



# HM 129 : Nonprofit Public Sector Collaboration

## New Mexico Nonprofits:- A Major Economic Force

- NM nonprofits employ more than 1 out of 20 paid workers.
- Attract out-of-state funds, creating approximately 17,000 jobs and \$468 million in wages and salaries that would otherwise not exist in NM.
- With State funding, deliver critical services in the areas of health, human and social services to underserved populations and remote communities as well the state's urban areas. These services are generally not supported by the private sector.

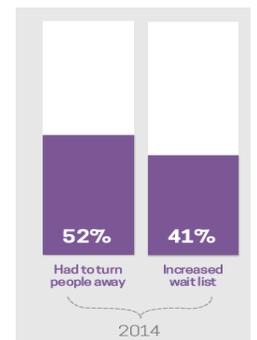


## The Problem:

- 44% of New Mexico nonprofits had decreases in state funding; 47% had decreases in federal funding. [The National Study of Nonprofit-Government Contracting 2012]
- 47% reported problems with payments not covering the full cost of contracted services. 70% reported problems with the complexity/time with the application process. 71% reported problems with the complexity/time with reporting. [NSNGC 2012]
- A lack of resources and capacity to carry out critical functions of New Mexico nonprofits may lead to job cuts, inefficiencies that impact the quality of care and the inability of nonprofits to leverage federal, philanthropic and other funding. In 2014 alone, 283 NM nonprofit organizations lost their IRS tax exempt status.

## Why is This a Critical Issue?

- More than half of all NM direct service providers (52%) report having to turn people away for programs and services over the past year and 41% also note that waitlists for their programs and services grew in 2014. [Building Movement Project 2014]
- The inability to receive timely contracts and payments result in critical delays in providing direct services to our most vulnerable populations, including children, seniors, persons with mental illness, and individuals with disabilities.



## The Solution:

Support HM129 to develop a "Nonprofit and Public Sector Collaboration Work Group" to lead the research to:

- (1) Enhance the ability of the nonprofit sector to address public challenges and to improve quality of life in the communities where nonprofit organizations work.
- (2) Make State Government a more productive partner with nonprofit organizations through better coordination, enhanced transparency, collaborative solutions and greater support for the work of nonprofit organizations.
- (3) Raise awareness of the nonprofit sector and the vital civic, social, and economic contributions nonprofit organizations make to New Mexico communities that cannot be provided by the private sector.



## **OUR STORIES:**

**Delays in reimbursements:** Funding from several state agencies is not moving efficiently resulting in service providers have growing waiting lists, programs not being carried out in a timely manner and putting tremendous cash flow burdens on nonprofits. It is not uncommon for payments from certain agencies to take several months.

**Inefficiency in receiving signed state contracts.** This is true for capital outlays as well as for direct services such as care for those with disabilities, workforce development projects and substance abuse prevention. Nonprofits and local governments often wait from 4-8 months into the grant year before they have an executed contract in hand. In the meantime, they cannot hire staff or have to front the cash to cover wages if they do. Once they have the contract, they have to scramble to do 12 months worth of work in the remaining months of the contract.

**Inefficient Reporting:** A large nonprofit (that wishes to remain anonymous) is required to submit a 700 page invoice every month and it cannot be submitted electronically. They feel they can capture necessary data in 10 pages. Four funded organizations estimate that they spend \$80,000 per year on the invoice processing alone.

**Unfunded Mandates:** A small nonprofit submitted a proposal outlining its scope and deliverables and the budget it would need to carry out this project. The application was approved. However, when the contract was issued, it required the organization to carry out a SYNAR anti-tobacco campaign with no new funding. It is typical for contracts or fee schedules to not cover essential program expenses, such as travel. This is extremely devastating to direct service providers that have service areas covering one or more of NM's rural counties.

## **PROACTIVE SOLUTIONS: PUBLIC, PRIVATE AND NONPROFIT COLLABORATION**

Progressive and innovative movements are taking place in New Mexico, bringing together the public, private and nonprofit sectors to address complex social issues. One example is the food sector where private producers are working together with schools, senior centers, detention centers and nonprofit organizations to supply healthy food grown in New Mexico. We are also seeing a rise in shared services, where New Mexico's nonprofits are partnering with private businesses or other nonprofits to improve professionalism and efficiencies in administrative services, human resource management, resource development and professional development training.

## **WHY A MULTISECTOR WORK GROUP IS NECESSARY**

**THESE ISSUES OCCUR STATEWIDE AND WITH SEVERAL STATE AGENCIES.** Leaving it up to individual state agencies to solve these issues will not work. We know that divisions within state agencies do not talk to each other and there is even less communication among agencies. Furthermore, internal solutions do not take the interests of nonprofits into consideration. Therefore, the solution must include a multi-sector workgroup with representation from the largest health and human services state agencies, nonprofit organizations, and organizations that do not receive state funding and advocate in the interest of consumers.

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