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Nonprofit Strategies



SAN LUIS OBISPO COUNTY COMMUNITY FOUNDATION

State Budget Cuts Harm Nonprofits

By Barry VanderKelen

Most nonprofits delivering education, health and human services programs depend on state and federal funding to carry out their important work. The governor is proposing deep cuts to education and health and human services funding to help close the projected \$19 billion budget gap. If the proposed cuts are made, many local nonprofits will be in dire financial positions.

It is very efficient for government agencies to outsource work to nonprofits. Nonprofits deliver the services at a lower cost, and they accept charitable donations that augment the government grants. Some 70 percent of the spending from the state's General Fund is done at the local level, thus allowing more people access to services.

Without this distribution, the cost to provide the same services would be much higher.

Education comprises more than half of the spending from California's General Fund. Spending on Health and Human Service programs is the second largest item, followed by spending on corrections. In the past five years, only three areas of spending have increased: corrections, transportation and service on the state's debt. The proposed cuts to education, health and human services would further reduce shrunken programs.

Many nonprofits are diligently educating elected officials about the impact of programs and the harm that additional cuts will have.

Further hurting nonprofits is the inability to recover actual costs of delivering outsourced

programs and services. Agreements with the state require organizations to deliver contracted programs and services even if the state delays payments because the Legislature fails to adopt a budget on time. Many nonprofits borrow money until payment or reimbursement is received, but they are not allowed to recoup interest paid on the borrowed money. Sometimes it takes months for the state to release the payments. Ironically, for-profit organizations are allowed to recover actual costs. Nonprofits are paying close attention to the creation of the state budget.

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Resource Use

- Support nonprofit leadership
- Board development/training
- Strategic planning

Nonprofit Business Column of The Tribune

The San Luis Obispo Tribune publishes a column every other week in the Business section dedicated to the business practices of nonprofit orgs. Barry VanderKelen, Executive Director of the San Luis Obispo County Community Foundation writes the bi-

weekly column to help strengthen nonprofit organizations in the community. Each column is reprinted here as a one-page handout for use by local organizations. Barry can be reached at 543-2323 or by e-mail at barry@slocf.org.