

THE JACKSONVILLE 80

*Shifts in Funding
for Jacksonville-based Nonprofits*

Mary Kress Littlepage
KBT & Associates
Ray Oldakowski
Jacksonville University

June-July 2008



INTRODUCTION

Local nonprofit organizations find themselves under intense pressure in 2008, as deteriorating economic conditions increase the demand for services at the same time that dramatic changes in public policy reduce the public dollar investment in community services. These cutbacks in public dollar investment mean that, this year, Jacksonville nonprofits are dealing with funding cuts from multiple sources: the federal government, the State of Florida, the City of Jacksonville and the Duval County School Board.

For several years, the Jessie Ball duPont Fund has tracked changes in the overall financial health of the more than 1,200 501(c)(3) organizations based in Duval County. But this data, drawn from IRS Form 990s, generally lags by 18 months. Moreover, the sector-wide research does not probe the sources of revenue for individual organizations and the annual fluctuations in those revenue streams.

To understand more about how changes in government funding are impacting local nonprofit organizations, the Fund, working with KBT & Associates and Jacksonville University, surveyed a subset of 80 Jacksonville nonprofits.¹

The “Jacksonville 80”:

- Are 501 (c) (3) organizations based in Duval County.
- Reflect all of the fields of service included in the Fund’s State of the Sector research except hospitals, higher education and religious organizations.
- Represent about 10% of the total universe of Duval County nonprofits (excluding hospitals and higher education) in 2005.
- Represent about one-third of the total revenues of the Duval County sector (excluding hospitals and higher education) in 2005.

The 80 organizations provided data to researchers through telephone and face-to-face interviews. The data contained in this report reflects the information gleaned from nonprofit executives, not from their 990s, financial statements or other sources.

Jacksonville 80 Distribution by Field	
Arts & Culture	16%
General Education	6%
General Health	18%
Human Services/Adults	31%
Human Services/Children	19%
Public Support & Benefit	3%
Environment/Animal Protection	4%
Recreation	3%
Public Safety	1%

¹ 86 organizations were asked to participate in the survey. Two declined. Data from **four others was unavailable due to merger, dissolution or fiscal structure.**

KEY FINDINGS

- ❖ Nonprofit organizations in Duval County expect to experience a net \$25 million drop in government funding by the time fiscal 2008 comes to a close.
- ❖ The bulk of the reductions - more than \$16 million - will come as a result of state funding cuts. Federal funding is expected to fall by \$4.9 million and local funding by \$3.7 million.
- ❖ To close the gap caused by these reductions, nonprofits would have to increase their income from gifts and contributions by 39.9 % over 2007.
- ❖ Driving the cuts are major reductions in Medicare and Medicaid reimbursement, Head Start and related USDA funding, State of Florida Pre-K funding and, locally, the anticipated loss of Mayor's Literacy Program funds and other city grants to nonprofits.
- ❖ Of the 80 nonprofits surveyed, 68 reported receiving some form of government funding and 47 of those organizations expect to experience a cut in funding from at least one government source. Six of those organizations expect to experience cuts from all three sources.
- ❖ In some cases, government funding is expected to increase - 15 organizations expect to see some increase in government dollars in 2008. These include substantial increases in funding for foster care and related services, services for homeless individuals and funding for HIV/AIDS. These increases, however, are frequently offset by funding cuts in other program areas.

THE JACKSONVILLE 80 - SOURCES OF FUNDS

To appreciate the impact of government funding cuts on nonprofit organizations it is essential to understand how nonprofit organizations are funded. The Jacksonville 80 provides an illustration.

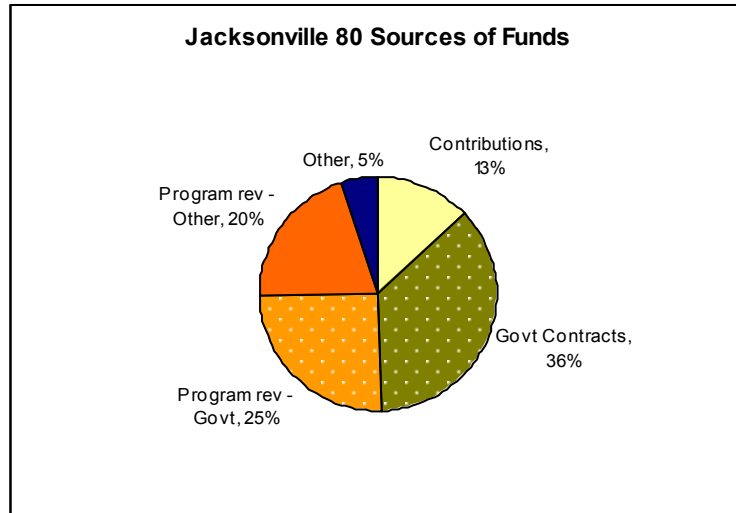
In fiscal 2007, the Jacksonville 80 organizations collectively reported revenues of more than \$466.5 million. Of that total, 62 % -- more than \$290 million - came from some government source - either the federal government, the State of Florida, the City of Jacksonville or the Duval County School Board.

The balance came from contributions, non-government program revenue and other sources, such as gains on investments, endowment transfers and so forth.

With almost two-thirds of the revenue for these organizations coming from public dollars, options for finding replacement revenue are limited.

Unlike the for-profit sector, customer fees offer limited resources for new funds because, in most cases, nonprofit customers are nominally-paying customers. (The one private school in the Jacksonville 80 receives no government funds.)

Generating additional revenue through increased contributions is an option, but also one with limited upside potential: the same tight economic conditions that pressure government also pressure donors. In fact, given the level of contributions received in 2007 -- \$62.6 million - contributions would have to increase by 39.9 % to cover the gap created by anticipated cuts in government funding.



Contributions - Often called "public support;" includes individual contributions, gifts from federated funds such as United Way, and foundation grant support.

Government Contracts - Fees that a government entity pays a nonprofit organization for delivery of specific services. Example: The State of Florida contracts with nonprofit organizations for delivery of most foster care services in the state.

Program Revenue / Government - Government reimbursement for charges that otherwise would be paid by the customer receiving the service. Examples: Medicare and Medicaid reimbursements that may be received by a hospice program; the subsidized portion of day-care fees.

Program Revenue / Other - Charges that nonprofits impose for the services that they provide. Examples: YMCA dues; private school tuition; museum admission fees.

Other - Miscellaneous revenue. Examples: investment earnings, bank account interest, endowment income.

Investment and endowment incomes are influenced by market conditions, and not all nonprofits hold endowments. Only 38 of the Jacksonville 80 report having an endowment, with an average size of \$2.2 million - an amount sufficient to generate about \$100,000 a year in income. Moreover, several of these endowments are young, fueled by gifts made in June 2007 from local philanthropists Delores Barr and J. Wayne Weaver.

In short, the options for nonprofit organizations wishing to replace lost government funding are: raise fees and charges, or generate more private contributions. Neither option holds high-dollar potential.

ANTICIPATED CUTBACKS

Of the Jacksonville 80, 12 organizations report receiving no government funding.

The remaining 68 organizations report receiving \$290 million in government funding during fiscal 2007. The bulk of that came from the State of Florida, with the City of Jacksonville and the Duval County School Board contributing about 10% combined.

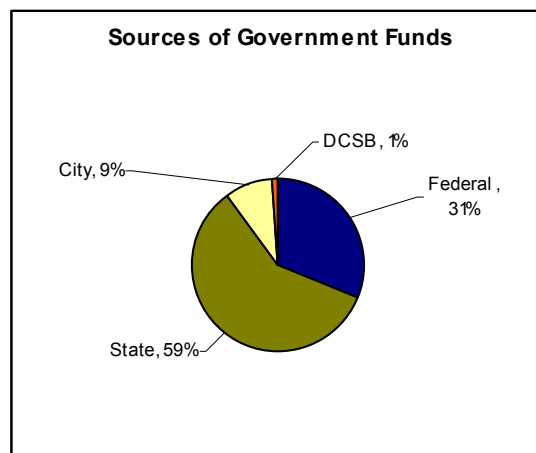
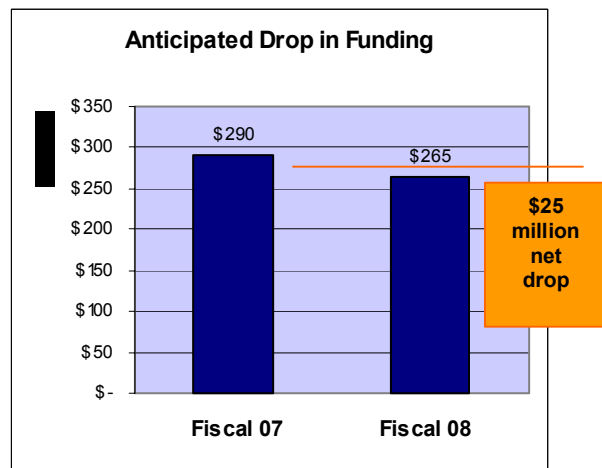
Anticipating the final bottom line for fiscal 2008, these same organizations are bracing for a net \$25 million reduction in government funds.

These cuts are expected to come disproportionately from State of Florida and City of Jacksonville sources, with State cuts making up 69% of the total and City of Jacksonville cuts making up 12% of the total.

It is important to note that in many cases these are *anticipated cuts* - as some final funding decisions remain uncertain.

Some organizations are anticipating reductions from multiple sources.

- An organization that provides mental health and social services to children anticipates more than \$750,000 in cuts from the state, the city and the Duval County School Board. That represents about 12% of the organization's 2007 expenses.



- An organization that provides early childhood care expects cuts of \$3.7 million from federal, state and city sources combined. That represents slightly more than 10% of its 2007 expenses.
- And a museum is anticipating more than \$385,000 in cuts from the state and the Duval County School Board, representing 15% of its 2007 expenses.

In terms of dollars, the largest cuts appear related to reductions in Medicaid and Medicare reimbursements. This impacts not only obvious health care organizations, but often organizations that serve children.

Other large-dollar cuts are related to Head Start funding, and reductions in state funding for pre-kindergarten.

FUNDING INCREASES

In total, nonprofits expect to see almost \$31 million in government funding cut by the end of fiscal 2008, but more than \$6 million of that will be offset by increases in funding for certain programs.

One local child-serving organization, for instance, expects to see increases in its federal, state and local funding, in part as a result of expanding program locations. Another child-serving organization anticipates increases in City funding to more than offset cuts from federal and state sources.

In fact, 15 organizations expect to see a net increase in government funding by the end of 2008.

Shifts in Government Funding	
47	Organizations expect government funding to <u>FALL</u>
15	Organizations expect government funding to <u>RISE</u>
6	Organizations expect <u>NO CHANGE</u> in government funding
12	Organizations receive no government funding

The largest of these increases are found in funding for foster care, for housing and related services for the homeless and disabled, for HIV/AIDS programs and, for programs for children and youth.

WORTH NOTING

The Jessie Ball duPont Fund has been gathering and publishing information on Jacksonville area nonprofits for about five years. Sharon Laird, director of field operations for Jacksonville University's Social Science Research Center, has participated in the Jessie Ball duPont Fund's nonprofit sector research since the beginning.

"Two things are noticeably different today than in 2003," she said.

"First, in 2003, the nonprofits in general were very suspicious of their peer organizations and leery of sharing any information for fear of providing a competitive advantage to another organization. Today, for the most part, these organizations are open to sharing information and talking publicly about the common challenges they face.

"Second, the overall level of knowledge about the business of nonprofits has risen. When we started, maybe 10-15 percent of the organizations had a command of their financial position and their sources of funding. Today, 85-90 percent of the organizations' CEOs understand their financial situation."

That said, she cautions not to expect too much uniformity from the sector. The organizations are incredibly diverse in structure, mission, organizational culture, operating style and business models. "The only thing these organizations have in common is the word "nonprofit.""

THE JACKSONVILLE 80

1. All Saints Early Learning & Community Care Center
2. Arc Jacksonville
3. Beaches Aquatic Club
4. Beaches Emergency Assistance Ministry
5. Beaches Womens Partnership
6. Big Brothers & Big Sisters of Greater Jacksonville
7. Bolles School
8. Boy Scouts of America
9. Boys and Girls Clubs of NE Florida
10. Bridge of Northeast Florida Inc.
11. Cathedral Arts Project Inc.
12. Child Guidance Center Inc.
13. City Kid's Art Factory
14. Clara White Mission
15. Communities in Schools of Jacksonville
16. Community Connections of Jacksonville
17. Community Hospice of Northeast Florida
18. Compassionate Families Inc.
19. Cultural Council of Greater Jax, Inc.
20. Daniel Memorial Inc
21. Dignity U Wear Foundation
22. Dreams Come True of Jacksonville
23. Duval County School Readiness Coalition
24. Emergency Services and Homeless Coalition of Jacksonville
25. Episcopal Children's Services Inc
26. Family Foundation (Family Counseling Service)
27. Family Nurturing Center of Florida
28. Family Support Services of North Florida
29. Garden Club of Jacksonville
30. Gateway Community Services
31. Girl Scouts of Gateway Council Inc
32. Greenscape of Jax
33. Grove House of Jacksonville
34. Habitat for Humanity of Jacksonville
35. Health Planning Council of Northeast Florida
36. Hope Haven Association
37. Housing Partnership of Jacksonville
38. Hubbard House
39. I M Sulzbacher Center for the Homeless, Inc.
40. Jacksonville Area Legal Aid
41. Jacksonville Area Sexual Minority Youth Network
42. Jacksonville Childrens Chorus
43. Jacksonville Community Council
44. Jacksonville Humane Society
45. MOCA (Jacksonville Museum of Modern Art)
46. Jacksonville Symphony Assoc.
47. Jacksonville Urban League
48. JaxCare
49. Jewish Family and Community Services
50. Junior Achievement
51. Learn to Read
52. Lutheran Social Services of Northeast Florida
53. Malivai Washington Kids Foundation Inc
54. Mental Health Associations in Florida
55. Museum of Science and History
56. National Council of Negro Women
57. National Society Colonial Dames of America in the State of Florida
58. Northeast Florida Aids Network
59. Elder Source (Northeast Florida Area Agency on Aging)
60. Northeast Florida Healthy Start Coalition
61. Northeast Florida Safety Council
62. One Jax
63. Operation New Hope
64. Pace Center for Girls Inc.
65. Pine Castle Inc
66. Planned Parenthood
67. Police Athletic League of Jacksonville
68. Riverside Fine Arts Association
69. Riverside Womens Club of Jacksonville
70. Riverside-Avondale Preservation Inc
71. Ronald McDonald House of Jacksonville
72. Speech and Hearing Center Inc
73. Theatre Jacksonville
74. Theatre Works
75. Vim Jax Inc
76. Vision is Priceless Council
77. We Care Jacksonville Inc
78. Women's Center of Jacksonville
79. YMCA of Florida's First
80. Youth Crisis Center Inc