

Impact of Funding Policies on NYC Community Based Organizations

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Agenda: Video Introduction by Delsy Sandoval

- **Introduction**
- Financial Breakdown of Sample NPO's
- Federal Policy
- City Policy
- General Recommendations



Agenda

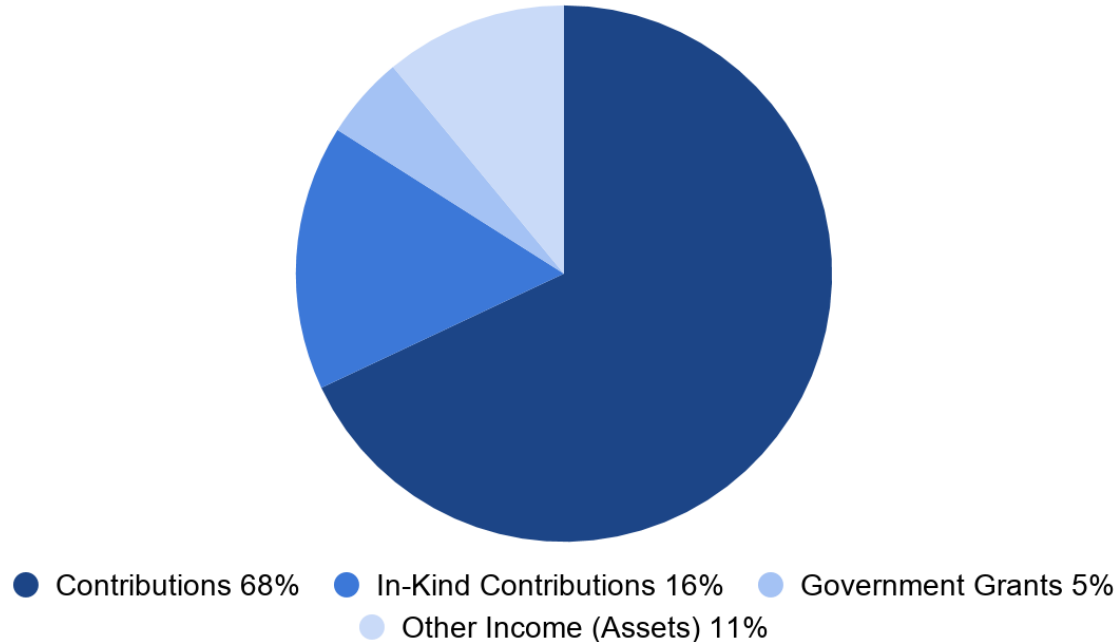
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Financial Breakdown of Sample NPO's

Non Profit Organization A

- Large-size organization
- Established in 1976
- Serves 1,400 communities across USA
- Serves approximately 70 countries
- Helped over 13 million people
- Heavily reliant on individual contributions and donations

Organization A: Budget Composition

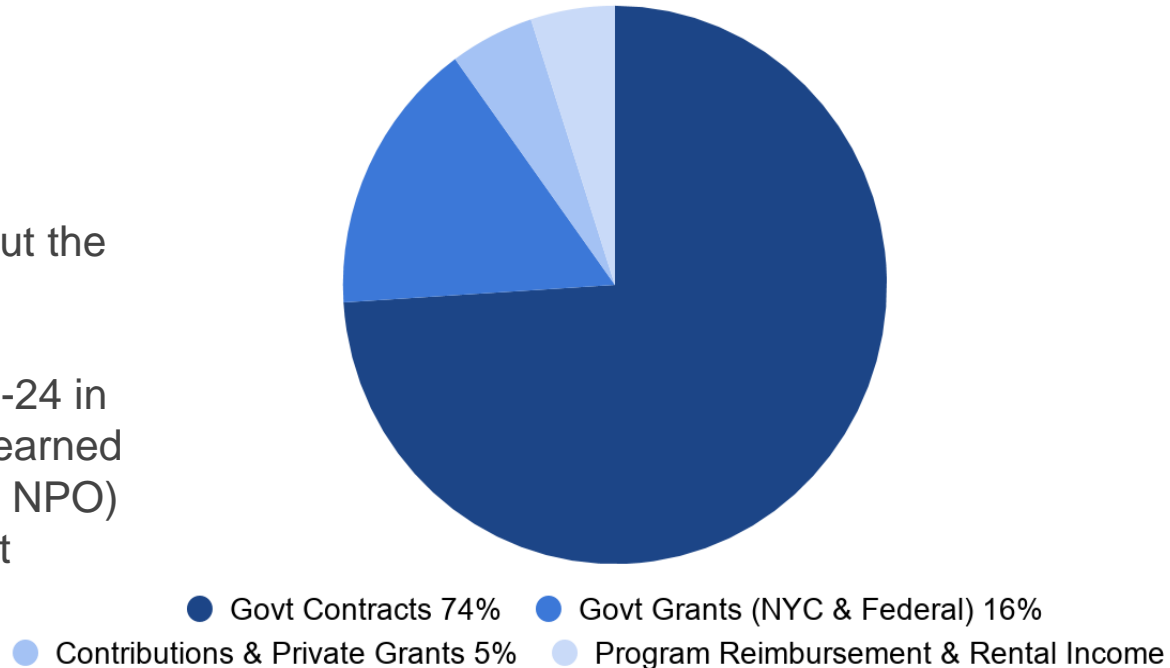


Financial Breakdown of Sample NPO's

Non Profit Organization B

- Large size organization
- Established in 1977
- Employs 1,600 employees
- Serves 80 locations throughout the five boroughs
- Serves over 2,000 adults, 10,000 youth; 2,005 youth 14-24 in SYEP contracts (collectively earned more than 3.7 million through NPO)
- Heavily reliant on government contracts (i.e SYEP)

Organization B: Budget Composition



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Federal Policy: Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (TCJA) represents the most comprehensive “overhaul” of the U.S. tax code in over thirty years and took effect on January 1, 2018.

- The standard deduction doubled from \$6,350 to \$12,000 for individuals, and \$12,700 to \$24,000 for married couples.
- Unrelated business income tax

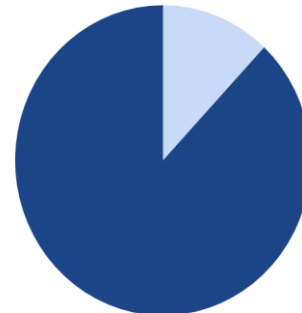
Total Income Earned (100)



● Pre-TCJA ● Taxable Income

This circle: \$100.0
Pre-TCJA: - \$ 6.3
=\$ 93.7 taxable

Total Income Earned (100)



● Post-TCJA \$12 ● Taxable Income \$88

This circle: \$100.0
Post-TCJA: - \$ 12.0
=\$ 88.0 taxable

Federal Policy: Effects of Standard Deduction

Impact of Increasing the Standard Deduction

- Reduce the number of Americans who itemize their taxes, currently about 30 million people
 - From 33% of taxpayers to just 5%
- Resulting in a donation decrease
 - Estimated between \$13 billion and \$20 billion (6-9% decrease)
- In NYC, percentage of filers who itemize is expected to drop from +30% to 15%
 - impacting those who make <\$100K,
 - contributed >\$1.5B to charitable organizations

Federal Policy: Effects of UBIT

Unrelated Business Income Tax (UBIT)

- Many non-profits also engage in business that supports their core purpose
 - providing income to help carry out core mission
- This ***unrelated business income*** was already subject to taxation under previous law
- BUT, TCJA provisions do not allow losses from one activity to offset gains from other activities
 - Meaning, taxable income and taxes are likely to increase
- UBIT could impose an effective tax rate increase of as much as 40% on smaller non-profits with unrelated business income up to \$50,000

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City Policy: SYEP

Summer Youth Employment Program (SYEP)

- NYC funded program that provides jobs for youths between the ages of 14-24.
- The goal of SYEP is to provide job opportunities to NYC youths as well as providing them with work readiness, financial literacy, career exploration and opportunities to grow in today's workforce.
- Today, SYEP has budgeted for over \$126.9 Million in program funding.
- Overtime, SYEP program has partnered up with approximately 58 CBO's city-wide to help place about 70,000 youths.
- SYEP is a major funding stream for the 58 NYC CBOs.

City Policy: SYEP Changes & Effects

School Based Initiative:

- DYCD proposes to expand its reach with the SYEP (Earn & Learn).
- Providers/CBOs partner up with schools.
- DYCD chooses which provider will qualify to work with the school(s).

City Policy: SYEP Changes & Effects

School Based Initiative Effects

- Inability to sustain program.
- CBO losing money internally.
- Overall DYCD budget distribution will be affected in terms of allocation (Approx. \$126M+).
- Overall CBO budget will be affected for the coming years.
- Loss of jobs (Youth).
- Short staffed (CBOs).

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General Recommendations, Federal Policy

Federal Recommendations

- Target high donors who can donate 12,000 or more.
- Target low donors who can donate 1,000 or less.
- NPO's who are less experienced with new tax law, should wait to see how new tax laws are implemented within coming years due to amendments and political changes. In the interim, observe the new tax law in its implementation while creating a contingency plan for any particular areas of concerns.
- Plan ahead and include provisions for charitable donations in strategy plan based on tax laws that may impact fundraising.
- Restore and establish relationships with foundation donors whom are tax-exempt.

General Recommendations, State & City Policy

State, City and Local Recommendations

- Diversify funding sources instead of relying on traditional contract opportunities.
- Consider other grant opportunities while simultaneously procuring foundational support, councilmanic funding, corporate giving and other discretionary funding opportunities.
- Ensure resources are preservable and expendable before and after contract ends.
- Establish advocacy efforts with local, city and state levels of government to ensure funding is preserved for SYEP funding.
- Relationship building (Expand Network) in order to increase buy-in to organizational mission.

Thank You!

Questions?

Citations by Presentation Categories

Organization Breakdowns:

[Habitat.org](#)*

[Camba.org](#)*

**Minimal information provided to maintain anonymity of organization*

Federal Policy:

Impact of the Tax Cuts and Jobs Act on Non-Profits, NYC Comptroller, 2018, <https://comptroller.nyc.gov/reports/impact-of-the-tax-cuts-and-jobs-act-on-non-profits/>

The New Tax Law and Its Impact on Nonprofits – Part 1, Gene Takagi, 2018 <http://www.nonprofitlawblog.com/tax-cuts-and-jobs-act-new-tax-law-impact-on-nonprofits-fundraising/>

City Policy:

SYEP Annual Summary, DYCD Workforce Development, 2018,

https://www1.nyc.gov/assets/dycd/downloads/pdf/2017SYEP_Annual_Summary.pdf

Recommendations:

How Will the New Tax Bill Impact Nonprofits?, Lisa Keitges and Katie Nickels, Orr Associates, Inc., 2018 <https://trust.guidestar.org/how-will-the-new-tax-bill-impact-nonprofits>