

WINTER 2008

**MORE NEED, FEWER RESOURCES:
NEW YORK CITY
NONPROFIT EXECUTIVE
OUTLOOK SURVEY**

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EXECUTIVE SUMMARY

MORE NEED, FEWER RESOURCES:

Nonprofit social service leaders see great financial stress, with dramatic increases in client numbers and issues and decreases in governmental and private funding

This is the fourth annual edition of the Nonprofit Executive Outlook Survey, published by the Center for Nonprofit Strategy and Management at the School of Public Affairs, Baruch College/CUNY and Baruch College Survey Research. The survey reports the views and concerns of executive directors of human services organizations in the New York City metropolitan area.

Respondents to the 2008 edition of The Nonprofit Executive Outlook Survey are more negative than in the past about conditions in New York City:

- **67%** see the city's social problems worsening, compared with 36% in 2007, 25% in 2006, and 52% in 2005
- **48%** are pessimistic about future social conditions, contrasted with 29% in 2007, 24% in 2006, and 42% in 2005
- **40%** think that things in New York City are generally on the wrong track, compared to 24% in 2007, 16% in 2006, and 41% in 2005
- **37%** disapprove of city governmental policies, up from 21% in 2007 and 18% in 2006 and on par with 39% in 2005

Respondents paint a picture of growing financial stress from all directions:

- **Demand for service is up: 85%** have had an increase in their number of clients over the past few years, and **81%** have had an increase in the kinds of issues clients are presenting
- **Funding is down overall: 41%** of respondents have seen a reduction in corporate giving; **36%** in private foundations; **34%** in endowment or reserves; and **34%** in city contracts
- **Some funding is down significantly:** Of those that receive corporate giving, **31%** have seen a cut of 1%-20% but another **31%** have seen a cut of 81%-100%; of those that receive individual giving, **27%** have seen a cut of 1%-20% but another **14%** of respondents have seen a cut of 41-60%
- **Nonprofits see more funding cuts on the way: 61%** anticipate a reduction in corporate and private support in the next year; of those respondents that do anticipate a decrease, **39%** expect a decrease of 21%-40%
- **They are trying to make ends meet: 17%** are borrowing from their endowments at greater than their normal rate; **80%** are looking for new funding sources
- **They plan to change how they allocate resources due to funding reductions:** Of those that plan to make changes to their governmental funding, **69%** plan to spend less on core administrative support and **53%** plan to spend less on program innovation
- **Operating costs are also adding pressure:** For **34%**, governmental funding has failed to keep up with increases in their overhead or OTPS costs and, as a result, they have had to cut staff or reduce services

Organizations are considering taking additional actions in the future in response to current financial crisis:

- **64%** say they will likely shift the cost increases of health insurance benefits onto employees
- **42%** say they will likely cut fulltime staff significantly
- **33%** say they will likely cut health insurance benefits
- **Six respondents** explicitly stated that they may have to close their organization or one of their programs

In regards to further governmental funding cuts and potential tax revenues:

- **66%** of respondents prefer targeted cuts to city and/or state funding; only 14% preferred across-the-board cuts
- **75%** of respondents would support a progressive tax increase that would be used for services for the most vulnerable New Yorkers during this time of crisis.

As another respondent stated, “Our agencies and our clients will be facing unprecedented issues over the next few years and we must adapt and change to survive.”

This is the fourth annual edition of the Nonprofit Executive Outlook Survey, published by the Center for Nonprofit Strategy and Management at the School of Public Affairs, Baruch College/CUNY and Baruch College Survey Research. The survey reports the views and concerns of executive directors of human services organizations in the New York City metropolitan area.

The survey captures the opinions of over 150 nonprofit service leaders on topics that impact their organizations and their clients, such as overall conditions in New York City, conditions for specific populations in need, and governmental social policy and programs. The special focus of the 2008 survey is the economic environment and its effects on a range of operating issues.

We make comparisons with our 2005 survey report, entitled “Clients Up, Dollars Down,” where we detailed executive directors’ responses to a recent period in the city of “financial pressures and adverse government funding policies.” This year’s survey reports responses at least as negative as – and often more negative than – those of 2005, a reaction that may be a reflection of the nation’s current financial crisis, including the burgeoning recession, and its influence on the local economy. The survey was conducted before final Congressional passage and enactment of the American Recovery and Reinvestment Act of 2009 (“the economic stimulus plan”): we do not know how that Law might change newly available funding and executive directors’ opinions.

The survey findings make clear that organizations are experiencing greater financial stress than in the previous years that we have surveyed. The majority of respondents (**67%**) see the city’s problems getting worse (compared with 36% in 2007, 25% in 2006, and 52% in 2005). A plurality of respondents (**40%**) also thinks that the city’s on the wrong track (compared with 24% in 2007, 16% in 2006, and 41% in 2005). Almost half (**48%**) of respondents are pessimistic regarding future social conditions (contrasted with 29% in 2007, 24% in 2006, and 42% in 2005). Disapproval of city governmental policies is up (**37%**) in 2008 from 21% in 2007 and 18% in 2006, and on par with 2005 (39%).

Respondents paint a picture of growing financial stress from all directions:

- Demand for service is increasing, both in terms of the numbers of clients and the kinds of issues they are presenting
- Things are worse for most people in need of assistance, and much worse for poor families, the homeless, the elderly, youth and teens, the mentally ill, young children, and immigrants
- Most respondents’ organizations are experiencing reductions in funding, in many cases severe
- The reduction in funding is causing nonprofits to change the allocation of their resources in ways that affect program delivery
- Funding cuts are also driving many to seek new funding sources
- Most anticipate further funding cuts in the coming years
- Operating expenses have also increased over the past few years, adding more pressure to cut costs in ways that affect their organizations’ workforces and the services they provide

Organizations may take additional actions in response to the current financial crisis over the next few years. The majority of respondents (**64%**) say they will likely shift the cost increases of health insurance benefits onto employees. **Forty-two percent** say they will likely cut fulltime staff significantly, and **33%** say they will likely cut health insurance benefits. **Six respondents** explicitly stated that they may have to close their organization or one of their programs.

As one responder put it, they “will try to hang on to core services and infrastructure in order to rebuild services as the economic climate gets better.” As another respondent stated, “Our agencies and our clients will be facing unprecedented issues over the next few years and we must adapt and change to survive.”

The majority of respondents (**66%**) prefer targeted cuts to city and/or state funding; only 14% preferred across-the-board cuts. The majority (**75%**) also would support a progressive tax increase that would be used for services for the most vulnerable New Yorkers during this time of crisis.

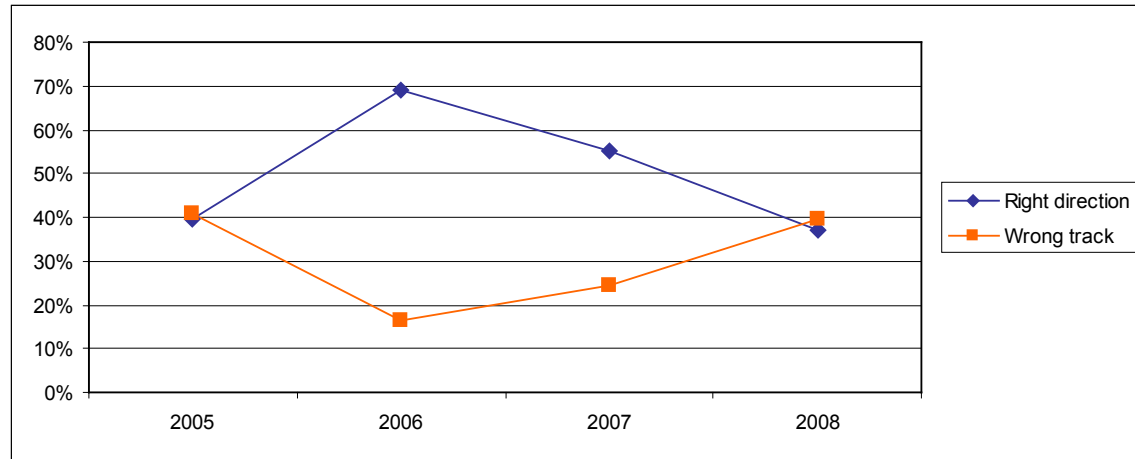
The survey was developed by the School of Public Affairs at Baruch College in conjunction with the key social services umbrella organizations United Neighborhood Houses of New York, Federation of Protestant Welfare Agencies, Human Services Council of New York City, and UJA Federation of New York. These organizations, the Center for Nonprofit Strategy and Management (CNSM), and Baruch College Survey Research (BCSR) jointly prepared the questions included in the survey to reflect both ongoing and timely issues affecting human services in New York. The survey was conducted online from January 5th through February 5th of 2009. The survey was sent to the executive directors of the federations’ member agencies, as well as those of Catholic Charities of the Archdiocese of New York and of the Diocese of Brooklyn and Queens, Hispanic Federation, Black Agency Executives, Black Equity Alliance, and Asian American Federation of New York.

CONDITIONS IN NEW YORK CITY

Respondents' outlook on the city has grown negative in comparison with 2006 and 2007 – and, on the whole, is more negative than in 2005, a year of financial stress.

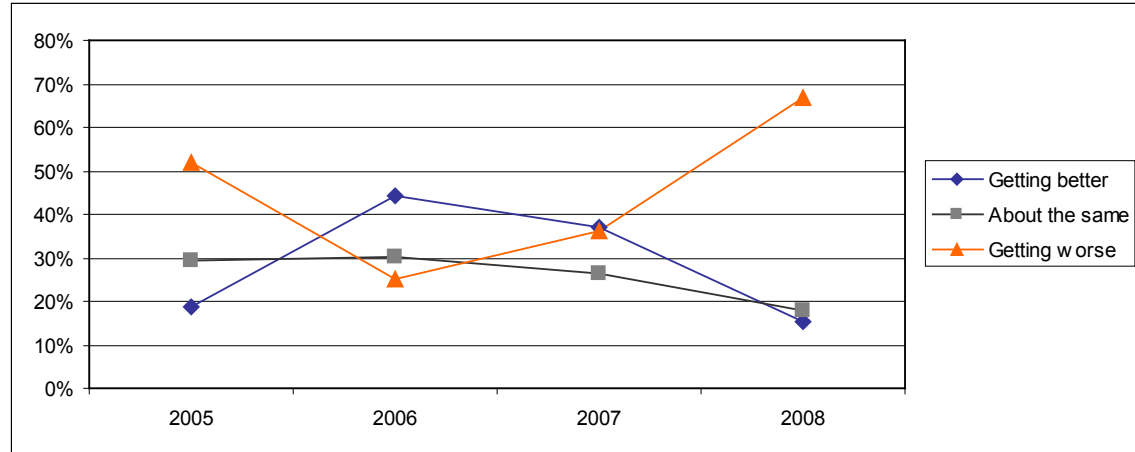
In 2008, **40%** of executive directors polled think that things in New York City are generally on the wrong track, increasing from 24% in 2007 and 16% in 2006, although closer to 41% in 2005 (see Figure 1).

Figure 1. All in all do you think that things in New York City are generally headed in the right direction or do you feel that things are off on the wrong track?



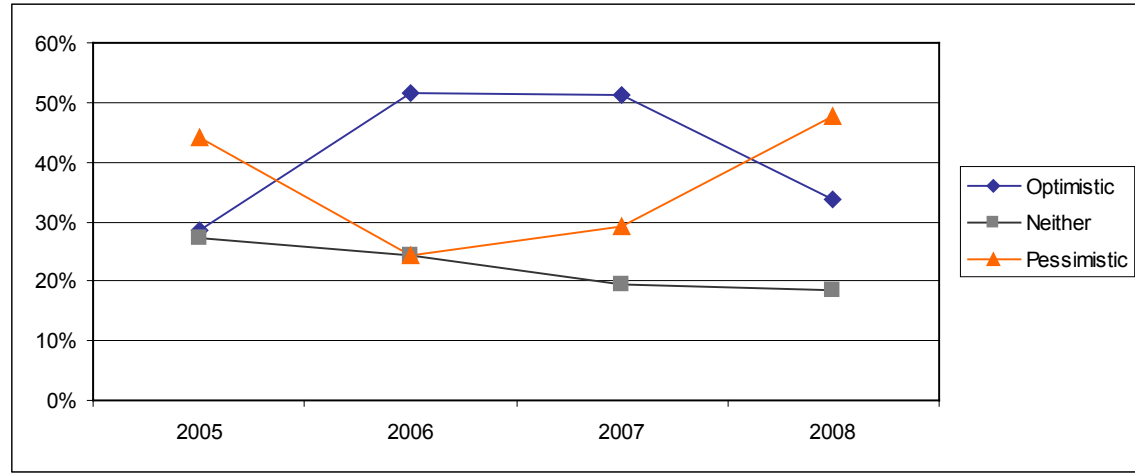
67% of respondents describe the city's social problems as getting worse, compared with 36% in 2007, 25% in 2006, and 52% in 2005 (see Figure 2).

Figure 2. In your view are the social problems facing New York City these days are...



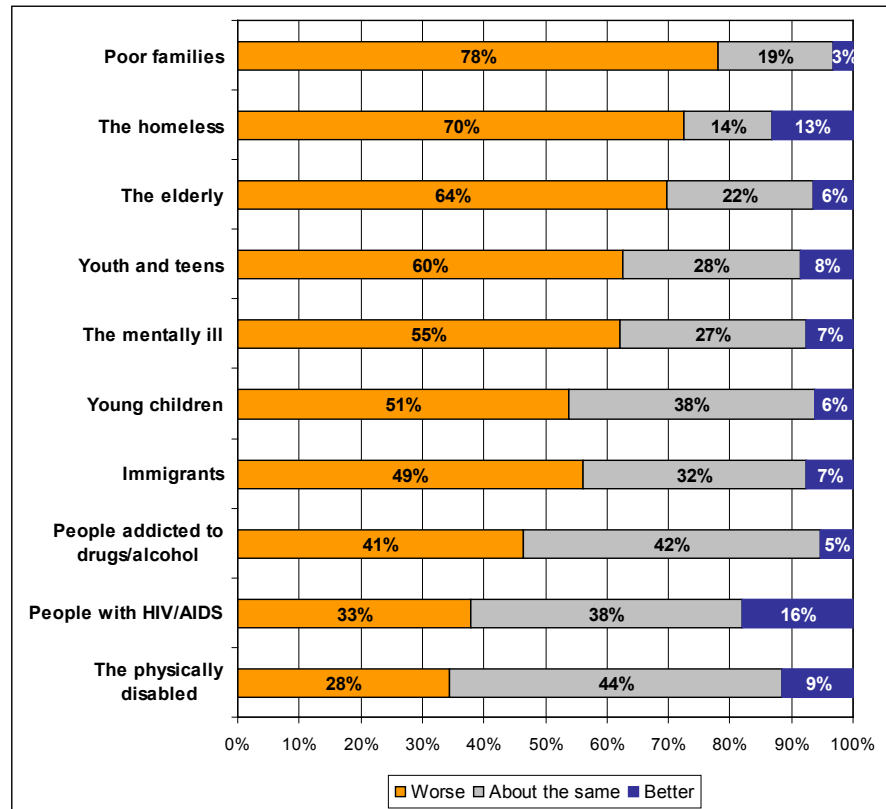
Executive directors also are more pessimistic regarding future social conditions, with **48%** pessimistic in 2008, contrasted with 29% in 2007, 24% in 2006, and 42% in 2005. Only **34%** of respondents were optimistic in 2008 (compared to 51% in both 2006 and 2007, and 29% in 2005). (See Figure 3.)

Figure 3. Looking ahead a few years are you optimistic or pessimistic about future social conditions in New York City?



Regarding the people served by these human services organizations, executive directors describe things as worse for most classes of clients, and especially for poor families, the homeless, the elderly, youth and teens, the mentally ill, young children, and immigrants. (see Figure 4).

Figure 4. 2008 Only: In New York City these days do you think things are generally getting better or worse for...



Compared to prior years, conditions for these people have worsened (see Tables 1 through 5).

Table 1. In New York City these days do you think things are generally getting better or worse for...

Poor Families

	2005	2006	2007	2008
Worse	73%	61%	67%	78%
About the same	24%	35%	26%	19%
Better	3%	4%	8%	3%

Table 2. In New York City these days do you think things are generally getting better or worse for...

The Homeless

	2005	2006	2007	2008
Worse	54%	35%	38%	70%
About the same	33%	45%	45%	14%
Better	13%	20%	17%	12%

Table 3. In New York City these days do you think things are generally getting better or worse for...

The Elderly

	2005	2006	2007	2008
Worse	56%	40%	45%	64%
About the same	37%	55%	41%	22%
Better	7%	5%	14%	6%

Table 4. In New York City these days do you think things are generally getting better or worse for...

Youth and Teens

	2005	2006	2007	2008
Worse	57%	41%	41%	60%
About the same	37%	48%	47%	28%
Better	7%	11%	13%	8%

Table 5. In New York City these days do you think things are generally getting better or worse for...

The Mentally Ill

	2005	2006	2007	2008
Worse	45%	32%	45%	55%
About the same	48%	63%	44%	27%
Better	7%	4%	12%	7%

GOVERNMENT POLICIES

More respondents now generally disapprove of the city's social policy and programs: **37%** in 2008, compared with 21% in 2007, 18% in 2006, and 39% in 2005 (see Figures 5a through 5c). Larger percentages of these executive directors continue to disapprove of federal policy at the time of the survey, and New York State policy is viewed more negatively in 2008 than it was in 2007. (Due to the time that the survey was fielded, it is unclear whether respondents were reacting to the Federal social policy and programs of the outgoing Bush Administration or the incoming Obama Administration.)

Figure 5a. Do you generally approve, or disapprove, of the current social policy and programs of...

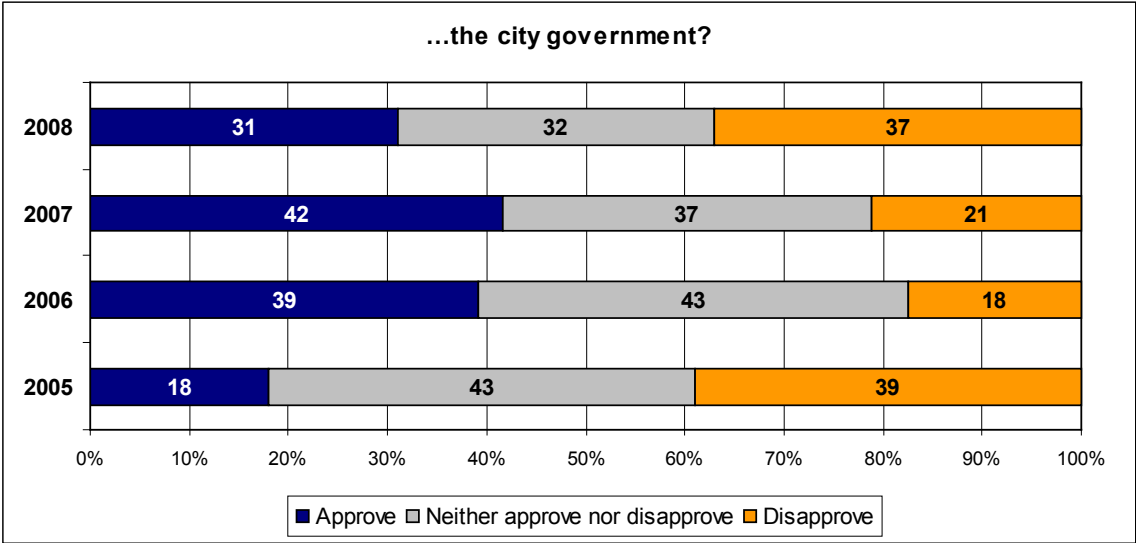


Figure 5b. Do you generally approve, or disapprove, of the current social policy and programs of...

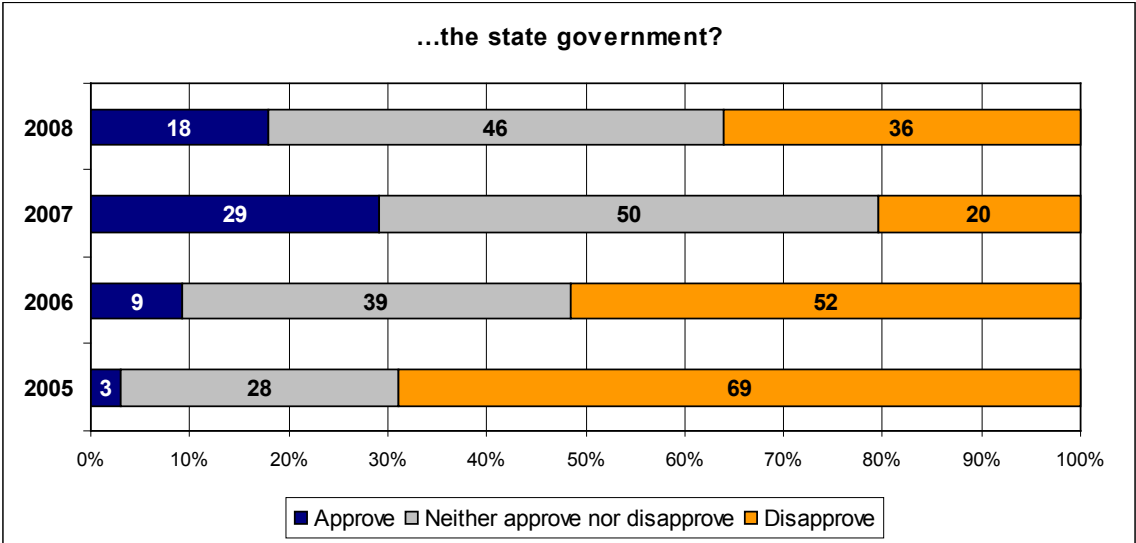
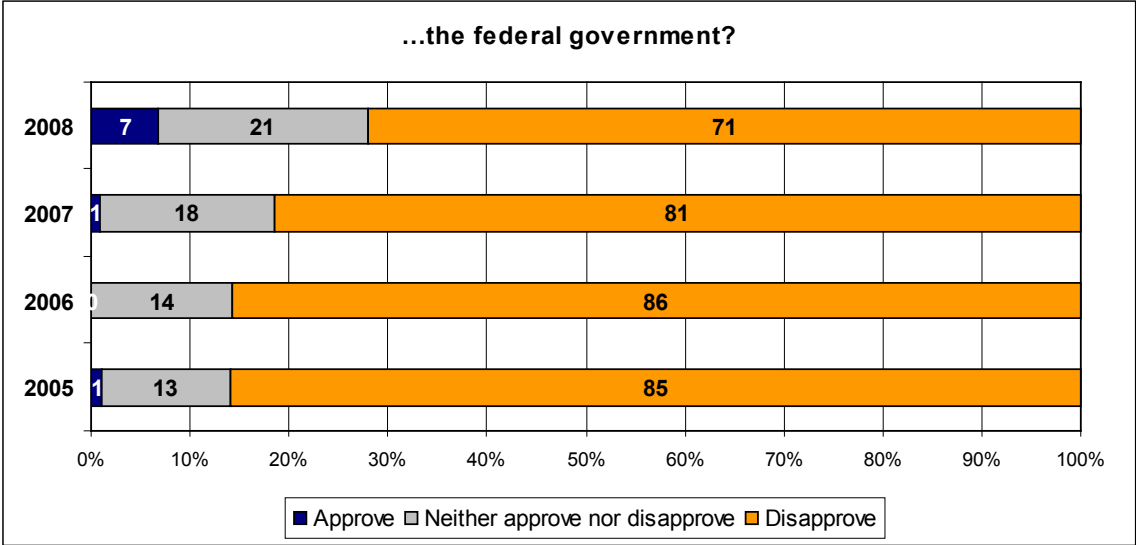


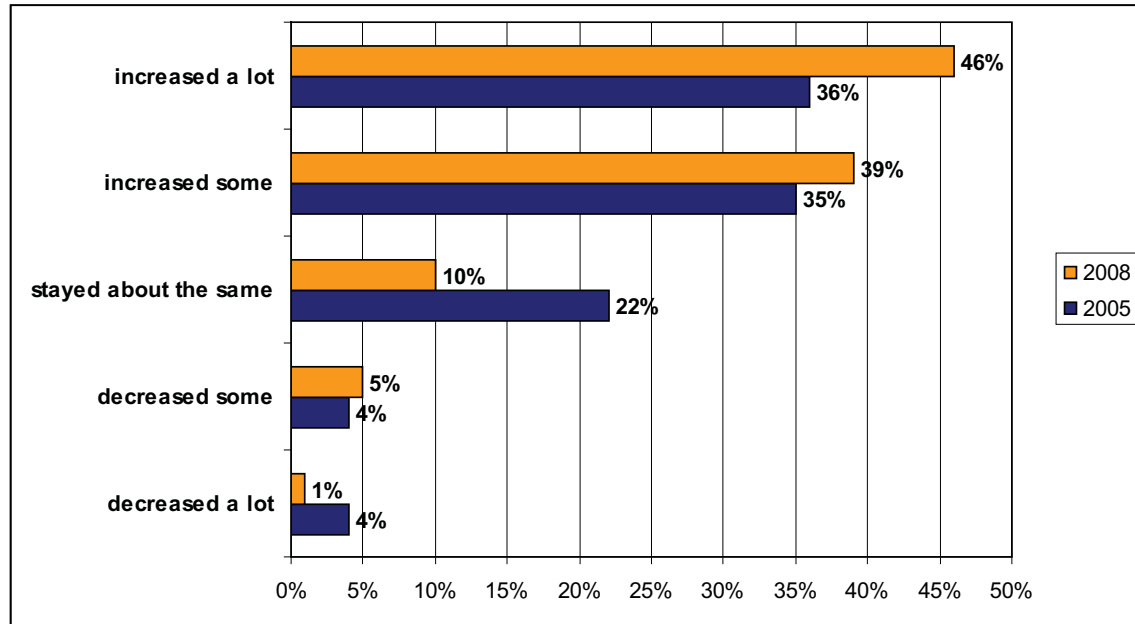
Figure 5c: Do you generally approve, or disapprove, of the current social policy and programs of...



ECONOMIC ENVIRONMENT

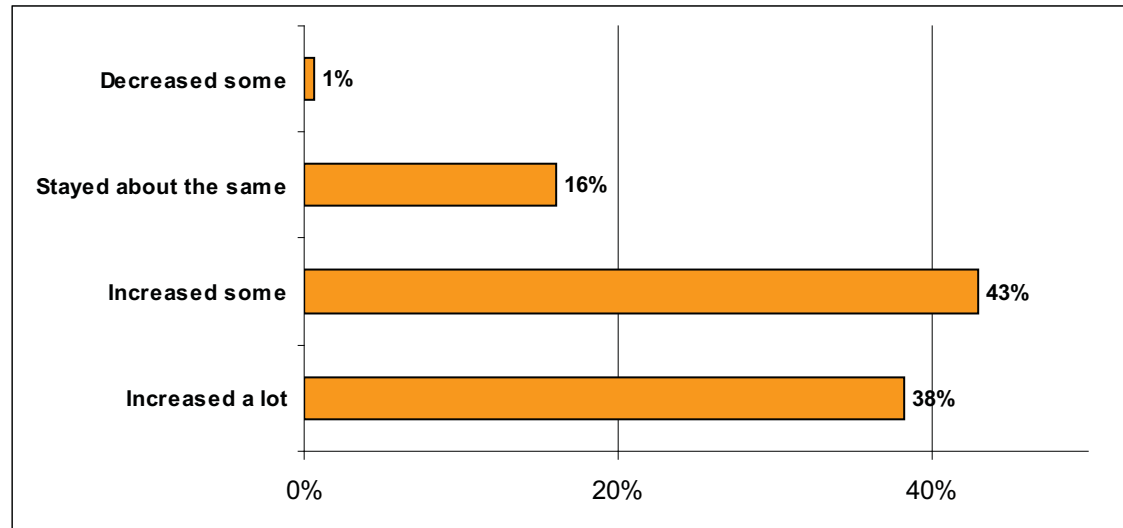
Because the fiscal and economic climate in 2005 was also adverse, we are comparing certain 2008 indicators to those in that year. (Data for these economic environment questions were not collected in 2006 and 2007.) Numbers of people served have increased substantially since 2005 (see Figure 6).

FIGURE 6: *Has the number of people served by your programs and services over the last few years...*



In addition to the increased number of people needing assistance, people are also facing more issues than in the past (see Figure 7).

FIGURE 7: 2008 Only. *Have the kinds of issues being faced by the people served by your programs and services over the last few years...*



The kinds of issues presented by clients, according to respondents, relate to or are compounded by “economic insecurity”:

*“Increase in number of people seeking to meet **basic needs**...”*

*“...increases in **unemployment, poverty, homelessness, disconnected youth**...”*

*“**Income loss... No health benefits... Lack of adequate affordable childcare... Difficulty finding work**...”*

*“...lack of **food** (big demand for our emergency food pantry)...”*

*“...lack of **affordable housing**; deterioration of NYCHA housing stock...”*

*“...there are more **homeless families**, need for more services to **homeless single women**...”*

*“...need for civil legal services including **landlord/tenant; denial of public benefits, immigration law, debtor/creditor issues**...”*

*“More complex **mental health, educational and economic issues**...”*

*“...**domestic violence**...”*

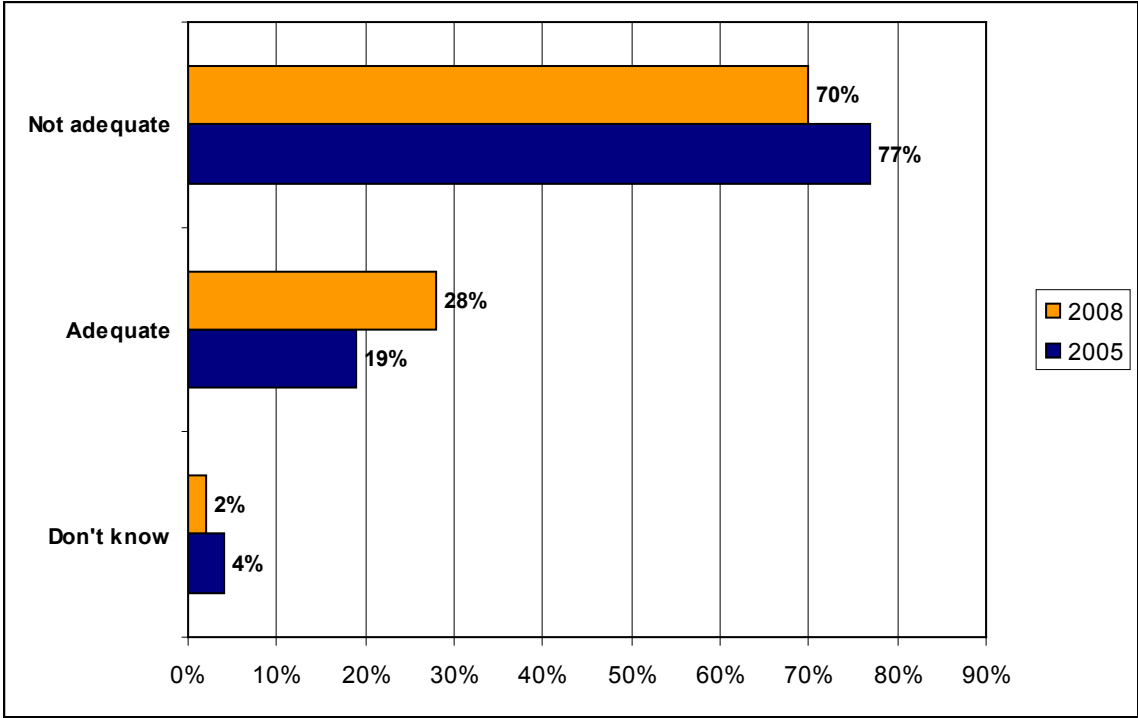
*“More **seniors** feeling stressed by the economy...”*

*“Clients **cannot afford the same quality of life**; fewer social service agencies to assist them; increased isolation...”*

Client needs over the last few years have changed, according to one respondent. “Each client seems to have more complex issues, likely because they have fewer funds/resources available and they require more interventions to maintain their independence.”

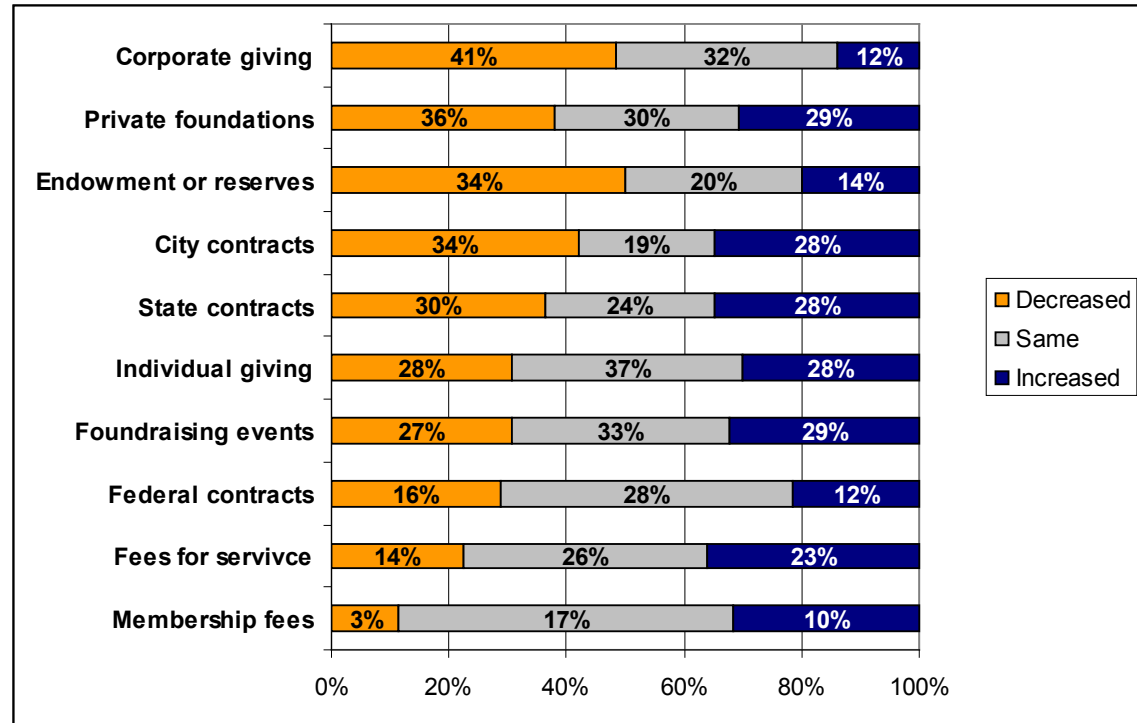
Available services remain inadequate to meet needs (see Figure 8).

FIGURE 8: *Are the services you provide adequate to meet the current needs of your target population or not?*



Executive directors are seeing funding from all sources decrease. In particular, **41%** of respondents have seen a reduction in corporate giving; **36%** in private foundations; **34%** in endowment or reserves; and **28%** in individual giving (see Figure 9). They have seen **34%** and **30%** reductions, respectively, in their city and state contracts.

Figure 9. 2008 Only: *If applicable, have each of the following funding sources for your organization increased, decreased or stayed the same over the last few years?*



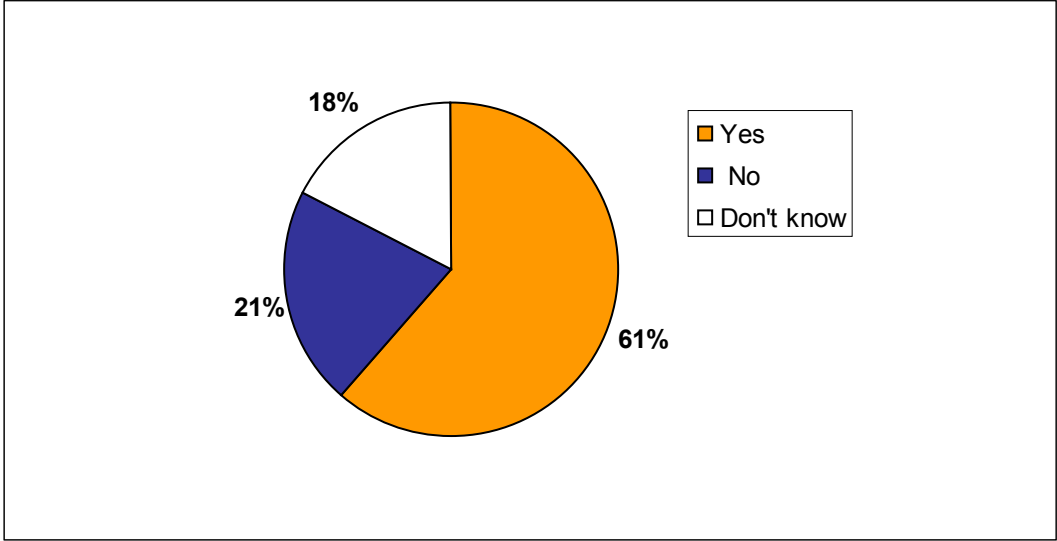
Certain types of funding are down significantly (see Table 6).

Table 6. 2008 Only: *If one or more of your funding sources has decreased, by what percentage?"*

	1-20%	21-40%	41-60%	61-80%	81-100%
City contracts	35%	11%	7%	3%	3%
State contracts	45%	5%	3%	2%	2%
Federal contracts	14%	5%	1%	1%	9%
Private foundations	35%	14%	6%	3%	3%
Corporate giving	31%	12%	12%	3%	31%
Endowment or reserves	19%	14%	9%	5%	1%
Individual giving	27%	7%	14%	0%	2%
Fundraising events	30%	12%	6%	0%	3%
Fees for service	18%	6%	5%	0%	0%
Membership fees	9%	1%	3%	0%	9%

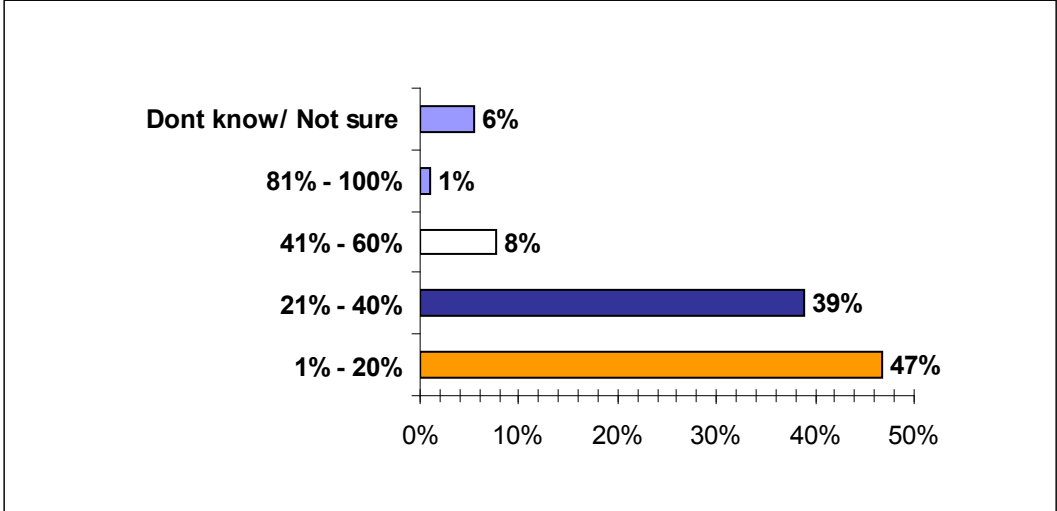
The majority of respondents (**61%**) anticipate a significant decrease in corporate and private support over the next year (see Figure 10).

Figure 10. 2008 Only: *Over the next year do you anticipate a significant decrease in corporate and private support?*



Of those respondents that do anticipate a decrease, **39%** expect a decrease of 21%-40% and **8%** expect a decrease of 41%-60% (see Figure 11).

Figure 11. *If you do anticipate a significant decrease in corporate and private support over the next year, how much of a decrease do you expect?*



The majority of respondents (**80%**) are looking for new funding sources. For those nonprofits that are looking for new funding sources, sources mentioned most frequently include foundations and private grants (42 responders); individual contributions (20); Federal grants (16); city contracts or grants (11); state contracts or grants (8); and corporations (8).

Organizations are planning to allocate less of their resources for program innovation and core administrative support in an attempt to preserve primary program operations.

Twenty-six percent of respondents are planning to make changes in how they allocate *governmental funding* over the next few years. Of those that are planning to make changes, **69%** plan to spend less on core administrative support, **53%** plan to spend less on program innovation, and **46%** plan to spend less on primary program operations. One respondent's organization will also be "considering eliminating non cost effective programs that do not contribute to agency overhead and administrative costs."

Of the **40%** planning to make changes in how they allocate *nongovernmental funding* over the next few years, **58%** plan to spend less on core administrative support, **47%** plan to spend less on program innovation, and **48%** plan to spend less on primary program operations. According to one respondent, the "problem here is that foundations are loathe to give general operating support, which is what we need. The government contracts don't come close to sustaining our (actually very thin) infrastructure."

Seventeen percent of respondents are borrowing from or drawing on their endowment at greater than their normal rate of endowment spending.

Some of the changes that organizations are making regarding their endowments, as described by respondents, make clear their financial stress:

"...we had to borrow the growth from our endowment and now do not have it available to fund innovations for which we would have previously tapped the endowment growth..."

"We are using \$100,000 from our board restricted reserve fund for operations."

*"We anticipate a significant deficit this year resulting in **drawdowns in excess of the approved range...**"*

*"We will **soon run out of funds** unless we decrease our invasion of capital."*

*"We need more of it for collateral for loans **to cover cash flow**, and we need more of it for operations."*

*"...**borrowing greater amount than previously allowed...**"*

For **34%** of respondents, governmental funding has failed to keep up with increases their in overhead or Other Than Personal Service (OTPS) costs and, as a result, they have had to cut staff or reduce services.

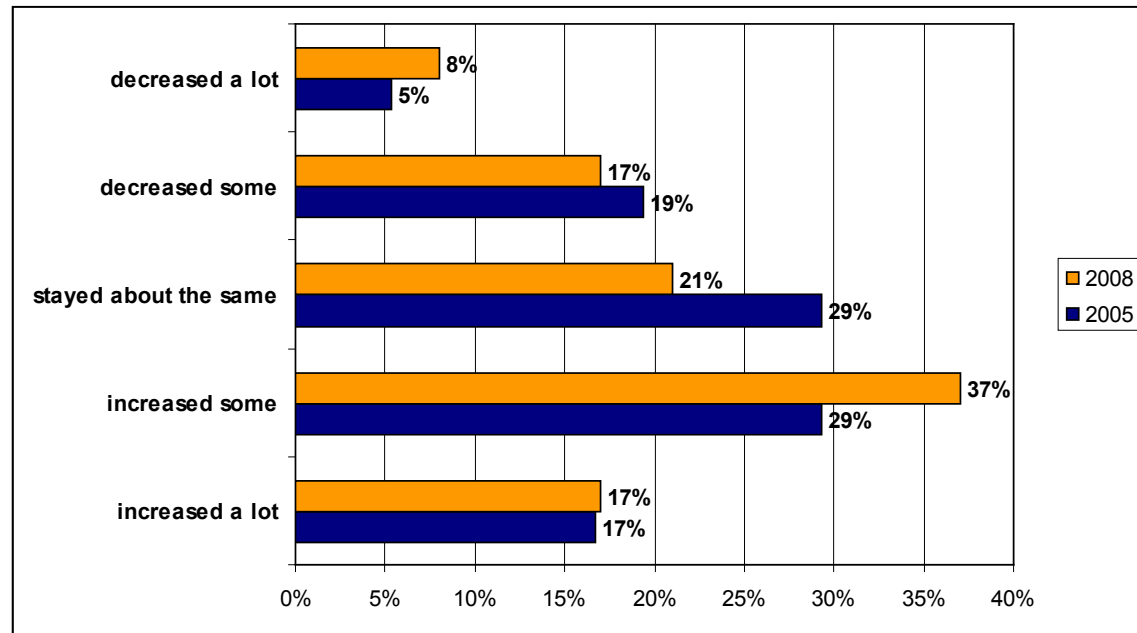
Thirty-nine percent of respondents have also experienced governmental funding as failing to keep up with these increases, although they have been able to cover those costs. As in 2005, operating costs have risen in 2008 (see Table 7).

TABLE 7. 2008 Only: For your organization over the last few years, how much have prices changed, if at all, for the following?

	Decreased a lot	Decreased some	Stayed about the same	Increased some	Increased a lot
Health insurance	1%	2%	5%	25%	62%
Utilities	0%	0%	7%	44%	38%
Office space or rent	0%	1%	19%	34%	31%
Computers and information technology	0%	3%	29%	42%	20%
Transportation	0%	0%	17%	48%	19%
Supplies or equipment	0%	1%	18%	64%	13%
Liability insurance	0%	5%	19%	54%	16%
Dental insurance	0%	0%	19%	37%	13%
Legal services	0%	1%	28%	23%	12%
Malpractice insurance	0%	1%	22%	26%	6%

Most organization workforces, in general, have remained stable or increased some (see Figure 12).

FIGURE 12: Thinking about the size of your organization's workforce over the last few years has it...



Despite overall stability and increases in organizational workforces over the last few years, many organizations nevertheless have had to lay off staff, close programs, or reduce the number of clients served for reasons of financial stress (see Table 8).

TABLE 8. In the last few years has your organization...? (Check all that apply)

	For reasons of financial stress		For reasons of strategic choice		For other reason	
	2005	2008	2005	2008	2005	2008
laid off staff	39%	42%	7%	8%	5%	5%
closed programs	37%	28%	12%	16%	7%	10%
reduced number of clients served	19%	22%	2%	4%	5%	3%
cut back on program hours	22%	13%	3%	2%	3%	2%
reduced the geographic scope of service	8%	11%	3%	3%	0%	1%
closed sites or offices	23%	12%	5%	8%	3%	3%

Thinking about how the current financial crisis might affect their organizations over the next few years, **64%** of respondents found it likely that they would shift the cost increases of health insurance benefits onto employees (21% responded “very likely” and 43% “somewhat likely”). A plurality of respondents found it likely that they would cut back on staff and leadership recruitment efforts (**49%**); cut fulltime staff significantly (**42%**); cut health insurance benefits (**33%**), shift fulltime staff to part time status (**32%**); or significantly reduce service hours (**21%**).

Respondents elaborated on additional actions their organizations might take:

*“We are **carefully controlling spending, only filling essential positions, and reducing spending on many discretionary areas (e.g. marketing, staff events, fundraising events, travel and conferences, etc.)... These cost savings are being reserved in anticipation of yet to be announced cuts in government contracts.**”*

*“...**outsource FTE roles to consultants; delay new major acquisitions and planned expansion.**”*

*“**Delay maintenance of buildings...**”*

*“May have to **eliminate employer contribution to 403(b) retirement plan... May have to reduce staff hours or salaries...**”*

*“...possible **unpaid time off, increased part-time positions, no COLAs or merit increases...**”*

*“May need to become **entirely volunteer...**”*

*“We may **not be able to start any new programs. We will have to lay off 5 staff in March.**”*

*“We will **not be taking on any new public initiatives unless their expenses are fully covered through funding.**”*

*“Think of **strategic alliance building, sharing back office staff, mergers.**”*

*“**Restructure the organization or... Move out of current space to cheaper space or share space with another non-profit...**”*

*“Will consider **relocating our central office and moving other program sites and seek to reduce utility and telephone costs.**”*

“...turning away clients...”

*“The worst case scenario is we **may have to close the organization** and best we will **charge fees**.”*

Six respondents explicitly stated that they may have to close their organization or one of their programs. **Ten respondents** mentioned reducing staff through lay offs, outsourcing, or attrition, and **five respondents** mentioned cutting staff hours through methods including job sharing and unpaid furloughs.

One respondent, however, was defiant in the face of adversity: “We believe that this is not a time to cut but to respond to the growing needs in our service population and invest in our work. We will draw on savings if needed to cover shortfalls, while ensuring best value for dollars spent.”

In regards to further governmental funding cuts, the majority of respondents (**66%**) prefer targeted cuts to city and/or state funding; only 14% preferred across-the-board cuts. The majority (**75%**) also would support a progressive tax increase that would be used for services for the most vulnerable New Yorkers during this time of crisis.

CONCLUDING COMMENTS

One respondent addresses the time the survey was fielded, at the beginning of the city and state budget seasons:

“The timing of this represents a difficulty in determining the status of programs with the budgets presently under consideration beginning to impact programs. In two months I could see answering very differently in terms of the state of the agency as well as the state of our clients.”

As mentioned in the Government Policies section, due to the time that the survey was fielded, it is unclear whether respondents were reacting to the Federal social policy and programs of the outgoing Bush Administration or the incoming Obama Administration. One respondent adds:

“Early in the survey there is a question about satisfaction or agreement with federal social policies. My answer noting my agreement with federal policies reflects my views on the positions of the new Obama administration, not the Bush administration with which I greatly disagreed.”

Another respondent notes the effect of business practices on nonprofits, echoing the findings from the 2007 Nonprofit Executive Outlook Survey, which focused on performance-based contracts:

“I am gravely concerned about the loss of understanding that social services are human services and not a business. The human element must be respected and restored.”

The nonprofit sector has long been living with financial stress despite the current financial crisis, according to one respondent:

“Government-funded agencies are already working with insufficient funding, low wages, etc. To cut funding even further will greatly affect our ability to function properly. We need financial support that doesn’t have to be fought for each year.”

A number of respondents raise the issue of politics in addressing (or ignoring) the impact of the financial crisis on nonprofits and their clients:

“As government is looking at cuts, they are not looking at efficiency of operations and how government demands for accountability have increased costs on non-profits. Accountability and unfunded mandates must be looked at by government. Government demands and wants more than it is willing to pay. Excessive paperwork is still a major issue. Whatever happened to the paperwork reduction act? Has anyone looked at the city and state contracting process? It is prohibitive for small non-profits to compete for government business.”

“There is a lack of political leadership that puts the interests of working class and poor families first.”

“How successful have lobbying activities been on changing government policy? How much have elected officials made themselves helpful in grants and reacting to the needs of the agency and its constituents? How

fair is the RFP process at each level of government? Is Darwinism at play? Does government care if agencies don't survive?"

"The initial set of questions was framed in terms of social conditions. My basic feeling is that existing social inequities will be intensified by the deterioration in the economy. Also while I believe that the city and the state have increased resources to deal with a myriad of social problems (i.e., NY-NY3; 65,000 affordable units of housing) these efforts are not sufficient to deal with the scope of the problem at hand (i.e., impossibly expensive housing market)."

Other respondents look to support fellow nonprofits during this time of need:

"We need to support each other in a moral capacity. We are certain this situation will change within two years. We must position ourselves for those future opportunities. Although we are headed into the unknown, we are planning a modest growth in one of the communities we service and are buying a new building with government funds we secured about 4 years ago during the good times of Wall Street."

HOW THE SURVEY WAS CONDUCTED

The survey was developed by the School of Public Affairs at Baruch College (CUNY) in conjunction with the key social services umbrella organizations United Neighborhood Houses of New York, Federation of Protestant Welfare Agencies, Human Services Council of New York City, and UJA Federation of New York. The Center for Nonprofit Strategy and Management (CNSM), Baruch College Survey Research (BCSR), and these organizations jointly prepared the questions included in the survey to reflect both ongoing and timely issues affecting human services in New York.

The survey was conducted online from January 5th through February 5th of 2009. The survey was sent to the executive directors of the federations' member agencies, as well as those of Catholic Charities of the Archdiocese of New York and of the Diocese of Brooklyn and Queens, Hispanic Federation, Black Agency Executives, Black Equity Alliance, and Asian American Federation of New York.

The survey was completed by 151 respondents, which was 25% of those who received the survey – the highest completion rate in the four years the survey has been conducted.

DESCRIPTION OF SURVEY RESPONDERS

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. More than half (53%) have at least 11 years of experience in their organizations and 29% have more than 20 years. Most are male, but 45% are female. Nearly two-thirds are white, 14% are Black, 9% Hispanic, and 5% Asian. The median responding organization serves between 1,000 and 2,000 clients, has a budget of \$2 million to \$5 million dollars, and provides direct services in New York City.