

Long Island's Not-For-Profit Sector:

DOING MORE WITH LESS DURING A PERIOD OF ECONOMIC CHANGE

A Special Research Report From
The Long Island Association, Inc.

June, 2011



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A Note to Readers

Long Island's nonprofit agencies and organizations, ranging from health care providers to social service providers to religious and civic entities to arts organizations, offer much-needed services that enhance the quality of life for all Long Islanders. The nonprofit sector also accounts for a significant share of Long Island's jobs and payrolls.

The effects of the Great Recession combined with recent changes in technology and evolving cultural norms have created a new organizational environment that some have called the "new normal". This is especially true for nonprofit organizations. They face a rapidly changing funding environment coupled with a steadily rising need for their services. Today, nonprofit organizations face both significant funding challenges and powerful accountability pressures. They must provide convincing proof that their services have a meaningful positive impact on the communities and populations they serve. Both funders and the general public want to know that the nonprofit organizations they support are effective and efficient in performing their missions.

In June 2008, the Long Island Association in partnership with United Way of Long Island, documented the economic importance of Long Island's nonprofit sector and the financial and operational constraints they face. The resulting report "Supporting the Nonprofit Community, Improving Service Delivery, Enhancing Efficiency" demonstrated the fractured state of Long Island's nonprofit community. This report updates that research and discusses the support mechanisms that were implemented since that report was issued to ensure that Long Island's nonprofit organizations function effectively and efficiently. The current report also focuses on the economic impact and operational needs of Long Island's growing arts community. Many local arts venues are nonprofit enterprises that face the same funding constraints and operational obstacles as the nonprofit sector as a whole.

The current report is one of a series of research papers designed to highlight what must be done to ensure Long Island's future economic prosperity. The report was researched and written by Dr. Pearl M. Kamer, the LIA's Chief Economist. We are grateful to our sponsors for their generous financial support.



**Kevin S. Law, President
Long Island Association, Inc.
June 2011**

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Prepared by
Dr. Pearl M. Kamer,
LIA Chief Economist



Introduction

Long Island's nonprofit entities, ranging from health care providers to social service agencies to religious, civic and arts organizations, provide services that enhance the quality of life of all Long Islanders. They are also significant economic engines whose employment and payrolls support additional jobs and payrolls throughout the Long Island economy.

Today, Long Island's nonprofit community is being asked to provide a greater array of services to a broader cross-section of clients than ever before. Yet like their counterparts nationally, many of them have experienced substantial funding losses. More than three-quarters of the nonprofits that responded to a recent survey by the

CPA firm Cerini and Associates indicated that their fundraising was stagnant or declining. Almost a quarter said that they would be unable to meet the demand for their services in 2011 because of decreased donations. The survey revealed major declines in government funding. The proportion of survey respondents for whom government was the principal source of funding fell from 47 percent to 30 percent in the past year.¹

In June 2008, the Long Island Association in partnership with United Way of Long Island documented the economic importance of Long Island's nonprofit sector and surveyed United Way's membership to determine their funding and operational constraints. The resulting report, "Supporting the Nonprofit Community, Improving

Service Delivery, Enhancing Efficiency", demonstrated that Long Island's nonprofits required significant outside help in fundraising and grant writing, marketing and event planning, computer technology and systems support, human resources and benefits administration and accounting and legal services in order to function effectively. This research report updates the 2008 study and discusses the support mechanisms that were implemented to mitigate some of these challenges. The current report also extends the analysis to Long Island's arts community, which contains a high proportion of nonprofit enterprises. As such, arts organizations face the same operational and funding constraints as the rest of the nonprofit sector.

¹ See Jennifer Barrios, "1 in 4 Charities Say They Will Fall Short" *Newsday*, November 4, 2010

An Overview of Long Island's Nonprofit Sector

Nonprofit enterprises account for a significant share of Long Island's jobs and payrolls. They are also one of the fastest-growing segments of the Long Island economy. Employment and payroll data compiled by the New York State Labor Department illustrate this point.² Nassau-Suffolk employment covered by unemployment insurance, which accounts for the preponderance of jobs on Long Island, increased from 1,189,095 to 1,204,594 over the past decade, a gain of 1.3 percent. Employment in industries dominated by nonprofit enterprises increased from 100,181 to 132,640, a jump of more than 32 percent. As a result, the nonprofit sector accounted for 8.4 percent of bi-county jobs in 2000 but for 11.0 percent of the total in 2010. The nonprofit sector is dominated by health care providers, social service agencies and miscellaneous civic associations and religious organizations. Collectively, these industry segments generated annual payrolls of \$6.4 billion in 2010, double their level of a decade ago. The health care sector accounted for more than 82 percent of this payroll spending.



THE NONPROFIT SECTOR AS A SHARE OF THE LONG ISLAND ECONOMY, 2000 VS. 2010 NUMBER OF JOBS

Nonprofit Industry	2Q 2000	2Q 2010	% Change, 2000 to 2010	% of Total, 2Q 2010
Health Care	71,860	93,473	30.1	70.5
Social Services	15,096	24,645	63.3	18.6
Miscellaneous Nonprofit Services	13,225	14,522	9.8	10.9
Total Nonprofit Jobs	100,181	132,640	32.4	100.0
Total Nassau-Suffolk Jobs	1,189,095	1,204,594	1.3	

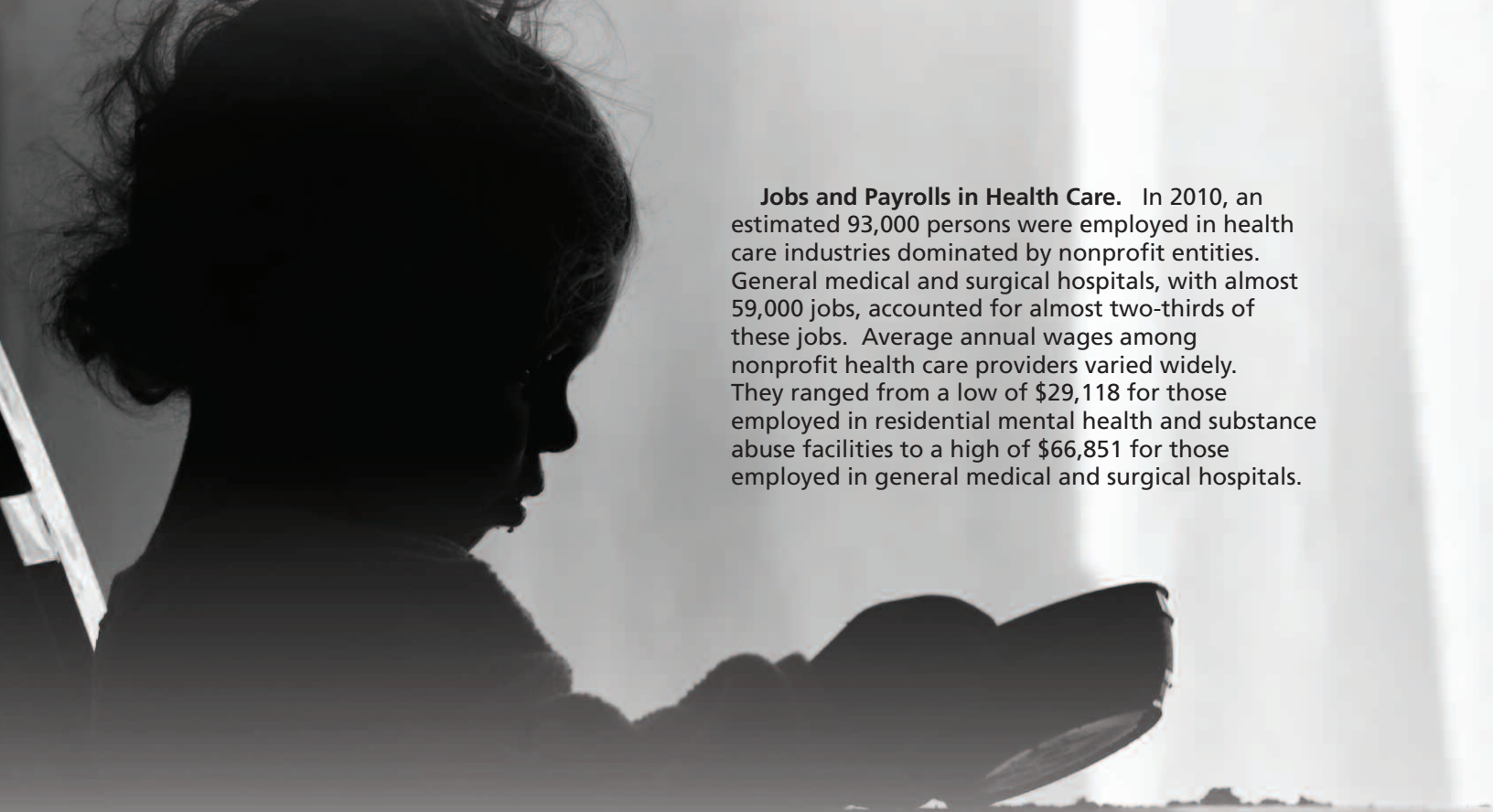
Source: New York State Labor Department

PAYROLL SPENDING BY LONG ISLAND NONPROFIT ENTERPRISES, SECOND QUARTER 2010

Nonprofit Industry	2Q 2000	2Q 2010	% Change	% of Total, 2Q 2010
Health Care	\$2,640,075,041	5,265,467,563	99.4	82.5
Social Services	325,593,005	685,516,025	110.5	10.7
Miscellaneous Nonprofit Services	276,678,352	434,341,986	57.0	6.8
Total Nonprofit Jobs	3,242,346,398	6,385,325,574	96.9	100.0

Source: New York State Labor Department

² These statistics pertain to employment covered by unemployment insurance.



Jobs and Payrolls in Health Care. In 2010, an estimated 93,000 persons were employed in health care industries dominated by nonprofit entities. General medical and surgical hospitals, with almost 59,000 jobs, accounted for almost two-thirds of these jobs. Average annual wages among nonprofit health care providers varied widely. They ranged from a low of \$29,118 for those employed in residential mental health and substance abuse facilities to a high of \$66,851 for those employed in general medical and surgical hospitals.

EMPLOYMENT IN LONG ISLAND'S HEALTH CARE SECTOR, 2000 VS. 2010

Industry Sector	Jobs 2Q 2000	Jobs 2Q 2010	% Change	% of Total, 2Q 2010
Family Planning Centers	167	218	30	0.2
Outpatient Mental Health/Substance Abuse	1,815	1,618	-11	1.7
General Medical & Surgical Hospitals	41,699	58,661	41	62.8
Psychiatric & Substance Abuse Hospitals	3,229	3,047	-6	3.3
Nursing Care Facilities	17,007	20,191	19	21.6
Residential Mental Retardation Facilities	6,640	8,354	26	8.9
Residential Mental Health/Substance Abuse	1,303	1,384	6	1.5
Total	71,860	93,473	30	100.0

Source: New York State Labor Department

LONG ISLAND HEALTH CARE PAYROLLS, 2000 VS. 2010

Nonprofit Industry	Payrolls 2Q 2000	Payrolls 2Q 2010	Av. Ann., Wage 2000	Av. Ann., Wage 2010	% Change
Family Planning Centers	\$3,574,682	\$9,948,247	\$21,405	\$45,634	113
Outpatient Mental Health/Substance Abuse	45,926,252	64,903,352	25,304	40,113	58
General Medical & Surgical Hospitals	1,709,807,448	3,921,558,243	41,004	66,851	63
Psychiatric & Substance Abuse Hospitals	171,224,183	159,987,245	53,027	52,506	-1
Nursing Care Facilities	510,419,526	791,018,769	30,012	39,177	30
Residential Mental Retardation Facilities	175,726,803	277,751,787	26,465	33,248	26
Residential Mental Health/Substance Abuse	23,396,147	40,299,921	17,956	29,118	62
Total	2,640,075,041	5,265,467,563	36,739	56,331	53

Source: New York State Labor Department

Jobs and Payrolls in Social Services. The aging of Long Island's population has increased the demand for services to the elderly and disabled. Organizations providing such services accounted for almost two-thirds of social service employment in 2010. In 2010, average annual wages in the social services, \$27,816, were less than half that of comparable healthcare wages, \$56,331. In the past decade, social service wages rose by only 29 percent as compared with an increase of 53 percent for health care workers.

Jobs and Payrolls in Miscellaneous Nonprofit Industries. This industry sector is dominated by religious organizations, which accounted for almost half of all jobs in 2010. Employment grew by only 10 percent during the past decade. Average annual wages, \$29,909, were similar to that for social services. They increased by about 43 percent over the past decade.



EMPLOYMENT IN LONG ISLAND'S SOCIAL SERVICE INDUSTRIES, 2000 VS. 2010

Industry Sector	Jobs 2Q 2000	Jobs 2Q 2010	% Change	% of Total 2Q 2010
Homes for the Elderly	1,595	3,224	102	13.1
Other Residential Care Facilities	1,116	914	-18	3.7
Child & Youth Services	1,309	1,957	50	7.9
Services for the Elderly & Disabled	6,055	12,903	113	52.4
Other Individual & Family Services	2,586	3,452	34	14.0
Community Food Services	287	178	-38	0.7
Temporary Shelters	314	450	43	1.8
Other Community Housing Services	119	234	97	1.0
Emergency & Other Relief Services	293	201	-31	0.8
Vocational Rehabilitation Services	1,422	1,132	-20	4.6
Total	15,096	24,645	63	100.0

Source: New York State Labor Department

SOCIAL SERVICE PAYROLLS ON LONG ISLAND, 2000 VS. 2010

Industry Sector	Payrolls 2Q 2000	Payrolls 2Q 2010	Av. Ann., Wage 2000	Av. Ann., Wage 2010	% Change
Homes for the Elderly	\$27,171,973	\$83,279,144	\$17,036	\$25,831	52
Other Residential Care Facilities	28,492,551	31,324,754	25,531	34,272	34
Child & Youth Services	22,908,966	46,696,447	17,501	23,861	36
Services for the Elderly & Disabled	131,548,508	344,683,516	21,726	26,713	23
Other Individual & Family Services	57,238,007	109,897,734	22,134	31,836	44
Community Food Services	8,294,311	4,228,789	28,900	23,757	-18
Temporary Shelters	6,706,563	14,097,096	21,358	31,327	47
Other Community Housing Services	3,571,157	8,115,326	30,010	34,681	16
Emergency & Other Relief Services	7,197,334	4,393,603	24,564	21,859	-11
Vocational Rehabilitation Services	32,463,634	38,799,617	22,830	34,275	50
Total	325,593,005	685,516,025	21,568	27,816	29

Source: New York State Labor Department

EMPLOYMENT IN LONG ISLAND'S MISCELLANEOUS NONPROFIT ORGANIZATIONS, 2000 VS. 2010

Industry Sector	Jobs 2Q 2000	Jobs 2Q 2010	% Change	% of Total
Religious Organizations	6,352	7,043	11	48.5
Grant-Making Foundations	185	172	-7	1.2
Voluntary Health Organizations	268	493	84	3.4
Other Grant-Making & Giving Services	341	230	-33	1.6
Human Rights Organizations	176	271	54	1.9
Environmental/Conservation/Wildlife Organizations	689	687	0	4.7
Other Social Advocacy Organizations	387	545	41	3.8
Civic & Social Organizations	2,635	2,355	-11	16.2
Business Associations	306	251	-18	1.7
Professional Organizations	613	700	14	4.8
Labor Unions & Similar Labor Organizations	778	1,102	42	7.6
Political Organizations	47	56	19	0.4
Other Similar Organizations	448	617	38	4.2
Total	13,225	14,522	10	100.0

Source: New York State Labor Department

PAYROLLS IN MISCELLANEOUS NONPROFIT ORGANIZATIONS ON LONG ISLAND, 2000 VS. 2010

Industry Sector	Payrolls 2Q 2000	Payrolls 2Q 2010	Av. Ann., Wage 2000	Av. Ann., Wage 2010	% Change
Religious Organizations	\$104,078,790	\$164,601,108	\$16,375	\$23,371	43
Grant-Making Foundations	8,929,957	10,182,386	48,270	59,200	23
Voluntary Health Organizations	9,285,975	29,489,347	34,649	59,816	73
Other Grant-Making & Giving Services	10,901,279	12,168,343	31,969	52,906	66
Human Rights Organizations	5,239,062	10,534,193	29,767	38,872	31
Environmental/Conservation/Wildlife Entities	18,076,301	21,072,873	26,236	30,674	17
Other Social Advocacy Organizations	8,448,458	17,983,147	21,831	32,997	51
Civic & Social Organizations	34,328,991	36,183,256	13,028	15,364	18
Business Associations	12,071,639	13,081,236	39,450	52,116	32
Professional Organizations	27,450,017	44,320,276	44,780	63,315	41
Labor Unions & Similar Labor Organizations	27,680,804	52,206,809	35,579	47,375	33
Political Organizations	1,395,866	2,707,141	29,699	48,342	63
Other Similar Organizations	8,791,212	19,811,870	19,623	32,110	64
Total	276,678,352	434,341,986	20,921	29,909	43

Source: New York State Labor Department

The Secondary Economic Impact of Long Island Nonprofit Industries

Nonprofit jobs and payrolls support additional jobs and payrolls throughout the Long Island economy through the multiplier process. Workers employed in the nonprofit sector spend their salaries at local grocery, hardware and clothing stores, which in turn do business with other local employers so that the final economic impact is a multiple of the original expenditure. The RIMS II input-output model of the Long Island economy, developed by the Bureau of Economic Analysis of the U.S. Commerce Department, was used to estimate this multiplier effect. The model is specific to Long Island and depicts the flow of business activity within Nassau and Suffolk Counties. It contains earnings and employment multipliers for each major nonprofit industry.

Application of the RIMS II multipliers to New York State Labor Department statistics shows that the 132,640 direct nonprofit jobs identified above support a total of 221,151 jobs throughout the Long Island economy. That is, 132,640 direct nonprofit jobs support more than 88,500 additional jobs in Nassau and Suffolk Counties. Direct nonprofit payrolls of almost \$6.39 billion support total Long Island payrolls of more than \$10.8 billion. That is, \$6.39 in direct payroll spending supports additional payroll spending of more than \$4.4 billion on Long Island.



RIMS II MULTIPLIERS FOR SELECTED NONPROFIT INDUSTRY SECTORS

Sector	Job Multiplier	Earnings Multiplier
Ambulatory Health Care Services	1.7754	1.5902
Hospital, Nursing & Residential Care Services	1.7636	1.6856
Social Assistance	1.3659	1.7281
Miscellaneous Nonprofit Services	1.5575	1.7685

Source: RIMS II input-output model

EMPLOYMENT AND EARNINGS SUPPORTED BY LONG ISLAND'S NONPROFIT SECTOR, 2010

Sectors	Direct Jobs	Direct Payrolls	Direct & Indirect Jobs	Direct & Indirect Payrolls
Ambulatory Health Care Services	1,836	\$74,851,599	3,260	\$119,029,013
Hospital, Nursing & Residential Care Services	91,637	5,190,615,964	161,611	8,749,302,269
Social Assistance	24,645	685,516,025	33,663	1,184,640,243
Miscellaneous Nonprofit Services	14,522	434,341,986	22,618	768,133,802
Total	132,640	6,385,325,574	221,151	10,821,105,327

The Long Island Arts Community

Many Long Island arts venues are nonprofit enterprises that face the same funding and operational constraints as the entire nonprofit sector. It has long been recognized that arts and culture are vital to the health and wellbeing of individuals and communities and that creative expression is one of life's most powerful and positive impulses. The diverse array of arts venues on Long Island enhances the quality of life for all Long Islanders. Arts organizations are also significant economic entities whose activities help to support jobs and payrolls in other Long Island industries. For example, those who attend a local concert often patronize local restaurants and other retail establishments and stay overnight at local hotels.

Employment and Payrolls in the Arts. The most detailed information concerning employment and payrolls in the arts on Long Island comes from County Business Patterns, a Census Bureau publication that is produced annually. The latest information is available for calendar year 2008. At that time, an estimated 3,210 persons worked in various arts organizations on Long Island.³ Their aggregate payrolls totaled almost \$150 million, which is equivalent to an average annual wage of \$46,593. Average salaries within the arts ranged from a low of \$23,721 for those employed in museums and historical sites to a high of \$92,525 for independent artists, writers and performers.

EMPLOYMENT IN LONG ISLAND'S ARTS COMMUNITY, 2008

Industry Sector	Nassau	Suffolk	Total	% of Total
Performing Arts Companies	451	265	716	22.3
Theater Companies and Dinner Theaters	160	216	376	11.7
Musical Groups and Artists	276	46	322	10.0
Independent Artists, Writers & Performers	300	212	512	16.0
Promoters of the Performing Arts	275	144	419	13.1
Museums & Historical Sites	315	550	865	26.9
Total	1,777	1,433	3,210	100.0

Source: County Business Patterns, 2008

PAYROLLS IN LONG ISLAND'S ARTS COMMUNITY, 2008

Industry Sector	Nassau	Suffolk	Total	Aver. Ann. Wage 2008
Performing Arts Companies	\$22,325,000	\$7,559,000	\$29,884,000	\$41,737
Theater Companies and Dinner Theaters	5,413,000	5,283,000	10,696,000	28,447
Musical Groups and Artists	16,366,000	2,208,000	18,574,000	57,683
Independent Artists, Writers & Performers	28,800,000	18,573,000	47,373,000	92,525
Promoters of the Performing Arts	17,397,000	5,123,000	22,520,000	53,747
Museums & Historical Sites	6,756,000	13,763,000	20,519,000	23,721
Total	97,057,000	52,509,000	149,566,000	46,593

Source: County Business Patterns, 2008

³ The arts have been narrowly defined and exclude spectator sports, amusement arcades, casinos and other gambling industries, golf courses, marinas, fitness facilities and bowling centers. These are generally viewed as amusement industries.

Employment in the arts grew more rapidly than overall employment during the past decade. In 2001, for example, Long Island arts organizations employed 2,139 persons and generated payrolls of \$73,810,000. By 2008, they employed 3,210 persons and generated payrolls of \$149,566,000. Employment in the arts increased by 50 percent between 2001 and 2008 while overall Nassau-Suffolk employment grew by one percent. Payrolls in the arts doubled between 2001 and 2008 while total payrolls generated on Long Island increased by only 22 percent.

The Secondary Economic Impact of the Long Island's Arts Community. Employees of arts organizations tend to live locally and to spend their wages locally, thereby creating a multiplier effect. RIMS

II employment and earnings multipliers pertaining to the arts were used to estimate this multiplier effect. The findings show that 3,210 direct jobs in arts organizations support another 1,714 jobs throughout the Long Island economy. Almost \$150 million in direct payroll spending in the arts supports another \$116.6 million in payroll spending throughout the Long Island economy.

The 2010 Arts Survey. To further define the needs of Long Island arts organizations, the **Long Island Arts Alliance** conducted an online survey of approximately 200 local arts organizations at the end of 2010. The survey was funded by the **Long Island Community Foundation**. There were a total of 42 respondents, which is equivalent to a statistically significant response rate of 21 percent.

Respondents were asked about their employment levels, operating and capital budgets and length of time in existence. They were also asked to describe current funding problems, operational concerns and interactions with local public schools. The respondents are listed on the opposite page. Collectively, they employed 191 full-time and 922 part-time workers. Their current year operating budgets totaled more than \$41.6 million and their current year capital budgets exceeded \$10.7 million. Their five-year operating budgets totaled almost \$144.8 million and their five-year capital budgets were about \$34.6 million. More than half of them had been in existence for more than thirty years. Most respondents relied heavily on part-time workers to augment their staff for specific performances or events.

THE ECONOMIC IMPACT OF EMPLOYMENT AND PAYROLLS IN ARTS ORGANIZATIONS ON LONG ISLAND, 2008

	Direct Impact	Multiplier	Direct & Indirect Impact	Indirect Impact
Employment	3,210	1.5339	4,924	1,714
Payrolls	\$149,566,000	1.7799	\$266,212,523	\$116,646,523

Source: Computations based on latest input-output model for Long Island

THE GROWTH OF ARTS ORGANIZATIONS VS. THE GROWTH OF THE LONG ISLAND ECONOMY, 2001 TO 2008

	Employment	Payrolls
Arts Organizations		
2001	2,139	\$73,810,000
2008	3,210	149,566,000
% Change	50	103
Total Long Island Economy		
2001	1,100,827	\$41,432,528,000
2008	1,110,128	50,540,448,000
% Change	1	22

Source: County Business Patterns, 2001, 2008



ARTS RESPONDENTS, 2010 ARTS SURVEY

African American Museum of Nassau County
 Airmid Theatre
 Anonymous
 Arena Players Repertory Theatre Company
 Art League of Long Island
 Babylon Citizens Council on the Arts
 Cinema Arts Centre
 Circulo de la Hispanidad
 CoDanceCo., Inc.
 Cradle of Aviation Museum
 East End Arts Council
 Eastern Suffolk BOCES
 Great Neck Arts Center
 Guild Hall Museum
 Guild Hall of East Hampton
 Hofstra University Museum
 Huntington Arts Council
 Landmark on Main Street
 Long Island Masterworks Chorus & Orchestra
 Long Island Shakespeare Festival
 Long Island Writers' Guild

LumiAire Ballet Co., Inc.
 Metropolitan Youth Orchestra of New York
 Morganpark Summer Musical Festival, Inc.
 Nassau County Museum of Art
 New Five Star Millennium Entertainment, Inc.
 North Shore Pops Concert Band
 Pandagraphics Design/The Artists Group/LI Fringe Festival
 Pollock-Krasner House and Study Center
 Ray Lembo (Organization Unknown)
 Smithtown Township Arts Council
 Sol Y Sombra Spanish Dance Company
 Southampton Historical Museum
 Southold Historical Society
 SPLIA
 Suffolk County Vanderbilt Museum
 Teatro Experimental Yerbabruja, Inc.
 Tilles Center for the Performing Arts
 Township Theatre Group
 Usdan Center for the Creative & Performing Arts
 Walt Whitman Birthplace Association
 Whaling Museum Society

NUMBER OF FULL-TIME AND PART-TIME EMPLOYEES

Full-Time Employees	Number of Respondents	Percent of Total
Zero	13	31.0
Less Than 5	16	38.1
5 to 10	5	11.9
11 to 20	7	16.6
More than 20	1	2.4
Total	42	100.0

Part-Time Employees	Number of Respondents	Percent of Total
Zero	10	23.8
Less than 20	23	54.8
20-40	4	9.5
41-60	2	4.8
More than 60	3	7.1
Total	42	100.0

Source: 2010 arts survey

NUMBER OF YEARS IN EXISTENCE

Years	Number of Respondents	Percent of Total
0-10	5	11.9
11-20	8	19.0
21-30	7	16.7
31-40	5	11.9
41-50	5	11.9
51-60	7	16.7
More than 60	5	11.9
Total	42	100.0

Source: 2010 arts survey

AGGREGATE CURRENT YEAR AND FIVE YEAR OPERATING BUDGETS OF ARTS RESPONDENTS

Current Year Budget	Number of Respondents	Percent of Total	Aggregate 5-Year Budgets	Number of Respondents	Percent of Total
Zero	4	9.5	Zero or Unknown	6	14.3
Less than \$50,000	5	11.9	Less than \$100,000	5	11.9
\$50,000-\$100,000	6	14.3	\$101,000-\$500,000	10	23.8
\$101,000-\$250,000	5	11.9	\$501,000-\$1,000,000	2	4.8
\$251,000-\$500,000	6	14.3	\$1,100,000-\$5,000,000	10	23.8
\$501,000-\$1,000,000	5	11.9	\$5,100,000-\$10,000,000	2	4.8
\$1,100,000-\$2,500,000	4	9.5	More than \$10,000,000	7	16.6
More Than \$2,500,000	7	16.7	Total	42	100.0
Total	42	100.0			

Approximately 21 percent of the respondents had annual operating budgets of less than \$50,000 or no operating budget at all; 26 percent had operating budgets in the \$50,000 to \$250,000 range; 26 percent had budgets in the \$251,000-to-\$1,000,000 range; and, 26 percent had operating budgets of more than \$1.1 million.

RIMS II output, earnings and employment multipliers pertaining to the arts were applied to the \$144,791,384 in aggregate five-year operating budgets of respondents. The output multiplier

shows how much Long Island's output of goods and services (its gross regional product) increases for each dollar in operating expenditures by Long Island arts organizations. The earnings multiplier indicates how much Long Island earnings increase in response to each dollar of operating expenditures by Long Island arts organizations. The employment multiplier indicates how many additional Long Island jobs are created for each million dollars in operating expenditures by Long Island arts organizations.



IMPACT OF \$144.8 MILLION IN FIVE-YEAR OPERATING EXPENDITURES BY ARTS ORGANIZATIONS

Impact On	RIMS II Multiplier	Total Impact
Output	2.1783	\$315,399,072
Earnings	0.6651	\$96,300,749
Employment	32.6052	4,721

IMPACT OF \$34.6 MILLION IN FIVE-YEAR CAPITAL EXPENDITURES BY ARTS ORGANIZATIONS

Impact On	RIMS II Multiplier	Total Impact
Output	2.0282	\$70,173,692
Earnings	0.6330	\$21,901,167
Employment	15.2198	527



The findings show that the expenditure of almost \$144.8 million over five years by arts respondents caused Long Island's output of goods and services to increase by more than \$315 million, including the original expenditure. This is equivalent to a net output increase of almost \$171 million. Earnings generated on Long Island increased by more than \$96 million and more than 4,700 jobs were created throughout the Long Island economy. Although much of this impact occurred within the arts community itself, virtually all other Long Island industries bene-

fitted as well.

The arts respondents made \$34.6 million in capital expenditures during the past five years. RIMS II output, earnings and employment multipliers pertaining to the construction industry were applied to this figure. The results show that this capital spending caused Long Island output to increase by almost \$70.2 million, including the original expenditure. This is equivalent to a net output increase of \$35.6 million. Long Island earnings increased by almost \$22 million and more than 500 additional jobs were created through-

out the Long Island economy.

Five-year operating and capital spending by the 42 respondents totaled almost \$179.4 million. This spending caused Long Island's output of goods and services to increase by more than \$385 million, including the original expenditure. This is equivalent to a net output increase of more than \$206 million. Long Island earnings increased by more than \$118 million and more than 5,200 jobs were created throughout the Long Island economy. All Long Island industries benefited to some extent.⁴

⁴ Respondents accounted for only 191 full-time and 922 part-time workers, a small fraction of the 3,200 persons employed in the arts on Long Island. The actual economic impact of the arts community is undoubtedly greater.

IMPACT OF FIVE-YEAR OPERATING AND CAPITAL SPENDING BY ARTS RESPONDENTS

	Direct Spending	Gross Output Increase	Net Output Increase	Earnings Increase	Job Increase
Operating Expenditure	\$144,791,384	\$315,399,072	\$170,607,688	\$96,300,749	4,721
Capital Expenditure	34,599,000	70,173,692	35,574,692	21,901,167	527
Total	179,390,384	385,572,764	206,182,380	118,201,916	5,248

SPECIFIC INDUSTRY IMPACT OF FIVE-YEAR OPERATING AND CAPITAL SPENDING BY ARTS RESPONDENTS

Industry	Output	Earnings	Employment
Agriculture & Related	\$588,529	\$125,573	10
Mining	76,757	17,300	0
Utilities	4,263,850	782,398	7
Construction	36,098,058	12,790,316	285
Manufacturing	17,753,823	3,368,734	70
Wholesale Trade	8,892,711	2,564,150	41
Retail Trade	15,951,885	4,914,689	198
Transportation & Warehousing	5,581,222	1,920,117	47
Information	11,618,038	2,798,605	45
Finance & Insurance	17,865,741	4,215,675	60
Real Estate; Rental & Leasing	29,834,821	1,859,757	66
Professional, Scientific & Technical Services	13,068,606	5,333,797	93
Management of Companies & Enterprises	4,803,678	1,900,636	19
Administrative & Waste Management Services	11,563,811	4,393,753	158
Educational Services	1,991,873	818,276	29
Health Care & Social Assistance	16,239,946	7,095,398	169
Arts, Entertainment & Recreation	174,192,906	58,699,593	3,719
Accommodation & Food Services	6,370,654	2,169,082	130
Other Services	8,815,857	2,308,495	91
Households	0	125,573	10
Total	385,572,764	118,201,916	5,248

Source: 2010 arts survey



One goal of the arts survey was to determine the extent to which Long Island arts organizations interacted with local public schools. Thirty-two of the respondents had some form of interaction with local school systems. A sample of their comments follows.

- Schools visit our museums. We also do some in-school programming.
- We do arts-in-education programs with Nassau and Suffolk BOCES
- We do classroom tutorials and workshops, field trips and teacher training.
- We sponsor a student chorus
- We sponsor a youth orchestra.
- We do teacher development programs.
- We give guided tours to students.
- We conduct various art programs for students who visit our museum.
- Our Film Arts in Education program serves 2,500 high school students annually.
- We visit schools for art activities and conduct art-in-education programs.
- We present performances in the schools within our district.

The arts respondents expressed many of the same funding and operational problems that nonprofit healthcare and social service providers expressed.

Thirty-three of the arts respondents expressed funding problems:

- Corporate funding bases continue to shrink. The economic downturn has also affected individual giving. Ticket sales remain flat.
- Limited funds from government, corporations and foundations have diminished the amount of work we can produce at a high level so we pulled back on some programming to keep quality up.
- Donations are not forthcoming. Fund-raisers are not well attended.
- We have been running a deficit for the past five years. Without increased income from tickets and fund raising, we will be out of business in five years.
- We were forced to close our office even though demand for our program is increasing. We do not have the money for general operational expenses.
- Our capital campaign goals have not been met.
- We lost one major donor and others have reduced giving by 10 to 20 percent.
- Our endowment is down so we can't draw interest for operating support.
- Admissions, memberships and event income are down.

Twenty-four of the respondents expressed a need for assistance with back office problems.

- Marketing assistance would make our events better known.
- We need money for computer equipment and software.
- We need technical support in human resources, computer systems and marketing.
- We need assistance with marketing, auditing and grant writing.
- We have antiquated computer systems and we need help with auditing.
- We need help with human relations and marketing.
- We need help preparing financial reports.
- We need help with online marketing and community outreach.
- We need help with collections.
- We need fundraising advice.
- We need marketing help because of the shift from print to digital marketing.
- We could use assistance in fundraising
- We need assistance in promoting events.

A New Normal for the Nonprofit Sector

The effects of the Great Recession combined with recent changes in technology and evolving cultural norms have created a new organizational environment that some have called the “new normal”. This is especially true for nonprofit organizations, most of which are confronting a rapidly changing funding environment coupled with a steadily rising need for their services. The new normal is affecting every aspect of their operations.⁵

Funding challenges are endemic to the new normal. Reduced or more carefully targeted federal government funding is putting significant pressure on the nonprofit sector. Escalating state and local government budget deficits have meant less support for social programs. Foundation, corporate and individual giving have also declined as a result of the recession. The proliferation of new nonprofits during the past decade has intensified the competition for this shrinking pool of funds.

Funding challenges are only part of the new normal. Nonprofits currently face powerful accountability pressures. They must provide measurable proof that the services they provide have a meaningful impact on the communities and populations they serve. Both funders and the general public want to know that the nonprofit organizations they support achieve their missions in a cost-effective manner. To maintain their trust and secure future funding, nonprofits often must compile voluminous data about their operations, a time-consuming and expensive process that tends to draw attention and resources from their core missions.

As part of the new normal, funders increasingly require nonprofits to collaborate, partner and

form alliances with each other as a precondition for funding. Many nonprofits expend enormous amounts of organizational energy in pursuing such collaborations despite the fact that there is relatively little concrete data concerning how the outcomes of such collaborations compare with outcomes under existing organizational structures. The collaborative process itself is fraught with difficulties, including autonomy issues and “turfism”.

In the new normal, the future health of a nonprofit organization will depend to a much greater extent on the quality of its executive leadership. Its leadership, including its board members, must be able to:

- Determine the most effective ways in which to serve a client population that may be growing or changing;
- Develop strategies and processes to access and manage new funding streams;
- Manage cash flow effectively and decide how and where to downsize, if necessary;

- Develop the technology to capture the information needed for reporting and billing;
- Consider new partnerships and collaborations and explore possible mergers and acquisitions.

The diversity and complexity of the issues that today’s nonprofit organizations face underscore the need for skilled and effective board leadership. In the new normal, nonprofit boards must actively assist management in their daily functions. This includes defining the organization’s mission, strategic planning, legal compliance, oversight of agency financial management, and resource development. Board members must also play an active role in establishing interorganizational collaborations, cultivating community relationships and implementing capacity-building training.⁶

Board members have a unique opportunity to focus broadly on the mission of the organization and on what it does best. Given this focus, they are in a good posi-



⁵ See Larry Checco, “Welcome to the Age of the New Normal”, Checco Communications, 2010

⁶ See Al Huntoon, “Major Challenges Facing Nonprofits.” August 6, 2007, EzineArticles.com. March 3, 2011.

tion to encourage staff to jettison those functions that fall outside of the organization's core mission, skills and values. Given today's challenges, nonprofit managers may be tempted to adopt a "bunker" mentality that saps the organization's creativity. In this situation, board members can play a vital role in encouraging managers to "think outside the box" and to find new ways of serving their clients while holding the line on expenses. Board members must be ready to publicize their organization's successes and be prepared to deal with succession issues well in advance of the potential need.⁷

Nonprofit managers are most directly affected by the new normal. They must perform multiple functions and roles as they guide their organizations through today's complex organizational environment. Not only must they be conversant with the technical aspects of their organization's mission but they must also be familiar with management areas such as finance, human resources, information technology, program evaluation and resource development. Today's nonprofit managers must develop the specialized business skills and processes that have long been required of managers of for-profit organizations. Like their counterparts in the business world, nonprofit managers must utilize the latest techniques of organizational management and leadership. They can no longer cling to old habits and old ways but must accept and welcome change.

Those nonprofits that are successful in meeting today's unique challenges will have a strong governance structure and visionary board members who are actively involved in the operations of the organization. They will be able to develop sufficient and flexible funding sources. They will have a defined set of best practices as regards both client services and management functions and an effective way to measure their performance against these benchmarks. Their workforce will be open to opportunities for innovation and will be able to build effective community relationships, including collaborative partnerships with other providers and funders. They will also have sufficient management capacity to effectively perform services such as accounting, human resources, technology and marketing.

Addressing the Needs of Long Island's Nonprofits: What Has Been Done Locally?

Although Long Island's nonprofits continue to experience both funding and operational challenges, there has been considerable progress in meeting these challenges. This section explores what local institutions have done to help the nonprofit community function more effectively in today's challenging economic environment.



United Way's Long Island Capacity and Optimization Tank (LICOT). Recently, United Way of Long Island shifted its focus from funding nonprofit agencies to funding non-profit services. This shift enables it to better assist Long Island's nonprofit community in developing effective solutions to today's quality of life issues. The new strategy allows it to harness the assets of multiple nonprofit organizations, thereby making it possible to better target problem areas.

As part of its new focus, United Way created the Long Island Capacity and Optimization Tank, known as LICOT. LICOT was launched in April 2010 with a grant from the Bank of America. It is located at United Way's Deer Park headquarters and is staffed by United Way personnel and various volunteer consultants, including those from Adelphi University's Long Island Center for Nonprofit Leadership. LICOT's mission is to help local nonprofits with the business side of their operations. These include areas such as fiscal and accounting services, grant writing, graphic design, green practices, human resources, information technology, legal matters and leadership and organizational development. Strengthening the organizational potential of nonprofit agencies at a time when fewer public, private and corporate resources are available is essential if these nonprofits are to remain in business and perform their respective missions effectively.

Given today's increasingly stringent auditing re-

⁷ See Kathy Bremer, "Five Challenges Facing Nonprofit Boards", (Adapted from smorgasBoard) BoardWalk Consulting, February 2010.



quirements and Internal Revenue Service regulations, nonprofit organizations need sophisticated financial talent and accounting resources. LICOT provides finance, accounting and bookkeeping guidance and services tailored to the specific needs of Long Island's nonprofits. Specific services offered include management reporting and financial restructuring, transactional bookkeeping, monthly financial reporting, grant tracking and audit preparation. These services are needed to improve operational efficiency and financial accountability.

Local nonprofits have expressed a need for technical assistance in preparing and conceptualizing grant applications to government agencies, corporations and private foundations. LICOT issues automated emails to local nonprofits concerning future funding opportunities. Identifying funding opportunities early extends the time available for proposal preparation and for the development of collaborative grant applications. LICOT's resource room offers "open access" to the online grant directories that enable nonprofits to identify additional financial resources.

Part of LICOT's mission is to help Long Island's nonprofits reduce their environmental footprint. To this end, LICOT provides technical assistance in implementing online teleconferencing, in waste reduction and recycling, green printing and copying and similar green technologies. Often, nonprofits are not sufficiently conversant with computer technology or lack the software and hardware needed to utilize the latest applications. LICOT plans to provide free refurbished computers and laptops to local nonprofits. Its

phone-in "help desk" will provide live chat technical support and remote trouble shooting.

Many nonprofits lack the resources to remain current about various human resource issues, including health insurance and retirement trends and policies. LICOT's seminars address these issues. LICOT volunteer attorneys offer pro-bono guidance on questions concerning labor and employment law and employee benefits. They can also review, prepare or revise an employee manual for nonprofit organizations and conduct on-site labor relations audits to determine if appropriate policies, procedures, records, documents and forms are in place and are properly utilized.

During 2010, LICOT focused on the following areas of capacity building: Leading and managing people; increasing nonprofit capacities with new tools and technologies; resource development; and, increasing the strategic use of partnerships and developing new organizational structures. LICOT hosted 16 workshops and seminars spanning 40 hours to an invitee list of over 325 Long Island nonprofits. Four hundred and sixty four individuals attended these workshops and seminars, which were provided by 15 pro bono expert consultants. Eighty-nine nonprofit agencies that collectively care for 200,000 clients annually received technical assistance through LICOT; 60 nonprofit agencies received customized technical assistance in grantsmanship.

As part of its effort to help nonprofits lead and manage people, United Way established a partnership with the Long Island Center for Nonprofit Leadership at Adelphi University. The goal is to prepare corporate volunteers to become nonprofit board members. In June 2010, the Center held a half-day training session, entitled "Get On Board", for local corporate leaders interested in future board service in nonprofit organizations. The seminar described the basic responsibilities of nonprofit board service, explored the variety of board cultures and indicated the information that prospective board members should have before joining a nonprofit board. The training workshop was immediately followed by a "Board Fair" that gave participants the opportunity to meet representatives from a variety of Long Island nonprofits and to learn about their organizations and their need for board service. A similar session was held in December 2010 for the executives of two major Long Island corporations.

Using technology to increase the organizational capacity of local nonprofits is central to LICOT's mission. The goal is to enable nonprofit agencies to maintain and achieve state-of-the-art standards within their organizations. LICOT's workshops and seminars are designed to achieve this goal. The following workshops were offered during 2010.

- April 2010 – Development 101: Building a Successful Event in a Difficult Economy
- May 2010 – Applying for Bank of America Neighborhood Excellence Awards
- June 2010 – Program Outcomes Tracking
- October/November 2010 – Stepping Stones to Financial Viability
- November 2010 – Human Resources: Interviewing Skills
- November/December 2010 – Fundraising: The New E-Social Environment.

LICOT also seeks to foster partnerships and new organizational structures that will allow nonprofits to maximize their resources. State contracts represent a significant share of funding for many nonprofits. In its first year of operation, LICOT sponsored several forums with state agencies to explore ways in which nonprofits can gain greater support from state government, minimize contracting problems with state agencies, and take advantage of operational

cost-saving options. These seminars were held during 2010:

- January 2010 – A Conversation with New York State Comptroller Thomas P. DiNapoli
- September/October/December 2010 – Interacting with the State Attorney General’s Office and the State Charities Bureau.

The January meeting with Comptroller DiNapoli was particularly well attended. The Comptroller’s office has put forth several proposals that would streamline current contracting processes and allow nonprofits to make more effective use of state funds.⁸ They include standardizing contracts, implementing performance-based contracting and centralizing audit management. Standard contract terms across all programs and agencies would reduce the time and expense of contracting with the state and allow greater coordination and efficiency in monitoring how nonprofits use state funds. The Comptroller’s office has also proposed a “lead” oversight agency that would use a “sin-

gle audit” approach to contract oversight. Its findings could be shared with all other state and local government funders that contract with the same nonprofit. This would minimize the time required for oversight and economize on nonprofit and state resources. Performance-based contracting would help state policymakers make informed decisions regarding program funding. Ideally, these performance-based measures would be jointly established by the state agency providing the funding and the nonprofit organization being funded.

An evaluation of LICOT’s effectiveness showed that 90 percent of the agencies that received customized technical assistance reported improvements in their management capacity based on their work with LICOT consultants. Most felt that they were in a better position to obtain future government, public or private funds after having received LICOT services. The e-mail address for United Way of Long Island is www.unitedwayli.org

Adelphi’s Long Island Center for Nonprofit Leadership. The Center, housed within Adelphi’s School of Social Work, seeks to provide excellence in leadership within Long Island’s nonprofit sector. This goal is particularly timely because of the potential void among nonprofit leaders and executives as large numbers of baby boomers begin to retire during the coming decade. There is also a dearth of nonprofit leaders from under-represented communities, which can impair the effectiveness of nonprofit organizations.

The challenge facing the nonprofit sector is to use this leadership crisis as an opportunity to re-invigorate nonprofit organizations, provide additional support for current executive directors, educate nonprofit boards concerning their expanded responsi-



⁸ See *State Initiatives to Help Non-Profits*, Office of the Comptroller, New York State, 2010.



bilities and develop a competent pool of new leaders for the nonprofit community. A large part of the Center's mission is to provide essential support for nonprofit boards of directors and school boards. To this end, the Center provides customized consulting services at board meetings or full-day retreats. The topics covered include leadership transition, strategic planning, resource development, identifying, cultivating and recruiting new board members and board governance. The customized training for Boards of Education covers such topics as team and trust building, public relations and the financial responsibilities of board members.

Much of the Center's work is devoted to nurturing new and emerging nonprofit leaders and providing support for existing executive directors. In a series of 10 monthly roundtable discussions, new executive directors can explore daily challenges, discuss board issues, and brainstorm topics such as fundraising and goal setting. New directors are matched with an experienced mentor in a related area who can provide appropriate guidance. The Center also offers a nine-month leadership development certificate program for new and emerging leaders. Participants explore the characteristics of a good leader and gain practical leadership skills that can be applied within their organization and community.

The Center also offers a full executive transition management service for organizations currently experiencing or likely to experience a management transition. The four-part program includes readying the organization for the transition, conducting the search, facilitating the hiring process, and supporting the new hire. The Center also trains individuals to work as consultants to nonprofit boards. Upon completing an intensive two-day course, participants may

offer their consulting services through the Center. The Center also works with nonprofit organizations to explore opportunities for potential partnerships, including opportunities for co-location, consolidation and mergers.

The Center's Web site, <http://linonprofit.adelphi.edu>, provides useful resources for local nonprofits, including assessment templates for board members, fundraising resources, job postings for executive directors and current research and reports pertaining to the nonprofit community. Financial support for the Center is provided by JPMorgan Chase, the Long Island Community Foundation, the New York Community Bank Foundation and the Hagedorn Foundation.

Other College and University Programs. Many of Long Island's institutions of higher education offer courses that enhance the performance of those employed in the nonprofit sector and those who aspire to a career in the nonprofit sector. **Hofstra University** offers a series of courses for those looking to change careers or establish a career in the non-profit sector. Its course offerings include: Not-for-Profit Employment & Volunteerism, Grantwriting in a Challenging Economy, Understanding Nonprofit Culture, Myths and Realities, Finding Employment Opportunity in the Not-for-Profit Sector, Volunteerism in the Not-for-Profit Sector and Entrepreneurial Ventures in the Not-for-Profit Sector. **Long Island University's** nonprofit management concentration provides students with the knowledge, values and skills to work effectively within the social service community. Upon completion, graduates may qualify for a 15-credit Advanced Certificate in Nonprofit Management. Courses cover the essential elements of non-profit organization theory and management including human resources, finance and decision making. **Molloy College**, in partnership with the Long Island Chapter of the Association of Fundraising Professionals, offers two certificate programs in development, philanthropy and fundraising management for individuals who market and raise funds for not-for-profit organizations. It is geared to development professionals, executive directors, board members and volunteers at nonprofit organizations and those who contemplate becoming fundraising executives or consultants to nonprofit organizations. Students can earn a Certificate or Advanced Certificate in Development and Fundraising Management. Courses offered include: Your Career in Development & Fundraising, The Business of Raising Money for the Non-Profit Sector, The Art & Science of Acquiring Major Gifts, Special Events & Sponsorships, Positioning Your Development and Fundraising Through Marketing & Public Relations, The Art & Skills of the Grant Process, Building the Ultimate Board of Directors, Establishing & Managing a

Planned Giving Program, Building an Outstanding Volunteer Program, and Prospect Research & Information Management. **Stony Brook University's** School of Professional Development offers a 300-hour online certificate program in nonprofit management designed for those who work with or desire to work in a nonprofit organization but who have little or no previous management or nonprofit experience. The program is particularly well suited to nonprofit managers who recently assumed management responsibilities or who want an introductory perspective on the unique issues facing nonprofit management. The program consists of 10 modules that examine the fundamental and introductory principles of nonprofit management, the roles and responsibilities of a nonprofit board of directors and management team, the essential aspects of fundraising and the fundamentals of the budgeting process. **Farmingdale State College** offers instructor-led online courses that introduce students to nonprofit management, marketing and fundraising. Courses begin monthly and are given in 24 hour increments over six weeks. Courses offered include: Introduction to Nonprofit Management, Nonprofit Fundraising Essentials, Coordinating Special Events, Marketing Your Nonprofit and Starting a Nonprofit.

A New Role for the Federal Government

The funding and operational constraints that confront the nonprofit community are likely to intensify in coming years. The state and local initiatives described above can mitigate some of this stress. However, the federal government can also provide additional support for the nonprofit community. A federal oversight agency for the nonprofit community, similar to the Small Business Administration, has been proposed. It would collect data, process existing data, and perform appropriate research to guide federal policy with respect to the nonprofit sector. Such an agency could coordinate broad government initiatives, including social innovation and volunteerism, inform nonprofits about available resources and assist small nonprofits with efficient and effective organization management. Such an oversight agency could also give low-interest loans to the states or directly to individual nonprofits to maintain cash flow during economic downturns.⁹ Alternatively, a congressional committee or agency could be established to advocate for the health of the nonprofit sector. This would be accompanied by additional federal aid to those educational institutions and other organiza-

tions that already collect data and disseminate information about the nonprofit sector.

The nation's nonprofits are at greatest risk during economic downturns. Foundations could play a stabilizing role by making more grants available to nonprofits during recessions. Changes in federal tax policy would be needed to induce such extra payments. Under the current system, foundations are required to pay out five percent of the average market value of their total assets. To encourage foundations to pay out six percent or more rather than five percent in a given year, federal tax policy could be changed to allow the extra payout to be used to satisfy part of the foundation's future payout requirement. This carry-forward provision would only be allowed during recessions. Alternatively, foundations could be given a refundable tax credit for the share of their payout that exceeds the required amount, again only during recessions.¹⁰

The John Hopkins Listening Post Project, which surveyed nonprofit executives in organizations that provide children's and family services, services for the elderly, community and economic development services, and arts and culture identified the following top federal priorities: restoration and growth of federal funding; reinstatement and expansion of tax incentives for individual charitable giving; federal grant support for nonprofit training and capacity building; and reform of reimbursements under Medicare, Medicaid and other programs to ensure that they cover the cost of services. Respondents also favored expansion of tax incentives to encourage volunteering; student loan forgiveness for those working in the nonprofit sector; an investment credit that makes low-cost private capital available; and, replacement of the charitable contribution deduction with tax credits.

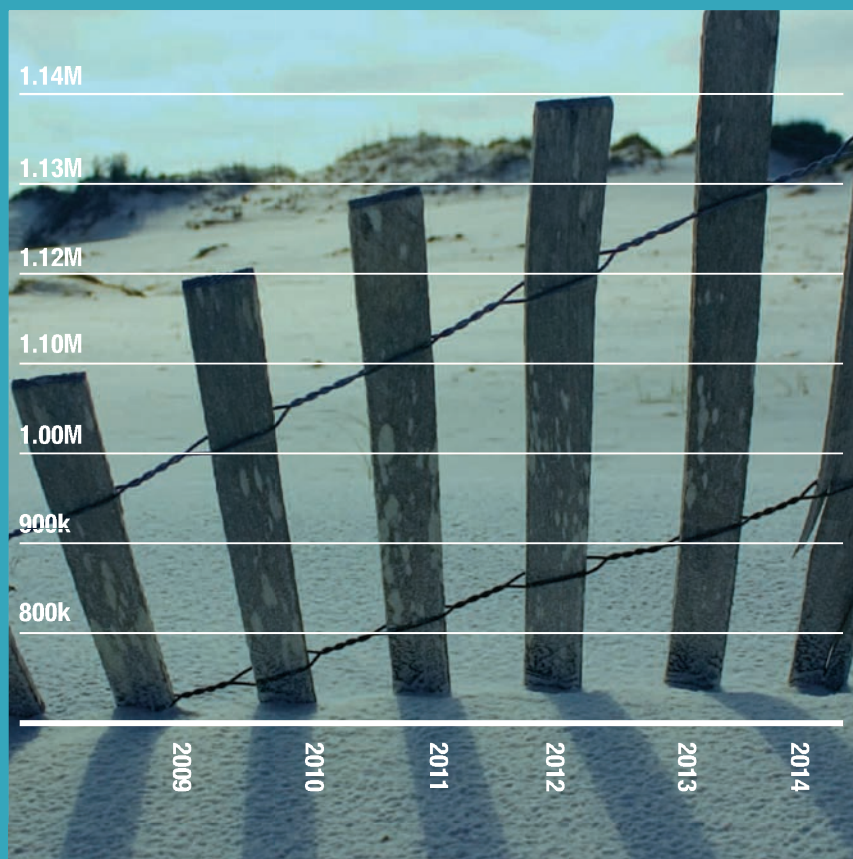
Conclusions

Long Island's nonprofit sector accounts for a significant share of the bi-county economy. The services it provides also impact Long Island's quality of life. Long Island's nonprofits must adjust to a "new normal" created by a combination of resource scarcity and the need to do more with less. This study discussed some of the support mechanisms that have been implemented to help them function more effectively. Continued dialog, coordination and cooperation between the business community, government at all levels and local nonprofits can go a long way toward ensuring that available resources are put to their best use.

⁹ See Molly F. Sherlock and Jane G. Gravelle, "An Overview of the Nonprofit and Charitable Sector", Congressional Research Service, November 17, 2009.

¹⁰ Sherlock and Gravelle, P. 54.

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