NON-PROFIT SUMMARY AND POLICY CONSIDERATIONS

Arlington County works with numerous non-profit organizations to provide a wide range of services to the community. These services are funded through a variety of local, state and federal sources.

In the FY 2017 Adopted Budget Guidance to the County Manager, the County Board directed the Manager to provide a summary of the various non-profit organizations that the County provides grant funding to and/or contracts with for services. The County Manager was also directed to provide a possible framework and policy considerations than can guide future funding and investment decisions.

Summary of Non-Profit Organizations

In response to the County Board's direction, the Department of Management and Finance worked with each department to obtain detailed information on each non-profit organization that performs County services and/or receives County funding. The compiled list of non-profit organizations (available on the public website here) includes organizations receiving funding in the FY 2017 Adopted Budget. In addition, a more detailed narrative describing the services the non-profits are providing Arlington County and the current evaluation process for providing County funding can be found on the public website here.
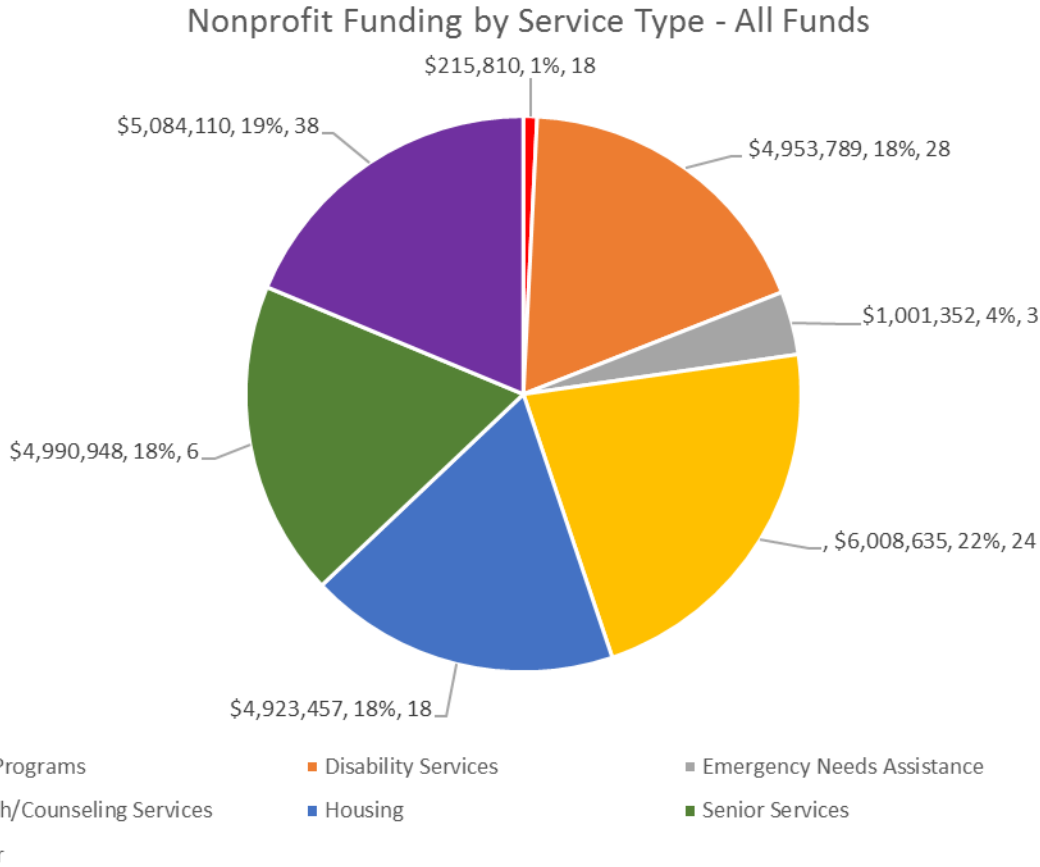
Total funding provided to non-profit organizations in the FY 2017 Adopted Budget across all funds is approximately $27.2 million for 135 different programs[1], and 96 unique organizations. Of the total funding, $26 million is funded through the General Fund, $946,750 is funded in the Community Development Fund, and $184,000 is funded through the Stormwater Fund. The pie chart below illustrates the FY 2017 Adopted Budget for non-profits by department. As the pie chart shows, the Department of Human Services manages the majority of the County's non-profit relationships.

Non-Profit Funding by Department - All Funds

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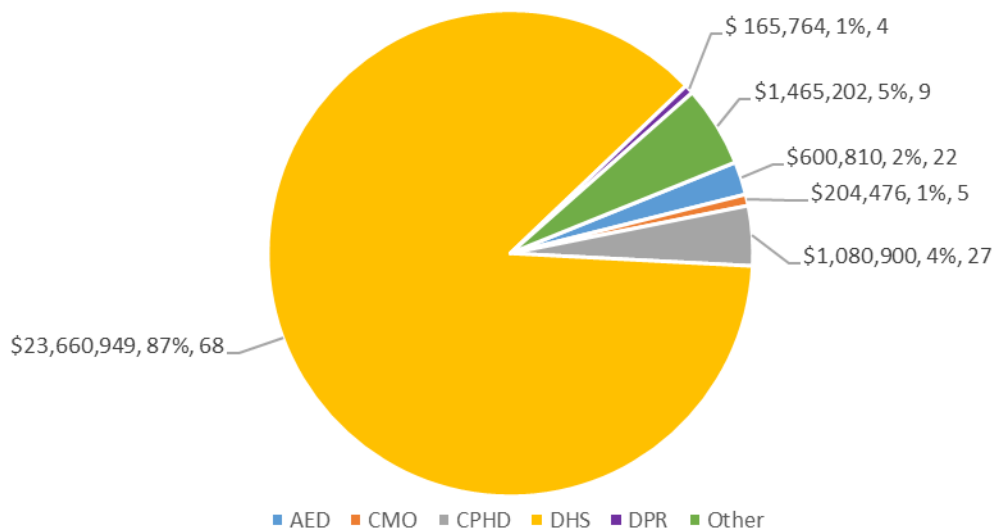
[1] The number of different programs includes each arts grant recipient (18 in total) and excludes non-profit organizations that only receive in-kind contributions (8).

The following chart depicts non-profit funding across all funds by the type of service provided. The vast majority of services provided by non-profit organizations, approximately $21 million, fall into the categories of housing, disability, seniors, and health and counseling services. This demonstrates that our relationships with local non-profit organizations is illustrative of the County's priority of providing safety net programs to those most in need.

Nonprofit Funding by Service Type - All Funds

$215,810, 1%, 18
$5,084,110, 19%, 38
$4,953,789, 18%, 28
$1,001,352, 4%, 3
$4,990,948, 18%, 6
, $6,008,635, 22%, 24
$4,923,457, 18%, 18

- ■ Arts Programs
- ■ Disability Services
- ■ Emergency Needs Assistance
- ■ Health/Counseling Services
- ■ Housing
- ■ Senior Services
- ■ Other

$15.0 million of total non-profit funding (or 55 percent), are for contracts for goods or services that were competitively bid. Out of those non-profit organizations that did not go through the competitive procurement process, another five percent of funding was awarded through an alternative competitive review process (including non-profit organizations funded through the Community Development Fund, the Arts Grants process and the bi-annual review of disability non-profit organizations).

The Department of Human Services (DHS) manages the majority of the County's non-profit relationships. DHS non-profits primarily fall into the categories of health and counseling services ($5,442,490 or 23 percent), senior services ($4,961,372 or 21 percent), disability services ($4,710,639 or 20 percent), and housing services ($4,588,807 or 19 percent). These service categories are consistent with the department's key areas of focus as well as County-wide trends. Out of the 68 non-profit organizations working with DHS, 38 (or 56 percent) were awarded funds through a competitive evaluation process and 30 non-profits (or 44 percent) were awarded funds through a non-competitive evaluation process.

Non-Profit Funding Framework and Analysis

Non-profits initiate and maintain funding from the County in a variety of ways. Depending on the funding source and type of service provided, funding may be received through a defined competitive bidding process, to an organization working with County staff through the Department Director and County Manager, or even directly from the County Board through the budget process. A more

detailed description of the current funding and evaluation process for non-profits can be found on the County website here. While the majority of County non-profit funding is awarded through a competitive evaluation process, the County does have sole source contracts with non-profits and awards discretionary grants to non-profits. These are both important tools for the County to assist in funding service gaps and often enables organizations in the community to increase their fund raising capabilities.   For example, a non-profit may have expertise in specialty areas that DHS or another County agency does not have, or may be able to provide services more cost effectively.

Areas of service delivery non-profits provide the County range widely and include: residential programs for individuals with serious mental illness, developmental disabilities, and youth in foster care, medical detox for substance abuse, and homeless shelters and services for victims of domestic and sexual violence. Many of these services are supported through funding from Federal and State grants.

Staff Analysis - Government/Non-profit Relationships in Neighboring Jurisdictions

As part of its FY 2017 Adopted Budget Guidance to the County Manager, the County Board requested a framework as well as policy considerations to guide future non-profit funding and investment. The Department of Human Services conducted extensive research and met with staff from the City of Alexandria, Fairfax County, and Montgomery County in order to understand how non-profit organizations are funded in neighboring jurisdictions.

In their journal article, "Two Models for Non-profit Funding Allocation: Lessons for Non-profit Managers," Maureen Berner, Meredith Archer Hatch, and Eileen Youens explain that "there are no national models, best practices or even promising practices for local governments to use in funding non-profits" (4). As a result, there is tremendous variation in how government/non-profit funding relationships are established and maintained throughout the country.

City of Alexandria, Virginia
The City of Alexandria funds many types of programs through the Alexandria Fund for Human Services (AFHS), which prioritizes services for young children, youth, families, immigrants, seniors, and persons with disabilities. Until recently, the AFHS had served as an umbrella through which the Department of Community and Human Services administered grants for three separate Funds: the Children's Fund, the Youth Fund, and the Community Partnership Fund.   Each Fund targeted different populations, and had different applications and reporting requirements. In June 2013, however, the City Council requested the formation of a working group to determine whether the AFHS was successfully supporting City priorities, and to make certain that organizations receiving funding were achieving the outcomes proposed in their applications. In response to the Working Group's recommendations, the City of Alexandria has made many changes to the AFHS, including:
- Consolidating the three Funds into one pool of money, with a single application and set of reporting requirements;
- Shifting to a three-year funding cycle;
- Appointing a 10-person review board to evaluate proposals; and
- Approving five outcome statements drawn from existing City plans that serve as priorities to drive funding decisions.

Fairfax County, Virginia
Prior to the late 1990s, Fairfax County funded non-profit organizations through many different processes, each with its own application and reporting requirements. Over time, the County was met with numerous challenges, such as the inability to track service duplication, identify gaps, or determine whether spending was aligned with community needs. As a result, Fairfax combined Community Services Block Grant (CSBG) and General Fund dollars in 1997, and added Community Development Block Grant (CDBG) dollars in 2000, resulting in a streamlined competitive grant process now known as the Consolidated Community Funding Pool (CCFP). At present, CCFP funds

projects related to human services, affordable housing development administration/construction, and the acquisition/rehabilitation of affordable housing. More specifically:

- An advisory committee – made up of members of other advisory or administrative boards, councils, and committees – is responsible for setting policy, priorities, and proposal evaluation criteria;
- A selection committee – made up of interested citizens – reviews and rates proposals, and makes funding recommendations to the Board of Supervisors; and
- Awards are made for two-year terms.

Montgomery County, Maryland
Since the 1970s, Montgomery County has funded non-profit organizations to provide services to residents in need. Initially, the County did so without a well-defined application process; in fact, grant requests were most often approved by the County Council on an ad-hoc basis during work sessions. In the 1990s, however, the County Executive developed the Executive Community Collaboration Grants (ECCG) process, and the County Council created the County Council Grants (CCG) process shortly thereafter. At present, these are Montgomery County's primary vehicles for distributing discretionary dollars to non-profit organizations. ECCG and CCG are very similar in that:

- Both grant awards for a one-year term;
- The applications are nearly identical, and use the same online submission system;
- ECCG support services consistent with the County Executive's mission statement, and each year the County Executive identifies specific funding priorities;
- CCG provide funding for programs and projects that advance the County's services, goals, and objectives in areas such as community development, economic development, education, health and human services, and recreation; and
- CCG are reviewed by a Community Grants Advisory Group (CGAG), while the ECCG are reviewed by staff from the County's Office of Management and Budget.

Advantages and Limitations of Other Local Jurisdiction Models

There are several benefits common to two or more of the funding models outlined above:
- Reduction in administrative redundancies due to consolidation of multiple funding streams;
- Increase in clarity around application and evaluation processes;
- Multi-year funding cycles, which allow for more stable programs;
- Flexibility, as funding priorities are frequently re-evaluated based on changing community needs;
- Elimination of duplicative services;
- Community input and involvement throughout much of the funding process;
- Enhanced public legitimacy, with staff preference and political pressure on elected officials minimized; and
- Equal opportunity, since non-profits' relationships with decision makers do not factor into the funding process.

In spite of these advantages, there are also some limitations. Most notably, in all three jurisdictions, the local governments give up varying degrees of control over funding allocation to external actors. In addition, for two of the jurisdictions – Montgomery County and the City of Alexandria – staffing is also an issue, since existing staff were used to implement changes and enhancements.

Considerations

While creating this type of non-profit funding framework for Arlington County seems appealing and would allow the County government to respond to the frequently changing, increasingly diverse needs in the community, there are also a number of considerations:

- There are core services provided through Arlington non-profits on behalf of the County government that will continue to be required, and should not be subject to frequent changes. DHS, for example, serves as a local branch of the Department of Social Services, local Public Health office, lead agency of the HUD continuum of care, mandated administrator of services for youth in foster care, and service provider to the local Community Services Board. There are certain mandatory State and Federal services that cannot be subject to changing funding priorities.
- The County Government would have to work with community stakeholders to determine which of the 135 FY 2017 agreements with non-profit organizations are for discretionary services versus compulsory services.
  - For those services identified as compulsory, the existing agreements would have to be transitioned from a grant-style format and go through a formal procurement process.
  - For those services identified as discretionary, the existing agreements would have to be terminated, with at least one fiscal year's notice to the impacted non-profit organization(s). The funding previously allocated for these programs and services could then be pooled for the new non-profit funding framework.
- The County could expand upon an existing model within Arlington County government: the Community Development Fund. Similar to how things evolved in Fairfax County in creating the CCFP, there could be modifications made to the current Community Development Fund structure to create a streamlined competitive grant process for additional non-profit organizations in Arlington.
- In addition to challenges associated with potentially defunding some existing programs deemed discretionary, the County would also have to determine how funding priorities would be established given the many competing priorities of the community and its non-profit organizations.

It is clear that in FY 2018 and beyond, Arlington has the opportunity to enhance its non-profit funding allocation process in numerous ways, many of which could increase community engagement, non-profit competition, and overall transparency. The County can benefit from lessons learned in neighboring jurisdictions, and employ those strategies that are most suitable to the Arlington environment. Moving forward, the County should certainly consider efficiency, effectiveness, and equity. It is also important to ensure, however, that any changes are not enacted at the expense of key services that are required by Federal or State regulations, or that the community identifies as a core service.