

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

BUILDING TRUST, CONNECTIONS AND RELATIONSHIPS

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BUDGET IMPASSE CUT CRITICAL SERVICES AND INCREASED NONPROFIT COSTS

[May 26, Harrisburg, PA] After nine (9) months of negotiation, Pennsylvania has a full budget. And the clock is ticking down, with approximately 30 days to the 2016-17 Budget deadline. Some nonprofits are now scrambling to fulfill their 12-month contract obligations in the last three (3) months of this budget cycle, while negotiating for the funding needed to provide mandated services on behalf of our state and federal government partners.

Auditor General DePasquale [reported](#) that Pennsylvania school districts had to borrow close to \$1 billion to continue operations, with an estimated \$50 million in interest payments. A [recently released report](#) by the County Commissioners Association of Pennsylvania (CCAP) noted that county governments put up an average of \$12 million per county to provide critical services for residents experiencing mental health, intellectual disabilities. Less is known about the final impact experienced by the Commonwealth's nonprofit sector and the clients they serve.

The Pennsylvania Association of Nonprofit Organizations (PANO) partnered with the United Way of Pennsylvania (UWP) and the Greater Pittsburgh Nonprofit Partnership (GPNP) to administer a survey, developing a brief but compelling snapshot of how the nine (9)-month budget delay affected 176 nonprofit organizations and the clients they serve across all 67 Pennsylvania counties.

Key findings include:

- **17,100** clients served by **22** organizations received no or reduced services
- **135** organizations borrowed **\$171.9 Million** to continue operations
 - Of this, 171.9 Million dollars:
 - ✓ **50% (\$85.6 Million)** was borrowed from organizational cash reserves
 - ✓ **39% (\$67.3 Million)** was borrowed from lines of credit/bank loans
 - ✓ **8% (\$15 Million)** was “borrowed” from vendors (small business owners serving nonprofits) —through delayed payments
- **45** organizations reported that they will need to pay back a collective total of **\$532,000** in interest
- **382.25 FTE** employees were laid off, furloughed or had their hours/pay/benefits eliminated or reduced.

And these numbers only provide a snapshot of the collective impact felt by the 3,194 nonprofits receiving government contracts and grants operating in the Commonwealth (Urban Institute, National Survey of Nonprofit –Government Contracts and Grants, 2013).

Anne Gingerich, PANO's Executive Director, stated, “We are glad that current budget negotiations seem to moving in a positive direction because last year's budget impasse put Pennsylvania's most vulnerable citizens at risk. The stalemate literally kept domestic violence victims in the communities where their abusers had access to them, stalled training for those seeking jobs and forced food banks to distribute less nutritious food.”

As partners of state government, Pennsylvania nonprofits help millions of individuals along with families and communities each day by protecting, feeding, healing, sheltering, educating and nurturing bodies and spirits. These organizations employ 13.3% of the Commonwealth's workforce. Without an on-time budget in 2016-17 with funding at levels appropriate to meeting citizen's needs, nonprofit organizations will most likely need to curtail critical services—as they continue to address the impact of the previous year's impasse.

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About the Report and Partnering Organizations

All data reported was for the period of July 1, 2015 through February 29, 2016. PANO analyzed the data and generated the report. **For more information, please visit:** <http://pano.org/Advocacy/State/>

- **About PANO:** An 860-member organization that *amplifies the impact of the community benefit sector through advocacy, collaboration, learning and support.*
- **About the Greater Pittsburgh Nonprofit Partnership:** A 420-member organization that *strengthens Southwest PA by improving the viability, impact and effectiveness of nonprofits.*
- **About United Way of PA:** A 63-member organization that *assists and champions the efforts of local United Ways in advancing the common good.*