



Chair Jim Nash  
Minnesota House of Representatives

**Re: HF 2**

January 21, 2025

Dear Chair Nash and members of the State and Local Government committee,

The Minnesota Council of Nonprofits (MCN) is the largest statewide association of nonprofits in the country, representing about 2,200 member organizations across the state. Through MCN, nonprofits join together across interest areas to work on issues of common interest to all. MCN works to inform, promote, connect, and strengthen individual nonprofits and the nonprofit sector.

We write with both gratitude for the intentions and concern for the implementation of requirements in House File 2.

MCN is in **full agreement that state funds must be used for their intended purpose**, as nonprofits rely on public trust to carry out their charitable missions. Nonprofits are a crucial part of state infrastructure and **must be consulted** on any new regulations to ensure proposals do not have unintended consequences regarding critical services for people and communities most in need.

**Nonprofits embrace appropriate oversight** as a vital part of our commitment to transparency and accountability. Appropriate oversight ensures the public can trust in our work, knowing resources, including state dollars, are being used responsibly to strengthen communities and address critical needs.

As you know, nonprofits are key partners for the state and the legislature, **carrying out the legislature's priorities in delivering essential services** in communities around the state. Nonprofit employees make up 13 percent of the state's workforce, about equal with state employees' share of the workforce. Contracting with nonprofits for services allows the state to be half the size it would be if it chose to provide services directly. **It is in the state's interest to right-size oversight measures** to ensure the relationship between nonprofits and the state is productive and effective.

We encourage the committee to hear directly from state agencies about current requirements related to reporting and financial reconciliation, to understand what nonprofits report for different types of contracts through over two dozen granting agencies.

The proposed new requirements in HF 2 would create operational challenges of different weights. We are **most concerned with the requirement that executive**

**agencies conduct a financial reconciliation of each grant expenditure** for grants over \$50,000.

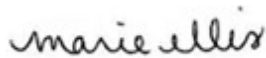
Requiring nonprofits to complete financial reconciliation for every line item on state grants over \$50,000 creates an **excessive administrative burden**, especially for smaller organizations, including almost all nonprofits based in rural areas, with limited staff and resources. This requirement can divert time and effort from delivering programs and services, **potentially undermining the grantee's ability to fulfill the legislature's intended activities** and the nonprofit's mission. Additionally, it will discourage nonprofits from applying for state grants altogether, **reducing the state's ability to partner with community organizations** to address critical needs.

The proposed requirements would necessitate additional staff capacity at both the state agency grantor and the nonprofit grantee. We ask you to recognize the work of grant managers at state agencies, and ensure they have the tools and staff to fulfill current and new requirements.

Additionally, we ask you to conform with federal law and allow state grantees a **minimum administrative rate of 15%**. This allowable use of funding would go a long way to facilitating the state's contracting partners having the necessary resources to meet new expectations while continuing to deliver high-quality services to our communities.

Thank you for the opportunity to provide feedback. We look forward to more conversations.

Sincerely,



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