



CALL TO ACTION:

Reimagining How Nonprofits Will Meet Our Mission for
the Children & Youth of Our Community

PHASE ONE REPORT FROM AND FOR BRAVE COMMITMENTS LEADERS

Brave Commitments

1. INTRODUCTION: WHY BRAVE COMMITMENTS?

How Brave Commitments Has Come to Be

Over the last few years, Friends of Youth former President and CEO Terry Pottmeyer has spent a great deal of time thinking about the future, both for Friends of Youth, and for the youth serving nonprofit sector. Over that time, Terry has spoken to many of her colleagues – other nonprofit leaders of youth organizations – about the myriad of issues that have placed extraordinary stress on their organizations, and the youth sector as a whole, including:

- Several of our nonprofit organizations are facing deficits, and year over year losses. They are quietly working to keep their doors open—quietly, and in some cases, alone, for fear that a broader conversation could de-stabilize their already struggling organizations by decreasing confidence in, and donations to, their agency
- The economic recovery has created a very competitive job market, making it much harder to hire and retain staff, while at the same time not noticeably decreasing the need for services—so, the same need and fewer staff resources
- Turnover in our sector is very high—40% is not uncommon—meaning that we are retraining half our staff each year and there are fewer applicants
- Government service funding doesn't cover the cost of the work—and there is a reluctance on the part of most nonprofits to ask for the funding necessary to cover the real cost (we instead promise that we will be 'braiding funding', or 'leveraging funding'—and we've accepted the burden of creating funding solutions while agreeing to meet outcomes that are not fully funded)
- Sweeping changes in health care—the Medicaid waiver, bi-directional health care, pay for performance— require a great deal of planning and thinking and deciding—but most organizations are spending a lot of their time trying to keep the doors open, never mind figuring out what the future holds
- Increasingly burdensome compliance expectations—the annual audit we all undergo no longer checks the box; each funder wants to do an audit as well—and the increased expense, time and effort this creates is a serious issue
- Nonprofit proliferation--when new ideas to address community needs arise our cultural bias seems to be to start your own nonprofit rather than collaborating with an existing organization, increasing the difficulty of fundraising and donor bewilderment
- United Way funding is decreasing or going away—United Way was a commitment by the community to a safety net that everyone in the community funded; this model has unraveled

- The impact of racism and classism on our clients and organizations, and the urgent need to transform our work to address inequities. A range of chronic issues impact our ability to achieve our mission: coercive connections to agencies, cultural responsiveness of interventions and practitioners, scheduling and transportation barriers, experience of practitioners, pragmatism of interventions, client centered vs. intervention centered.

While not an exhaustive list, an invitation based on these issues has stimulated interest from nearly 30 nonprofit youth sector leaders to launch a Brave Commitments process to determine how we can best meet our mission for the children, youth and young adults of our community in the coming years, in the face of very strong head winds.

Put another way, we should be deciding how to best organize ourselves to ensure that our kids get what they need today, and tomorrow, rather than let market forces or the system define it for us.

This conversation requires trust and building closer working relationships.

This report summarizes the results of the leaders' first five meetings, 19 individual interviews, and reflection and deliberation on the other recent assessments and plans that have, in total, failed to fully address the sustainability of youth organizations and the system as a whole.

King County's Youth and the Nonprofit Organizations Serving Them

Over 30% of King County's population of 2.1M is under the age of 25, with over 21% under the age of 18.¹ Nearly half of youth under 25 are children of color.² And between 1990 and 2013, the number of children living in poverty in King County doubled from 32,000 to 64,000.³ These nearly 600,000 children and youth living in our county increasingly need assistance to thrive, and their families need support. A core support to children and youth in our community is the nonprofit organization sector.⁴

King County's youth-serving nonprofit organizations support youth and their families to address acute and ongoing housing, behavioral health, child welfare (foster care), family reunification and youth development needs. They provide after school and before school care, ensuring stable and educational care for children while their parents and caregivers work. Nonprofit organizations provide early education for children 0-5 years old. They help youth who have fled war zones, who are new to the United States and are immersed in a new culture, school system and language. Youth organizations provide anti-violence programming, space for community building, parent training and parent support for families who are struggling to parent and assure youth nutrition and other health supports. Some also provide additional

¹ 2010 Census. See Statistical Profile of King County

<https://www.kingcounty.gov/~/media/depts/executive/performance-strategy-budget/regional-planning/Demographics/Dec-2018-Update/KC-Profile2018.ashx?la=en>

² King County's Changing Demographics, downloaded 12.26.18 from
<https://www.kingcounty.gov/depts/executive/performance-strategy-budget/regional-planning/Demographics.aspx>

³ Id.

⁴ While there is not a consistent way to count all of the nonprofit organizations serving children and youth in our community, a recent estimate by Childhaven comprises over 200 nonprofits.

preventive and enrichment programming, to help youth succeed. Broadly, they support youth in every aspect of development, from birth through age 24.

Most of King County's youth-serving nonprofit organizations receive the majority of their funding to do their work through federal, state and local government contracts, providing essential services as an important extension of the public sector's support for our community's safety net for youth. Yet they are struggling for survival. Government agencies need to come to grips with the significant question of whether they will in fact support the sector at a sustainable funding level or allow the sector be decimated.

While our organizations' staffs are professional and dedicated, and while we engage committed and passionate boards of directors and philanthropic support, these nonprofits are increasingly questioning our ability to continue and sustain our work, and to also respond to new and emerging needs.

There are many reasons that this is the case, yet nonprofit organizations are sometimes criticized when child and youth outcomes at a population level do not appear to be improving. It is often posed that 'if nonprofits were run more like businesses' or 'if our nonprofits were just doing their jobs' we would see better high school graduation rates, less youth violence, fewer risky youth behaviors, and better overall outcomes for youth.

Youth System Under Stress

Brave Commitments, convened by youth-serving nonprofit organization leaders, attempts to unwind the complex and myriad reasons that these critiques are posed, and to address underlying tensions between public and funding organization expectations (primarily public sector, but also including philanthropic funders) and the reality of nonprofit organization capacity, business models, and trends particularly impacting our county and state.

This report tells the story of the stress facing the youth-serving nonprofit organization sector in King County. While other nonprofit sectors may face similar challenges, this sector's potential impact on the lives of nearly 600,000 young people in our community and ultimately the future adults in our community is perhaps a bellwether indicator of the need to have a brave conversation, with an honest look at what is working and what is not working, and to move beyond generalizations to specific strategies and actions that the sector and its funders can take to strengthen the work of supporting youth now and into the future.

Methods

Jan Glick & Associates (JGA) was contracted by Friends of Youth, the group's convener, beginning in September 2018. The purpose of the project, called "Brave Commitments", was to begin a discussion between and among nonprofit organization leaders about the health of the sector, and to identify early actions and strategies that could be employed by organizations to address critical challenges.

Participation in Brave Commitments

Between October 2018 and April 2019, the Brave Commitments table held five meetings, beginning with 9 organizations, and rapidly growing to include 29 organizations who have been involved in attending meetings, participating in data gathering interviews, or otherwise expressing interest in

being involved to identify actions and strategies to address critical challenges in order to transform the youth sector so that we can continue our work and expand as needed in response to community need. Participating organizations include service providers with budgets from under \$500,000 to over \$20M, organizations serving community-based, culturally relevant providers, and three associations/coalitions. A list of participating organizations is included in Appendix 1.

Data Sources

During the period September 2018 – December 2018, JGA interviewed 19 executive leaders from the sector, with qualitative findings reported at each of the second and third convenings. Several recent studies and analyses of the youth and nonprofit sectors were also utilized to frame meeting agendas and develop this report, and are included as data sources in the footnotes.

Development of this Report

Report findings and conclusions from interviews, meeting discussions and document review were discussed and verified at the second and third convenings. Recommendations for action included in this report were discussed and verified through the fourth convening (January 2019). The Brave Commitments Steering Committee also added context, reflections, and performed review and comment prior to finalization of this report.

2. SNAPSHOT OF CURRENT SYSTEM CHALLENGES

A. Overarching Precarious Financial Position

Interviews and discussion with King County youth-serving organization leaders tells a compelling story of deep challenges for the youth sector, which is quite consistent with national data from the nonprofit sector as a whole. The 2018 national study *The Financial Health of the United States Nonprofit Sector*⁵ indicates just how fragile the nation's nonprofit organizations really are, with:

- 7-8% technically insolvent with liabilities exceeding assets
- 30% facing potential liquidity issues with minimal cash reserves and/or short-term assets less than short-term liabilities
- 30% having lost money over the last three years
- ~50% with less than one month of operating reserves

Many of the Brave Commitments participants indicate profound concerns about their organizations' fiscal health, very much in line with the national study. Nonprofit youth-sector leaders at the Brave Commitments table describe their organizational instability as "precarious" and on the "verge of tipping over."

One leader summarized key reasons as to why many organizations may be facing this challenge particularly now: "Our landscape has changed: Our data is more complex, human resources are more complex, finances are more complex – it is impossible to do [the work] well with one executive and three staff."

⁵The Financial Health of the United States Nonprofit Sector, by Oliver Wyman, Sea Change Capital Partners and Guidestar, 2018

Leaders also noted King County's high cost of living/ real estate driving organizational costs not pacing revenue, and challenges with traffic – which can make it more difficult for providers working across the region to reach clients, and for clients to travel to appointments, requiring more hours/staffing, of which travel time is only compensated in some but not all contracts.

Brave Commitments participants also noted the deep concern that once a core service 'is gone' – it often does not come back. When a nonprofit organization closes or reduces services, very real impacts are felt as other providers do not and often cannot automatically fill that gap. There is no 'early warning system' for funders, clients, the public or other providers to be aware of imminent loss of services. In fact, it is very common for providers to project confidence to external stakeholders so they don't spook and pull funding and support...forcing too many to go from "things are great" to "We're closing". While this is not unique to our sector, youth providers certainly project the confidence that 'we've got this' as much as in any other sector to attract gifts.

In a similar vein, as organizations increasingly look to potential partnerships as a way of 'solving' this fiscal crisis, we acknowledge that partnerships will likely not solve the problem 'when the partner is also poor.'

Across our state, 170 beds for foster children in need of therapeutic level services were closed between 2009 and 2017.

B. Workforce Instability

A stable, available, professional workforce with low turn-over is both critical for organizational stability and client continuity of services. Challenges with recruiting professional workforce can be related to compensation, and providers indicate loss of their workforce to other nonprofit sectors such as hospitals which pay higher salaries. Workforce turn-over not only impacts an organization's finances and culture as new hiring processes must be completed and new training and onboarding done, clients' conditions may worsen with assignment to multiple caseworkers or and programs destabilized with frequent turn-over in staff leadership.

Brave Commitment participants note that they are chronically underpaying their staff. In some cases, providers noted that staff are in or almost in income brackets that would qualify them for the very services that their organizations provide. A recent review of King County youth homeless services organizations' salaries vis-à-vis King County government salaries found gross discrepancies between government and nonprofit positions doing similar work. Following a 2018 discussion with Seattle's HSD and City Council staff regarding the underfunding of human services contracts, YouthCare performed an internal analysis of their HR practices and compensation, finding that:

- Staff turnover is running above 30% annually, and
- Staff compensation at the case manager, counselor and program coordinator level averaged over \$16,500 below the City of Seattle government compensation median for similar positions in 2017.

These compensation factors indeed represent an extraordinary hardship for organizations striving to solve the multifaceted, complex problems facing our region's youth, for whom stability of the individual treating or supporting them is paramount. In addition to the low compensation, high staff turnover is also due to lack of training dollars, the impact of trauma and secondary trauma, and an inability to properly train supervisors as people are promoted into those roles.

C. Financial Structural Challenges

Nonprofit organizations are often looked to as providers of support where families, the private sector or government cannot directly assist youth. While King County has a tradition of philanthropic giving supporting these organizations, our community's youth serving organizations' operating revenue for the most part comes from government contracts, whether in youth homelessness, behavioral health, child welfare or other youth development programs.

Both government and philanthropic funders, however, tend to view high administrative costs negatively.⁶ Yet, most youth providers' government contracts have the following built-in challenges:

- **Administrative costs not fully covered, if covered at all.** The actual cost of administration is higher than many funders anticipate or cover, as noted by many Brave Commitments participants. This is consistent with national research finding that nonprofit administrative costs are not fully covered by funders.⁷

Failure to cover administrative costs in the current operating environment directly impacts nonprofit business models. For example, several organizations noted having to leverage capital assets in Seattle/King County markets to be able to survive – potentially moving out of buildings and further from clients, disrupting operations, and hurting their long-term financial position for short term survival.

SAYING "NO"

Many nonprofits that provide services on behalf of public agencies (e.g. human services, community and youth development) are funded through contracts that reimburse for work at rates substantially lower than the actual costs of providing services. The contracts come with built-in deficits and are often paid 60-90 days after the work has been completed. Nonprofits must raise funds from philanthropy or other sources to close the long-term funding gap and manage the working capital need. These contracts significantly erode the long-term sustainability and financial health of nonprofits. Trustees must work with leadership to evaluate contracts to determine if contacts are financially viable and empower executive directors and CEOs to say "no" to those with unsustainable economics.

From 2018 national study The Financial Health of the United States Nonprofit Sector⁵

⁶GuideStar, BBB Wise Giving Alliance and Charity Navigator began a campaign to unravel the myth of overhead costs exceeding the 10%-15% range being a red flag in 2013. Work is ongoing, through the 'overhead myth' campaign, <http://overheadmyth.com/> which seeks to collect data on other more accurate and relevant measures of effectiveness.

⁷National nonprofit study, The Financial Health of the United States Nonprofit Sector by Oliver Wyman, Sea Change Capital Partners and Guidestar, 2018

This is especially frustrating for nonprofit providers since in other public sectors, high administrative overhead rates are very much accepted. For instance, the University of Washington's facilities and administration rate⁸ for grants varies from a low of 17% to a high over 90% for some activities, and the administrative overhead rate within King County government often exceeds 60%.

In addition, government contracts typically do not provide for COLAs. One provider notes that a government contract was recently renewed with a 2% COLA, yet even that came with yet another restriction, that the COLA be used in a particular way.

- **Lack of flexible operational funds limits resilience.** Nonprofit leaders note that because their direct service contracts with government are not flexible, there is little financial room to address any unanticipated internal or external change in circumstances that may drive costs. For instance, there is no additional support for nonprofits as King County's macroeconomic challenges create a pressure cooker service environment that nonprofits cannot address alone: The cost of living/ cost of doing business is increasing in the marketspace while simultaneously the economy is driving more need for services as some people are left out of the economic growth/economic recovery (e.g., more housing instability or children in poverty). Nonprofit organizations may need to pay increased rent, higher wages, higher transportation and other overhead costs, while simultaneously seeing the need to serve more people.

Nonprofit providers of behavioral health services consistently raised the concern that 2019 state and federal regulatory changes to Medicaid services requirements will challenge community based, culturally relevant providers with expertise working with youth with the most challenging behavioral health conditions, due to the unfunded costs of seeking and partnering with physical health care providers, investment in electronic health records for the first time, and concerns about preserving specialty services in a traditional health care system dominant environment. Such changes to state and federal regulation will particularly impact smaller organizations serving historically underserved communities, further exacerbating the risk to their already at-risk youth.

Inflexible contracting provisions limit organizational ability to respond to these pressures – including inability to plan for or

"While we are fortunate to own property in the hot Seattle-area real estate market, it is a double-edged sword. Because we can't balance our budget with revenue from our government contracts, we may be faced with selling our property and moving, or even renting, in order to stay in business. Losing an asset like this is not a smart business move for our nonprofit organization, and risks our future ability to leverage capital for operations, but our Board feels that we may have no choice."

— Youth Organization Executive

⁸ <https://www.washington.edu/research/institutional-facts-and-rates/#fa-rates-table>

design partnerships, staff up or invest in needed technological advancements to meet regulatory requirements, or to cover service gaps when they arise. In addition, the lack of flexibility allows no time or funding to analyze our data or innovate, and prioritizing those hardest to serve with no increase in funding only accelerates the challenge of keeping our doors open.

In short, the view that nonprofit organizations do not need adequate administrative costs, flexibility or financial reserves to weather a crisis can create a stranglehold on operations, by tightly restricting the services that can be feasibly provided. These restrictions, unlike any comparable in either the public or the private sector:

- Eliminate flexibility in how services are provided, even if to the detriment of the client,
- Restrict what in the private sector would be called ‘research and development’ to experiment and innovate with new approaches, including partnerships, and
- Make it challenging if not impossible for organizations to rapidly adapt to ongoing, steadily changing regulatory and external economic conditions.

Nonprofit leaders participating in Brave Commitments, though committed and passionate to service, simply state: “We do not have enough money to serve youth that we need to serve.”

D. Funder Relationships, Conditions and Restrictions

The health of the nonprofit sector is not widely reported in local media. Unlike coverage of local government fiscal conditions or the financial state of different business sectors and companies, media coverage of the nonprofit organizational sector largely addresses specific leadership changes, fundraising events, or occasionally individual organization innovative programming.⁹ Perhaps because of the overall lack of discussion of the foundational and fundamental role that nonprofits play in providing nearly all direct services to youth (with the exception of the educational service of the K-12 school system), a true dialogue about the importance of sector health is not occurring. Perhaps also because of this lack of dialogue, nonprofit organization leaders note a lack of trust between their organizations and their funders and a lack of understanding of the contribution of the sector in terms of preventing other societal costs, assuring stable and healthy communities and providing jobs.

Brave Commitments participants note that the relationship environment with funders, particularly public funders, has evolved to where nonprofit organizations are “mostly operating in a fear-based environment with funders/regulators.” Phrases such as “Funders are choking us” and “there is disregard for our expertise” indicate this distrust. This lack of trust is evident in several ways:

“There’s not a ton of more juice to squeeze on efficiencies in the (homeless) crisis-response system,” said Maggie Stringfellow, a McKinsey associate partner in Seattle.

— King County needs to spend \$400 million a year to solve homeless crisis, new report says (Seattle Times, May 9, 2018)

⁹ A search using terms ‘nonprofit sector’ in the Seattle Times and the Puget Sound Business Journal for all of 2018 reveals no coverage of the nonprofit sector and its challenges as a whole.

- **Forced competition limits collaboration.** First, the governmental funding structure for nonprofit organizations treats the sector like purveyors of commodities, requiring nonprofit youth organizations to compete for contract dollars. When governments purchase services for youth, they purchase them much the same way as when they procure road maintenance equipment or computers. Competition for best price is assumed to be in the best interest of the public tax payer and best price is assumed to equal quality.

Providers repeatedly state that forced competition, and not collaboration, does not result in a good system of services for youth. With limited funding pools, only a strong upward pressure on revenues and reimbursements could possibly lead to competition providing better services. Without greater revenues, the forced competition causes a race to constrain compensation, thereby continuing the cycle of high staff turnover, with wages below that of government and the private sector.

- **Providers' expertise is not trusted.** Providers note that we "should not have to re-prove what already works." Whether through application or contractual requirements, providers are being asked to prove themselves again and again, even with a known track record or fidelity to a known program model. Not only does this create fear and distrust of funders by providers, it is challenging to providers' operations and planning, and can create unnecessary inefficiency when providers must attempt to re-package an existing service or re-apply annually to provide the same effective service.

- **Obstacles to transparency hinders partnerships between funders and nonprofit youth providers.** Nonprofit youth organization leaders recognize the challenges in their organizations. Yet, when they are transparent with their financial challenges, this can result in funder reprisal, or de-funding, rather than collaborative work to understand structural and other needs. Concerns about retaliation have led organizational leaders to be less transparent with their funders than is healthy or opportune.

- **Broad strokes assumptions negatively impact nonprofit youth providers.** In the past several years, the increase in needs for housing and services for adults has resulted in challenging debates in King County about government approaches, nonprofit organization service delivery and the true financial investment needed to fully address homelessness. Yet, over-generalization of criticisms of homeless agencies fails to recognize that youth agencies can and in some cases must be more innovative than adult agencies. Youth service delivery needs to be different – meeting youth where they are

Our client was in services and experienced the murder of her brother one week and then her sister the next week. We sought to move her to a more appropriate housing where she felt safe and supported and were told that such a transfer was not authorized. We did it anyway – in the end, our obligation was to the client's best interest. But it shouldn't be this way. We should have the flexibility to provide the appropriate service and apply our professional and clinical judgment to the situation.

— Youth Organization Executive,
East King County

in a way that services can be accessible, and need to be different from adult services. Children and youth are NOT adults, and cannot be assessed with the same assumptions. Yet the system ignores the fundamental difference – that different clients require different interventions.

- **Rigid contracting or regulatory requirements can disadvantage clients and providers, even if unintentional.** Many of the nonprofit youth services leaders interviewed noted that funding models are stuck 'funding downstream response' to problems that could have been addressed with more preventative approaches. The inability to 'flex' dollars to help a youth or her family with both intervention and prevention services leaves providers frustrated with their ability to fully help address youth needs in the smartest, least costly way.

Similarly, providers are forced to choose to make clinical or professional choices to provide services that are clearly warranted but not covered within eligibility requirements or contracting language. Even where homeless youth providers have sought to be able to work in tandem, they have been denied the opportunity by the Federal funder, even where the approach was more efficient.

Providers of behavioral health services are especially fearful that managed care companies will not support community based providers at the full cost of service level needed for sustainability, regardless of the extent to which the companies shift over to value based purchasing. This is why a significant number of behavioral health providers are seeking partners, in part to position themselves with greater negotiating clout with the plans. Still, the shift to payment for BH services coming directly from managed care companies may present an opportunity for providers who are able to serve both private insurance clients and Medicaid clients, with sufficient billing and insurance expertise, and expertise balancing both client cultures.

In addition, there is a need to ensure that our community value of equity is prioritized and ensure that culturally relevant community based providers continue to be supported. It will require a constant commitment to insist on this outcome amongst ourselves and with funders to find ways to lift our voices and elevate equity simultaneously.

E. Funders Not Paying True Direct Costs of Service

In addition to inadequate funding to cover full administrative costs, Brave Commitments participants also state that direct service costs are not fully covered by their funders. There may be multiple reasons for this, but nonprofit providers are increasingly struggling to deliver the services that they are supposed to be paid to deliver.

- **Variable costs in office vs. field-based programs for youth are not recognized.** Youth in crisis may not be able to access services in an office. Youth in school and working and caring

We have not received adequate payment for services from the county for services that the county supports – whether youth or adult serving. This caused some of the death spiral that my organization was in that we are now trying to get out of.

— Youth Organization Executive,
SW King County

for family may need to access services on the weekend or via a home outreach worker. These services can be more expensive than in-office services, and yet more appropriate in serving youth. Yet the cost differential is often unrecognized.

- **Services do not always fall neatly into a categorical area for youth, limiting appropriate service delivery.** Providers note that with “limited flexible dollars” from funders, it can be very challenging to ‘flex’ between prevention and intervention services, and when providers flex to provide prevention services, these services are often unfunded, such that the full cost of providing the needed youth services is not covered.

It is simply more expensive to provide homeless youth [as opposed to adult] services – these are uncovered costs.

— Youth Organization Executive,
Seattle

F. Structural Funding/ Coverage Issues

Brave Commitments leaders express disappointment and frustration that the system for youth services and the funding system that it is based upon does not grow rationally to meet the needs of youth. There are multiple examples of the lack of a holistic and complete infrastructure of services. Leaders describe what the “system” could or should be in multiple ways, including:

- 1) Client-centric – with youth receiving all of the services they need,
- 2) System-focused – services are available to clients regardless of geographic location, cultural or linguistic need, or acuity, and there is a continuum of prevention to intervention with connected services, and/or
- 3) Organization-focused – organizations are sound financially and are able to effectively provide the services that they offer with a strong workforce and foundation.

Regardless of the description, leaders point out the following major flaws and gaps in the system:

- **The system is not a system.** The way that youth services are funded and deployed in King County is not really a system, under any of the definitions. For example, while the Best Starts for Kids levy sought to support new, small organizations to do innovative work, some of which then doubled in size, the levy did not stabilize existing services. While supporting new innovations or previously uncontracted services can be good, it can fail to recognize that the existing organizations needed far more support to expand and strengthen existing programming and organization infrastructure, too.

Overall, the ‘system’ is not providing healthy support – fiscal, in-kind, meaningful, to organizations that are the backbone of service delivery to youth in King County.

- **There is no assurance of services even when we know what works.** Funding is not rationally distributed to fully deploy proven practices. For instance, when pilot projects funded by philanthropy have good results, they are not automatically funded and deployed for full service penetration where needed. And, where services prevent the need for a later intervention, there is no assurance that these approaches will be funded, in part because funding is needed for intervention approaches now.
- **Data-driven analysis of service gaps does not appear to drive funding or organizational practice.** Because there is no early warning system when a provider may exit the market, and no ongoing way to track nonprofit provider catchment areas, programs, or plans, there is no systematic way for funders to address geographic or other gaps. There is also no way for nonprofit providers to know if another nonprofit would be a good partner for a service innovation, or a better provider for their service through a merger or acquisition.¹⁰ This seems to be a logical role for the Brave Commitments table to fulfill in the future.
- **Smaller cities not investing enough in youth.** Brave Commitments leaders note that there is a discrepancy between cities – and that smaller cities could do more to support the youth in their communities. Without adequate local government investment, reliance on countywide levies and services is stretched.
- **Concentrated funding and services to areas of high need unfairly penalize those in need who are not in cities.** Leaders note the need to measure ‘need’ appropriately in rural and unincorporated areas and assure services in those areas, such that youth are valued across the county.
- **Disparities in outcomes require deeper investments in some communities.** Participants consistently noted the need to understand and deeply invest in services for youth who are experiencing disparate outcomes by measures of health and well-being. A fully functional system would address all youth needs, including the deeper needs of some.

Higher numbers in cities does not mean people in these outlying [rural] areas do not exist and should not be served.

— Youth Organization Executive,
rural unincorporated King County

¹⁰ One group of providers is performing an assessment of services in their area through a new Best Starts for Kids Communities of Opportunity grant, of \$600,000 – an indication of both the need and the cost for doing this.

3. WHERE DO WE GO FROM HERE: STRATEGIES TO ENVISION, DESIGN AND ADVOCATE FOR A NEW, STRONGER SYSTEM

Participants in Brave Commitments have voluntarily come together to leverage one another's deep expertise working in an under-resourced and under-performing overall system of services for youth in our community. The timing of Brave Commitments coincides with a myriad of factors that are creating profound pressures on youth-services organizations, including business models that rely on diminishing government resources, insufficient programming to meet the full spectrum of youth needs and limited investments in prevention, increasing incidence of youth behavioral health issues, homelessness and other negative youth circumstances and behaviors leading to decreasing youth and well-being outcomes. Leaders and organizations are stressed and are committed to creating a better system for their communities.

Through this voluntary conversation, these leaders began to envision a system designed to support all kids in our community.

A. OUR SHARED VISION REQUIRES SHARED RESPONSIBILITY AND COMMITMENTS TO CHANGE

Brave Commitments participants share a holistic vision of a system of services that would equitably encompass and address the needs of all youth, regardless of where they are geographically, their ages, background or acuity of need. It would invest early in youth, developing their potential, and where possible prevent higher-level needs for investments, and recognize that older youth 18-25 are still developing into early adulthood¹¹ and may need supports. It would provide a complete set of services for youth in crisis, allowing youth to become stable and then thrive into adulthood. The system would be flexible, integrated, and staffing and workforce would be stable with adequate training and professional development. Beneath the system would be stable and healthy organizations that provide services, with strong leadership, financial conditions, and workforce, as well as resources to seek continuous quality improvement. **Recognition would exist for the sheer importance of the sector, valuing youth, and valuing the providers of services as foundational to our community's well-being.** Children and youth of today would be recognized as the adults of tomorrow. Brave Commitments participants are beginning the process of envisioning a new, continuous and flexible system that would achieve this vision.¹²

¹¹ Brain science recognizes that full brain development is achieved by around age 25.

¹² The Brave Commitments participants acknowledge that previous work undertaken by the Youth Development Executives of King County in a study to inform King County's investment plan for funds from the Puget Sound Taxpayers Accountability Account (PSTAA) also identified the following similar guiding principles for PSTAA investments. Though for specific investments, these principles are similar to the vision identified during the Brave Conversation Process: 1) Apply an equity lens to funding allocations and funding design, particularly racial equity; 2) Think holistically and systematically, 3) Provide unrestricted funds or flexible program support. – Excerpt from

Specifically, there are several changes in perspective that need to take place to allow such a continuous, flexible system to develop:

Commitment to transcend our organizations to lead a system-wide dialogue and improvement.

Organizational boards and staffs must be able to rise above their organizational perspective and be able to feel a responsibility for youth in the community above their organizational interests, to be fully able to more fully innovate, collaborate and therefore create the new, improved holistic system.

Funders need to think more holistically and systemically. While funders may be willing today to support collaboration and partnerships, funders will also have to shift their thinking to allow greater funding of such a new system, and fund in a way that supports a continuum across ages, that focuses on whole families.¹³ As a few examples, greater flexibility resulting in a better care continuum than the current system has might include:

- No wait lists, providing same day behavioral health appointments, especially for youth in crisis, and assure availability to all children who are eligible for early childhood education (e.g., the state's ECEAP program).
- Appropriate behavioral health interventions for high-need youth/young adults (not traditional models)

It is better to have a system work seamlessly to serve children and youth than to have providers compete, which is the current norm. For example, revenue competition is a zero sum game, in that should providers submit funding proposals or seek contracts that project greater service levels at a lower per client cost, ultimately, the only way that can be sustained is with lower average wages, thereby leading to additional workforce instability, which is already a serious problem. In addition, since nonprofit caseworker and counselor compensation is often below a livable wage for most nonprofit providers, when employees leave one provider to move to another, they are likely only receiving a small raise. There is indeed pressure for employees seeking a more livable wage to leave the nonprofit youth sector entirely.

Brave Commitments participants discussed and outlined the following strategies during the course of early interviews and meetings, intended as a high-level road map to develop specific actions in later phases of work by the Brave Commitments table.

2) Think holistically and systematically, 3) Provide unrestricted funds or flexible program support. – Excerpt from Executive Summary of Report to Youth Development Executives of King County: Puget Sound Taxpayer Accountability Account Funding Principles and Opportunities. August 2018. Luma Consulting.

¹³ This concept also emerged in the Out of School Time Landscape Scan: https://cdn.shopify.com/s/files/1/0515/3189/files/Landscape_Scan_September_2017.pdf

STRATEGY 1.1: DEVELOP A FLEXIBLE AND LARGER FUNDING SYSTEM BEGINNING WITH PREVENTION AND INCLUDING UPSTREAM DETERMINANTS OF YOUTH WELL-BEING

There is a plethora of research on evidence-based programs and practices that support youth and prevent the expensive and tremendously damaging personal and societal outcomes that stem from lack of youth support. We also continue to invest in pilot projects to try to develop new innovative prevention approaches. Yet, we have no holistic advocacy plan or systemic approach that drives funding and programming to fully deploy known upstream prevention strategies.¹⁴ Because of the overall lack of funding in the system, dollars are driven to alleviate the human suffering and challenges in front of us today. An unspoken truth is that fear of “robbing Peter to pay Paul” limits provider and government advocacy for prevention, because we must serve those in need today.

The goal of such an evolved funding system is to fully fund a continuum that includes prenatal to age 24, with a full array of youth services, thereby filling service deserts.

Especially for proven programs, any additional funding should be ongoing, and not one time, for example, increasing per client/per bed reimbursement for behavioral health or child welfare services. For homeless youth programs, because licensing requirements drive staffing levels regardless of the specific occupancy at the moment, programs should be capacity funded, meaning they are billed to costs and not occupancy, which does not allow for the fluctuations of utilization that often occur on a daily basis. Such funding models can be sustainably budgeted, rather than creating additional administrative burdens for non-recurring payments to organizations that are already underfunded.

Provide unrestricted funds or flexibility in how funding is used (to support programs)¹⁵ Restrictions in how funds are used do not allow any flexibility or innovation by experts in youth service provision. Unlike in the private sector, there is simply no investment in ‘research and development’ to enhance and innovate. This curbs the ability to react to emerging community needs and conditions, leverage partnerships, or address the uniqueness of individual youth, who may not fit the ‘checkbox’ for a particular program or approach and yet benefit from a more flexible service model.

Structure and increase funding to support adequate administrative overhead to allow providers to sustain themselves, and/or more flexibility and/or unrestricted to allow some ability to tailor some interventions to special cases.

Incentivize collaboration appropriately. To the extent that funders support partnerships, collaboration and/or mergers, insure that they do not result in net loss of funding, such as granting a merged organization 1X after merger when prior to merger, each organization received a grant from the

¹⁴ See <https://www.seattletimes.com/opinion/invest-in-proven-prevention-programs-to-stem-addiction-epidemic/> downloaded 1.06.19.

¹⁵ As noted above, the need for this approach is reiterated in the Report to Youth Development Executives of King County. Puget Sound Taxpayer Accountability Account Funding Principles and Opportunities, Luma Consulting, August 2018

foundation (2X). Even better, instead of annual grants, participate in funder collaborative to supplement government per client, per bed formulas.

Both providers and funders should seek new funding sources. Cognizant of the monumental difference between short term and sustainable funding sources, the following potential strategies are offered as examples which may be worthy of further exploration:

Short Term and/or New Grant Funding

Accountable Communities of Health were seed-funded by the state of Washington in nine regions as part of the Healthier Washington Initiative to demonstrate reduced health care and other public costs through innovative strategies, and are key partners in statewide initiatives such as the Medicaid Transformation Demonstration Project and other strategies to support implementation of the Affordable Care Act.¹⁶ Because of the significant number of participants at the Brave Commitments table, it would seem worthwhile to develop a collaborative approach to the King County ACH, Healthier Here, to support development of the new system described herein. However, the continued existence of ACHs in Washington is contingent upon proof of concept, otherwise they may sunset, therefore such funding may be relatively short term.

Group Health Foundation is a newly formed, \$4B foundation dedicated to health equity and community engagement. The new foundation has not yet launched its grantmaking program in earnest. A collaborative approach to the foundation among youth providers may be worthwhile, perhaps surrounding system-focused work on health equity and social determinants of health, as these seem very central to the foundation's stated mission and values.

Potential Sustainable Funding Sources

Managed Care Organizations: With the new state Medicaid public contracting requirements for integrated physical and behavioral health care, and the state's movement towards value-based purchasing, Managed Care Organizations (MCOs) are seeking strategies to achieve reduced health care costs and better outcomes among their covered lives. By collaborating among youth providers, we may be able to develop a system-wide relationship with one or more of these companies seeking investment in or otherwise support for a network of youth providers to address social determinants of health, which youth providers are indeed well-positioned to address. Because some of these same MCOs also contract with private purchasers, the benefit of this work could extend beyond the Medicaid population.

Private insurance and private pay: While not a widespread practice yet due to the differences in systems and culture needed to serve private insurance versus Medicaid clients, and the strong cultural and value-based focus by nonprofit providers on low-income populations, nevertheless a small number of nonprofit providers of behavioral health services are making a profit from serving private insurance and private pay clients. If taken to a dramatically larger scale, this strategy could be a funding source

¹⁶ <https://www.hca.wa.gov/assets/program/achfactsheet.pdf> downloaded 4.03.19

for nonprofit youth providers in King County. Such an approach would take advantage of the private insurance market by building fee-for-service operations that could generate substantial profits. If such profits reach sufficient scale, they could conceivably be used to cross-subsidize other youth services for which government and philanthropy do not cover the full cost of service.

The same approach could be extended to additional private insurance paid medical services such as a pediatric primary care program.

Other Social Enterprises: There are a number of youth providers in King County that are already implementing social enterprises in programs such as a thrift shop, coffee cafes, and youth employment programs. Depending upon the enterprise, some of these generate significant profits. Like the private insurance and private pay concept above, with sufficient investment, planning and enthusiasm for the growth potential, such earned income ventures could be scaled into profitable lines of business and thereby be used to cross-subsidize other youth services for which government and philanthropy do not cover the full cost of providing the service.

The ultimate goal of a new, larger and more flexible funding system would be to drive to improved youth outcomes, which are not possible with today's limited funding sources.

Phase 2 of the Brave Commitments table will explore how these strategies can be developed to achieve this goal.

STRATEGY 3.2: NEW & STRONGER SYSTEM SUPPORTS PROVIDERS AND DOES NOT PUNISH THEM

Quality

- Pay for performance: We should drive and not let it sink our organizations (e.g., Seattle contract negotiation);
- Lack of evidence base should be acknowledged; higher costs for youth funded; push back on what is being measured, and why

Better Support for Workforce

- Address compensation
- Workforce and leadership succession pathways/ planning – we are losing people
- Jointly address cost of onboarding workforce and ongoing professional development

STRATEGY 3.3: PROACTIVELY COLLABORATE AND PARTNER TO INCREASE EFFICIENCIES AND ENHANCE SERVICES

Collaboration and partnership efforts among Brave Commitments participants are driven by a desire for one or more of the following three objectives:

- Improved youth and child outcomes,
- Filling service/capacity gaps, and
- Achieving greater internal systems efficiencies to stretch budget dollars.

A fundamental premise of the Brave Commitments table is that fostering such improved relationships is purely voluntary, so that providers can select partners whose values they respect or share, and whose staff, leadership and programs they choose to affiliate with. Such voluntary collaboration applies to all three forms of collaboration noted above.

Participants understand in a general sense that they have significant capacity needs to even be able to engage around partnership discussions, given that:

- Sustaining their current services is a 24-7 job,
- Collaboration and/or partnerships requires a very substantial commitment and therefore, cost, to plan effectively, and that
- Such collaborative ventures are not a panacea.

An example of this last point is illustrated in Appendix 3: A Comparison of Management & General Expenses of Brave Commitments Participants to Several Large Western Washington Human Service Providers. This comparison uses providers' percentage of management & general expenses as stated on IRS 990 filings as a proxy for administrative efficiencies. Participating organizations' M&G percentages, shown in gray, are compared to the M&G percentages of four large human service providers, shown in red. The effect of scale can therefore be seen in the chart, in that the large organizations have, on average, a 2% to 5% lower M&G rates than the youth service organizations which are the subject of this assessment.

Such improved efficiencies to be gained from collaborations and partnerships are indeed very beneficial, but cannot alone be expected to generate the scale of additional resources needed to fully meet our region's youth support needs, especially considering the low capacity of essentially all participating organizations, and the tremendous needs they have for additional funding as noted above.

Extensive collaborations and partnerships are currently being explored by Brave Commitments participants, as follows:

- Over 75% of participating organizations have expressed an interest in some form or other in partnerships beyond what they have currently
- Over 20 youth organizations in King County are in some form of current/recent discussions regarding collaboration or partnerships with others,

- At least 13 youth organizations in King County, of which about half are participating in the Brave Commitments table are in some form of “active exploration/planning” for enhanced collaboration and/or partnerships.
- These numbers are based solely on the confidential information held by steering committee members and the consulting team. The total number of organizations exploring such arrangements could indeed be higher, as most such explorations are held closely confidential until a binding agreement is reached.

We believe that the reasons for such strong interest in collaborations and partnerships is that the most successful affiliations not only create cost efficiencies, but also boost revenues through greater ability to negotiate contracts and implement fundraising strategies, strengthen organizational systems, and indeed allow organizations to better achieve their missions.¹⁷ Thus the goal of such partnerships may be best described as creating stronger, more resilient organizations, with greater revenues, rather than simply having a goal of saving on administrative costs.

Future efforts are required to build norms around partnering, including orientation to typical processes utilized to develop the following types of collaborations and partnerships that participants have envisioned in the process to date:

- **Joint ventures** for new, innovative projects
- **Information sharing:** Shared health and other data for better youth placement; cross-referrals
- **Management Service Agreements:** Sharing administrative staff or other workforce professional sharing or support
- **Joint purchasing**, such as health care for staff, and/or EHRs
- **Knowledge/information/expertise exchange**, including what are people working on? Would help to ID partners, innovation opportunities.
- **Partnerships and/or mergers** to achieve economies of scale for greater revenue generation, administrative efficiencies and stronger internal systems

All of these forms of collaboration and partnerships are proposed to be supported in the next phase of Brave Commitments.

¹⁷ <https://www.bridgespan.org/insights/library/mergers-and-collaborations/nonprofit-mergers-and-acquisitions-more-than-a-too>

STRATEGY 3.4: DEVELOP A STRONGER SYSTEM FOR YOUTH ADVOCACY

Because the youth services sector is heavily reliant on public policy and public revenue, preserving, expanding or changing how revenues are expended and assuring strong policy approaches is a critical (if not the critical) business pain point for most Brave Commitments providers. The challenge of operating what are effectively nonprofit businesses in an unstable and unpredictable public revenue and regulatory environment goes to the very heart of why continuous, sustained and highly effective advocacy is needed for the sector.

We need to advocate for a system that works for youth.

— Brave Commitments Leader

Challenges with Current Advocacy Capacity and Methods.

Siloed Approaches. Brave Commitments participants and advocates describe an advocacy approach that, though advocates are tireless and constantly battle threats to funding and program cuts, is fragmented and often siloed, with a focus on one type of service rather than a holistic system approach. Issue leads are dispersed among advocates, rather than coordinated through joint convenings and agenda setting for the sector. Brave Commitments participants refer to some recent legislative and other advocacy “wins,”¹⁸ by youth sector advocates but note that “we can be stronger, together.”

We don't share advocacy agendas enough; there is no singular agenda.

— Brave Commitments Participant

Limited Advocacy Capacity. Advocacy for youth in Washington and King County is also small. In general, advocacy for human services and other primarily public sector investments is under-resourced relative to private sector advocacy and lobbying. Youth advocacy is led by several small advocacy organizations leading associations or coalitions, most of whom have limited staff of 1-3 or are mostly volunteer-led. Brave Commitments participants acknowledge that such small scale of organizations makes effective policy analysis, coalition building, information sharing, messaging, grassroots and grassstops organizing and lobbying, not to mention the many other functions required for effective advocacy, difficult if not impossible to achieve. Staff at advocacy organizations frequently recognize these challenges, as well.

We do not have enough power, not seen as player (e.g., value of our work to communities); Many legislators are unaware of our issues and though we have a few champions, it is unclear what happens behind closed doors when legislators are in caucus.

— Brave Commitments Participant

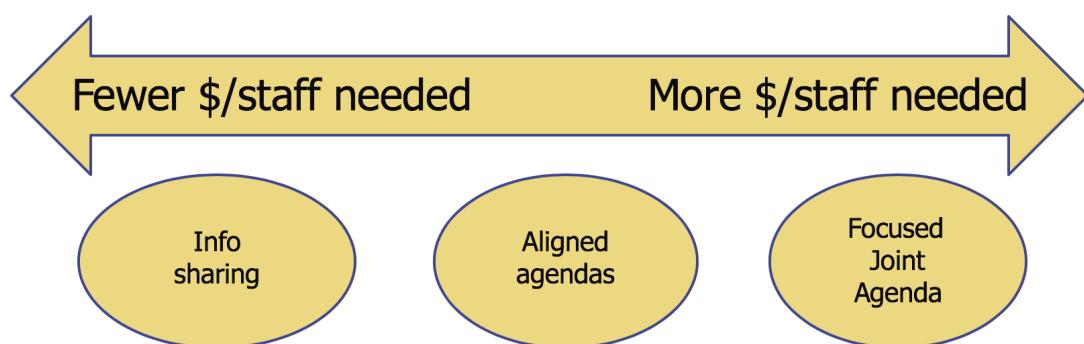
¹⁸ In particular, creation of the Office of Youth Homelessness and the new Department of Children, Youth and Families are noted as key ‘wins’ over the past several years

Many Brave Commitments participants, particularly smaller organizations, acknowledge the challenge of staying 'on top' of legislative issues on their own, or even being able to track issues through their associations or coalitions, simply due to organizational capacity. Leaders also stated that they may not be aware of issues outside of their silo, even when other silos (or sub-sectors of the youth sector) may share similar policy challenges.

Strategy May be More Reactive than Proactive with Under-Focus on Youth. Some (not all) leaders felt that strategy was more reactive than proactive and that youth issues receive less attention among policymakers than adult counterparts. A key example mentioned is that there is no exclusively youth-focused behavioral health advocacy agenda/ presence.

Increased resourced advocacy sector and stronger effectiveness of advocacy efforts could strengthen foundations of youth sector. Brave Commitments leaders were asked how to 'do' advocacy better in partnership to enhance the critical work of advocacy as foundational to the sector's success. They noted:

- "We can advocate for the system"¹⁹
- "We can work together collectively – this can be a continuum starting at a minimum with more info sharing, then potentially to better agenda alignment, with ultimately a more centralized agenda. (Focused, joint agendas, at the highest end of the advocacy collaboration scale, have been successfully developed over the last three decades in several local advocacy arenas, including the Early Learning Action Alliance, and by the Washington Environmental Council.)
- We can strengthen capacity and efforts of youth-sector advocates, with more financial investment, staff resources, and systems
- We can help smaller organizations to participate effectively.



Finally, we need to tell our story better. Without a healthy nonprofit youth sector, we will not fulfill our missions and develop healthy youth. We need to have more proactive, collaborative and collective communications and messaging, regarding all the primary themes herein. We need to strive to dispel the myths about our sector and our organizations, be direct and persistent about our needs for adequate funding, and take our message to policymakers, funders and the public. Our willingness to transcend our own organizations and work together as a youth serving community will not only help us in our advocacy and communications, but is indeed a critical organizing principle if we are to be successful in our efforts.

¹⁹ Recent efforts by local public health departments to define a foundational set of services for a statewide public health system have promoted increased state investment in 'the system' and provided a blueprint for system advocacy. <https://www.doh.wa.gov/Portals/1/Documents/1200/FPHS-PublicHealthModernizationPlan2016.pdf>

Appendix 1: Brave Commitments Participants

Steering Committee Members noted

1. Art with Heart: Executive Director Heidi Durham
2. A Way Home Washington: Executive Director Jim Theofelis
3. Bikeworks: Executive Director Deb Salls
4. Boys & Girls Clubs of King County: CEO Laurie Black
5. Center for Human Services: Executive Director Beratta Gomillion
6. Childhaven: CEO Jon Botten
7. Children's Home Society: CEO Sharon Osborne (Prior to September 2019)
CEO Dave Newell (Beginning September 2019)
8. Children's Therapy Center: CEO Barry Gourley
9. Encompass: Executive Director Nela Cumming
10. Friends of Youth: CEO Terry Pottmeyer (Prior to Feb 2019; Steering Committee)
CEO Paul Lwali (Beginning Feb 2019)
11. Kent Youth and Family Services: Executive Director Mike Heinisch (Steering Committee)
12. Kindering: Executive Director Lisa Greenwald
13. Mercer Island Youth and Family Services: Director Cindy Goodwin (through April 2020)
14. Mockingbird Society: Executive Director Annie Blackledge
15. New Horizons: Executive Director Rob Stewart
16. Nexus Youth and Families: Interim Executive Director Michael Jackson (through December 2019)
17. Northshore Youth and Family Services: Executive Director Deb Farrar
18. Partners for Our Children: Director of Public Policy Laurie Lippold
19. Peace for the Streets by Kids from the Streets: Interim Executive Director Sylvia Fuerstenberg
PSKS closed its doors in December 2019
20. Renton Area Youth Services: Executive Director Michelle Hankinson
21. REWA: Executive Director Mahnaz Eshetu
22. ROOTS Young Adult Shelter: Interim Executive Director Arthur Padilla (Prior to November 2019)
Executive Director Jerred Clouse (Beginning November 2019)
23. Ryther Center for Children and Youth: CEO Karen Brady
24. Snoqualmie Valley Community Network: Executive Director Laura Smith
25. Southeast Youth and Family Services: Executive Director Anthony Austin (Steering Committee)
26. Southwest Youth and Family Services: Executive Director Steve Daschle
27. Treehouse: CEO Janis Avery (Prior to March 2020)
CEO Lisa Chin (Beginning April 2020)
28. Vashon Youth & Family Services: Executive Director Carol Goertzel
29. Washington Association for Children and Families: Executive Director Jill May
30. Washington Nonprofits: Executive Director Laura Pierce
31. Wellspring Family Services: CEO Heather Fitzpatrick
32. You Grow Girl!: Executive Director Jamila Coleman
33. Youth Development Executives of King County: Executive Director Jessica Werner
34. Youth Eastside Services: Executive Director Patti Skelton (Prior to April 2020)
Executive Director David Downing (Beginning April 2020)
35. YouthCare: CEO Melinda Giovengo (Steering Committee)

Appendix 2: Brave Commitments Charter

MISSION: *To galvanize providers to create and advocate for a unified, strong and sustainable nonprofit system for the health, development and well-being of [King County's] youth and families.*

1. Our Clients: We serve children and youth from:

- Pre-natal through age 24
- King County, but open to going larger.

2. Our primary stakeholders: The Brave Commitments table includes organizations that

[are youth-focused organizations only?]

- All youth
- Prevention / resiliency organizations
- Who are they getting referrals from into the system – these agencies aren't here
- At-risk youth – (could include sports organizations if focus on at-risk, but otherwise not)
- Focus to be to get youth issues front and center
- WA Extended Learning Network (Schools Out leads)?

The Brave Commitments table is a safe space in which leaders can discuss difficult and sometimes confidential matters

3. How we Leaders work together:

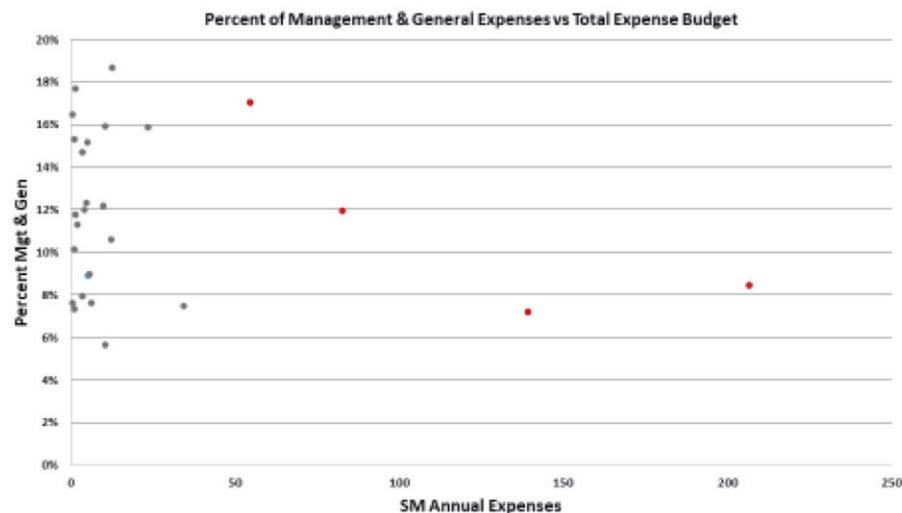
- Principle: We come to Brave Commitments with our common shared youth and family vision – what we hope to see for youth and families
- Principle: We strive to be a unified, expert voice – we support each other collaboratively, and speak to the professional expertise that we have, adding value-add to our collective work. EDs need to see themselves in the work, and we need to see where it aligns and augments other work going on

4. Principle: Youth health requires sustainable organizational capacity, including financial sustainability

5. Principle: We work to eliminate disparities in health and well-being and address any structural bias or racism in our system that perpetuates inequities.

6. Principle: Strive for evidence-based practices, but always client centered which may require best professional judgment. We create promising practice and we bring back to the table when a practice needs to change

Appendix 3: Comparison of Management & General Expenses of Brave Commitments Participants to Several Large Western Washington Human Service Providers



Notes:

1. Source of Data: IRS Form 990 filings for 2016, Part IX.
2. Brave Commitments Participants shown in grey
3. Four large human service providers shown in red for comparison purposes: Sound Mental Health, Catholic Community Services, YMCA of Greater Seattle, and Sea-Mar Community Health Center

Prepared by

