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# DEATH BY COST ALLOCATION



DOWNTOWN
MARKETING &
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By Barry Cassidy

Much of the federal tax revenue for services is managed by the mis-

sion-driven nonprofit sector. In Europe, they are called Non-Governmental Organizations (NGOs). In the United States, they are referred to as Nonprofits or Not-for-profit hospitals and colleges.

Typically, community-based organizations, often branches of larger groups, handle much of the work involved in supporting the less privileged. These organizations receive funding from foundations, but most of their income usually comes from government contracts targeted at completing specific projects.

Often, money from contracts isn't considered administrative but is allocated for program delivery. For example, a low-income mortgage counselor might handle such contracts. Many of these agreements are distributed among several people and

bundled with other service contracts that cover part of the salary.

It would be the same in the for-profit sector, but the non-profit sector is much more volatile. Now, think about what is happening with the government shutdown. Although the nonprofit is not part of the government, the people who process the invoices are.

Now, combine the shutdown with what happened with DOGE and the elimination of programs, some of which were already funded. What remains is instability in many NGOs, which are already missing parts of their funding schemes. This makes the survival of the most skilled a primary concern for nonprofit boards across America.

Things have changed dramatically as the number of funding income centers has decreased significantly. What was once a cost shared among three people may now be covered by the salary of just one due to funding cuts from unrelated programs. This has pushed some into the private sector. Their focus is now on moving boxes or selling insurance.



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It is a thinning of the ranks. I saw the same kind of thing happen during the Reagan administration. I have previously discussed how funding changes sometimes create new opportunities because some appropriated money is moved to a different department and renamed. This time, it feels a little different, more like a deliberate thinning of the ranks, something that was more coincidental during the dismantling of the "Great Society."

In both cases, there was a disruption in normal social functions: the gas crisis of the late '70s, which limited movement and caused massive inflation, and this time, the COVID-19 pandemic lockdown. This time, the cuts are much more severe, eliminating entire government departments rather than creating new ones, which in turn cancels their contracts. This time, government employees are not being reassigned; they are being eliminated.

Many of the nonprofits, particularly in the cities, function as neighborhood groups delivering services and are political in some manner. Reducing the number of income categories puts these nonprofit workers in jeopardy and may not always create a good fit. People may have worked on outreach and offering a couple of different programs, and some core funding from other sources may handle administration rather than program delivery.

Deciding who is to be laid off and who will continue is often tough, as the number of local neighborhood activist jobs is significantly curtailed. During the Biden administration, these jobs flourished, and local activists were wellpositioned to deliver services.

A change in administration has led many local advocates to lose focus on initiatives like solar energy or the rights of minority interests. This change in the funding paradigm shrinks opportunities in those areas and does not counterbalance with another program.

The public sector is truly contracting, and there appears to be a backlash in the form of reduced revenue for foundations and large social service contractors. Just like in the 1980s, there will need to be a new rebirth, but this time, the programs will not be renamed, and business as usual will crash into the new

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