



Cheyney University MPA Program
Nonprofits in Crisis: What the Future Holds?

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SPEECH by

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Good evening. It's a pleasure to be here with you tonight. I want to thank Dr. Howard Vital, Dr. Green and Dr. Banks and all of you from the Cheney MPA Program and others who are here this evening to discuss this important issue. Thank you for the opportunity to talk with you tonight about the health of the Non-Profit Community. It is also my pleasure to share this evening with a good friend, Sandra Dungee Glenn from the American Cities Foundation. I am looking forward to hearing her perspective on this issue as well as Marty Johnson, CEO of Isles, Inc. And of course our Mistress of Ceremonies, Loraine Ballard Morrill. Who does not know and love that voice?

Nonprofits in Crisis: What the future holds? Is a great topic for us tonight? Make no mistake about it, this is going to be a difficult time for all of us, but I do believe there are things we can do. And I will talk about them. Yet there are others that are outside of our control. But the need for community-based organizations that support community aspirations and operationalize the ideas of government and funders, I believe, will always be needed.

However, before I go further, let me say something about my organization, the Urban Affairs Coalition, formerly GPUAC. We are now 41 years old, we formed as an outgrowth of the Civil Rights movement in Philadelphia and have been able to survive to this day. Our mission is to unite government, business, neighborhoods, and individual initiative to improve the quality of life in the region. In partnership with a diverse Board of Directors, made up of business, nonprofit and community leaders, I work with a team of managers and 400 employees to forge partnerships and build consensus that help families move out of poverty and reach the middle class.

UAC's efforts are focused in four areas: improving life changes for youth and young adults; building wealth in low income communities; strengthening the grassroots non-profit sector; and forging strategic partnerships across sectors and communities.

We have much to be proud of... Philadelphia Academics a non-profit led by Lisa Nutter was developed by our first President, Charles Bowser in 1969. We developed the first citywide youth summer employment program called Phil a Job. We developed jobs programs for ex-offenders and dislocated workers. We developed strategic partnerships to end homelessness and created a \$7m fund that supports homeless efforts in Philadelphia through a historic partnership between HUD and homeless leaders including Sister Mary Scullion and Gloria Guard. Recently we led efforts in Philadelphia to bring the banking industry to the table to create new responses to predatory lending. We developed a loan program for people who have less than perfect credit to repair their homes. Today \$7m in bank lending has gone into our community. We have created a home for grassroots non-profits and new initiatives. We partnered to create the Campaign for Working Families an initiative to support low-income workers to receive the Earned Income Tax Credit without having to pay high fees for loans and tax preparation. More than \$100m has gone to families in the region over the last 8 years. And millions have been saved in fees. When the earthquake devastated Haiti, the Haitian young professionals came to us to incubate a fund to purchase supplies and to support an airlift to Haiti. They led a successful radiothon with WURD Radio and raised thousands of dollars. Most recently UAC

won an \$11.8 federal grant for a Program called Freedom Rings funded by the federal stimulus dollars to connect thousands of low income Philadelphians to the internet, to encourage greater access to employment, to increase literacy and educational growth.

Yet all of this work by hundreds of people over decades could be undermined because of a bad economy and our inability as a people to decide what our real priorities should be...and how to best pay for them.

The Pew Center released a report this month looking at a range of federal programs and gauging American's opinions as to whether they want increased spending by the federal government or do they want to reduce federal spending and cut programs.

Though a majority in theory wants to reduce federal spending, there is little agreement on where. Education: 62% to increase funding 11% to decrease; Veterans Benefits: 51% increase, 6% decrease; Medicare 40% increase, 12 percent decrease. One area where Americans are willing to decrease spending is on unemployment assistance 27% increase, 28% decrease.

Let's look at what PEW found out about state budgets: To balance state budgets should we tax business, Yes 41%, No 55%; Sales, Yes 30%, No 67%; Personal Income Taxes, Yes 28%, No 68%. Now let's look at spending, K to 12 Educations Yes to Cut 18%, No 79%; Health Care Services 21% yes, 76% No, the one area where there seems to be strong support for cuts is state employee pension, Yes 47%, No 47%.

These splits...no new taxes and cut spending, but don't cut what I think is important...create serious issues for all of us as we work to make our case for the programs and services that we know are needed in our communities to keep them safe, fed, and moving forward.

This is why we at UAC have argued for a balanced approach to handling government shortfalls especially at the state level. Yes, there will need to be cuts, but we must find new dollars too. For PA, we probably all know the number now; the state is expected to fall short in needed revenues for the next fiscal year by \$4.5 billion. Governor Corbett will present this new budget to the legislature on March 8. Governor Corbett during his campaign pledged no new taxes. This leaves selling state assets and budget cuts as the only alternative. If you read today's paper you know that Corbett is viewed quite favorably by voters (some say because he hasn't had to implement any tough choices yet) and some support for his funding strategies, they favor selling the state liquor stores 65 to 26 percent, but oppose selling or leasing the turnpike, they also oppose raising taxes, 63 to 33 percent and they support 52 to 40 percent laying off state workers.

And there are a couple of bright spots in the state's financial picture, state unemployment is almost one point under the federal rate of 9% at 8.1% and tax revenues are trending ahead of projections. But this news does not change the fact that there will be serious budget cuts at the state level that will affect many of the non-profits in this region. Even if the governor can find \$2B in new revenue, he will still need to cut between \$2 and 2 and a half billion dollars from the budget. The 3 big areas in the state's \$28 B budget are education, public welfare and corrections. Unfortunately the 2 areas that we hear the most about are education and public welfare.

Over the last 2 budget cycles when democrats shared power with republicans, we have been urging legislators to begin looking at the corrections budget and make cuts. Our cry has been "Programs, not Prisons". While state funding for the public welfare was cut and the education budget rec'd a 1.5% increase. The corrections budget rec'd a 5.1% increase.

And wide-eyed liberals are not just making this call. Let's look at the Pew report on prisons looking at states during 2009. PA houses over 50,000 prisoners, adding 2,100 in 2009 alone. Because of

tougher sentences for drug offences, PA's prison population has increased 5 fold over the past 30 years.

It costs \$33,000 to house an inmate annually for a total cost to PA of \$1.7 billion. Imagine if Cheyney could count on the state to give it that money for its students.

Yet California, Michigan, New York, Maryland and Texas all reduced their prison populations. As a matter of fact Michigan and Virginia were contracted by PA to house 2,000 prisoners at a cost of \$250m. PA currently has 4 new prisons on the drawing board.

In 2007 Texas scraped their \$2B prison construction budget and instead invested \$241m of it to create a network of community based treatment and diversion programs.

Jack Wagner our current auditor general stated recently that PA could save \$50m right now if alternative sentencing measures were better implemented.

I share this perspective with you because I think it is critical that non-profits continue their role as advocates, yet understand how to be heard in this climate. You've got to not only talk about all the wonderful work you have done, but you must offer concrete suggestions on how to fund your work and how you can answer future needs such as community based treatment.

However, before I sit down, I do want to talk a little about what non-profits will need to do as organizations to have the best chance of surviving serious cuts:

According to the Non-Profit Times, in 2010 Nonprofits took significant steps to ensure that their work would continue:

52% collaborated with another organization to provide programs.

43% added or expanded programs.

18% expanded geographies served.

60% engaged more closely with their board through more reporting and increased communication.

39% relied more on volunteers.

And I can tell you at UAC we did all of those things.

Over the last 2 years we saw significant changes in the amount of money that our organization managed. We had to make tough choices.

We spent a lot of time with our senior staff and board really making sure that we knew our core competencies and what was fundable. We made the tough decision to eliminate our Research and Evaluation unit and consolidate the evaluation work in another division of the organization. We saw this a growth area it turned out not be. We also eliminated positions and relied more on interns and volunteers. We didn't however stop looking for new opportunities and figuring out where we needed to invest. For us it was our technology and fiscal department. We are also looking at our business model to make sure it is as robust as it should be. We believe in strategic partnerships and are developing a real competency there, especially with the awarding of our Broadband grant.

So let me leave you with a few thoughts about our world, the non-profit world:

Take a deep breath as Betty Davis said, it's going to be a very bumpy ride.

Hopefully you have a good board, a strategic plan and a decent program evaluation tool. If not, it's not too late to get started.

Know what you do and most importantly what you do well...all of us have seen mission creep.

Focus on immediate concerns...what needs to be done right now (review budgets, lower expenses, take less space). Look for savings...time and money. This is the time to end costly experiments and things that are not working.

Make the tough decisions early, if money is the problem you will have to lay off staff, freeze pay or reduce salaries, including your own. Lead by example. The longer you wait the harder it is and the less money you save.

Figure out how to keep and attract outstanding talent. Offer time instead of money and give staff more authority but hold them accountable and responsible.

Let staff know you care and that you see how hard they are working.

Collaborate and partner...the UAC model is a good one (Fiscal Sponsorship)

Communicate internally as well as externally...use the Internet, it's cheaper than brochures. But remember its high tech and high touch. Stay visible...visit funders, join advocacy groups.

Plan for the future...what area of your work can you grow? Is there a new opportunity that's worth pursuing? (BTOP)

For nonprofit CEO and Senior Leaders ...Take care of yourself. Get some rest, exercise, take a walk...this is very stressful time, everyone is depending on you. You've got to be there!

We at the UAC believe we will make it through this time and that 40 years from now a new leader will stand here at the United Way to continue to tell our story.

Thank you.