

Testimony of Allison Sesso
Joint Budget Hearing on the
2015-2016 Executive Budget Proposal
Topic: Human Services
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My name is Allison Sesso, and I am Executive Director of the Human Services Council of New York (HSC), a membership organization representing nearly 200 nonprofit human services providers in New York City and throughout the State. **I urge the Legislature to invest \$550 million into the nonprofit human services sector, a multi-billion-dollar industry that provides essential services to New Yorkers with a wide spectrum of needs.** The Great Recession is over, the State is financially strong, and our sector has been “forgotten” for too long. The time to reinvest is now.

Serving as the voice of the human services community since 1991, HSC strengthens the nonprofit human services sector’s ability to improve the lives of New Yorkers in need. We foster collaboration between and among human services organizations and the government agencies that contract with them, ensuring that high-quality services reach the communities that need them. Our close relationships with both providers and the City and State governments enable us to understand the challenges that our sector faces and advocate for a better regulatory and fiscal environment.

Unfortunately, over the last five years, the nonprofit human services industry has been financially eviscerated. While government investment in other sectors has spurred recovery from the recession, our sector has sustained **nearly \$1 billion in funding cuts** despite an overwhelming increase in need. Furthermore, we were denied cost-of-living adjustments (COLAs) for five consecutive years, only to receive a small COLA for a limited group of workers this fiscal year. For us and the communities we serve, the recession is not over. Many seem to think of human services as simply charity, but the reality is that this industry is a major economic engine. The sector employs 15 percent of the State’s workforce and delivers billions of dollars in services each year. In New York City alone, nonprofit organizations deliver nearly \$5.5 billion in human services each year.¹

The sector also plays an important role in improving community health and safety, combatting poverty and fostering equity. The poverty rate in New York is 15.6 percent and rising, and nonprofit human services providers are crucial in any and all programs to reduce poverty in New York. The services we provide include job training and placement, early childhood education and afterschool enrichment, violence intervention, legal assistance, homeless shelters, community health services, and senior services. These services provide bridges to opportunity for some of the State’s most vulnerable populations. In addition, women comprise 80 percent of the human services workforce, and the vast majority of human services workers are members of minority groups.

A reinvestment of \$550 million, though only about half of the amount of funding cut since 2009, would go a long way to stabilize the human services sector. HSC proposes the following reinvestment strategy:

1. **Create a nonprofit infrastructure, technology, and business investment fund.** This fund would be initially capitalized with \$500 million from the current New York State surplus. This one-time investment would fund specific categories of necessary infrastructure to support the nonprofit

¹ Mayor’s Office of Contract Services (2013). [Agency Procurement Indicators: Fiscal Year 2013](#).

sector and would pay dividends for years to come. This investment would be a timely, prudent, and appropriate use of a projected nonrecurring State surplus.

2. **Invest \$50 million to capitalize the existing State loan fund for nonprofits.** This revolving loan fund would allow organizations contracting with the State to access cash flow advance loans, and (once it is initially funded) would be self-sustaining as such loans are repaid. Access to loan funds is particularly important in the case of late government payments, which can create significant financial burdens for nonprofit human services providers.
3. **Establish a regulatory commission or workgroup to review current State regulations and reporting requirements.** This commission would identify rules and processes that are duplicative and unnecessarily burdensome for both State agencies and the nonprofits they contract with.

Poverty, which often drives families to the doors of human service providers, is at a staggering 15.6% across the state—even as corporate profits soar. The combination of increased need for services and shrinking funding has left many nonprofit providers between a fiscal rock and a programmatic hard place. The tables below illustrate the size and needs of just two of our members.

Organization 1	
Employees	4,400
Overall spending	\$258 million
Individuals served annually	60,000
Agency-wide capital costs: <ul style="list-style-type: none"> • HVAC • Window replacements • Electrical Systems • Bathroom and kitchen replacements • Renovation of buildings/common areas on 2 residential campuses 	\$51 million
Communications needs	\$1.8 million
Behavioral electronic health records	\$2.1 million

Organization 2	
Employees	2,200
Overall spending	\$205 million
Individuals served annually	35,000
Agency-wide capital costs including infrastructure, electronic health records, and outcomes measurement	\$10 million

Other examples of needs identified by our members include:

- Data management software and training on such software
- Technical equipment for deployment to programs (e.g., computers, smart boards, copiers, printers, scanners, and tablets)

- Food program equipment (*e.g.*, freezers, refrigerators, storage containers, shelves, ovens, and ranges)
- Property management software and training on such software
- Facility maintenance and upgrades including gymnasiums, kitchens, bathrooms, classrooms, classroom essentials (*e.g.*, blackboards, whiteboards, and furniture)

In addition, the Governor's proposed minimum wage increase will have a significant impact on nonprofit human services providers. One of our members, for example, estimates the cost of the proposed December increase for his organization to be \$350,000, based on the number and salaries of affected employees. Unfortunately, human services providers cannot change the "price" of their services to cover this cost. Thus, while HSC supports the Governor's proposal to raise the minimum wage for a large—and generally low-wage—segment of the State's workforce, we underscore the need for substantial reinvestment to cover the cost and ensure stability.

The Governor is making important investments in the infrastructure of New York. It is both fiscally sensible and equitable for these investments to include the nonprofit sector. As illustrated above, the substantial economic size, social value, and needs of the sector warrant a substantial commitment of funds. Thus, while we are extremely grateful for the Governor's proposed \$50 million nonprofit infrastructure capital investment program, we urge greater investment in our sector.

The need for reinvestment especially urgent given the current state of the nonprofit human services sector. Much like parts of our State's physical infrastructure, the human services "safety net" infrastructure is also frayed and crumbling. According to a survey of nonprofits conducted by the Nonprofit Finance Fund (NFF), 42 percent of nonprofits surveyed do not have the right mix of financial resources to thrive and be effective in the next three years. Only 14 percent of nonprofits are able to support the current cost of their services through the State and local funding they receive. The sector is coping with significant cuts resulting from the Great Recession and continues to struggle in a flat funding environment in the face of rising costs and overwhelming need.

The proposals in this package represent an effort to identify meaningful, one-time investments that can support the health of our sector, even in the context of flat or shrinking programmatic budgets, by allowing human services organizations to modernize facilities, equipment, and technology, and to operate with greater efficiency. It is important not only for the communities served by nonprofit providers but *for all New Yorkers* that the State reinvest in its significant nonprofit human services sector.

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