



## 2016 Budget Message to our Elected Leaders

Nonprofit organizations are an essential element of the social safety net that serves Montgomery County's most vulnerable residents. They do this in partnership with and thanks to financial support from County government.

### **GROWING NEED IN MONTGOMERY COUNTY**

While the economy continues to recover steadily from the Great Recession, the nonprofit sector continues to see significant need in our community.

- Nearly 70,000 residents live below the Federal Poverty Line; 191,000 live below 200% of poverty. The self-sufficiency index for a family of 3 in the County is \$77,933, which is 3.9 times the Federal Poverty Line.
- 52% of all County residents living in poverty speak a language other than English at home.
- More than one quarter of seniors live below 300% of the poverty level. 32,433 children under age 6 (41.7%) live below 300% of the poverty level.
- In 2014, 54,099 children in MCPS participated in the Free and Reduced Meals program (>one-third of all students) as compared to 37,692 students in 2009.
- 77,780 residents are food insecure.
- 4 out of 10 renters spend more than 35% of gross income on housing and the cost of housing in the County increased by 62% since 2001 (vs. 50% statewide) while wages only increased by 17%

### **NONPROFITS ARE KEY PARTNERS IN ADDRESSING COMMUNITY NEEDS**

Montgomery County has invested in, partnered with, and benefited from nonprofits that deliver services efficiently and effectively to residents. Our nonprofit sector includes hundreds of small neighborhood-based organizations as well as larger nonprofits, and employs 10% of the county's workforce. Collectively, we serve well over half of the County's residents. We provide food, shelter and affordable housing, clothing, counseling, medical, dental and mental health care, substance abuse treatment, job training, legal services, after-school programming and educational support, as well as programs in the arts and environment to neighbors in our increasingly-diverse County. We address the economic opportunity gap and the achievement gap with the services we deliver on our own sites, at corporate locations and in County-run facilities and schools, enriching all residents' quality of life, and meeting the needs of those who are physically and/or mentally ill, disabled, low-income, homeless, or jobless. For example:

- Montgomery County Coalition for the Homeless served 1,600 men, women and children last year and collaborated in a public-private partnership that effectively ended veteran homelessness in Montgomery County in December 2015.
- Manna Food Center touches the lives of over 38,000 of the 77,780 food-insecure members of our community. 2,450 Montgomery County Public School students receive a sack of food every Friday during the school year to combat weekend hunger.
- Each year, A Wider Circle furnishes the homes of more than 4,000 families.

### **COUNTY FUNDING REMAINS CRITICAL TO NONPROFITS DELIVERING SERVICES**

As your partner, nonprofits serving Montgomery County will continue to help find solutions to some of our community's toughest challenges. We thank you for protecting our longstanding partnership and respectfully request that you:

**Protect the county's investment in nonprofits that partner with government to deliver services**

1. **by applying a 4% contract adjustment to all eligible base contracts for services provided by nonprofits across all departments, including those funded through Montgomery Cares, and**
2. **by increasing the amount of money allocated through the County Executive and County Council Community Grants processes to \$12,000,000.**



## Background

### 1. Contract Adjustment

**Contract inflationary adjustments** acknowledge that the cost of doing business and the cost of delivering services to residents increases from one year to the next. This is the only mechanism to increase a base contract with the County to reflect rising costs until the contract is renewed, which only happens every four to six years. The fiscal impact of a 4% contract adjustment would be relatively low to the County -- about \$2 million or less than .037% of the County's operating budget--and would maintain existing service levels and help to address pressing organizational infrastructure needs.

While the County's previous inflationary adjustments have never fully covered increases in the cost of delivering services, in part because most county contracts cover only a portion of the total cost of providing services and in part because there was no inflationary adjustment in 2012, an across the board reduction of 7% in 2011 and only a 1% adjustment in 2010, contract adjustments represent a meaningful contribution toward covering some of the costs related to delivering contract services, which are essential to the community.

Some factors in increased costs of contract services include the County's increase in the minimum wage, which will step up to \$10.75 on July 1, 2016, new County contract requirements for cybersecurity insurance, which can be costly for nonprofits who hold sensitive client data, and in FY17, many nonprofits will face additional budget pressures for staffing costs when new federal Department of Labor regulations are issued that are expected to raise the salary threshold for exempt positions to \$50,440 a year from the current \$23,660.

Nonprofit Montgomery surveyed its 115 members in December 2015 and resoundingly heard that funding has not kept pace with the cost of delivering services and updating organizational infrastructure. Nonprofits are expert at leveraging County funding for additional, substantial financial support from the private sector, and will continue to do so, but request a modest increase in contract amounts to continue meaningful service delivery.

### 2. Increase in Community Grants Allocation

Funds awarded through the **County Executive and County Council Community Grants Processes** are in increasing demand and more essential to the delivery of services, especially as the base budget for service delivery has not changed significantly. Some organizations, such as College Tracks and Housing Unlimited, do not receive any county dollars through the base budget. For other organizations, the Community Grants are a key source of match funding that would otherwise be lost. And for others, these grants have become the de facto way in which the county provides core operating support for the delivery of high priority services but that leaves the uncertainty of funding from year to year. As the total amount awarded through the County Executive and County Council Grants process has increased, so has the competition. For example, in FY16, the county received 646 total applications for County Executive and County Council Community Grants, an increase of 25% over FY15. Unique requests totaled \$27 million. An increase to \$12,000,000 would support delivery of essential services as well as allow for innovation in addressing community needs.

Additionally, we request that the County streamline support for programs that have proven their value in delivering essential services to the community by revisiting the idea of developing a process for moving programs that routinely (over multiple years) receive non-departmental account funding through the County Executive and County Council grant processes into the base budget.

