



HUMAN SERVICES COUNCIL ISSUE BRIEF

**RECOMMITTING TO
THE NONPROFIT
SECTOR: CREATING A
PATH TO
SUSTAINABILITY
THROUGH POLICY
CHANGE**

FALL 2013

Human Services Council of New York

The Human Services Council (HSC) is the Voice of the Human Services Community. We represent thousands of not-for-profit organizations in New York and we advocate for the needs of the human services sector as a whole. Human services providers can accomplish more for their clients when they work together to increase funding, master complex new regulations, and orchestrate joint technology. HSC provides the structure to make that happen.

Since 1991, we have helped bring together a diverse network of human services organizations to discuss ideas and take collective action on issues and concerns that impact the entire sector. Through advocacy, information, collaboration, and technical assistance, member organizations and their leaders are supported by the whole human services community in addressing their concerns of public policy, economic trends, and regulatory environment.

Recommendations to Strengthen the Provision of Human Services in New York

This document describes ways to achieve a healthier nonprofit human services sector in New York. These solutions and advocacy approaches offer significant relief to organizations that deliver a wide array of critical services to communities and will substantially improve its ability to provide quality services to the most vulnerable New Yorkers.

These changes are unlikely to result in the immediate achievement of broader, more desirable goals, such as eradicating hunger, poverty, and homelessness. However, they will move the sector forward on a path to sustainability, a step necessary to ultimately achieving greater, more audacious outcomes. A re-envisioning of the partnership between the public, nonprofit, and private sectors in addressing social need is essential if we are serious about realizing these more significant goals.

BACKGROUND

On January 14, 2013, the Human Services Council of New York convened nearly 200 leaders of government, philanthropy, media, academia, and the nonprofit sector to have a frank conversation about the strategic significance and economic health of the sector, how to change the culture and practices that keep the sector from realizing its full potential, and what can be done to ensure that nonprofits are meeting community needs. The Summit, *Doubling Down: How Recommitting to the Nonprofit Sector can Achieve Real Change in Communities*, elicited many potential solutions that, if implemented, would build a stronger nonprofit sector that can more effectively and efficiently serve New Yorkers.



Pictured Above: Michael Powell, Nancy Wackstein, Carol Kellerman, Gale Brewer, Ron Deutsch

This document offers recommendations stemming from the Summit discussions. They are divided into two main categories: Public Policy Changes and Advocacy Strategies

The public policy ideas address the underlying flaws in the human services delivery system; the advocacy strategies outline a path to changing the outdated policies that keep this system in place. These recommendations are intended to act as a continuation of the conversation started on January 14 and to foster ongoing discussions regarding the future of human services delivery in New York.

A full summary of the facilitated panel discussions and video footage from the event can be found at www.humanservicescouncil.org/HSCevents.php



PUBLIC POLICY CHANGES: RECOMMENDATIONS FOR SERVICE DELIVERY AND CONTRACT REFORM

Every day across New York State, millions of individuals are served by human services providers. From children at child care and teens playing basketball at the local community center, to the elderly enjoying a hot meal and companionship at the senior center, these programs impact and better the lives of New Yorkers. Human services are provided mainly by nonprofits, which combine government money with foundation dollars and private donations to pay for these services. The City of New York alone, spends approximately \$4.2 billion annually on contracts with nonprofit human services providers. This public-private partnership is our system of meeting community needs from workforce development to housing the homeless; operating within it poses significant challenges.

With the start of the recession, nonprofit providers were faced not only with an increase in service demand, but a drastic decrease in funding from all sources. This “perfect storm” exposed the flaws in the human services delivery system and further weakened an already fragile infrastructure. It is time to address the systemic issues that are deteriorating the foundation of the human services sector so nonprofits can provide services more efficiently, with better results.

Like for-profit businesses, most nonprofits must manage personnel, accounting, real estate, IT, and other infrastructure systems in order to “produce” its programs. Yet nonprofits are often treated as volunteer-only, donations-based charities. This model is not sustainable. Nonprofit organizations have program and infrastructure expenses – just like everyone else – and cannot continue to absorb the costs of late payments, finance charges, or inadequate funding. For-profit government contractors are not called upon as nonprofits are to accept partial reimbursements for costs already incurred, yet nonprofits are consistently expected to do so and raise the remainder through philanthropic donations.

Overall, a more engaging and trusting partnership between policy makers and nonprofit service providers is needed, with active input from the clients served. This means incorporating nonprofits – the entities that implement the policies set by government in caring for those who need care into the decision-making process from concept through procurement to service delivery. This dialogue is vital to establishing the most effective, efficient, and compassionate approaches.

The public policy recommendations have specific implementation steps that will strengthen the human services sector and improve the impact services have in communities.

The 15 recommendations are organized into four key areas:

- Procurement:** streamlining the procurement of human services
- Performance:** measuring the achievements and shortcomings of the providers' work
- Pay:** solving long-standing problems in how government pays for human services
- New Ideas:** creating a system that works better for everyone

PROCUREMENT

1. Modify the Solicitation Process for Nonprofits: Solicitations should identify the programmatic goals, state the desired outcomes, and list the benchmarks to be used to measure success. Responses should allow providers to compete by describing their approaches and identify how they will meet the goals. The RFP evaluation process should compel raters to use their expertise, make subjective choices, and then document the reasons for the conclusions they draw.

Implementation: Change the procurement solicitation rules to encourage greater focus on programmatic goals rather than process. Change the solicitation evaluation process to require a detailed explanation of the rating given.

2. Streamline the System and Remove Duplication: A number of initiatives are in place to streamline the contracting system through the use of technology, but more efforts should be made to coordinate systems like vendor checks (VENDEX, VendRep, 990) across levels of government, and duplicative reporting requirements and regulations should be eliminated. The myriad of billing and claiming practices, duplicative audits, and reporting regulations make it difficult for nonprofits to provide financial reporting.

Implementation: A stakeholder taskforce should be convened and, in short order, define the legal and operational requirements to be revised or eliminated and the party with the authority to implement changes.

3. Improve Government Contract Management: Nonprofits are continually asked by government agencies to provide the same information and paperwork several times and are often given incorrect instructions regarding what is required of their contracts. This is a waste of time for both the nonprofits and government agencies. Government agency staff must be better trained and informed of what is required and better organized so that nonprofits submit forms and paperwork only once.

Implementation: Implement regular contract oversight training for government agency staff and systems of communication and organization at government agencies that better manages paperwork that has already been submitted.

PERFORMANCE

4. Develop Common Metrics: Common metrics should be defined in specific fields that use the same language; for example, defining the parameters for a “child.” (Currently, a child is defined differently across agencies as being under 13, 18, or 21 years old.) This will allow evaluators to make more objective judgments about the relative performance of programs. Government, private funders, and nonprofits should agree on goals, agree on how best to measure progress, and then standardize the system of measurement and definition of terms.

Implementation: The City’s HHS Accelerator Data efforts are moving City agencies in this direction. These efforts should continue with more investment. New York State should adopt this approach across the State.

5. Provide More Expense Flexibility in Performance-Based Contracts: The level of oversight and control government agencies exercise over nonprofit expenditures should be proportionate to the degree a contract is reimbursement-based versus performance-driven. Contracts tied heavily to performance must provide greater flexibility regarding expense decisions. Contracts that are more prescriptive in approach with straightforward reimbursement guidelines for specific outputs may offer less flexibility with regard to spending. Nonprofits must be given flexibility and control over expense decisions if they are to be held accountable for specific outcomes, particularly when performance is tied to reimbursement. In addition, flexibility in adjusting outcome expectations must be given when factors outside the nonprofit’s control are in play (such as the impact of an economic collapse on job placement expectations).

Implementation: Include language in the human services master contracts at the City and State levels that requires government agencies to design budgets that offer greater flexibility regarding spending when contracts contain performance-based reimbursement elements and allow nonprofits to amend outcome expectations when outside factors beyond their control are in play.

6. Support Merger Exploration: Mergers of nonprofit provider organizations require a significant upfront expense, from creating a strategic plan and reviewing legal requirements to structuring the board and executive team and consolidating finances. These costs may hinder nonprofits from exploring mergers, which could afford savings in the long term. Making funds available to support potential merger exploration may incentivize nonprofits to consider this approach.

Implementation: Government and philanthropies should create a pool of funds to support merger exploration and develop strategies to incentivize appropriate mergers.

7. Consolidate Data Collection: Many clients receive more than one type of service funded by government. Breaking through subsector and government agency silos will enhance understanding of the connections among services being provided and what combinations work. Data collection should be consolidated across agencies and nonprofits so that better collaboration is achieved, and both service providers and government can see the full range of services families and individuals receive.

Implementation: The City's HHS Connect efforts are moving City agencies in this direction. These efforts should continue with more investment. New York State should replicate this approach by local governments across the State.

PAY

8. Fully Fund Contracts: Contract payment rates must cover the full cost of service provision. Expectations, explicit or implicit, that nonprofits absorb or fundraise to cover a percentage of the cost makes it difficult for smaller community based organizations to compete. The need to raise funds to fill gaps created by underfunded contracts creates additional costs and diverts dollars from innovation. Philanthropic and privately-raised dollars should be used flexibly to support new ways to serve the community and accelerate the next generation of human services programs, not to support core services funded by government.

Implementation: A taskforce including government, nonprofit, and philanthropic representatives should be created to develop a realistic and reasonable approach to establishing reimbursement rates that incentivizes and leverages the use of additional private resources to support government contract goals, but ensures core programs are fully supported with government dollars. Procurement rules should be amended to discourage contract language with matching requirements.

9. Embrace Administrative Costs: Government and philanthropies need to provide adequate funding for administrative overhead, especially as they

require more oversight and outcome reporting. There is a widespread expectation that nearly all of the dollars provided to a nonprofit go directly into program, but no organization (for-profit or non) can operate without proper back-office and oversight functions, which requires real investment in infrastructure.

Implementation: The taskforce described in recommendation number eight should develop guidelines outlining the types of costs necessary for the proper implementation of programs, including recommended reimbursement levels that include administrative costs. Government agencies should pay these rates and philanthropies should be encouraged to use them as well.

10. Fund COLAs: Funders, both government and philanthropic, should provide regular cost-of-living adjustments (COLAs) to their nonprofit partners so that salaries in the nonprofit sector are competitive and keep pace with inflation. This will allow nonprofits to attract and retain talent.

Implementation: Regular adjustments should be built into nonprofit contracts and mandated salary levels should be prohibited when contracts are renewed and extended. Nonprofits must be allowed to alter service levels to fund wage increases when government agencies are unable to fund increases.

11. On-Time Payments: Government must accelerate contract registration and payment to ease the financial burden on nonprofits. Late contracts and late payments increase administrative costs for nonprofits because they must spend time and money chasing the dollars they are owed and shifting resources to fill temporary gaps, including the need to take out costly loans.

Implementation: While both the City and State are adopting new online prequalification systems that aim to reduce the time it takes to enter into a contract, more can be done on the payment side to reduce inefficiencies. Uniform billing and claiming practices should be adopted across contracting agencies. The requirements on government agencies to pay interest on late payments is beneficial in theory, but existing legislation should be strengthened to require agencies to make payments on time, or pay interest above the contract value if payments are late.

NEW IDEAS

12. Encourage Innovation: Nonprofits should be encouraged to take risks. Real innovation requires trial and error – and time to fairly evaluate a program’s successes/failures in the community. Nonprofits should be given the safe space to talk openly about why an approach was not successful and not punished for taking reasonable risks. Honest reporting would significantly change the conversation.

Implementation: Require government agencies to adopt a feedback process designed to gather input regarding potential approaches from service providers, including during the formal solicitation process. Empower program auditors to engage in real discussions with providers about the implemented approaches to understand why a program is or is not successful and make room for reasonable failures when incubating new approaches.

13. Invest in What Works: Substantial investment should be made in programs that government and providers know work well. While this seems obvious, across-the-board cuts are not uncommon and do not hold harmless those programs that are proven to be effective. Government and philanthropies must commit to maintaining investment in programs that are showing results and expand their reach.

Implementation: Develop a set of criteria to determine funding reductions that prioritizes the maintenance of programs with demonstrated effectiveness. Ensure the Executive and Legislative branches at both State and City levels approve and follow the criteria.

14. Process Reform: The annual “budget dance” between the Mayor and City Council should be rethought. Funds that are a core part of on-going programs should never be part of this process. While politics will likely never be removed entirely from the budget process, more rationality should be incorporated so that the level of on-going services the City is committed to supporting are not threatened.

Implementation: A taskforce consisting of representatives of the Mayor’s Office (including the Law Department), Comptroller’s Office, and City Council should be created to examine the “budget dance” dilemma and develop recommendations that address the problems created for nonprofit entities that have program funds routinely caught up in the process.

15. Develop and Fund a Nonprofit Disaster Preparedness Plan: A best-practices post-disaster model for the human services sector must be developed. We need to map out the relationships and roles stakeholders, including government agencies, police and fire, nonprofits, and ad-hoc volunteer groups, play in disaster response. The plan should ensure each impacted community has a clear coordinating entity that knows which nonprofits are doing what so that needs can be quickly identified and referrals between agencies easily made. The plan should also allow nonprofits to quickly tap into volunteers and support coordination with government and philanthropy. Also, a mechanism to get funds quickly to nonprofits working in communities after a disaster should be part of the plan.

Implementation: The federal government, State, City, and the philanthropic community should jointly fund disaster planning efforts for the nonprofit human services sector. Government should actively engage nonprofits in coordination and planning efforts.

ADVOCACY STRATEGIES: RECOMMENDATIONS FOR SECURING POLICY CHANGE

Policy making is a *political* process. Public policy will not change without advocacy. The nonprofit human services sector must invest more time and energy in efforts to influence government decisions. It is not enough to be right; the political process moves when you matter.

Thus, the nonprofit human services sector must take more political risks. To achieve true systemic change, providers must come together, elevate the voices of their constituencies, and push back even harder against policies that hurt their clients or their ability to provide services effectively and compassionately. The sector must create an environment in which it is politically problematic for policy makers to **not** support the changes sought by the community of nonprofit human services providers.

Below are recommended actions the sector can take to become more politically influential, which were the result of the Summit discussions. Most of them require collaboration across the sector and in many cases, a coordinating body (like HSC) would be needed to move them forward. This is not to indicate that HSC plans to perform this work – its priorities and resources must be balanced and much of the work effort identified below is beyond HSC’s current resource allocation. Yet it is important to list them here, as a way for the sector to capture the ideas and encourage further collaboration on these strategies.

The recommendations are organized into four key areas:

- Individual:** steps nonprofits can accomplish on their own to make the sector's voice louder
- Media:** ways to improve the sector's use of media to increase visibility
- New Ideas:** areas to pursue, brainstorm, and collaborate on to find new ways to approach our work
- Bold Steps:** ways to increase the sector's political clout

INDIVIDUAL

1. Advocacy by All Nonprofits: More nonprofits need to be engaged politically and not rely exclusively on membership/umbrella organizations. These coalitions are essential and can help organize and guide advocacy efforts, but politicians listen to the members of their community and direct service providers have the clients and staff who can make a difference. Every provider should dedicate resources to advocacy. This is the only way to hold policy makers accountable and ensure they are responsive to community needs.

2. Expand Expectations of Nonprofit Boards to Engage Politically: Many nonprofits have politically powerful and influential members on their boards of directors. Board members should be encouraged to engage politically on broad policy issues that impact the nonprofit social service industry. Trainings for board members should be developed on key policy issues and policy making processes.

3. Organize Grassroots Efforts: The sector should do a better job leveraging the collective power of human services users in targeted ways. This can be done through collaborations with grassroots community organizing entities.

4. Focus on Policy, Not the Money: Many nonprofits focus their advocacy almost exclusively on budget restorations and/or the attainment of discretionary funding. While funding is critical, there needs to be a paradigm shift in the sector to focus on broad policy change and not just money. Collectively, the sector spends tens of millions of dollars retaining lobbyists, but few encourage the firms they hire to focus on significant changes to policy, instead directing them to work on securing funding for the organization. This needs to change if we are to achieve the broader goals that will make a real difference in the sector's ability to serve communities. Nonprofits with retained lobbyists should come together regularly to set broad and clear goals for each legislative and budgetary session and devise a joint political strategy.

MEDIA

5. Increase Media Coverage of Poverty: We need respected, widely read, influential media outlets to report on the underlying systemic causes of poverty and to confront the mistaken belief that public policies focused on “personal responsibility” are the answer. The sector and philanthropies should pressure major publications to dedicate resources focused on issues of poverty with a goal of getting all major news outlets to have a “poverty” beat.

6. Develop a Public Image Campaign: A public messaging campaign influencing public opinion about the sector should be funded by philanthropies to promote the value of the sector and the critical services it provides to New Yorkers, comparable to those made by other public servants like the NYPD, MTA, and teachers.

7. Expanded Social Media Use: Social media is a powerful tool to share information on a global scale for a small investment of resources. More than this, it is the present and future of information exchange. The nonprofit human services sector should leverage these tools by dedicating resources to the development of a social media profile and develop a strategic vision to use this asset in advocacy efforts.

NEW IDEAS

8. Explore Different Approaches: Philanthropies and nonprofits should examine the current social services delivery system and develop a new vision of meeting need that draws on the strengths of the current approach and addresses the flaws, ultimately creating a brand-new roadmap for the future of social service delivery in New York. Once developed, groups must dedicate time, resources, and political capital to get the necessary changes adopted by bringing stakeholders together, educating elected officials and the public, and engaging in the political process to ensure policy makers support the new vision.

9. Illustrate Administrative Costs: Nonprofits must explain what these costs actually are and adopt language to express why this spending is important to the successful implementation of programs. The sector should abandon the use of the blanket term “administrative overhead;” it does not provide a useful explanation of what these funds are for. Instead the sector must begin to shed light on the specific uses of these funds and make connections to the success of the programs they run.

BOLD STEPS

10. Boycott Bad Contracts: Nonprofit human services agencies should band together and refuse to sign contracts that do not support the responsible execution of services.

11. Create a PAC or 501c4: The nonprofit human services sector should consider creating a PAC (Political Action Committee) or c4. Money influences public policy decisions. Without a mechanism to financially support the legislators voting in favor of our policy goals, the sector is competing against other special interest groups with a substantial handicap.



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