

Effects of the Economic Downturn on USP Grantees: A Quick Snapshot

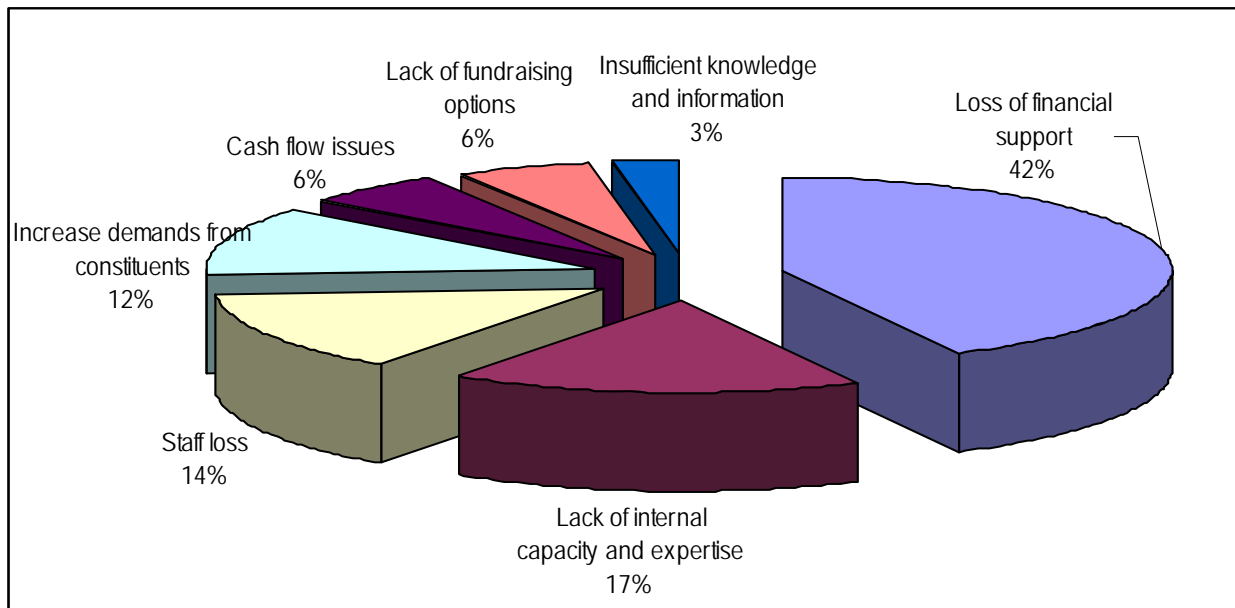
The economic downturn is creating serious challenges for the nonprofit sector. Many nonprofits are feeling the effects, experiencing cuts in funding, having to re-tool or scale back their programs, respond to increased demand for services, or make serious reductions in their operations. While the recession will end at some point, its effects will linger and will probably shape a new reality for nonprofit organizations. Within this context, U.S. Programs must come up with new and improved ways to ensure that the crucial social justice and advocacy work we support is not disproportionately affected.

During the months of July and August, USP staff participated in a survey that captured information about some of the needs and challenges our grantees are facing as a result of the economic turmoil.

The survey was administered online (with one exception, where one fund decided to respond collectively during an in-person session) and 16 staff members responded. It included a combination of open-ended and close-ended questions. In an effort to elicit as much information as possible, many questions allowed respondents to provide more than one answer.

We hope the analysis of the results presented below will provide input that will assist U.S. Programs to respond proactively and relevantly to the challenges affecting our grantees.

WHAT ARE THE BIGGEST OR UNIQUE CHALLENGES THAT USP GRANTEES ARE FACING?



#1 Loss of financial support, both operational and programmatic

Most respondents observed that grantees have experienced or are experiencing funding cuts, leading to cash flow problems and staff lay offs.

#2 Lack of internal capacity and expertise to respond to the challenges created by the economic situation

Grantees either have lost or are in no position to hire staff with the knowledge, skills and experience that could help them respond creatively and effectively to the challenges created by the economic situation. If this challenge is in any way similar to what other nonprofits are experiencing, this basically means financial planning and management expertise and fundraising

#3 Staff losses

Staff lay offs were mentioned by several respondents, in addition to hiring freezes and the reduction of staff salaries.

#4 Increased demand for work/services from constituents

At the same time that the financial picture has worsened for most of our grantees, the demand for services has increased. This scenario – a decrease in funding coupled with an increased demand for services – makes it more important than ever for nonprofit leaders to allocate their resources and staff to their core programs, to the activities that can make the greatest difference. This means protecting those programs and services that have the greatest impact, and protecting the organizational infrastructure required to support them.

#5 Cash flow issues

A small number of respondents mentioned that grantees are experiencing problems (delays) around the timing of receipts of funds.

Additional responses included lack of fundraising options (beyond grant writing) and insufficient knowledge and information (that would help grantees respond more effectively to the challenges).

ARE GRANTEES PROACTIVELY COMING TO YOU TO DISCUSS CHALLENGES?

Some are; some aren't. 82% of respondents answered that grantees are discussing their challenges with them "with some frequency". Some are more proactively reaching out to USP staff while others are wary of sharing this kind of information, fearing it might be perceived as a sign of organizational vulnerability.

ARE YOU REACHING OUT TO GRANTEES TO DISCUSS THESE CHALLENGES?

64% of respondents are reaching out to their grantees "with some frequency" (on a case by case basis or these issues come up during grant renewal discussion); 19% are having frequent discussions with their grantees and are trying to make these discussions part of their due diligence; and the remaining 19% are not discussing these issues at all.

While some funds/campaigns are being proactive about initiating conversations with their grantees, there can be significant differences amongst the various program staff within those funds/campaigns. Even within particular funds/campaigns, there seems to be no agreed upon or consistent way to approach and manage these discussions with grantees.

ARE YOU DISCUSSING THESE CHALLENGES WITH OTHER FUNDERS WITH WHOM YOU HAVE GRANTEES IN COMMON?

82% of respondents are comparing notes and sharing information on organizations with other funders. One fund is proactively sharing this information with other funders and is even exploring a collaborative effort. Other staff expressed a concern that, because of many highly publicized donations by Mr. Soros, other funders might be expecting OSI to take a lead role in providing additional funding to nonprofits, putting pressure on program staff who might not know how to respond.

ARE YOUR GRANTEES MAKING SPECIAL OR EXTRA REQUESTS FROM YOU?

100% of respondents recognized that they are receiving special or extra demands from their grantees. The most frequently cited demand was for increased funds to cover for lost funds from other funders, followed by general operating support grants and increased flexibility in grant conditions (in particular early release of grants). Additional requests mentioned were: introductions to new funders, increasing renewals and multi-year commitments.

WHAT STRATEGIES ARE YOUR GRANTEES IMPLEMENTING TO ADDRESS THE EFFECTS OF THE ECONOMIC DOWNTURN?

75% of respondents noted that their grantees are reacting to the economic situation with specific strategies. Those most frequently mentioned were:

- Reducing staff (lay offs, hiring freezes and reduction of staff time)
- Reducing programmatic costs
- Seeking technical assistance and financial coaching

Other less frequently mentioned strategies were: reducing operational expenses, diversifying the donor base, merging back office operations and designing/implementing earned income strategies.

WHAT WOULD HELP YOUR GRANTEES ADDRESS THE EFFECTS OF THE ECONOMIC DOWNTURN?

- #1 Financial support for core costs (staff, infrastructure, administration)
- #2 Technical assistance and other capacity building opportunities
- #3 More flexibility in grant conditions
- #4 Funds to help with cash flow problems
- #5 Opportunities to hear and learn from other nonprofits facing similar challenges
- #6 Knowledge and information

Additional suggestions:

- A group of funders could collaborate to offer technical assistance, emergency grants or cash flow assistance
- Offer individual grantees a combination of grants and technical assistance. Thinking collectively about a large group of grantees: providing them with the tools and assistance to survive and thrive now and when the economy gets better.

Note: the chart below ranks answers between 1 and 6; 1 being the MOST helpful and 6 being the LEAST helpful.

	1	2	3	4	5	6	N/A	Rating	Response
Technical assistance and other capacity building opportunities	22.2% (2)	44.4% (4)	11.1% (1)	11.1% (1)	11.1% (1)	0.0% (0)	0.0% (0)	2.44	9
Financial support for core costs (staff, infrastructure, administration)	75.0% (9)	0.0% (0)	8.3% (1)	16.7% (2)	0.0% (0)	0.0% (0)	0.0% (0)	1.67	12
More flexibility in grant conditions	0.0% (0)	33.3% (4)	33.3% (4)	16.7% (2)	0.0% (0)	8.3% (1)	8.3% (1)	3.09	12
Funds to help with cash flow problems	7.7% (1)	23.1% (3)	30.8% (4)	23.1% (3)	7.7% (1)	7.7% (1)	0.0% (0)	3.23	13
Opportunities to hear and learn from other organizations facing similar challenges	0.0% (0)	9.1% (1)	9.1% (1)	27.3% (3)	27.3% (3)	27.3% (3)	0.0% (0)	4.55	11
Knowledge and information	0.0% (0)	0.0% (0)	9.1% (1)	9.1% (1)	54.5% (6)	27.3% (3)	0.0% (0)	5.00	11

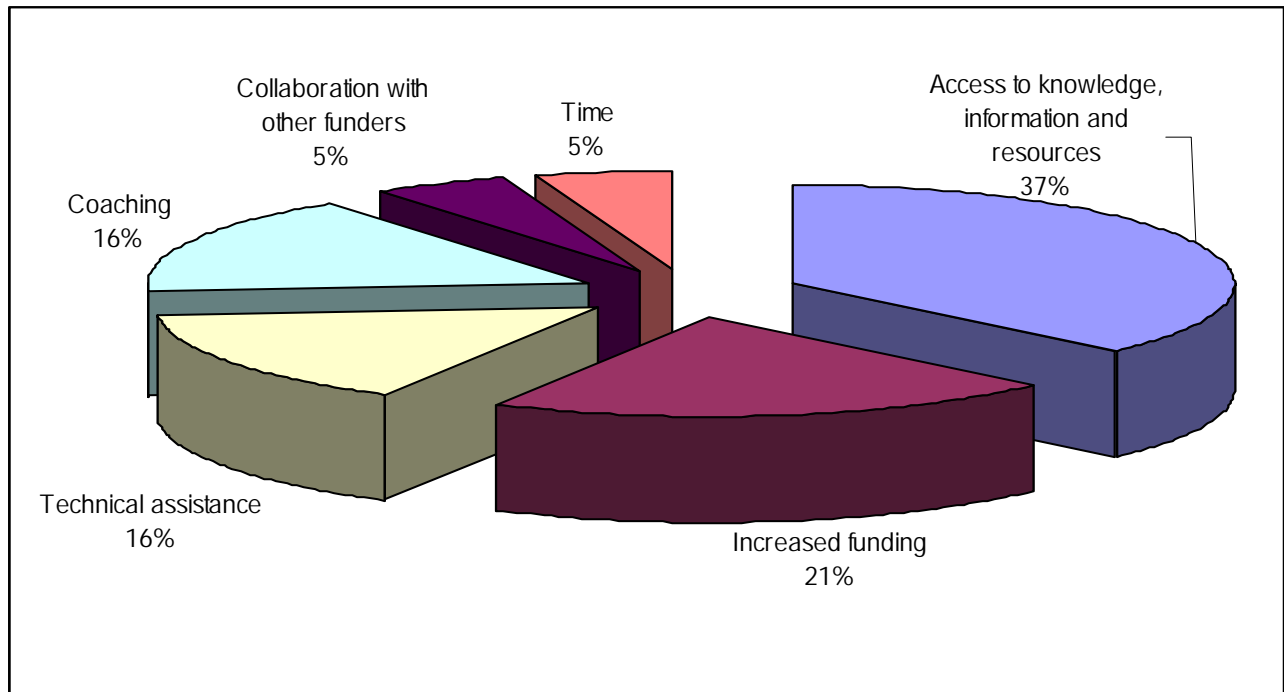
WHAT SPECIAL OR EXTRA SUPPORT ARE YOU PROVIDING?

The most frequent answer was “being available/listening/acting as a sounding board”. Followed by (not in order of priority – all these answers were mentioned the same number of times):

- Being open to providing technical assistance grants
- Being open to providing emergency funding
- Being as flexible as possible with grant terms and release of funds
- Providing JEHT and SDF grants where appropriate
- Providing support from Carpe Diem and Special Fund for Poverty Alleviation
- Collaborating with other funders to possibly fund a pilot around small donor diversification
- Reaching out to / making connections to other donors

- Making referrals to technical assistance providers
- Providing information on fundraising and budgeting

WHAT WOULD HELP YOU TO BEST RESPOND TO THE NEEDS OF YOUR GRANTEES?



Access to knowledge, information and resources (37%)

- On grantees' needs and constraints at this time
- Tools that might be useful for grantees (financial planning and management)
- Training opportunities for grantees
- Type of support being provided by other donors
- Articles/documents

Increased funding (21%)

- To respond to cash flow issues
- For general operating support
- For technical assistance (fundraising, strategic planning, etc)

Technical assistance (16%)

- Access to on-call technical assistance consultant
- TA grants
- Low cost access to technical assistance and capacity-building providers

Coaching (16%)

- On how to improve grantees' fundraising efforts
- On nonprofit mergers
- On managing difficult/delicate conversations

Collaboration with other funders (5%)

Time (5%)

WOULD IT BE HELPFUL FOR US (AND WORTHWHILE FOR THE GRANTEES) TO SURVEY A REPRESENTATIVE GROUP OF USP'S GRANTEES?

90% of respondents answered YES

10% answered NO

WHAT CRITERIA COULD WE USE FOR CHOOSING A SAMPLE OF GRANTEES?

A combination of:

- Length of relationship with OSI
- Size of grantees
- Areas of focus
- Location
- Scope of work (national, state-based)
- Financial need/distress

Several people emphasized focusing on small nonprofits (budgets of U\$1 million or less), grassroots, people of color led groups.

Attention!

A survey will raise expectations. We have to be clear about what support we are ready to offer. We have to be ready to act quickly.

LIST OF POTENTIAL GRANTEES TO INCLUDE IN A SURVEY

1. Applied Research Center
2. Human Rights First
3. Ruckus Society
4. National Legal Aid and Defender Association
5. National Council Alcohol and Drug Dependence –Maryland
6. Advocates for Children and Youth
7. Kierra Johnson, Choice USA Center for Community Change - both for itself and for its vast partner group network
8. Brennan
9. Justice at Stake

10. Gay and Lesbian Advocates and Defenders
11. Amnesty International
12. Equal Justice Initiative of Alabama
13. Fusion Partnerships, Inc. Fiscal Agent for Maryland Restorative Justice Initiative
14. Right to the City Alliance for its network of smaller, grassroots partners
15. Karen Kraut, United for a Fair Economy
16. Center for Investigative Reporting
17. Institute for Wisconsin's Future
18. Twenty First Century Foundation
19. Equal Justice Society
20. Physicians for Human Rights
21. Southern Center for Human Rights
22. Fusion Partnerships, Inc. Fiscal Agent for the Eric Villines Advocacy Institute
23. Center on Budget and Policy Priorities both for itself - a large, elite institution - and for its network of allied state-based partners
24. Kristina Rizga, WireTap
25. Public Knowledge
26. National Partnership for Women and Families
27. Public Interest Projects Human Rights Fund
28. Mississippi Workers Center for Human Rights
29. Muslim Advocates
30. Alternative Directions, Inc. - Out for Justice Project
31. State Voices (for its vast network of 16 state c3 civic engagement tables that include 545 non-profit social change groups across the country)
32. Center for Responsive Politics
33. National Institute for Money in State Politics
34. StoryCorps
35. PRLDEF
36. Bill of Rights Defense Committee
37. Rockwood Leadership Program
38. Maplight
39. Greater New Orleans After School Partnership