SUMMER 2009

THE HELPERS NEED HELP:

NEW YORK CITY'S NONPROFIT HUMAN SERVICE ORGANIZATIONS PERSEVERING IN UNCERTAIN TIMES

A SURVEY SPONSORED BY:

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FOREWORD

We are in a period of great financial stress for human services organizations in New York and, especially, for the people who need the services that they provide. The economic recession has led to severe reductions in both public and private financial support for these vital organizations. The Human Services Council of New York City asked the School of Public Affairs at Baruch College to conduct a survey of the executive directors of these organizations to determine how they are managing and what the impact is on the assistance they provide to their clients.

This survey "The Helpers Need Help: New York City's Nonprofit Human Services Organizations Persevering in Uncertain Times" attempts to document the strategies and actions taken to maintain services while these leaders deal with reduced revenues amidst growing hardship and need. As the report demonstrates, organizations are to varying degrees cutting staff, reducing employee benefits and not increasing salaries. Many have no endowments or financial reserves and are experiencing cash flow problems. As they look to the near future, these nonprofit executives also expect that worse times are ahead for their clients and that the resources needed to serve them will be reduced even further.

While general knowledge about the widespread effects of the recession on our society are well known, we believe that documenting these impacts specifically for human services organizations can be useful. For government, foundations, and private donors, this information can help public policymaking, philanthropic strategies, and personal charity to increase their impacts and improve the processes for providing critical resources.

The School of Public Affairs, through its Center for Nonprofit Strategy and Management and Baruch College Survey Research, and the Human Services Council have together undertaken this research, in addition to the annual Nonprofit Executive Outlook Surveys, to better inform the public about current conditions and issues important to assisting the most vulnerable people in our communities.

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HSC Human Services Council

EXECUTIVE SUMMARY

THE HELPERS NEED HELP:
New York City's Nonprofit Human Service Organizations Persevering In Uncertain Times

Human services nonprofits, the organizations people turn to in hard times, are currently experiencing great operating stress themselves

This survey reports the current views and concerns of executive directors of human services organizations in the New York City metropolitan area. Developed by the School of Public Affairs at Baruch College in partnership with the Human Services Council of New York City (HSC), it is the first supplement to the annual Nonprofit Executive Outlook Survey. The survey was completed by 244 respondents, which was 30% of those who received the survey. This strikingly high response rate is a testament to the severity of their concerns.

Human services organizations are those that provide social assistance directly to people in need. These organizations cover an array of service areas, including child care, child welfare, emergency relief, employment and training, food and hunger, HIV and AIDS, homeless, housing, immigrant, mental health, senior, substance abuse, persons with disabilities, youth, and other individual and family services.

The Summer 2009 survey provides details on adjustments these organizations have made to programs, staff, salaries, benefits, and other aspects of their operations in response to changes in revenues from public, private, and internal revenue sources in the last year. Its purpose is to determine how nonprofit human services organizations are managing in hard times.

Responding organizations are currently experiencing great operating stress.

Public Funding Has Been Cut:

The majority of the organizations **(62%)** have had a decrease in public funding; of those, almost a quarter **(22%)** have seen cuts of over 20%

- **Seventy percent** of the organizations rely on public funding for more than 40% of their operating budgets; and **44%** of them get more than 80% of their funds from public sources
- Government contracts cover 80% or less of the real costs for **more than a third of of those receiving public funds**; only **6%** report that government contracts fund the full amount of the real costs of providing services; this situation has gotten worse for nearly two-thirds of respondents within the last year **(64%)**
- Delays in government reimbursement, growth in expenses, and lack of full funding for the real costs of services exacerbate the decrease in public funding
- Nonprofits continue their commitment to high performance despite the cuts to government funding

Private Funding Is Down:

- The overwhelming majority of the organizations **(73%)** have experienced reductions in their private funding
- Of those that have had private funding decrease, almost half **(44%)** have seen reductions of over 20%
- Private fundraising returns have fallen within the last year for nearly two-thirds of the organizations **(64%)**

Many Organizations Lack Reserves, and Cash Flow Is Hard to Manage:

- Most respondent organizations **(60%)** are having difficulty managing their cash flow in comparison to previous years
- **Seventy-five percent** of responding organizations lack financial reserves – either no endowments or no lines of credit – with which to weather the uncertain economic climate
- **Sixty-seven percent** of the organizations have no endowments; **30%** have no lines of credit

- Smaller organizations are less likely to have endowments or lines of credit than larger organizations
- Of those organizations reporting endowments, **73%** had decreases, only **1%** had increases, and **12%** stayed the same
- For those organizations with decreasing endowments, **72%** have experienced a decrease of over 20%; **21%** have seen a decrease of over 40%.
-

***Staff and Benefit Reductions Are Widespread*:**

- The majority of responding organizations **(53%)** have laid off staff in the past year
- Of all responding organizations, **10%** laid off 6 to 10 staff, and **7%** laid off 11 to 20 staff
- Sixteen percent of the organizations lost more than 15% of their workforce.
- In addition to laying off staff, respondents are reacting to the decreases in their financial resources by reducing planned salary increases **(60%)**, using attrition to cut staff **(45%)**, implementing hiring freezes **(45%)**, reducing employee retirement benefits **(25%)**, and reducing health care and other employee benefits **(24%)**
- Comments indicate that these pressures are affecting staff morale and may affect future recruitment and retention

***The Need for Services Has Grown*:**

- Despite the sizable reductions in financial resources that the organizations have experienced, **62%** report that they have not eliminated any programs over the past year, but **35%** have had to do so
- Moreover, almost three-quarters of respondents **(74%)** have not significantly reduced services over the last year
- Organizations may be reluctant to cut programs or reduce services because the numbers and needs of clients are increasing during this period of financial stress **(see the 2008 Nonprofit Executive Outlook Survey report, www.baruch.edu/spa/researchcenters/nonprofitstrategy/documents/Outlook_2008_032309.pdf)**
- Overall, the responding organizations and their clients have been meeting the challenges of the past year and persevering despite the strain

Beyond these documented and quantified measures of organizational stress, many executive directors expressed concern for future reductions in resources that could be more severe than those they have already experienced. In particular, the uncertainty caused by the fiscal climate and the reactions to it by government agencies and private funders have made management of nonprofit human services organizations especially challenging. While the priority given to client services is clear, the long-term health of these vital organizations is critical for New York City, and the breaking point will soon be reached for some service providers.

INTRODUCTION

This survey was developed by the School of Public Affairs at Baruch College in partnership with the Human Services Council of New York City (HSC). The survey reports the views and concerns of executive directors of human services organizations in the New York City metropolitan area. In particular, it provides details for adjustments that these organizations have made to programs, staff, salaries and benefits, and other aspects of their operations in response to changes in revenues from public, private, and internal revenue sources.

This is the first supplemental survey to the annual Nonprofit Executive Outlook Survey. This survey is intended to delve more deeply and expand upon the findings of the Winter 2008 Nonprofit Executive Outlook Survey, which focused on the economic environment of the past few years and its effects on a range of operating issues. **(See the Winter 2008 report, entitled "More Need, Fewer Resources.")**

Given the deepening economic crisis of the past year and the largely negative findings of the Winter 2008 survey, HSC sought a more detailed examination of the impact of the immediate crisis on nonprofit budgets, funding, cash flow, and access to credit over the past year. The survey captures the opinions and experiences of 244 nonprofit social service leaders.

The survey findings reveal a distressing irony – **nonprofit human services organizations, which people turn to in times of hardship, are themselves currently experiencing great operating stress:**

- The majority of responding organizations are suffering decreases to both public and private funding
- Many nonprofits have no financial reserves – no endowments, no lines of credit
- Endowments have shrunk for those that have them, in many cases significantly
- Most respondents are having difficulty managing their organizations' cash flow compared to previous years

Organizations have responded to these recent, dramatic losses of financial resources by making internal adjustments that increase pressure on staff and resources:

- The majority have laid off staff or used attrition to cut staff to close their budget gaps
- Existing staff are working with fewer resources to provide the same level of service
- Yet most respondents are not cutting programs or reducing services

While more small organizations are reducing staff salaries, a greater percentage of larger organizations took a variety of other actions to reduce staff costs (benefit reductions, layoffs, attrition, hiring freezes, reducing planned salary increases). A greater percentage of larger organizations have endowments or lines of credit compared to smaller organizations and more larger organizations have closed programs compared to smaller organizations.

"While the adage of doing more with less has always epitomized the non profit world to an extent," according to one responder, "it is now the rule rather than the exception." Another responder puts it plainly: "If we continue within this trend – downsizing – we need to shut down." Staff morale, as noted by a number of responders, has suffered.

Some respondents worry that the worst is yet to come: "The impact of the current crisis is anticipated to hit us in a more profound way in the next fiscal year rather than the current year."

And many cited that they are unsure how to plan for these "uncertain" and "unpredictable" times: "It is very difficult to plan without a clear sense of direction."

"...asking us to do more and more with much less funding; tough times indeed with no end in immediate sight!"

Public funding is the financial support provided by the government at the city, state, and federal level, administered through grants and contracts. It excludes contributions from the general public and from private organizations.

***Seventy percent** of responding organizations rely on public funding for more than 40% of their operating budgets, and **44%** of them get more than 80% of their funds from public sources. Two thirds (66%) of those getting public funds have seen decreases in their public funding sources; of those, almost a quarter **(22%)** has seen cuts of over 20%. Public funding decreased for more than half of the organizations **(51%)** because the amounts of their contracts were cut; **more than a quarter** lost a contract altogether. Only 6% say that government contracts fund the full costs of providing services. Delays in government reimbursement, growth in expenses, and lack of full funding for the real costs of services exacerbate the decrease in public funding.*

For **44%** of the organizations, government funding supports all or almost all of their nonprofits' budgets (81-100%). (See Figure 1.)

Figure 1: ***What percentage of your budget is supported by public funding sources (all government contracts – federal, state, local)? [number of total responding organizations (n) =244]***

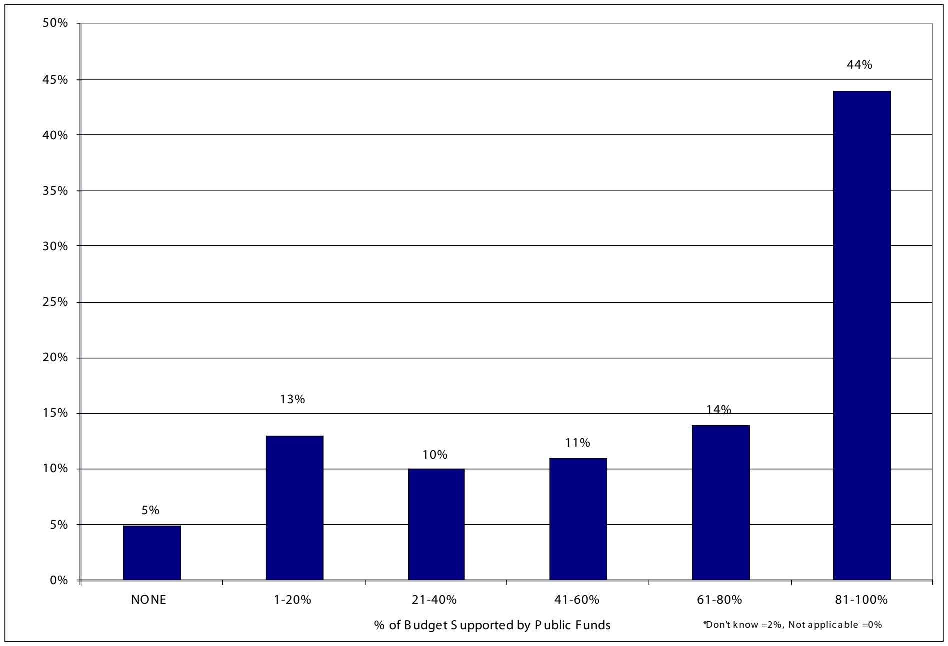
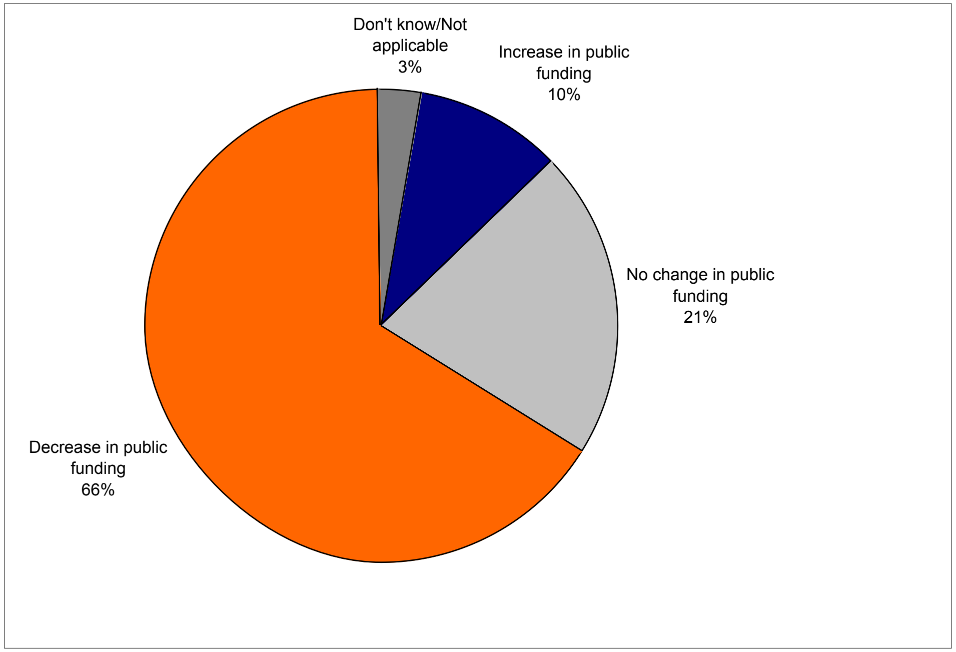
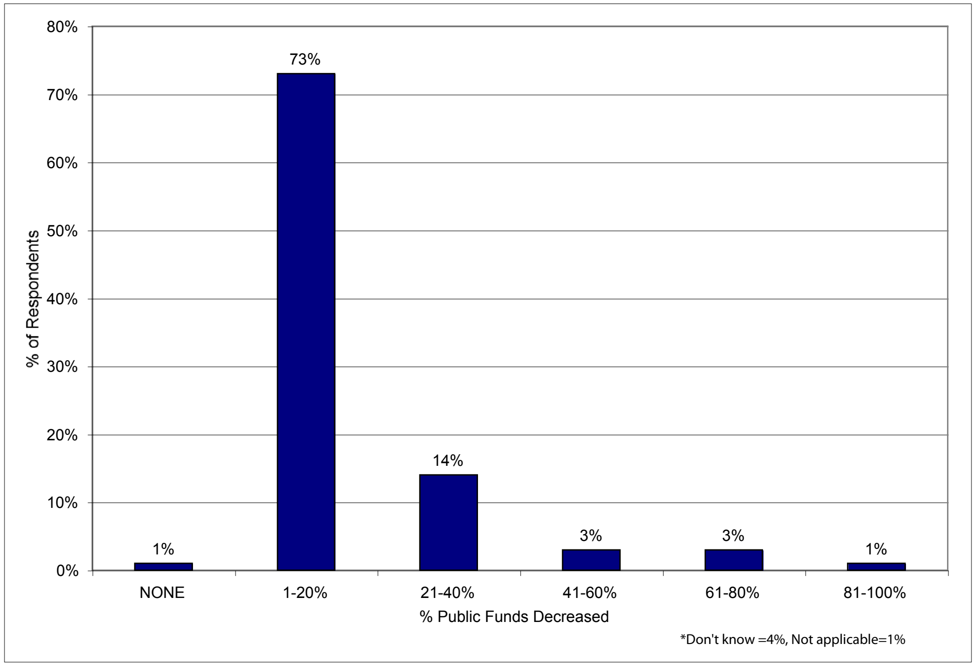


Figure 2: ***Within the last year, what changes have you experienced in public funding sources? [n=231]***



Of those that have experienced cuts to their government funding, most **(73%)** have seen cuts of 1-20%, but 21% of them have seen cuts of over 20% (see Figure 3).

Figure 3: ***By what percentage have your public funding sources decreased? [n=152]***



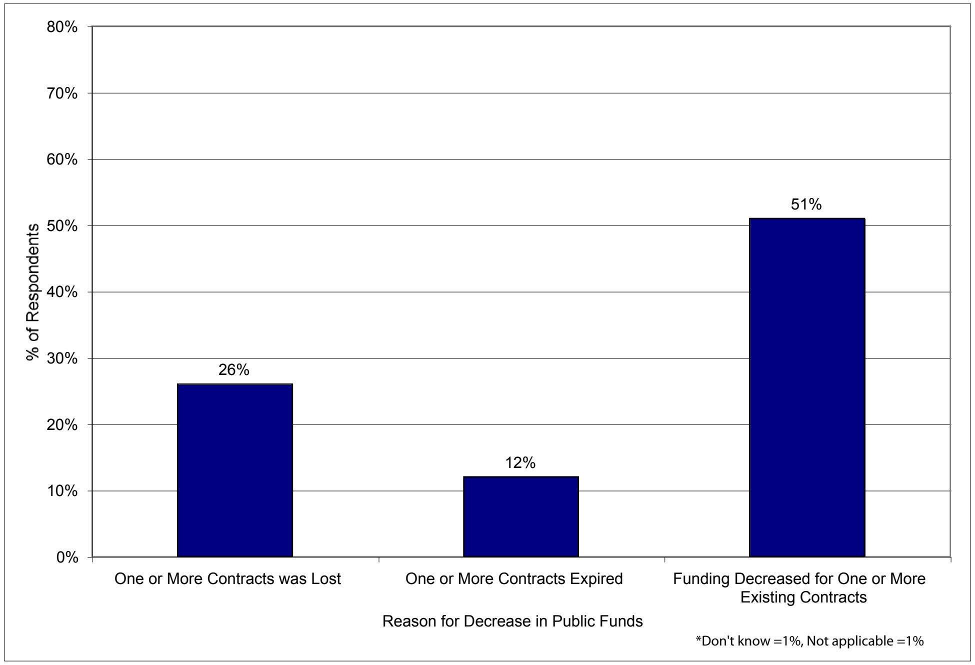
Of those organizations with annual operating budgets of less than $1M that have experienced reductions to their public funding, almost half **(47%)** have seen their public sources cut by more that 20% and a quarter (25%) have seen them cut by more than 40% (see Table 1).

Table 1: ***By what percentage have your public funding sources decreased? (By size of organization)***

		Number of Clients Served			Number of Employees			Annual Operating Budget		
	Total	<1000	1001-10,000	>10,000	<20	21 to 200	>200	<$1M	$1M - $10M	>$10M
Total (N)	152	38	64	47	37	57	58	32	57	60
NONE	1%	0%	2%	0%	3%	0%	0%	0%	2%	0%
1-20%	73%	61%	78%	81%	49%	75%	86%	50%	75%	87%
21-40%	14%	18%	14%	11%	22%	16%	7%	22%	16%	8%
41-60%	3%	11%	2%	0%	8%	4%	0%	9%	4%	0%
61-80%	3%	5%	3%	2%	14%	0%	0%	13%	2%	0%
81-100%	1%	3%	0%	2%	3%	0%	2%	3%	0%	2%
Don't know	4%	3%	2%	2%	3%	4%	5%	3%	0%	3%
Not applicable	1%	0%	0%	2%	0%	2%	0%	0%	2%	0%

Public funding decreased for more than half of the organizations **(51%)** because the amounts of their contracts were cut. More than a quarter lost a contract altogether (see Figure 4).

Figure 4: ***If you have experienced a decrease in public funding sources within the last year, why? (Check all that apply.) [n=244]***



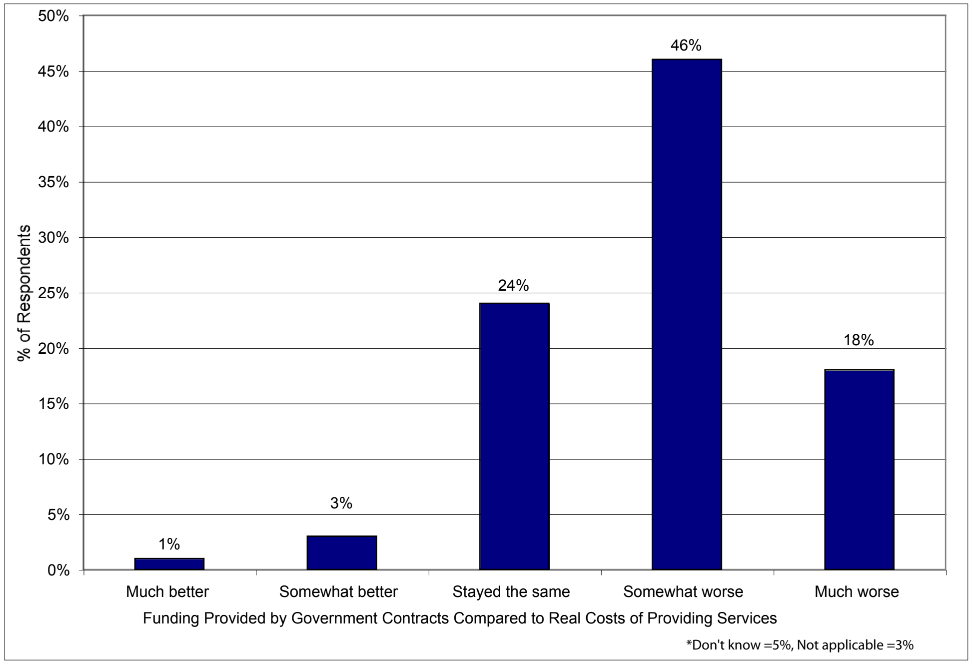
Government contracts cover 80% or less of the real costs for more than a third of those receiving public funds; only 6% report that government contracts fund the full amount of the real costs of providing services (see Table 2).

Table 2: ***When compared to the real costs of providing the services you are under contract with government to provide, what percentage of the cost of providing the service do government contracts fund? [n=231]***

Percent of Real Costs Covered by Government Funding	Percentage of Respondents
0%-20%	9%
21%-40%	4%
41%-60%	4%
61%-80%	16%
81%-100%	53%
Don't know	9%
Not applicable	3%
Total	100%

Costs have gone up while funding has gone down. The percentage of real costs covered by public funding has decreased nearly two-thirds for the organizations within the last year **(64%)**. (See Figure 5.)

Figure 5: ***Within the last year, has the funding provided by government contracts compared to the real costs of providing services become…? [n=231]***



The topic of public funding sparked many comments from respondents. "**Significant delays in government reimbursement**" exacerbate the problem of reduced public funding, according to respondents:

> *"Decreased general operating funds coupled with* ***slower payment from public sources*** *has led to a problem with cash flow."*

> *"Slow payment by gov entity impacted cash flow more this year because of* ***decrease in private funding which in the past bridged the gap…****"*

> *""…grant $ comes in slower from NYSED [New York State Education Department] so that increases our own cash flow problems. Tuition rate is set by SED and* ***comes in months after established timeline****. Most times at least 6 months into work year…"*

> *"Our cash flow problems are a result of* ***slow governmental grant payments for a capital project…****"*

> *"NYC is* ***not releasing funds as quickly as they did last year****."*

> *"…many city contracts and add-ons* ***delayed until very late in the year…****"*

*"**Delays in the contracting process and mid-year reductions** in contracts are having a negative impact on our organization."*

Increasing expenses and lack of full payment for the real costs of providing services also worsen the situation:

> *"In NYC, FBH [Foster Boarding Home] rates have remained flat with some supplemental funds available. Yet **the cost of providing basic FBH services continues to escalate**. Supplemental funding has been provided as an incentive to improve performance in discrete areas…"*
>
> *"Funded almost 100% by Medicaid and are anticipating no increases in rates. **This then will be a decrease because expenses increase**."*
>
> *"We are funded by OMRDD [Office of Mental Retardation and Developmental Disabilities] and NYSED [New York State Education Department]. OMRDD rate is **very low compared to real costs**. SED costs cover basic services."*
>
> *"Actual reductions in funding is not the only measure of decreased funding. **Government has never provided for a cost-of-living adjustment for OTPS [Other Than Personal Services] budget categories…***
>
> *"Agencies serving people with developmental disabilities in New York in long term care programs operate on very tight margins. Our budgets are cost-based. **If we go another year or two without a Medicaid trend, you will see a percentage of agencies fail**."*

A number of other factors, as described by respondents, were also cited:

> *"Government is **canceling contracts with 6 weeks notice including contracts that were in the middle of a funding cycle**."*
>
> *"The city owes approx. $1 million from previous years. **Collecting is not easy with the way funds are distributed…**"*
>
> *"Decreased public funding is **made more difficult by the level of paperwork** required for the funding."*
>
> *"Gov funding sources are reducing their financial support and **requiring additional matching funds**."*

And despite the cuts to government funding, the pressure on nonprofits for continued high performance remains:

> *"Governmental contractors **still demand the same level of service or greater** while they have decreased funding which never kept pace with realistic costs anyway."*
>
> *"Government non-recognition of the REAL cost of providing services to the elderly; never administrative or sufficient indirect costs covered; **asking us to do more and more with much less funding; tough times indeed with no end in immediate sight**!"*

PRIVATE FUNDING

"...not only are grant dollars more difficult to obtain, but individual donors are impacted in their capacity as well..."

Private funding is the financial support given by corporations, philanthropies, and foundations, as well as individual contributions. Funding is typically provided through grants and charitable donations, as well as fees for service and social entrepreneurship.

*The overwhelming majority of organizations **(73%)** have experienced reductions in their private funding. Almost half **(44%)** of those that have had their private funding decrease have seen reductions of over 20%. Private fundraising returns have fallen within the last year for nearly two-thirds of the organizations **(64%).***

More than a third of organizations **(37%)** rely on private dollars to fund over 20% of their budgets. For a small number of organizations **(9%)**, private funding sources provide all or almost all of their budgets (see Figure 6).

Eighty percent of organizations with private fundraising have seen their private funding decrease (see Figure 7).

Figure 6: ***What percentage of your budget is supported by private funding sources (non-governmental, such as foundation grants, individual donations, fund raising event profits, etc.)? [n=244]***

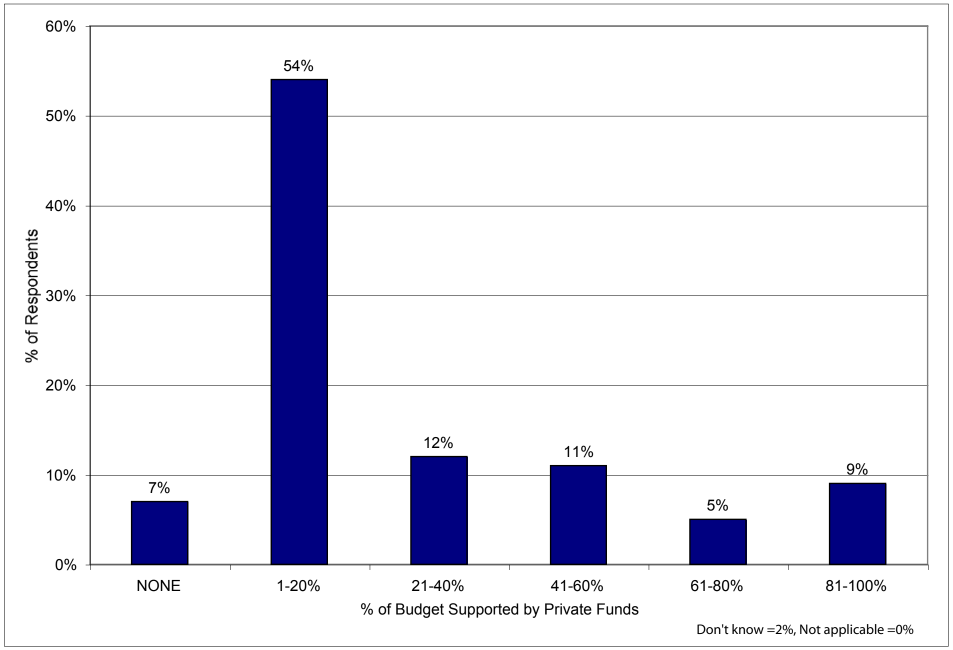
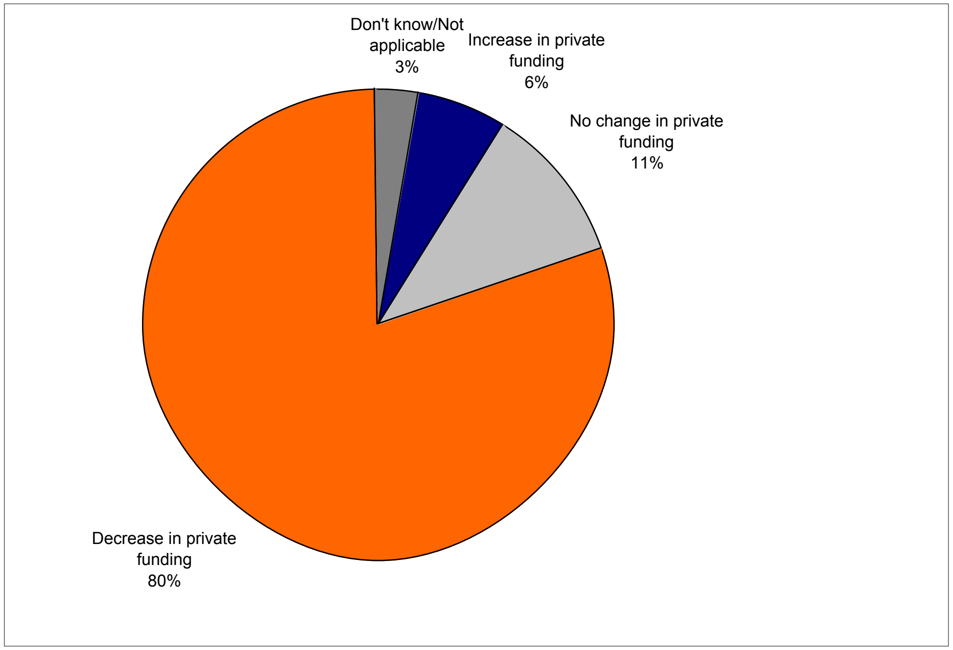
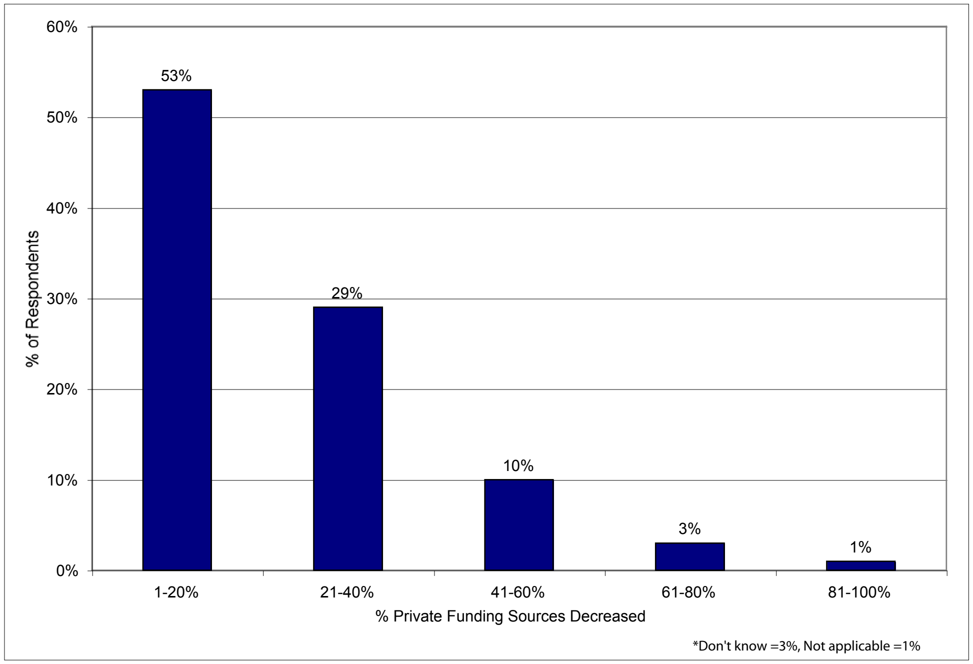


Figure 7: ***Within the last year, what changes have you experienced in private funding source? [n=222]***



Of those that have seen their private funding decrease, most **(53%)** have seen a decrease of 1% to 20%. Almost half **(44%)**, however, have seen their private funding fall by over 20%. (See Figure 8.)

Figure 8: ***By what percentage have your private funding sources decreased? [n=177]***



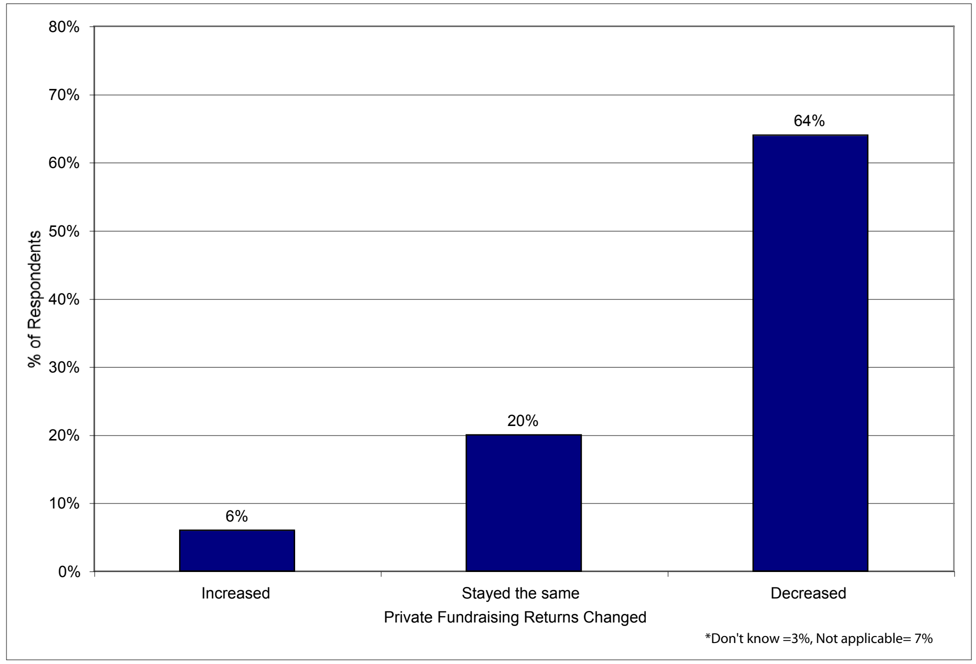
Responding organizations with annual operating budgets of less than $1M have been hit hard: **58%** have seen private sources decrease by more that 20%, with a quarter (25%) seeing decreases of over 40% (see Table 3).

Table 3: ***By what percentage have your private funding sources decreased? (By size of organization)***

		Number of Clients Served			Number of Employees			Annual Operating Budget		
	Total	**<1000**	**1001-10,000**	**>10,000**	**<20**	**21 to 200**	**>200**	**<$1M**	**$1M - $10M**	**>$10M**
Total (N)	**177**	**51**	**72**	**51**	**45**	**73**	**59**	**40**	**72**	**63**
1-20%	**53%**	45%	49%	69%	38%	53%	64%	40%	56%	59%
21-40%	**29%**	37%	35%	12%	36%	32%	20%	33%	29%	27%
41-60%	**10%**	14%	11%	6%	20%	7%	7%	20%	7%	8%
61-80%	**3%**	4%	3%	4%	4%	4%	2%	5%	4%	2%
81-100%	**1%**	0%	0%	4%	0%	1%	2%	0%	1%	2%
Don't know	**3%**	0%	3%	4%	2%	1%	5%	3%	1%	3%
Not applicable	**1%**	0%	0%	2%	0%	1%	0%	0%	1%	0%

Private fundraising returns have fallen within the last year for nearly two-thirds of the organizations **(64%)**. (See Figure 9.)

Figure 9: ***How have your private fundraising returns changed within the last year compared to the previous year? [n=244]***



For those organizations that experienced a decrease, 22% have seen reductions in returns of over 20% (see Table 4).

Table 4: ***By what percentage have your private fund raising returns decreased? [n=155]***

Percentage of Decrease in Private Fundraising Returns	Percentage of Respondents
0%-20%	36%
21%-40%	16%
41%-60%	3%
61%-80%	3%
81%-100%	0%
Don't know	42%
Not applicable	0%
Total	100%

Well **over one-third** of responding organizations that rely on private funding for most or all of their budgets have seen a reduction in their private fundraising of at least 11-20%.

Respondents detailed their shrinking private resources:

*“**Board gifts** have decreased.”*

*“With **diminished foundation portfolios** and **corporate losses and reductions**, not only are grant dollars more difficult to obtain, but **individual donors** are impacted in their capacity as well.”*

*“We have **lost the foundation funding** that covered the development staff and human resources.”*

*“We have many **older donors who contribute via Direct mail**, and it has seen the greatest decrease due to the economy.”*

ENDOWMENTS, CREDIT, AND CASH FLOW

"Cash flow is killing us..."

*Most of the human services organizations in the study **(60%)** are having difficulty managing their cash flow in comparison to previous years. **Seventy-five percent** lack financial reserves—either endowments or lines of credit—with which to weather the uncertain economic climate; **67%** have no endowments and **30%** have no lines of credit. Smaller organizations are less likely to have endowments or lines of credit than larger organizations. Of those organizations reporting endowments, **73%** had decreases, only **1%** had increases, and **12%** stayed the same. For those organizations with decreasing endowments, 72% had a decrease of over 20%, with 21% decreasing more than 40%.*

Figure 10: ***Have you had more difficulty managing your organization's cash flow this past year compared to prior years? [n=244]***

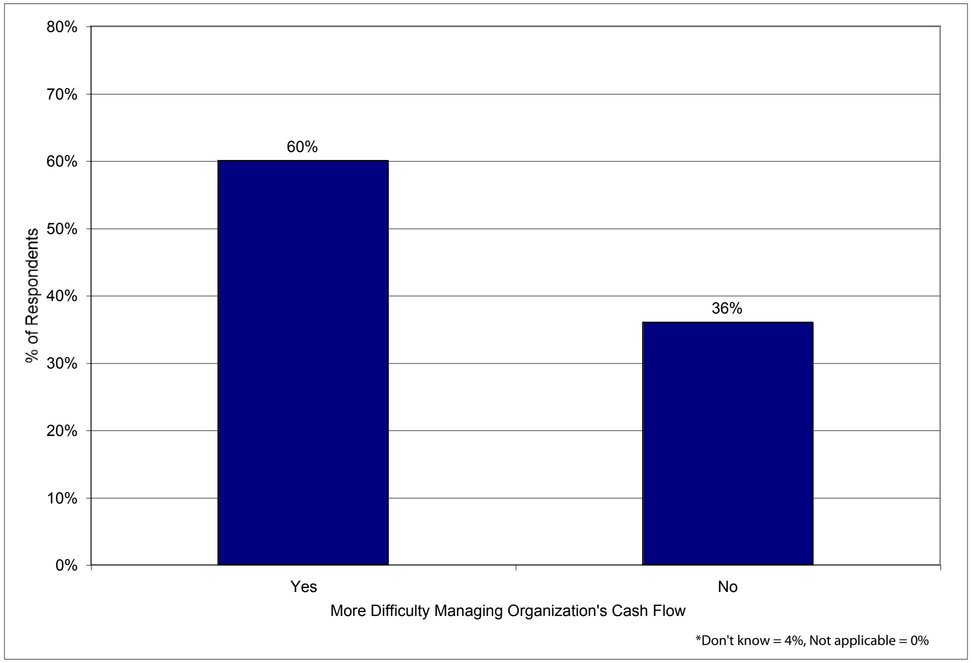
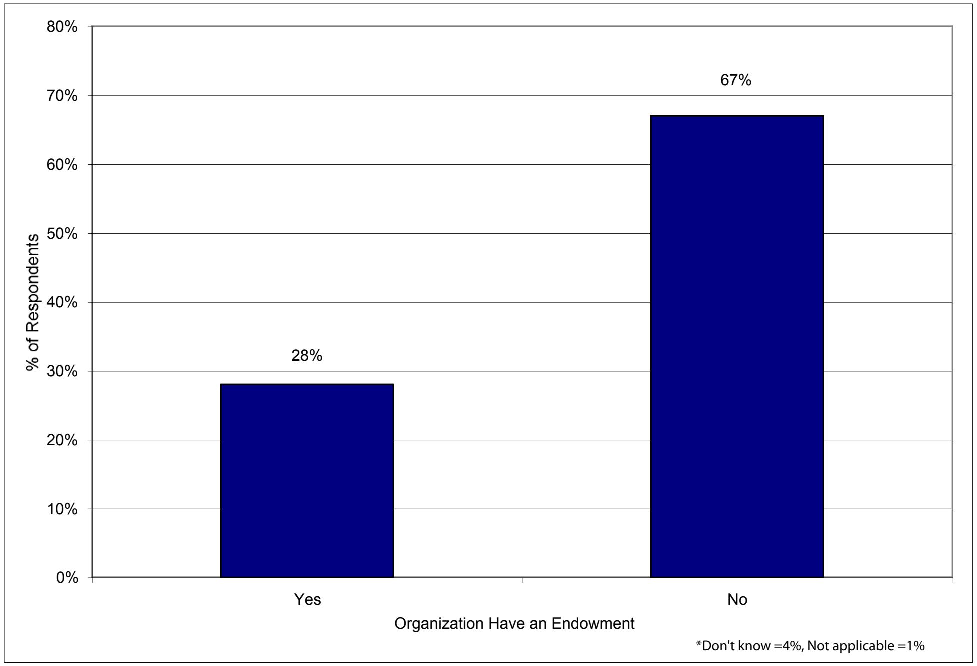
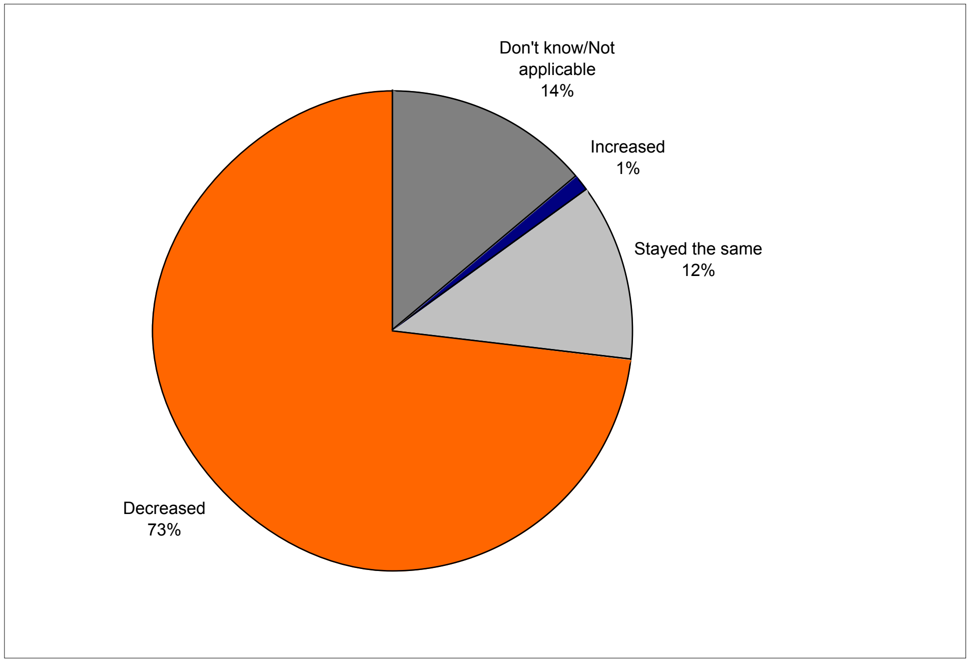


Figure 11: ***Does your organization have an endowment? [n=244]***



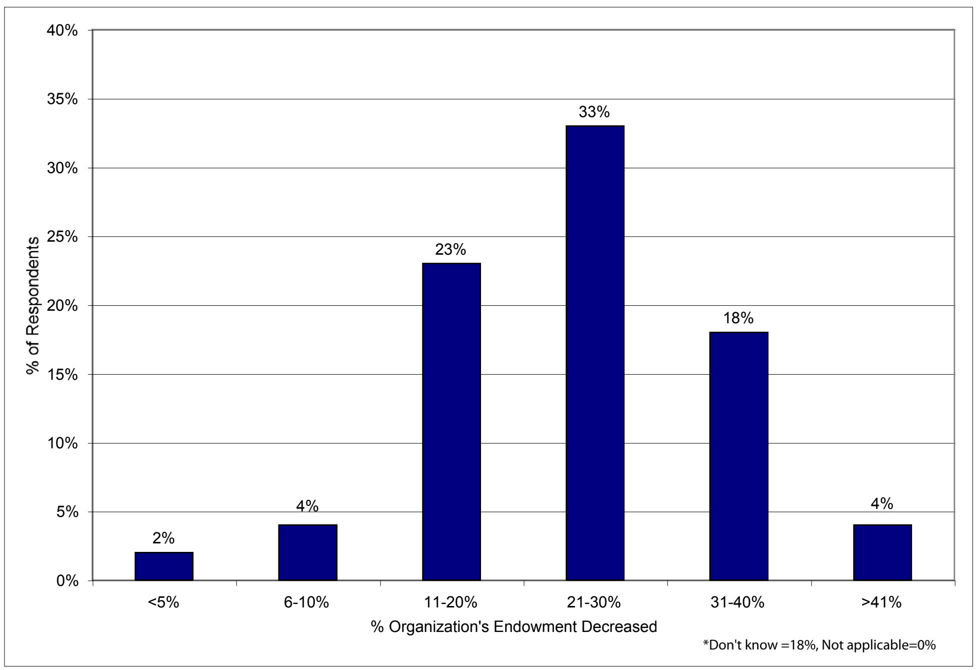
Of those responding organizations with endowments, nearly three-quarters **(73%)** have seen a decrease in their endowments, only **1%** have seen an increase, and **12%** have stayed the same (see Figure 12).

Figure 12: ***How has the amount of your endowment changed over the last year? [n=78]***



For those organizations with decreasing endowments, more than three-fourths **(78%)** have experienced a decrease of over 10% (see Figure 13).

Figure 13: ***By what percentage has your organization's endowment decreased? [n=57]***



Twenty-one percent of the organizations lack both endowments and lines of credit. This lack of reserves is especially true of smaller organizations. (See Tables 5 and 6.)

Responding organizations' lines of credit did not appear to have been greatly affected over the past year. Almost half **(42%)** of the organizations have one line of credit; **16%** have two or more lines of credit. However, **30%** of organizations have no line of credit available.

Five percent had an existing line of credit terminated within the last year. **Thirty percent** sought a line of credit within the last year; **20%** were able to borrow the funding they needed, while **10%** were not.

Table 5. ***Does your organization have an endowment? (By size of organization)***

		Number of Clients Served			Number of Employees			Annual Operating Budget		
	Total	<1000	1001-10,000	>10,000	<20	21 to 200	>200	<$1M	$1M - $10M	>$10M
Total (N)	244	76	98	63	71	93	80	60	94	85
Yes	28%	17%	30%	41%	13%	25%	46%	12%	26%	42%
No	67%	76%	67%	57%	82%	70%	51%	83%	72%	53%
Don't know	4%	7%	1%	2%	6%	3%	3%	5%	1%	4%
Not applicable	1%	0%	2%	0%	0%	2%	0%	0%	1%	1%

Table 6. ***Does your organization have one or more lines of credit? (By size of organization)***

		Number of Clients Served			Number of Employees			Annual Operating Budget		
	Total	<1000	1001-10,000	>10,000	<20	21 to 200	>200	<$1M	$1M - $10M	>$10M
Total (N)	244	76	98	63	71	93	80	60	94	85
No line of credit available	30%	42%	27%	19%	58%	29%	8%	60%	31%	11%
One line of credit	42%	32%	47%	51%	20%	48%	55%	20%	48%	54%
Two or more lines of credit	16%	12%	15%	22%	4%	13%	29%	7%	10%	28%
Don't know	6%	8%	5%	2%	7%	4%	6%	2%	4%	6%
Not applicable	6%	7%	6%	6%	11%	5%	3%	12%	7%	1%

In fact, **21%** of responding organizations have no financial reserves – no endowments and no lines of credit – with which to weather the uncertain economic climate.

The difficulty in managing cash flow with reduced or nonexistent reserve funds is apparent in respondents' comments:

> *"…the **amount of time managing cash flow** has increased…"*

> *"**Cash flow is killing us.** We have receivables equal to about 40% of our accrued income."*

> *"Funders change rates in the middle of the year/contract and sometimes retro the decrease back several months. **We have already spent the money.**"*

“We have ***no source of income other than contributions and if needed, cash from the portfolio****. We work hard to keep cash flow even with expenses so we do not need to touch the portfolio until things improve…”*

“Cash flow issues have become a major source of concern for this organization. ***In order to increase our lines of credit we have had to fully collateralize our endowment.*** *For additional cash flow needs* ***we liquidated some of our endowment assets****...”*

*“****Inability of non-profits to secure lines of credit****… The benchmark is too high for nonprofits to secure lines of credit.”*

“While our line of credit wasn’t terminated, it was ***significantly reduced and tied to market fluctuations in our investment account.****”*

“We ***haven’t been able to obtain mortgages on new properties****. As a result cash reserves have dropped significantly.”*

*“****Cost of doing business with banks have increased****, banks are looking to increase their charges to non-profit organizations.”*

THE IMPACT ON STAFF

"We're between the proverbial rock and a very, very hard place..."

*Organizations have responded to the recent dramatic losses of financial resources by making internal adjustments that increase pressure on staff. The majority **(53%)** have laid off staff in the past year; Sixteen percent of the organizations lost over 15% of their workforce.*

*In addition to laying off staff, organizations are reacting to the decreases in their financial resources by reducing planned salary increases **(60%),** using attrition to cut staff **(45%)**, implementing hiring freezes **(45%)**, reducing employee retirement benefits **(25%)**, and reducing health care and other employee benefits **(24%)**. Comments indicate that these pressures are affecting staff morale and may affect future recruitment and retention*

Larger organizations were most likely to have laid off staff (see Table 7).

Figure 14: ***Have you laid off any staff within the last year? [n=244]***

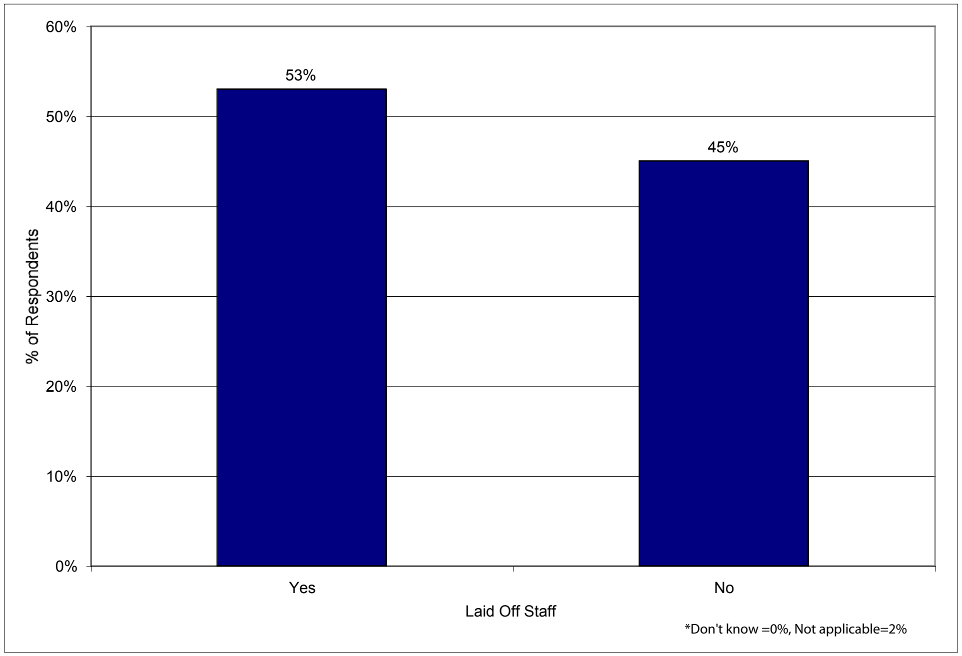


Table 7: ***Have you laid off any staff within the last year? (By size of organization)***

		Number of Clients Served			Number of Employees			Annual Operating Budget		
	Total	<1000	1001-10,000	>10,000	<20	21 to 200	>200	<$1M	$1M - $10M	>$10M
Total (N)	244	76	98	63	71	93	80	60	94	85
Yes	53%	38%	49%	79%	32%	53%	73%	28%	55%	68%
No	45%	59%	49%	21%	63%	45%	28%	65%	45%	32%
Don't know	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%
Not applicable	2%	3%	2%	0%	4%	1%	0%	7%	0%	0%

While **29%** of the organizations laid off 5 or fewer staff, 8% have laid off more than 20 employees (see Table 8).

Table 8: ***How many staff did you lay off in the last year? (Please answer in "Full Time Equivalent" or FTE) [n=130]***

Number of Staff Laid Off (FTE)	Percentage of Respondents
<5	29%
6 to 10	10%
11 to 20	7%
21 to 30	4%
31 to 50	2%
51 to 100	2%
Don't know	0%
Not applicable	47%
Total	100%

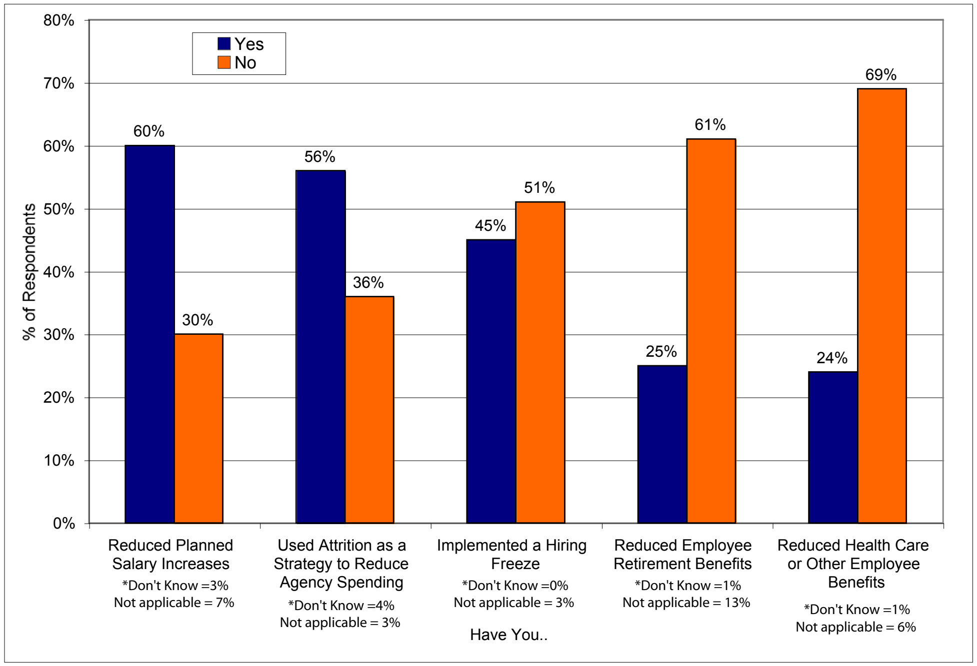
Sixteen percent of the organizations lost more than 15% of their staff (see Table 9).

Table 9: ***What percentage of your overall workforce does this represent? [n=130]***

Percent of Overall Workforce	Percentage of Respondents
1-5%	54%
6-10%	17%
11-15%	12%
>15%	16%
Don't know	0%
Not applicable	3%
Total	100%

In addition to laying off staff, the organizations have reacted to the decreases in their financial resources by reducing planned salary increases **(60%)**, using attrition to cut staff **(45%)**, implementing hiring freezes **(45%)**, reducing employee retirement benefits **(25%)**, and reducing health care and other employee benefits **(24%)**. (See Figure 15.)

Figure 15: ***Since this time last year, have you... [n=244]***



Overall, **15%** of all responding organizations reduced staff salaries over the last year. Comparing the largest organizations to the smaller ones, a greater percentage of larger organizations took a variety of actions to reduce staff costs (benefit reductions, layoffs, attrition, hiring freezes, reducing planned salary increases), but a lesser percentage reduced staff salaries. Furloughs were used by only a small number of organizations **(7%)**.

Respondents described the repercussions of reduced financial resources on their staff:

> *"With gov't cuts* ***we have had to lay off staff to close the gap****…"*

> *"Budget is 70% personnel so any cut in funding requires a reduction in staff which we try to do through* ***attrition and hiring freeze****."*

> *"…staff were* ***re-deployed from privately supported positions to contracted positions*** *and those that generate income…"*

> *"…****if we continue within this trend – downsizing – we need to shut down****…"*

> *"As a human service professional I feel a terrible conflict.* ***With less funding we're forced to scale back staff benefits.*** *I'm especially concerned about health and pension benefits.* ***We're between the proverbial rock and a very, very hard place****."*

> *"Health Insurance:* ***increased co-pays and employee contributions****… Pension:* ***suspended 403(b) match and***

***contributions**…"*

*"We didn't cut health benefits, but **employee contributions towards premiums went up dramatically**."*

Increasing employee-related expenses, including unemployment insurance for laid-off staff, add to the problem:

*"Expenses have increased including **the increased payroll tax** from which nonprofits were not exempt…"*

*"…**High cost of health insurance and unemployment** eating up a disproportionate share of the pie..."*

The pressure is affecting staff morale and may affect future recruitment:

*"The increases in food, transportation and housing costs and **no salary increases** for staff have **negatively impacted staff morale. We have working staff that are living in homeless shelters due to housing costs**."*

*"…**Much higher level of stress on staff** to keep resources coming in…."*

*"**Reduction of our benefits package limits our ability to compete for the best qualified professionals** when recruiting staff."*

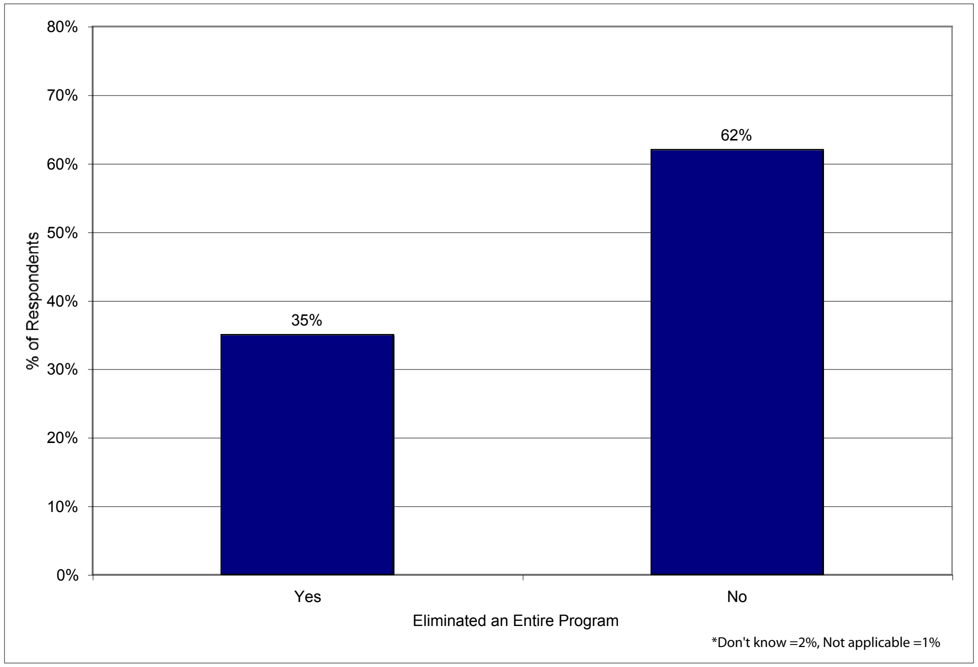
PROVISION OF SERVICE

"...doing more with less... is now the rule rather than the exception..."

*Nonprofits have continued their commitment to high performance despite the sizable reductions in financial resources that the organizations have experienced. Cuts to government funding notwithstanding, **62%** of organizations report that they have not eliminated any programs over the past year and three-quarters of organizations **(74%)** have not significantly reduced services over the last year. Still, **23%** significantly reduced services and **35%** eliminated entire programs (see Figures 16 and 17). Larger organizations are more likely to eliminate programs than smaller organizations. Organizations may be reluctant to cut programs or reduce services because the numbers and needs of clients are increasing during this period of financial stress.*

Existing staff are working with fewer resources to provide the same level of service, given that most respondents' nonprofits are not cutting programs or reducing services.

Figure 16: ***Since this time last year, have you eliminated an entire program? [n=244]***



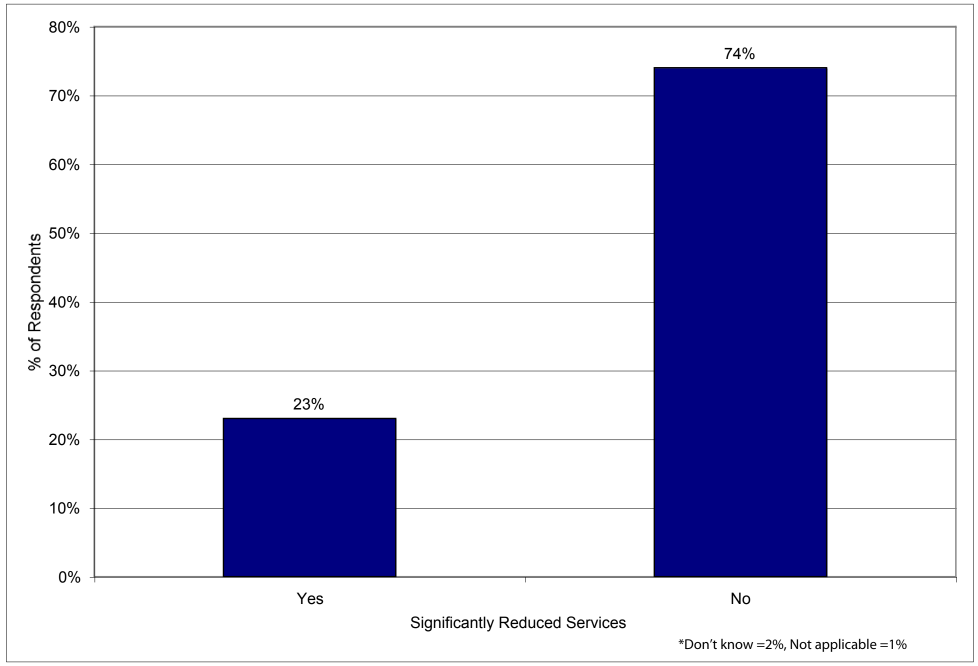
Almost half of the largest organizations have eliminated programs (see Table 10).

Table 10: ***Since this time last year, have you... eliminated a program? (By size of organization)***

		Number of Clients Served			Number of Employees			Annual Operating Budget		
	Total	<1000	1001-10,000	>10,000	<20	21 to 200	>200	<$1M	$1M - $10M	>$10M
Total (N)	244	76	98	63	71	93	80	60	94	85
Yes	35%	17%	41%	49%	24%	32%	48%	28%	28%	48%
No	62%	79%	58%	48%	70%	65%	53%	68%	70%	51%
Don't know	2%	3%	0%	2%	3%	2%	0%	2%	1%	0%
Not applicable	1%	1%	1%	2%	3%	1%	0%	2%	1%	1%

Although nearly three-quarters of the organizations **(74%)** *have not* significantly reduced services over the last year, **23%** have had to do so (see Figure 17).

Figure 17: ***Since this time last year, have you significantly reduced services? [n=244]***



A greater percentage of small responding organizations have significantly reduced services (see Table 11).

Table 11: ***Since this time last year, have you…significantly reduced services? (By size of organization)***

		Number of Clients Served			Number of Employees			Annual Operating Budget		
	Total	<1000	1001-10,000	>10,000	<20	21 to 200	>200	<$1M	$1M - $10M	>$10M
Total (N)	**244**	**76**	**98**	**63**	**71**	**93**	**80**	**60**	**94**	**85**
Yes	**23%**	24%	27%	21%	32%	20%	19%	35%	22%	16%
No	**74%**	75%	72%	76%	65%	76%	80%	63%	77%	80%
Don't know	**2%**	1%	0%	3%	1%	2%	1%	0%	1%	2%
Not applicable	**1%**	0%	1%	0%	1%	1%	0%	2%	0%	1%

Organizations may be reluctant to cut programs or reduce services because the numbers and needs of clients are increasing during this period of financial stress:

> *"**Client need has increased enormously** combined with decreased government funding. We have over 400 people on a wait list for service."*

> *"The clients we serve have been affected and it impacts on **increasing services** due to their inability to secure safe, affordable housing."*

> *"**Numbers of clients have increased and the complexity of their requirements has also increased. Therefore, doing lots more work with less resources**."*

> “***More people are coming in to use the service we provide****. One is our hot lunch program.”*

> “***More clients coming in*** *for financial assistance…”*

> *“Government funding down, private funding down,* ***NEED INCREASING****…”*

Overall, the responding organizations and their clients have been meeting the challenges of the past year and persevering despite the strain:

> *“It has caused a* ***great deal of hardship for our staff and our clients****.”*

> *“…****Increased stress on staff and clients*** *operating in an environment in which funding is precarious and layoffs have been necessary...”*

> *“We have had to deal with* ***a lot less to provide the same quality of service*** *and we are not compromising on that.* ***Staff has been tremendously supportive at this time of financial struggle.*** *One of our P/T staff is volunteering her services 17-18 hrs a week…”*

> *“****While the adage of doing more with less has always epitomized the nonprofit world to an extent, it is now the rule rather than the exception****. We have been tightening our belts so as to minimize any impacts on our programs for older adults and the clients…”*

One respondent described difficulties: “Closed strong community preventive service programs that we were able to carry when our numbers were better. **This was the year we had to cut them because we would have had to cut core services** …”

CONCLUSION

"Planning becomes difficult when resources are unpredictable..."

Overall, the responding organizations and their clients have been meeting the challenges of the past year and persevering despite the strain. Beyond these documented and quantified measures of organizational stress, many executive directors expressed concern for future reductions in resources that could be more severe than those they have already experienced. In particular, the uncertainty caused by the fiscal climate and the reactions to it by government agencies and private funders have made management of nonprofit human services organizations especially challenging. While the priority given to client services is clear, the long-term health of these vital organizations is critical for New York City, and the breaking point will soon be reached for some service providers.

Respondents were given the opportunity to provide concluding comments on the impact of the financial crisis on their organizations.

The level of concern in some of the responses is striking:

> *"**We feel abandoned** by both government and private funding..."*

> *"Public response to all of our programs has declined significantly – even in telephone calls. **It reminds us of right after 9/11**."*

Two recurrent themes emerged in the respondents' comments. One was that of uncertainty about the future.

> *"**Uncertainty over funding reductions**, especially with government cutbacks (e.g., one day they're instituting across the board decreases, the next day they're disallowing budget modifications and the next they're doing something different)..."*

> *"The **unpredictability of cuts** to contracts has made it more difficult to plan the 2009-10 budget."*

> *"The **uncertainty of raising adequate private dollars** will force us to consider re-organization and lay-offs in 2010..."*

> *"...the **uncertainty of making our revenue goals** has been a strain on staff morale... a primary responsibility of our agency is to ensure that our nonprofit members' publicly-funded budgets are not reduced... so many cuts have been proposed..."*

> *"The most difficult part is **the uncertainty and last minute decision-making on the part of all funders –** foundation/ government and individuals. It is very difficult to plan without a clear sense of direction, and we do not want to lay off staff or cut services..."*

> *"**Planning becomes difficult when resources are unpredictable**."*

> *"It is **difficult to plan due to unpredictability of funding sources** - private foundations are changing guidelines and funding amounts (downward) on an ongoing basis in light of economic circumstances; the city is changing its reimbursement policy AGAIN..."*

> *"**It is difficult to assure staff that lay-offs and change will not occur**."*

> *"...**anxieties and uncertainties over 'non-core' services...**"*

> *"Although the real impact may be minimal at this time, **the fear that things will change for the worse** puts limits on any new initiatives."*

The other theme was anticipation that the worst is still to come:

> *"**We expect the crisis to increase** during the next two years with further reduction in services."*
>
> *"While our private grants increased from 2008 to 2009**, we anticipate a decrease** from 2009 to 2010."*
>
> *"Unlike prior years, **I'm not certain that government funding will continue past the expiration of the contract.** While the possibilities exist every year, this year it's almost certain."*
>
> *"The impact of the current crisis is **anticipated to hit us in a more profound way in the next fiscal year** rather than the current year."*
>
> *"**Next year will be more problematic**."*
>
> *"**I believe the real impact will be in the next two budget years**. Our fiscal year starts Oct. 1…"*
>
> *"We **anticipate service reductions** as a result of reduced funding streams for the next fiscal year."*
>
> *"Decrease in staff and government funding is **showing up in FY 2010 budget**."*

HOW THE SURVEY WAS CONDUCTED

The survey was developed by the School of Public Affairs at Baruch College in partnership with Human Services Council, and published by the Center for Nonprofit Strategy and Management at the School of Public Affairs, Baruch College/CUNY and Baruch College Survey Research.

The Center for Nonprofit Strategy and Management, Baruch College Survey Research, and HSC jointly prepared the questions included in the survey to reflect both ongoing and timely financial issues affecting human services in New York; Baruch College managed the survey through Baruch College Survey Research and the Center for Nonprofit Strategy and Management. HSC worked with its constituency of human services federations, coalitions, and member agencies to identify the issues of focus and encourage responses to the survey.

The survey was conducted online from June 5th through June 25th of 2009. The survey was sent to the executive directors of the member agencies of HSC and of several key social services umbrella organizations: Asian American Federation of New York, Catholic Charities of the Archdiocese of New York and of the Diocese of Brooklyn and Queens, Council of Family and Child-Caring Agencies, Council of Senior Centers and Services, Federation of Protestant Welfare Agencies, Hispanic Federation, Homeless Services United, InterAgency Council of Mental Retardation and Developmental Disabilities Agencies, UJA-Federation of New York, and United Neighborhood Houses of New York.

The survey achieved an impressive 30% response rate with 244 organizations responding.

DESCRIPTION OF SURVEY RESPONDENTS

The respondents belong to many different federations, coalitions, associations, and other umbrella organizations that represent programmatic and population interests within the human services field. They are representative of this broad and important sector of New York City civic and community affairs.

The individuals responding to the survey were the heads of their organizations: 96% were executive directors, presidents, or CEOs.

The median responding organization serves between 2,001 and 5,000 clients, has a budget of $2,000,001 to $5,000,000, and provides direct services in New York City.

Survey respondents provide a range of social services, including child care, child welfare, employment and training, HIV and AIDS, homeless, housing, immigrant, mental health, senior, substance abuse, and youth services.

Human Services Council of New York City

The Human Services Council of New York City (HSC) strengthens the human services sector's ability to serve New Yorkers in need. As a non-partisan intermediary between government agencies and member organizations, they passionately champion the sector by proactively negotiating with State and City government for mutually beneficial, solutions-based budget, policy, and legislative reform that improve constituents' work and the lives of the men, women, and children they serve.

HSC's powerful advocacy, contract reform, access to technology standardization and disaster preparedness and response services strengthen its members' ability to operate more efficiently while ensuring the continuity of the services they provide to their communities and the individuals within them. HSC offers members what no other organization can: a platform for all types and sizes of human services organizations to come together, share concerns, and discuss ideas, combined with HSC's unparalleled access to City and State governments. HSC provides a unified voice for this diverse collective of human services organizations – they are the "voice of the human services community."

HSC's dedicated staff is guided by a 60-plus member Board of Directors made up of top executives from New York City not-for-profit human services organizations. All of the key associations that represent the interests of the sector have a permanent seat on the HSC Board, thereby expanding HSC's direct network of members, as well as its messages and sphere of influence, to thousands of organizations.

Center for Nonprofit Strategy and Management

The Center for Nonprofit Strategy and Management (CNSM) is the locus of the Baruch College School of Public Affairs' faculty, programs, and expertise that are focused on nonprofits. Faculty members engage directly with area nonprofits and the institutions that support them and command a wide range of expertise. The School has substantial strength in organization theory, budgeting and finance, public communication, advocacy and lobbying, technology diffusion, population studies, strategic planning, housing policy, human services management, and health care policy.

CNSM makes available the best thinking about nonprofit sector leadership and policy to the community beyond the university. Core programs include monthly seminars for nonprofit professionals, conferences, the annual Consulting Day, support for and collaboration with umbrella organizations, the annual Nonprofit Executive Outlook Survey, and the Emerging Leaders Program.

Baruch College Survey Research

Baruch College Survey Research (BCSR) designs and conducts surveys for government agencies, nonprofit organizations, and other partners on a wide range of public affairs topics. BCSR applies the highest standards of survey research and survey education in service of the overall mission of the School of Public Affairs.
With a state-of-the-art telephone canvassing center, BCSR possesses extensive capabilities for performing telephone surveys as well as mail and web survey data collection. Taking full advantage of the high level of expertise of SPA faculty and graduate students along with its New York City location allows BCSR to consistently develop, design, and conduct innovative survey research projects that investigate important and topical policy-relevant issues at both local and national levels.

The School of Public Affairs

A flagship institution of the CUNY system, the School of Public Affairs (SPA) at Baruch College specializes in teaching, research, and service in the areas of municipal government, nonprofit administration, policy analysis and evaluation, health care policy, and educational administration. SPA offers graduate, undergraduate, and executive degree programs, and operates nationally recognized policy, research, and service centers, including the Center for Educational Leadership; the Center on Equality, Pluralism and Policy; the Center for Innovation and Leadership in Government; and the Center for Nonprofit Strategy and Management.

Baruch College has prepared students for careers in public service for almost 90 years since its 1919 founding as the City College School of Business and Civic Administration. The School of Public Affairs has been home to those efforts since its founding in 1994. Today the School is a vibrant, interdisciplinary community of scholars and practitioners, dedicated to the very best research, teaching, and service in public policy and public management. The School also serves as a site for public debate and reflection on issues of importance to New York City and the world beyond.

Baruch College/CUNY

Baruch College is a comprehensive, public institution of higher education located in Manhattan, Baruch College belongs to a tradition that dates back to 1847 with the founding of the Free Academy, the very first free public institution of higher education in the nation. Established in 1919 as City College's School of Business and Civic Administration, the school was renamed in 1953 in honor of Bernard M. Baruch (Class of 1889)—statesman, financier, philanthropist, and devoted alumnus—and later became a senior college in The City University of New York (CUNY) system.

Baruch College's reputation as a quality institution of higher learning continues to grow. Baruch ranks among the top 35 universities in the Northeast that offer a full range of undergraduate and master's programs and is among the top six of those institutions that are public (*U.S. News & World Report*, "America's Top Colleges 2008"). Baruch College is among the top 10% of U.S. colleges according to *The Princeton Review*, which selected the College for inclusion in "The Best 368 Colleges: 2009 Edition."

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Micheline Blum is Distinguished Lecturer and Director of Baruch College Survey Research, supervising all BCSR staff and surveys. Recent BCSR projects include surveys for NY1 News, the New York City Housing Authority, the NY State Department of Health, the Institute for Children and Poverty, the Campaign Finance Institute, New Yorkers 4 Parks, American Humanics, CUNYFirst, the Dominican Studies Institute and the Nonprofit Executive Outlook Survey. Ms. Blum is a past President of the New York Chapter of the American Association for Public Opinion Research and is a recognized expert in questionnaire construction, public opinion, and election polling. Ms. Blum teaches the NYAAPOR "Meet the Masters" questionnaire construction workshop, and recently published an invited "Ask the Experts" analysis of the "Convergence Mystery" in AAPOR's online publication, *Survey Practice*. She has also served on the national AAPOR Council and was recently elected to the Market Research Council. Ms. Blum teaches Research and Analysis, Designing and Using Survey Research, and a new Minor in Survey Research in the School of Public Affairs. Ms. Blum's M.A. in Psychology and certification toward a Ph.D. in Psychological Measurement, Evaluation and Statistics are from Teachers College, Columbia University.

Romuald Litwin is the Director of Survey Research Operations at the Baruch College Survey Research. Mr. Litwin earned his M.P.A. degree with a specialization in Public Management at Baruch College and B.A. in Sociology at University of Wroclaw, Poland. Mr. Litwin has performed all aspects of survey research for telephone, on-line and mail surveys, including questionnaire design, sampling, data collection, and analysis. He is also responsible for the daily operations of the call center, scheduling call center staff, monitoring staff performance, developing and enforcing protocol and troubleshooting questionnaires. Mr. Litwin brings 10 years of experience in the design and execution of complex surveys conducted by BCSR.

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Alexis B. Browne is a Research Associate for Baruch College of Survey Research. Ms. Browne earned a Bachelor of Arts in Sociology from the University of Vermont and a double Masters in Survey Research and Public Administration with a concentration in financial management from the University of Connecticut. Additionally in connection with her degree, Ms. Browne authored a master's thesis, titled *To Count or Not to Count? Census Abuse During World War II in the United States and Germany and How to Safeguard Individuals.* She was also awarded "Best Practicum Research Award" for her graduate research project, which was conducted for the Sheff Movement Coalition--an organization dedicated to integration efforts in Connecticut. Further, Ms. Browne was a member of Governor Jodi Rell's agency review taskforce where she participated in projects aimed at reorganizing government and reducing the state's budget deficit. Ms. Browne has also created and administered surveys on topics including the First Amendment and Civic Literacy for the Intercollegiate Studies Institute.