



The Voice of the Human Services Community

## RECOMMENDATIONS TO ALLEVIATE FINANCIAL AND ADMINISTRATIVE BURDENS ON NOT-FOR-PROFITS

Not-for-profit human service providers play a crucial role in stabilizing the lives of New Yorkers in need. As such, these not-for-profits are also the partners that government looks to, to care for the most vulnerable in our communities. Unfortunately, the economic downturn has led to severe reductions in public and private funding for these vital organizations. With the expectation that significant budget cuts will continue this year, and the demand for services growing, not-for-profits do not have profit margins that can absorb further losses. There are, however, financial and administrative improvements that government can make that will ease not-for-profits' ability to provide the services that are critically needed. While progress has begun on implementing some of the following recommendations at different levels of government, they must be part of a comprehensive plan to improve the delivery of services in New York City and the State.

### *Funding*

- **Provide adequate overhead rates.** The rates paid to not-for-profits do not reflect actual costs of administration and are inconsistent between agencies and even within program areas. Government contracts must include provisions for cost escalation that match the real cost of providing services and allow for the application of a higher percentage of payments toward administrative expenses.
- **Provide regular cost-of-living adjustments (COLAs).** Amid the reality of low wages, the human services sector depends on regular COLAs to adequately recruit and retain the staff that keeps high quality services functioning. Further, providers must be allowed to implement these adjustments flexibly across programs to ensure that raises are distributed fairly.
- **Exempt contracted human service not-for-profits from taxes and surcharges.** Government should not pass costs onto not-for-profits which contract to provide social services as it reduces the amount of funds government agreed are necessary to adequately serve the public. The MTA payroll tax and health insurance tax pass-through on premiums on the State-level, and fees for fire inspections on the City-level, are examples of significant costs that have been passed on to not-for-profit providers in the past year. These costs add up to the equivalent of multiple staff lines per organization and are intensifying the rate of layoffs.
- **On-time payment for contracted services.** Late payments create severe cash flow problems for service providers with requirements to begin service delivery prior to receiving payment. Vendor selection and approval processes must be streamlined to distribute funds to providers in a timely manner. City and State procurement rules exist to protect not-for-profits from late contract processing by providing for interest payments on late contracts. However, these rules are so rigid that providers have yet to see the benefits. The rules should be revisited to ensure they have a more practical effect.

- **Increase access to credit.** Having access to credit is critical to the day-to-day operation of many not-for-profits given late payments on government contracts and limited or no financial reserves. As a major borrower, government has substantial leverage with the banking industry and should use this relationship to encourage banks to help not-for-profits obtain access to credit. Government should also create incentives for banks to lend to not-for-profits.
- **Targeted reductions rather than across-the-board cuts.** When cuts in public funding are unavoidable, they should be done in a targeted manner that does not take away already scarce resources from not-for-profits that are performing well. Across-the-board cuts to service programs weaken the entire system making all programs less effective.
- **Maintain funding to community-based preventive services.** Community-based preventive services are a smart investment of public dollars as they prevent more serious and more costly interventions. They also have the added benefit of employing local people and spending money in the communities they serve.
- **Redistribute resources to where they are needed most.** City- and State-wide community needs should be assessed regularly to ensure funding is appropriately addressing demand for services to those who most need them.

### **Process**

- **Adopt a standard contract for human services.** A standard human services contract would significantly reduce time and costs for not-for-profits and government by coordinating terms and overhead/administrative rates across service areas and government agencies. HSC and the City are near completion of a standard contract for the sector that should be replicated at the State level.
- **Eliminate redundant paperwork requirements.** Duplicative paperwork requirements should be eliminated. Local, State, and Federal governments should coordinate to accept the same information. This will reduce the time spent on redundant paperwork. For example, a number of redundancies exist between the City's Vendex, State Responsibility, and the Federal 990 forms.
- **Utilize technology to improve speed and efficiency of procurement and reporting.** This may include the standardization of reporting terms across City and State agencies as well as the implementation of a universal reporting system and document repository to store commonly requested contract documents.
- **Reduce the number of audits performed per contract.** Centralize audit management and performance among City and State agencies to reduce the number of audits performed. Currently, audits are conducted on not-for-profits multiple times a year, per contract. A coordinated approach would provide significant savings for not-for-profits and government in staff time and processing.
- **Rationalize performance-based contracting.** Performance-based contracting should incentivize positive outcomes with financial bonuses, rather than penalize against the cost of providing a service. Additionally, the payment structure of contracts should front-load the disbursement of funds to cover start-up costs.
- **When program closures are unavoidable, ensure they are well-planned.** The City and State must give not-for-profits ample time to plan in order to ensure proper referral of services when program closures are unavoidable.

For questions or comments on the above recommendations, please contact the Human Services Council at: (212) 836-1230 or [info@humanservicescouncil.org](mailto:info@humanservicescouncil.org)