

The Non-Profit Funding Crisis

How Do We Provide a Safety Net for the 'Safety Net'?

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Introduction

Our local 'safety net' is in crisis. While the unmet needs of children, the unemployed and under-employed, older adults, the homeless, etc. are steadily increasing, the resources available and the delivery systems for helping people in need are shrinking. Donations and grants are not increasing as fast as the needs of our neighbors, so the stability of local 'safety net' efforts continues to deteriorate. The schedule and conditions of contract payments to non-profits from governmental agencies pushes non-profits into dangerous cash flow practices just to keep a positive balance sheet—reimbursements are slow while non-profits are required to provide services up-front. The sustainability of many Solano County non-profit organizations is currently threatened, and this threat affects all areas and populations of our county.

The informal network of non-profit organizations provides a critical component of community life. It's generally accepted that there are three uniquely different yet equally important elements in thriving communities—effective governmental agencies, prosperous local businesses, and stable non-profit organizations to serve individuals and families with special unmet needs. If any of these elements is weakened, the health of the wider community is diminished. When businesses are failing, elected officials and government agencies step in to assist them with revised regulations and policies, but when non-profits are in crisis, little help is available. If any person or group wants to strengthen the capacity of Solano County to provide a high quality of life for its citizens, they will eventually recognize the urgent need to stabilize the non-profit community in the process.

Non-profit organizations are generally designed to focus on the needs of the most vulnerable and neglected people in the community. They are important conduits of education for clients about the services of other agencies and groups—they are the most important delivery agencies in teaching accountability and financial planning in low-income communities. Non-profits provide intake and referral (I&R) services for many people so they can enter a helping system for effective problem solving. As non-profits work with clients through case management, they decrease occurrences of fraud and duplication of services. Non-profits are generally good stewards of limited resources—they check out claims of need and coordinate their efforts with others as much as possible. In the delivery of services, non-profits remind people of their worth. In a real sense, non-profits provide a 'social conscience'—they are focused on what a community should be.

People are talking about the current and growing crisis in our local 'safety net.' Managers and staff in governmental agencies are talking about tight budgets and the trend toward fewer non-profits to accept valid referrals. Corporate leaders are talking about the quality of life in Solano County as they decide whether to locate a new production facility in the county. Clients of non-profits are talking about a dangerously thin 'safety net' with fewer governmental services, fewer jobs and fewer non-profit resources and staff persons. In light of these pressures, how do we provide a safety net for the 'safety net'?

Approach 1: “Show Me the Money!”

Non-profits are delivering essential services to a wide cross-section of our communities—they just need enough money to provide direct services and to sustain their infrastructure. Solano County doesn't have a comprehensive means to encourage local donors to focus their charitable giving on local needs—as a matter of fact, a lot of charitable resources are leaving the county. We need to focus attention on the needs of local non-profits and be concerned about their financial problems.

Solano County is excluded from mandates of many Northern California foundations, banks and corporations—Sacramento-based foundations don't extend west to include Solano County; and many Bay Area foundations don't extend north and east to include Solano County. In addition, our community foundation seems to be unprepared to meet the increasing needs of the county. Non-profits in human services have to compete with schools for funding—this funding is supposed to be separate, but schools are in crisis and are seeking funding from all possible sources. The small businesses in Solano County have less time and resources to devote to the development of events that support local non-profits—one event per year is the limit for many businesses and businesses need someone to coordinate these events.

What Can Be Done?

- Appropriate more public funding when necessary to keep the 'safety net' safe
- Strengthen the Solano Community Foundation to seek donations and coordinate fundraising events for non-profit 'safety net' organizations to develop new partnerships with public, private and corporate donors
- Create a mini-'Season of Sharing' as a comprehensive fundraising effort to support Solano County non-profits
- Educate the public through the creation of a coordinating council for non-profit 'safety net' funding—develop a need-oriented criteria for resource allocations and then actively seek the funding that is required to meet those documented needs
- Publish client-based stories that make the benefits of non-profit efforts clear and accessible through online and newsletter formats

People Who Agree with this Approach Say....

- Stable funding is essential to non-profits as they provide a critical component of the county 'safety net'—from whatever source is necessary, money keeps non-profits open with caring staff to deliver services
- Public funding needs to be appropriated to sustain non-profit 'safety net' efforts when private and business donations fall short
- There is a lack of infrastructure at the Solano Community Foundation—its already doing all its limited resources will support, so it needs more support
- While many donors want their resources to go into direct services only, overhead costs and indirect services are significantly under-funded, so long-term donor relationships need to be developed to provide for infrastructure funding

People Who Disagree with this Approach Say....

- If we provide unlimited money to non-profits, there won't be any incentive to coordinate efforts or to provide accountability
- The public chooses with its donations—if the public doesn't support local non-profits with adequate donations, it's because the public has a different set of priorities
- Public money should only be appropriated where elected officials have direct oversight, supervision and accountability of the services provided

A Possible Tradeoff Is....

- If non-profits can extend the reach of an effective and comprehensive 'safety net,' I'd be willing to have public money appropriated to their efforts

Approach 2: “It Takes a Village”

Non-profits need to be integrated into a fully coordinated ‘safety net’ community where all agencies and groups are focused on the quality of life for all citizens. Unfortunately, government and business leaders seldom view non-profits as partners in solving community problems. Non-profits have the unique capacity to customize services to the individual—non-profits can create more flexible eligibility criteria than large government agencies because they are more sensitive to local and specialized needs.

Coordination, however, is difficult and complex. The requirement to have strict privacy protocols makes it difficult for non-profits to work together to solve client problems—this is even more complex when government agencies are involved. Competition among cities and groups in Solano County for basic funding has decreased efficiency and increased isolation. In addition, there is a general lack of communications among non-profits—this is caused by and leads to a lack of trust. Solano County is still suffering from a lack of ‘institutional wisdom’—the demise in 1992 of the Solano County Economic Opportunities Council (SCEOC), as a county-wide community action council, set us back significantly. Unfortunately, there is also a lot of competition among non-profits for good partnerships with local businesses.

What Can Be Done?

- Create a ‘safety net’ coalition of non-profit organizations in Solano County
- Create a standardized intake protocol and form for use by all ‘safety net’ agencies and non-profits—integrate efforts for coordinated system with ‘multiple points of entry’
- Create and mandate the use of state-of-the-art, secure communication networks, like the HUD ‘virtual provider network’, ‘2-1-1’ system for social service providers, and the new Community Action Council (CAC) software for the social ‘safety net’ agencies
- Integrate ‘smart growth’ methods into long-term planning at all levels to reduce transportation barriers so low income persons can have access to community services
- Revise county policies in reimbursements to non-profits to reduce the need for non-profits to subsidize the county by accepting and paying the debt of late payments

People Who Agree with this Approach Say....

- Government agencies, businesses and non-profits all have different and unique roles in a coordinated community of ‘safety net’ efforts—when all participants accept the others as partners, program effectiveness and financial efficiency are both increased
- Donors have increased confidence in non-profits when they are effectively integrated into a comprehensive ‘safety net’ community—total revenue to non-profits will increase
- Long-term ‘safety net’ planning will be more likely when a ‘safety net’ community is created with shared responsibility in maximizing the quality of life in the county
- Partnerships between businesses and non-profits need long-term nurture—mutually beneficial and effective partnerships can be only created in a non-competitive community of agencies and non-profits

People Who Disagree with this Approach Say....

- Coordination requires staff training, equipment and time—additional funding will be required to make this approach work, but it’ll be spent on infrastructure & not direct aid
- Limited funding will continue to create a competitive spirit among non-profits as they vie for funding and advocate for their special clients—coordination will suffer
- Super-agencies like SCEOC will fail again and again without proper accountability

A Possible Tradeoff Is....

- If a coordinated ‘safety net’ community can reduce duplication and increase the range of services to clients, I’d be willing to donate more money to non-profits that cooperate

Approach 3: “Wake Up and Smell the Coffee”

People are no longer willing to publicly fund or personally donate to non-profits that will not provide program accountability and financial transparency. Non-profits need to inspire trust by embracing good business practices, and publishing accurate and timely reports with sound evaluation methods. The creation of new non-profit efforts almost never includes the development of project proposals with clearly described goals, outcomes and evaluation methods. While the need for accountability is critical to businesses as they decide how they will donate to non-profits, few non-profits actively seek to inspire the trust of businesses by using the methods business understand and require.

The mismanagement of SCEOC points up the fragile nature of many non-profits where the focus is on delivery of services and not necessarily on good management or fiscal accountability. The evaluation of services takes a great deal of skill and staff time—many non-profits are unskilled in evaluation techniques and resist the commitment of time and money to learning new administrative methods. The fiscal calendars of many foundations and government agencies don't coincide—this makes reporting much more complicated and costly. Finally, self-sufficiency is increasingly important in non-profit services—the basic perception in the business community is that the need for social services is only temporary and situational, so projects are seldom funded for chronic or long-term needs.

What Can Be Done?

- Create a clearinghouse of strategic planning and evaluation for non-profits in Solano County to maximize research and development in financial and program accountability
- Publish reports of program outcomes in measurable and tangible terms that fulfill the goals and strategies of non-profit organizations in Solano County
- Publish examples of non-profit strategic plans and financial reports that exemplify full accountability and financial transparency—good examples teach good practices
- Standardize evaluation and reporting schedules through the coordinated efforts of government agencies, businesses and foundations to minimize prohibitive requirements
- Research and discuss the variety of needs that are the responsibility of the ‘safety net’ community—identify legitimate temporary needs and legitimate chronic needs, so appropriate evaluation methods can be developed for each type of need

People Who Agree with this Approach Say....

- Financial abuses have raised the public's awareness in accountability—elected officials are expected to provide appropriate oversight when public funds are used by non-profits
- Compassionate and caring non-profits can be fully accountable too—it's not necessary to choose one or the other
- There is a plethora of non-profits—there are too many to know or to coordinate, so those non-profits that provide sound accountability will receive more donations
- Business funding of services requires assurances that their money is being well-spent AND that the business will receive positive public relations in return

People Who Disagree with this Approach Say....

- Faced with strict reporting requirements, non-profit organizations decide that they aren't ready to do the work AND provide the complex paper trail—services will be reduced
- Existing non-profits resist expanding their services to meet additional needs—additional efforts aren't developed while existing non-profits balance benefits and requirements
- Accountability and efficiency are important, but only personal, customized service by a caring case manager will effectively deliver ‘safety net’ resources

A Possible Tradeoff Is....

- If non-profits would follow proper accountability methods, I'd be willing to actively advocate with businesses and civic groups to support them with donations