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UNH State Fiscal Year 2018-19 Budget & Policy Priorities **Nonprofit Human Services Sector**

Improve Operating Environment for Nonprofit Human Services:

- ✓ Renew the Nonprofit Infrastructure Capital Investment Program (NICIP) at \$100m and expand eligibility for nonprofit human service providers operating in publicly owned facilities
- ✓ Bring State human services contracts in line with federal guidance of at least a 10% indirect cost rate and implement a plan to move to 15%
- ✓ Modify State human services contracts to account for scheduled increases in the State minimum wage

Services Funded: New York State's nonprofit human services sector is a critical partner in delivering services to New Yorkers on behalf of the State in a more effective and cost-efficient manner than the State itself could deliver. From early childhood education, to homelessness prevention, to case management for older adults, the provision of these services keeps New Yorkers healthy, thriving, and engaged in the civic and economic life of their communities.

Challenge and Opportunity: Unfortunately, the ability of nonprofits to consistently deliver the highest quality services in a cost-effective manner is continually compromised by a business environment that threatens their financial viability and stifles innovation. For many nonprofits, the business environment consists almost entirely of contracts with local, state, and federal governments—the terms and execution of which pose challenges to their organizational health. From under-funded services, to late payments for services rendered, to conflicting regulations, to onerous paperwork and audits, government contracts force nonprofits to endure financial losses, sap organizational morale, and divert critical human capital toward addressing financial crises instead of developing innovative approaches to meeting their communities' needs. In FY2019 and beyond, there are three actions the State must take to support the sector:

- **Renew the Nonprofit Infrastructure Capital Investment Program at \$100m; include fix for organizations operating in publicly owned facilities.**

Funding History:

Executive FY2018-19: \$0
Enacted FY 2017-18: \$20m
Enacted FY 2016-17: \$50m
Enacted FY2015-16: \$50m

UNH was proud to have partnered with the Human Services Council, UJA Federation of New York, the Governor's Office, and the NYS Legislature to create the Nonprofit Infrastructure Capital Investment Program (NICIP) in the FY2016 budget. This initial investment of \$50m was designed to allow nonprofit human services providers to make critical upgrades to program sites, ranging from roof and brickwork, to boiler replacement, to accessibility enhancements.

Unfortunately, the funding excluded providers located in government-owned sites from applying, such as those based in the New York City Housing Authority. While in FY2017 NICIP was modified to allow such providers to apply for technology enhancements, they were still barred from physical infrastructure improvements, despite having the same needs as those located in privately-owned spaces. Funding was again renewed in FY2018, but at the reduced level of \$20m, despite over 600 applications totaling \$300m+ having been submitted for NICIP projects.

UNH recommendation: NYS should renew NICIP funding at \$100m in the FY2019 budget and lift the restriction on nonprofit human service providers located in publicly owned buildings.

➤ **Fund Minimum Wage Increases in Contracts**

Funding History:

Executive FY 2018-19: Nothing for nonprofit human services professionals

Enacted FY 2017-18: 6.25% wage increase (\$160m) over two years for direct care professionals

While UNH supports the slated minimum wage increase to \$15.00/hour by 2019 in NYC, nonprofit human services providers funded by government contracts will not be able to pay these higher wages without commensurate contract adjustments to cover the costs, as well as funding to address the wage compression issue: the challenge of front-line staff wages rising to similar levels of their immediate supervisors. These supervisory staff will require wage adjustments in order to appropriately value and incentivize their work. The estimated cost of minimum wage adjustments (not including compression) in FY2019 is \$23 million.

UNH recommendation: Adjust contracts to cover the increased costs associated with the minimum wage.

➤ **Increase Indirect Contract Rates**

Funding History:

Executive FY 2018-19: No across the board adjustments

Enacted FY 2017-18: No across the board adjustments

In December 2013, the federal Office of Management and Budget issued guidance requiring states that utilize federal funds in pass-through contracts with nonprofit providers to include an indirect cost rate of at least 10% on those contracts. Though states were given one year to comply (December 2014), New York has still not acted to comprehensively address this issue and adjust all relevant contracts to the de minimis rate of 10%. In reality, rates of less than 15% fail to cover the true cost of providing services—everything from paying the rent and utilities to an organization's finance and human resources functions. The estimated cost of these adjustments in FY2019 is \$43 million.

UNH recommendation: NYS must come into compliance with federal guidance, and in fact should go further, extending a 15% rate to all contracts, regardless of original funding source.

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