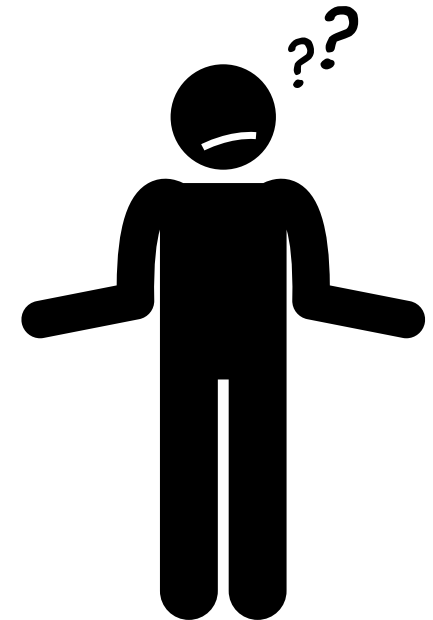
Stripping Nonprofits of Tax-Exempt Status Without Due Process:

- Has appeared in many forms this year
- Would allow the Secretary of the Treasury to unilaterally revoke nonprofit status from “terrorist supporting organizations,” without requiring full evidence or ensure due process.
 - Could enable any Administration of any political party to target charitable organizations based on ideological grounds.
 - Nonprofit organizations wrongfully designated would be irreparably harmed, losing the trust of donors and the communities they serve.



FEDERAL IMPACT ON STATE & LOCAL FUNDING

- For every \$1 Kentuckians pay in federal taxes, the state receives \$3.35 in federal funds.
- Kentucky ranks second overall among states most dependent on federal funds, which account for roughly 46% of the state's revenue.



Source: USA Today & WalletHub

POTENTIAL IMPACTS ON LFUCG

- Constituent needs not being met, increased demand for services
- Fewer arts & cultural activities - decreasing tourism & resident well-being
- Nonprofits seeking more funding from the city
- Nonprofit layoffs impact the economy - less spending
- Nonprofit layoffs impact the city's payroll tax income
- Less spending by nonprofits impacts their purchases with local businesses: food purchases, equipment purchases, maintenance, etc.



NEW IMPACT REPORT

THE FACTS ABOUT CHARITABLE NONPROFITS, FEDERAL FUNDING & WHY IT MATTERS TO YOU: AN IMPACT REPORT ON WHAT'S AT RISK FOR KENTUCKIANS

- Effects on Employment & the Economy
- Critical Service Delivery
- Nonprofit Accountability & Transparency
- Kentuckians Trust Nonprofits



Collectively, charitable nonprofits generate \$27.4 billion in annual expenditures and payroll – money that is directly pumped back into Kentucky's economy, benefitting us all.

(Source: Kentucky Nonprofit Network. *More Than Charity: The Economic Impact of Kentucky's Nonprofit Sector*. Kentucky Nonprofit Network, kynonprofits.org.)



THE FACTS ABOUT CHARITABLE NONPROFITS, FEDERAL FUNDING & WHY IT MATTERS TO YOU: AN IMPACT REPORT ON WHAT'S AT RISK FOR KENTUCKIANS

66% of Kentucky nonprofits face potential loss of government funding - putting Kentuckians at risk.

(Source: <https://www.urban.org/research/publication/what-financial-risk-nonprofits-losing-government-grants>)

Government sources account for **33%** of annual revenue for Kentucky nonprofits.

(Source: <https://www.urban.org/research/publication/government-grants-and-contracts-nonprofits-2023>)



THE FACTS ABOUT CHARITABLE NONPROFITS, FEDERAL FUNDING & WHY IT MATTERS TO YOU: AN IMPACT REPORT ON WHAT'S AT RISK FOR KENTUCKIANS

THERE IS A MYTH THAT PRIVATE PHILANTHROPY CAN FILL IN THE GAP AND MAINTAIN SERVICES. THIS IS FALSE.

Private foundations currently contribute around **\$107 billion annually** to U.S. charitable nonprofits. To replace lost government funding, they would need to increase their giving by a staggering **282% per year**, which is not feasible.

(Source: Falldin, Kate. "How Many Nonprofits Rely on Government Grants? Data from Candid." *Candid Blog*, 23 May 2023, blog.candid.org.)



Federal funding UNCERTAINTY and cuts AFFECT more than impacted nonprofits. When nonprofits are at risk, YOU, our KENTUCKY NEIGHBORS AND OUR KENTUCKY COMMUNITIES are at risk.



THE FACTS ABOUT CHARITABLE NONPROFITS, FEDERAL FUNDING & WHY IT MATTERS TO YOU: AN IMPACT REPORT ON WHAT'S AT RISK FOR KENTUCKIANS

KENTUCKIANS TRUST NONPROFITS



Trust in Nonprofit Policy Engagement: 81% of all voters in the last election, regardless of party affiliation, trust charitable nonprofits to engage in policy work that cuts through the mess of politics and serve their community in a nonpartisan way.



Nonprofits' Role in Filling the Gap: 81% of all voters agree that charitable nonprofits address vital needs that government either cannot or should not provide. They also believe the nonpartisan nonprofit engagement in policy work reduces government interference and makes organizations more effective in meeting community needs.

(Source: "New Poll: Voters Want Policymakers to Support Nonprofits in an Uncertain Time." *Independent Sector*, 18 Feb. 2025)



WHAT CAN COUNCILMEMBERS DO?

- **Share** KNN resources with nonprofits in need of support
- **Advocate** for the needs of nonprofits with our federal Congressional delegation and state legislators
- **Visit** local nonprofits to best **understand** how they serve your constituents
- Take advantage of nonprofit expertise and ensure a **seat at the table**
- Remember: **nonprofits deliver efficient and impactful services** - front-line, leverage other funds, trusted community partners
- **Stay updated on the issues impacting charitable nonprofits:**
Subscribe to KNN's weekly e-newsletter

KNN'S RESOURCES TO SUPPORT ALL NONPROFITS:

- Virtual Town Hall Meetings - What to do when funds are cut, legal avenues, understanding issues, calls to action, preparing for a government shutdown, etc.
- Extensive Website Resources - EO's, Nonprofit Nonpartisanship, etc.
- Training/Education
 - Nonprofit Finance Summit
 - Risk Management Summit
 - Fundraising
- CEO Listening Session Calls
- Impact Report & Nonprofits Get it Done public relations campaign
- Collecting impact stories
- Lobbying & Advocating, including training for nonprofits

QUESTIONS?



THANK YOU!



CONTACT US

Danielle Clore, CEO
danielle@kynonprofits.org

Ashleigh Dunsmoor, Director of
Regional Advocacy & Engagement -
Lexington & Eastern KY
ashleigh@kynonprofits.org



WWW.KYNONPROFITS.ORG