Fairfield County
Community Foundation

Trying Times:

Government Funding Changes and Their Impact on Nonprofit Services in Fairfield County

Report produced by
The Fairfield County Community Foundation's
Center for Nonprofit Excellence

A Summary of 2011 Survey Results

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About The Fairfield County Community Foundation

The Fairfield County Community Foundation works closely with donors, promoting the growth of community and regional philanthropy to improve the quality of life throughout Fairfield County.

Individuals, families, corporations and organizations can establish charitable funds or contribute to existing funds focused on specific areas of need or communities in Fairfield County.

The Foundation provides philanthropic advisory services, helps nonprofits develop endowment funds and develops and leads initiatives to tackle critical community issues. It is in compliance with the Council on Foundations' 41 national standards for community foundations. The Foundation has awarded over $135 million in grants to nonprofits in Fairfield County and beyond.

About The FCCF Center for Nonprofit Excellence

The Fairfield County Community Foundation created The Center for Nonprofit Excellence to strengthen nonprofit effectiveness, efficiency and sustainability.

Guided by an Advisory Committee that includes Fairfield County nonprofit executives, The Center for Nonprofit Excellence:

- Provides skill-building workshops for nonprofit executive directors, board members and staff
- Awards grants to provide technical assistance, financial management, technology development, strategic planning and consultation services
- Brings together stakeholders focused on Fairfield County's most pressing needs through regional meetings and nonprofit networking opportunities
- Serves as a resource and referral for queries about nonprofit management issues
- Provides a community calendar for nonprofit fundraising events, a highly discounted subscription to the Foundation Center Online Directory, and free meeting space for Fairfield County nonprofits

In addition to Foundation support, The Center for Nonprofit Excellence is generously funded by:

Bluenose Fund at FCCF; Citizens Bank Foundation; Dana, Grace, Olivia and Al Nickel; GE Capital; JP Morgan Chase Foundation; New Alliance Foundation; Peoples United Community Foundation; Perrin Family Fund at FCCF; The Ruth Brown Foundation; The United Way of Western Connecticut.

Cover: Basic needs services such as the Emergency Food Pantry at Person-to-Person in Darien are among the nonprofits seeing increased demand due to the economic downturn.

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Learn more about The Fairfield County Community Foundation and its Center for Nonprofit Excellence at www.fccfoundation.org.

The Role of Government Funding

Nonprofits play a vital role in our community. The nonprofit sector is the foundation for how we care for individuals in our community and address needs across a wide range of quality of life and other areas.

The sector employs 11% of Connecticut's workforce.

A strong and effective nonprofit safety net requires the support of the entire community, *including the federal, state and local government.* Nonprofits are important partners with the public sector and provide critical, basic needs services such as community health centers, housing and shelters, food, clothing and job training.

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Government funding also plays a critical role in the financial stability and organizational capacity of many other nonprofits designed to improve the quality of life and economic vitality of Fairfield County. Government supports the fields of arts and culture, education, economic opportunity, the environment and more.

Since the economic downturn of 2008 however, as local, state and federal coffers have been squeezed, Fairfield County nonprofits have increasingly experienced decreases in financial support, delays in receiving government funding, and other challenges in partnering with the public sector.

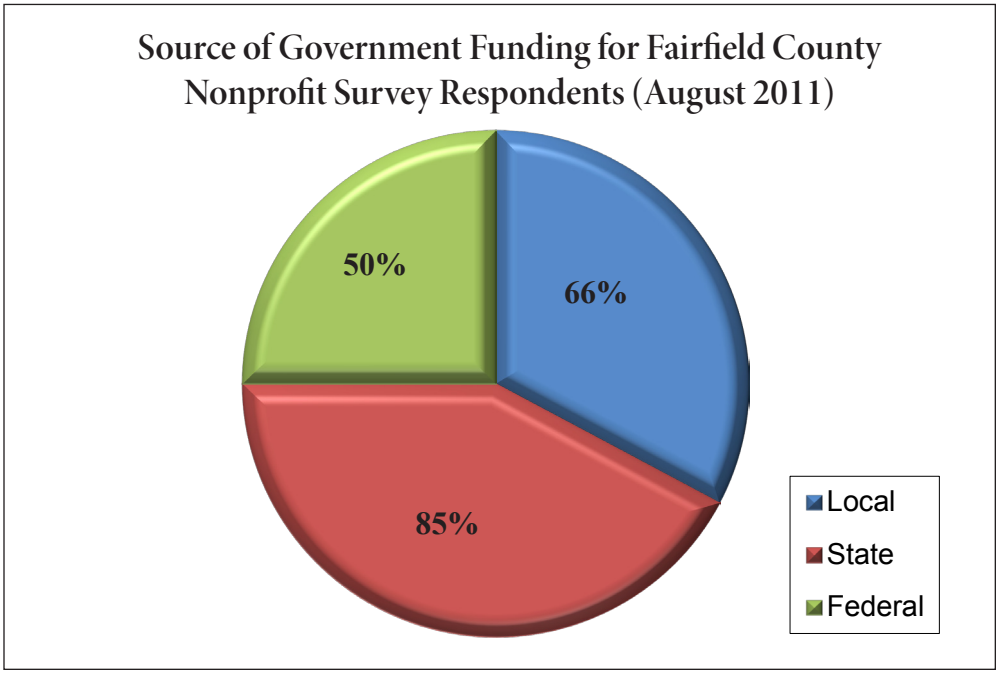
These changes threaten to further weaken an already stretched-thin nonprofit sector and limit these organizations' ability to effectively and efficiently serve residents in need.

To determine the impact of changes in government funding on the nonprofits that rely on this support, the Fairfield County Community Foundation's Center for Nonprofit Excellence conducted an August 2011 survey of Fairfield County nonprofit executive directors.

The survey examined trends in funding from local, state and federal sources, the timeliness of payments from state sources, and how reductions in government funding have impacted nonprofits both operationally and programmatically.

A total of 110 nonprofit leaders in Fairfield County completed the survey—a 32% response rate. Of these respondents, 84% receive government funding. It should be noted that nonprofits that receive government funding were over represented in this survey, as the majority of nonprofits in Fairfield County do not receive government funding.

Findings



With the downturn in the economy, more than 50% of nonprofits that receive government funding reported reductions in the amounts they receive.

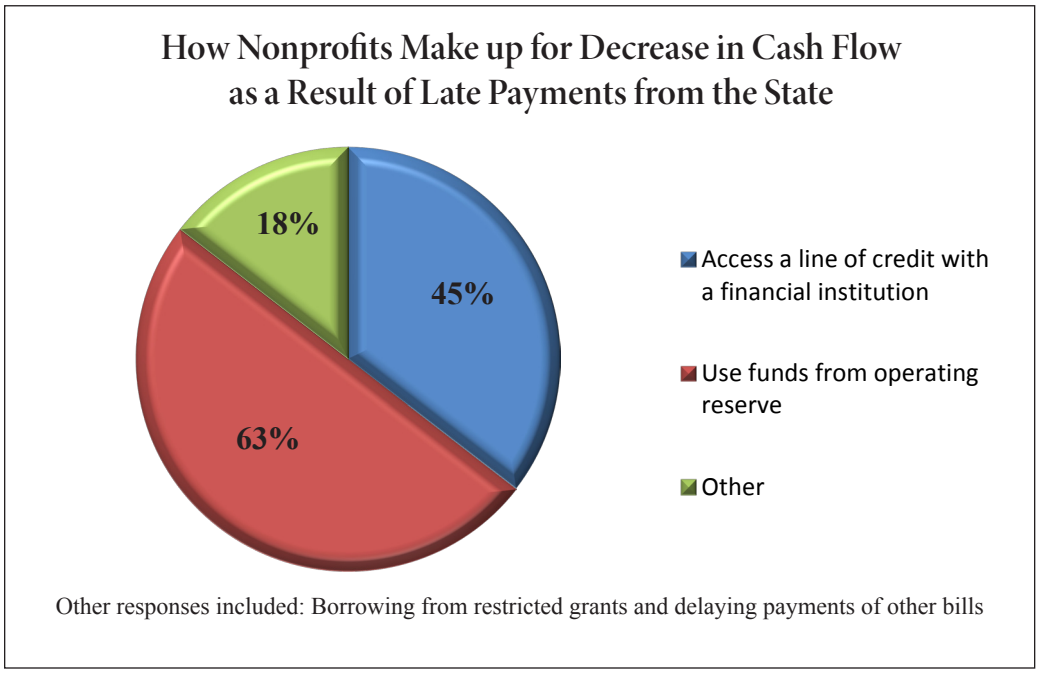
What We Learned

For Fairfield County nonprofits, government funding, particularly state funding, is an important aspect of the organization's overall financial health. Of the nonprofits that receive government funding, 85% receive support from the state, with 66% receiving local municipal support and 50% receiving federal funds.

With the downturn in the economy, more than 50% of these nonprofits have seen a reduction from all government sources. Local municipal funding reductions were the most prevalent, with 66% of nonprofits reporting a reduction in the past two fiscal years.

Because of the decrease in government funding, nonprofits have had to make difficult choices such as reducing the number of employees, cutting employee benefits and even turning away clients. These cutbacks are happening as demand for nonprofit services is increasing. Today more than ever, nonprofits are being asked to do more with less. Nonprofits are also seeking new revenue sources to make up for the decline in government dollars.

Nonprofits are also struggling with a sharp rise in the cost of doing business in Fairfield County. Over 80% of nonprofits reported a rise in the cost of providing services, with 62% of these nonprofits reporting a greater than 5% increase in costs in the past two fiscal years. Over 70% of these nonprofits have not received a Cost of Living Adjustment from the state over the past couple of years to help meet these rising costs.



More than 60% of nonprofits receive payments from the state late, with some delays as late as six months.

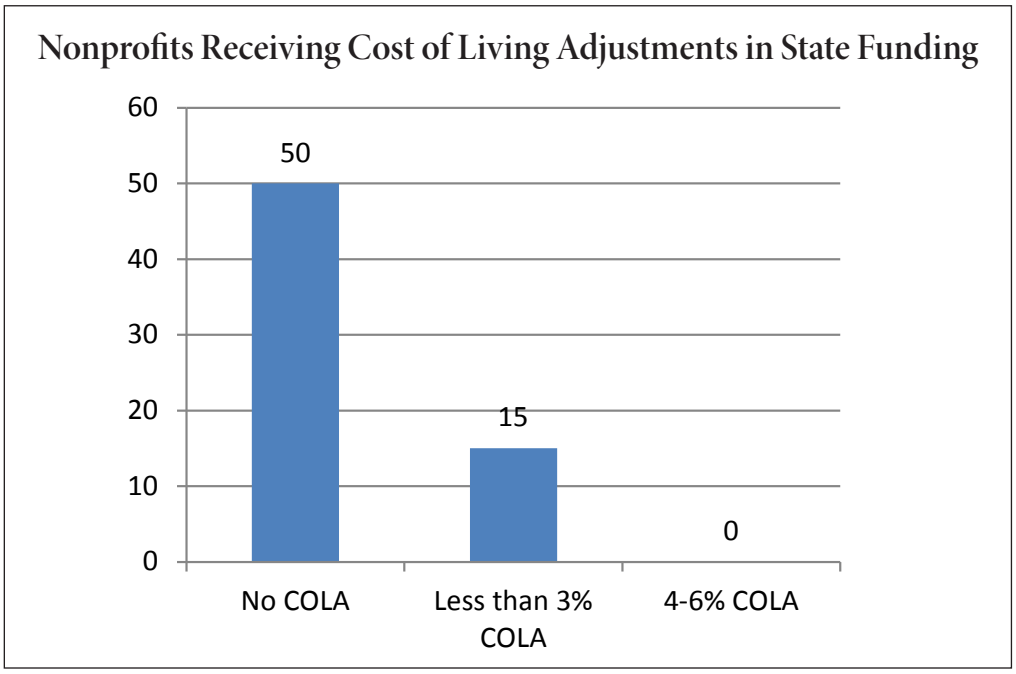
When government checks arrive late, organizations are forced to incur interest payments on lines of credit with commercial banks, or interest losses by dipping into their reserve funds.

Timeliness of payment is also an issue for many nonprofits. More than 60% of nonprofits receive payments from the state late, with some delays as late as 6 months. When government checks arrive late, these organizations are forced to incur interest payments on lines of credit with commercial banks, or interest losses by dipping into reserve funds.

Survey respondents suggested many ways that the State of Connecticut could improve its contracting process with nonprofit organizations. The main suggestions include:

- Improve timeliness of state payments.
- Provide Cost of Living Adjustments for state funding, as cost of providing services in Fairfield County has risen dramatically.
- Provide a uniform contracting process across all state departments
- Create a central database of required documentation that nonprofits have to provide (i.e. 501-c3 documentation, financial statements, board listing, insurance certificates, etc,) so that all state departments could access it. Agencies could access and update these documents when necessary.
- Implement multi-year funding.
- Implement funding for general operating support, rather than rigid program contracting.

Recommendations



What Does This Mean Moving Forward?

Because of the economic downturn, nonprofits are increasingly being asked to do more with less.

Decreasing government dollars, the rising costs of doing business in Fairfield County, and late payments from the state are making a difficult situation even more challenging. These changes are threatening an already stretched-thin nonprofit sector.

Nonprofits need tools and resources to navigate our changing economy. Understanding the issues facing our nonprofits is just a start. Listening to our nonprofit community, providing ways for them to communicate, and advocate are ways to improve and shape policies affecting our nonprofits.

The State of Connecticut needs to reform its practices when contracting with nonprofit organizations. Nonprofits are important partners with the State in providing critical services to our citizens and need to be partners in reforming state policy too.

Recognizing this important partnership, the State of Connecticut now has a Nonprofit Liaison to the Governor. Dr. Deb Heinrich was appointed as the Nonprofit Liaison to interact and communicate directly with Connecticut nonprofits and to advise Governor Malloy with regard to policy reforms. This is an important step to initiating reforms that are truly beneficial to the state-nonprofit partnership.

The Fairfield County Community Foundation's Center for Nonprofit Excellence is helping facilitate Dr. Heinrich's ongoing communications with the local nonprofit sector. Our community foundation colleagues in other parts of the state are also serving in this supportive role.

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How You Can Help

Support The Center for Nonprofit Excellence

The impact of the economic downturn will be long-lasting, and the challenges facing nonprofits in Fairfield County will only grow. In order to meet the changing landscape of dwindling government funding and the increasing demand for services by those in need, nonprofits will need to be well-managed, flexible and proactive.

DONATE ONLINE

Giving online is fast, secure and easy . Your gift will be used in the most effective way possible.

Go to www.fccfoundation.org

Click: "Donate Now"

Select: The Center for Nonprofit Excellence

Choose: Your gift amount

Your tax-deductible gift will join donations from other like-minded philanthropists looking to make a difference in their own backyard.

Support The Center for Nonprofit Excellence

The Center for Nonprofit Excellence at the Fairfield County Community Foundation is focused on improving and strengthening the nonprofit and philanthropic communities throughout the region.

The strength and health of our communities is directly tied to the strength of our region's nonprofit sector.

The Center for Nonprofit Excellence provides resources, training and support to our nonprofit, community and philanthropic leaders, ensuring a strong and vibrant community where all have the opportunity to thrive.

Learn more about The Center for Nonprofit Excellence and the work being done to improve and strengthen our region's nonprofit sector at: www.fccfoundation.org.

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