

Wednesday, May 26, 2021

Dear municipal officials:

As you consider how to invest federal ARPA funds coming to your municipality, we urge you to consider using a significant amount for relief and recovery grants to nonprofits in your area. At the heart of MCN's commitment to policy advocacy is our belief that communities benefit when nonprofits and government partner to meet community needs.

Minnesota's nonprofits are a major economic driver for Minnesota, employing 13 percent of our workforce and partnering with government in delivering essential services, from food banks to health services. Nonprofits leverage public funds for maximum impact, invest in our communities, and help ensure community well-being and quality of life for all Minnesotans.


COVID-19 has dramatically increased the need for local services from Minnesota's nonprofits. Yet the very programs and infrastructure that strengthen community wellness and economic vitality for people across Minnesota are struggling to stay afloat. Allocating federal emergency relief and recovery funds to support Minnesota's nonprofit sector is imperative to maintaining their ability to address current needs and improve recovery outcomes for communities across the state.

Demand for nonprofit services and the resulting costs of operating during a pandemic have outpaced revenues. Philanthropy and private donations alone cannot fill the gap.

Nonprofit missions are aligned with public purposes—they have been hard at work and thinking strategically about how to build affordable housing, support people with mental health challenges, provide job training, keep our main streets vibrant, and many more of the things that will contribute to a strong and equitable recovery.

Nonprofits are at the frontlines of communities throughout the COVID-19 pandemic and well into the future of recovery. They see what communities and families need and have expansive networks to provide support. For more information on the health of the nonprofit sector in Minnesota, see [MCN's May 2021 Nonprofit Economy Report: COVID-19 Impact Update](#).

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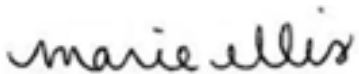
Many emergency government relief programs directed toward small businesses have excluded nonprofits, either purposefully or unintentionally through decisions made in the application or distribution processes.

If you do choose to invest ARPA funds in your nonprofit community, we've put together some notes to help you along the way. **Attached please find suggested eligibility criteria, best practices for grant applications, decision making and reporting, and other tips for a successful grant program.**

Finally, let us know if our organizations can be of service! We would be happy to email the nonprofits in our databases in your municipality, sharing information about the grant opportunity. We are here if you'd like feedback on a proposed grant process, or want to bounce ideas around together. We can also help to answer technical questions as you put together your application form.

Please contact me at 651-757-3060 or [mellis@minnesotanonprofits.org](mailto:mellis@minnesotanonprofits.org) with questions.

Sincerely,



**Marie Ellis**  
Public Policy Director  
Minnesota Council of Nonprofits

# American Rescue Plan Act Funds: Tips & Best Practices for Nonprofit Grant Programs

## Which organizations should be eligible?

- Require that the nonprofit have been adversely impacted due to COVID-19 such as loss of revenue, increased expenses and/or expanded services to meet community needs. Do not require burdensome documentation of this adverse impact – an attestation is sufficient.
- We strongly encourage criteria that does not eliminate nonprofits who have already received any amount of other funding including PPP, EIDL, or state grant funds. Nonprofits that will recover will do so because they are putting many strategies together. No single source of funding will lead to a full recovery. All revenue to a nonprofit must be used to further the organization's mission.
- Include all 501(c)(3) organizations, and social service delivery entities of tribal governments, and tribal nonprofits under IRC 7871 delivering any type of service.
- For 501(c)(3) organizations, require 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.
- Must be a public charity with a physical location in your municipality.
- Allow more than one application per 501(c)(3) organization, if the organization has multiple locations.
- Do not require that the nonprofit have a certain number of employees. Some of Minnesota's strongest mission-oriented organizations have no or small staff because of their use of networks, collaborations, and volunteers.
- If you require compliance documentation, require only what is absolutely necessary to determine eligibility.
- If you use a nonprofit's annual revenue to determine grant award size, allow the nonprofit to submit either its 2019 or 2020 revenue. Many factors like one-time philanthropy, inability to generate earned income during COVID shut-downs, and changes to individual giving mean that 2020's revenue may be drastically different than an organization's typical revenue.
- Allow organizations with multiple locations to submit a program-level budget, rather than the budget for the overall organization.

## Center racial equity

We strongly recommend that you prioritize funding for organizations that serve Minnesotans who are Black, Indigenous, and people of color, as these communities have been disproportionately impacted by COVID and the economic downturn. You can do this by setting aside a certain amount or percentage of dollars for these organizations.

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## Reporting? Nope!

We strongly suggest that the grants be for general operating expenses, and that your local government not require reporting on the use of funds from nonprofit grantees. Nonprofits are accountable to how we spend our funds, both to the state Attorney General's office and the IRS, and nonprofits with annual revenue greater than \$750,000 are required to do a financial audit. You will still have an internal report of which organizations received funds. If you do require a report from grantees, state the reporting requirements in the application, and keep them minimal.

## Applications - keep them simple

It is in the interest of both the local government and nonprofit applicants to make the application as simple as possible. Based on years of conversations with nonprofits, MCN recommends:

- Provide both an online application and paper form, as some nonprofits do not have access to consistent internet. Make sure your application can be saved and accessed later.
- Create a Word version of your application and make it available on a public website (not a pdf; not behind a user wall). Make sure the questions exactly match the online form; this allows nonprofits to see the full application ahead of time, judge the amount of work it will take to complete, what information will be required, and from whom within their organization.
- Accept nonprofits' templates for budgets and board lists, if required. It can take a nonprofit two hours (or more) to translate its budget into a new template.
- If your application has a multiple-choice question, always offer the option to self-describe or explain.
- Fill out your own application as if you were applying for funding. Eliminate questions that don't provide information needed to make a grant.
- Make sure the word/character limits match the amount of content it takes to answer your question. Set the character limit to the max available, and/or describe how long of an answer you're looking for: "We expect answers will be one page, double-spaced."
- Ask a nonprofit or two to test your application, and compensate them for their time.
- Do not require a notary, a board resolution, or signature of approval from a board chair.
- If you choose to have one grant program that includes both nonprofits and businesses, clearly note on the application which questions do not apply to nonprofits.
- Keep the application open for at least 20 business days, more is preferable. It is best to set a deadline and make funding decisions after that deadline. If funds remain after, request another round of applications.
- Offer a clear overview of the grantmaking process and timeline, from RFP release date, deadline, review & evaluation, notification, and reporting (if applicable).
- Offer contact information for someone whom an applicant can reach if they have questions or concerns about the application process.

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## Spread the word

- Advertise the grant opportunity as early as possible, even before the application opens.
- Promote the opportunity in MCN's Grants Alert email: contact [gfogland@minnesotanonprofits.org](mailto:gfogland@minnesotanonprofits.org)
- Promote the opportunity to the Minnesota Council on Foundation's members and nonprofit partners: contact [coien@mcf.org](mailto:coien@mcf.org)
- Use [MCN's BIPOC Nonprofits Index](#) to find BIPOC led and serving nonprofits in your area, and reach out to them directly. The above contact at MCF can help with that!
- Provide for translation of materials.
- Share with foundations in your area.
- Ask nonprofits you have relationships with to share the grant opportunity widely.

## Allowable use of ARPA funds

The [Interim Final Rule](#) issued by the U.S. Treasury Department on May 10 provides details on the ways American Rescue Plan Act (ARPA) funds can be used by state and local governments. The Interim Final Rule (at p. 34) restates the language in the ARPA that governments can use the funds to provide relief to nonprofit organizations.

The Treasury Department provides more clarity in its [Frequently Asked Questions document](#), in Question 9:

**Q:** What types of services are eligible as responses to the negative economic impacts of the pandemic?

**A:** Eligible uses in this category include assistance to households; small businesses and nonprofits; and aid to impacted industries. Assistance to small business and non-profits includes, but is not limited to:

- Loans or grants to mitigate financial hardship such as declines in revenues or impacts of periods of business closure, for example by supporting payroll and benefits costs, costs to retain employees, mortgage, rent, or utilities costs, and other operating costs;
- Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing, enhanced cleaning efforts, barriers or partitions, or COVID-19 vaccination, testing, or contact tracing programs; and
- Technical assistance, counseling, or other services to assist with business planning needs provides more clarification.

*The Minnesota Council of Nonprofits (MCN) works to inform, promote, connect, and strengthen individual nonprofits and Minnesota's nonprofit sector, including through local, state, and federal advocacy. More information: [www.minnesotanonprofits.org](http://www.minnesotanonprofits.org).*

