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Breaking Even: Preface to the Revised Edition

Roger A. Lohmann
West Virginia University, roger.lohmann@mail.wvu.edu

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Preface to the Revised Edition of *Breaking Even*
An Era Closes, An Era Begins

Roger A. Lohmann
West Virginia University

The Reagan years have been difficult ones for American human services grown accustomed to public subsidy and a stable financial base, and unfamiliar with the exhilarations of financial risk. During the 1980's, human services have tried (not always successfully) to struggle out of the adolescence of a social functionalism in which gradual expansion toward universally available human services was taken for granted, into the harsh historical reality that there simply are no guarantees that human services will have a continuing role in post-modern society. Many an agency administrator has probably wondered during the past decade why anything as ‘historically inevitable’ as the continued growth of human services should have such a hard time of it. Haven't the people in the Reagan Administration read modernization theory? They don't appear to understand that human services have replaced many of the functions of the family. Or, is it possible that the theory has been wrong, and that an unlimited future of needs-based growth may not be in the cards for social work and human services?

The 1980's have been one of those periodic and profound periods of deep change in public attitudes and behavior by which historians demarcate ages, eras, or epochs; in this case, a kind of restoration or counter-revolution to the social revolution(s) of the 1960s. This particular set of shifts has been especially important for the financial management of human services because it has opened wider questions which some in the human services thought had been settled long ago, including broad questions of an established resource base for U.S. social welfare institutions. Because these particular changes appear to be largely political, without any clear basis of underlying social or economic shifts, they call into question many of the ahistorical, functionalist assumptions upon which contemporary administrative theory is built.

While a great deal is known about the administration of the English Poor Laws, American social historians and social administrators have only begun to chart the American social welfare experience in any great depth. Moreover, following the pattern of much American historical and political writing, legislative enactment and judicial precedent have received far greater attention than administrative implementation of policy. Consequently, administrative events surrounding the

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1 This preface was prepared, along with several new or rewritten chapters and numerous additional changes for a possible revised edition of my book, *Breaking Even: Financial Management in Nonprofit Human Services*. The publisher decided not to do a second edition and the original first edition, published in 1980, continued to sell in its small market niche for 25 years.
creation of such service systems as Community Mental Health or the plethora of new services created by Title XX are quickly receding into the mists. This is, no doubt, due in part to the present-oriented, pragmatic orientation of social administrators. Who has time to be concerned about the past? Last year's records are safely filed away somewhere and today there are more important and urgent matters to attend to. Unfortunately, one of the effects of this kind of presentism is the repeated discovery or invention of "innovations" that are not really new and sometimes not even workable. In community coordination, case management, accountability and numerous other areas of administrative practice a myriad of such reinvented wheels can be pointed to.

The years from 1960-1980 were a period of intense institution-building in the private nonprofit personal care sector in the United States. We already appear to have forgotten that prior to this period, for example, public grants and contracts for service delivery simply did not exist. In retrospect, federal social spending during that period provided abundant federal seed money or venture capital for the creation of entire new service industries not previously existing. This was especially so during the period after 1965. During that time, hundreds of thousands of new, small nonprofit agencies, programs, institutions and services were founded in communities all over America. Collectively, they represent a remarkable use of the "growth dividend" of a period of rapid economic expansion in human history, as well as at least part of the answer to the still unanswered question of how the American economy managed to absorb the remarkable surge of new entrants into the labor force without suffering massive unemployment. In retrospect, they might still be expanding had it not been for the specter of inflation in the 1970's.

Whatever might have been, the future for nonprofits is far less certain today than the past. The 1980's have been a time of great and increasing uncertainty for human services. While it appeared to many that the "Reagan revolution" of the 1981 Budget Reconciliation Act and then the Graham Rudman Hollings expenditure reduction legislation of 1986 would prove catastrophic for the whole nonprofit community services sector, the sector has proven more resilient than expected. Some individual services and programs have closed, to be sure, and the rate of new agency and program formation has almost certainly slowed or stopped in some areas. Moreover, the decade has been characterized by a marked shift in priorities which has been very disadvantageous for children. Meanwhile, the private nonprofit personal care services sector as a whole is still with us and continuing to expand, sometimes in surprising new directions like new services for the homeless, the deinstitutionalized mentally ill and victims of AIDS.

One thing is certain; for those agencies and programs founded in the new age of grants, that remarkably generative period beginning in the Great Society legislative avalanche that began in 1964, the next two decades will be a period of great testing and endurance as they strive for real institutional maturity and stability. While in the recent past the management of new nonprofits may have placed a premium on grantsmanship, "hustle," novelty and ingenuity, it is more likely that the future will
require more careful strategic planning, closer attention to detail, and a deeper understanding of the opportunities and limits of the role of the emerging nonprofit sector in American life. For human services, this may signal the need for greater attention to traditional fundraising – something of the collective past that many thought was permanently lost or abandoned in the new age of grants.

We should not, in any way, minimize the challenges that lay ahead for nonprofit community services. It is one thing to found and maintain a program or service with a readily available federal grant. It is quite another to keep the program alive and vital as obvious sources of support disappear one by one and new funding must be found. We may need to remind ourselves that other community service institutions have also gone through similar “shake down” periods like this before in American history – and some did not survive the challenges. A remarkable number of new colleges, seminaries, women’s institutes, lyceums, garden clubs, and other groups were formed in the period following the Civil War, for example. While women’s institutes and lyceums have long since disappeared, respectable numbers of other such institutions are still around today. In similar ways many of today’s “soft money” nonprofit service programs and agencies will survive the diminishing grants economy which fostered them and become permanent institutions in American communities, while more than a few will fail and disappear.

The fundamental challenges currently facing nonprofit community services of all types is the discovery of new and more adequate financial bases to replace shrinking public grant funding. In some cases, this may involve simply locating other sources of public support, including state contracts and local foundation funding not previously available. In other cases, agencies are returning to traditional voluntary fund-raising. Some human service agencies have been experimenting with entirely new, and sometimes controversial, funding strategies such as profit-making subsidiaries and fringe benefit “cafeteria plans.” The one theme that runs constantly throughout these efforts is questioning the long-term wisdom of using public tax support to foster independent, non-profit community agencies rather than large public bureaucracies.

Several factors enter into the long-term institutional success of a community service institution, and there is no particular mystery about the necessary requisites of success: A program of meaningful service that appeals to a faithful clientele and dependable patrons who provide on-going financial support will almost certainly be the critical ingredients for long-term success for many. In a pluralistic society, universal societal sanction or acceptance seems considerably less necessary than limited but enthusiastic support from a narrower constituency coupled with societal toleration from the rest. Thus, institutions as diverse as the W.C.T.U., the Socialist Party and Christian Science reading rooms have long endured in American public life despite seemingly massive indifference and even majority opposition because of the enthusiastic support of a minority.

This lesson is a particularly important—if sometimes bitter—one for nonprofit human services for whom the European ideal of a universalistic commitment from
society has long been a cherished ideal (Wilensky and LeBeaux, 1965). For institutions desirous of such a societal mandate, the loss of public support can appear to present a cruel double jeopardy--loss of financial support coupled with the crippling realization that society as a whole is apparently indifferent or unwilling to demonstrate its commitment. By contrast, an independent, private nonprofit service agency in an open society doesn't require any such wholesale commitment from society; clients in need of services and financial and programmatic support from a range of interested patrons willing to raise the necessary funds to support the program are all that is required.

In broad historic terms, the nonprofit organizational renaissance of the 1960's and 1970's may have been a kind of restoration: One of the unheralded consequences of the anomic of the Great Depression of the 1930's and the general mobilization of World War II was the disappearance of literally thousands of groups, clubs, associations and other, similar nonprofit entities, many with roots reaching deep into the American past. Great depressions and world wars, after all, are not conducive to the frivolities of community service. Viewed from this perspective, the heightened concern over depersonalizing mass society in the 1950s may have been, in part, belated acknowledgement of the gaps in our lives left by the loss of club and group; a gap which the nonprofit renaissance and newer forms of volunteering may have done a good deal to close. Indeed, the discretionary grants of the 1960s may in their own way have done as much for community life in the 1970s as the V.A. Mortgage did for our housing stock in an earlier period.

Fiscal federalism --the political doctrine that action by the states and localities should be supported from federal tax revenues -- is one of the fundamental cornerstones of the modern human service system that has grown up in the United States since 1965. Throughout the economic boom years of the 1920's, Herbert Hoover and others peddled notions of association government, while many states struggled valiantly but unsuccessfully to work out fiscally sound pension programs for the elderly with state and local revenues. With the onset of the depression, it became increasingly clear that only the federal government had the financial resources – the “full faith and credit” – to deal adequately with the problem of income maintenance among the growing millions of elderly retirees and poor families with the economy in a state of collapse and growing millions of unemployed, homeless and distressed workers and their families also demanded attention.

What emerged was the Social Security Act, which remains the economic cornerstone of human services as well as income maintenance in the United States today. The social insurance provisions of social security were intended to be the long-term solution through an ongoing social insurance system based in intergenerational transfers, while the public assistance program was intended only to deal with the short-range problems of unemployment and poverty caused by the Depression. Instead, the latter proved to be the cornerstone not only of the entire
income maintenance system in the United States, but also of public subsidies for nonprofit sector service vendors.

While some more recent pieces of federal social legislation were also written as though federal support were to be a temporary phenomenon, they have typically not been treated that way by the human services. As good incrementalists, many social administrators prior to the mid-1980's saw temporary funding as the thin-entering wedge of expanding and even permanent public support. Secure in the example of public assistance -- in which a short-term, temporary solution grew into a long-term solution – albeit, one filled with problems – most social administrators were also confident in the belief that a permanent financial base for human services was assured. Others, content in the short-term perspective enforced by annual budget cycles, probably never gave any of this a second thought. As the Reagan years have made amply clear, however, public funding is more and more like recovery from alcoholism – the wisest course is simply to take it one day at a time!

One public policy issue that has continued to impact on public funding for human services in communities everywhere is the need to contain spiraling public health care costs, which rose from nothing in 1963 to nearly $80 billion annually by the mid 1980s and which continue to rise at alarming rates every year. The issue emerged early in the implementation of Medicare and Medicaid and is still with us today. Consequently, the administrative history of the past three decades is very largely the history of unsuccessful attempts to find a viable ceiling on health care costs. For health-related personal care services, the primary implication of these efforts, unfortunately, has been a growing burden of necessary administrative record-keeping. Unfortunately, this largely bureaucratic solution has often been passed off as a groundswell of public demand that personal care services be more accountable for their actions.

The options presently available to the nonprofit human service community are few in number: Privatization, or commercial self-support via vendor payments or fees-for-services, either as a commercial for-profit business, limited profit social enterprise, cooperative or continuing on a nonprofit basis are the perennial favorites with the Reagan crowd, Chicago economists, “supply siders”, and assorted neoconservatives. There is limited ground for long-term optimism for traditional voluntarism: Both individual and corporate donations have risen steadily throughout the decade of the 80s at rates higher than the growth of the economy, although not nearly rapidly enough to offset budget cuts to community services. Initiating the young and the new rich into the traditional ways of philanthropy has gotten a giant shot in the arm recently with the onslaught of telethons for hunger, homelessness, et. al., but it remains to be seen whether this represents real commitment or momentary diversion. However, the chronic paradox of coordinated fund-raising remains: People who will give $10 each to their three favorite charities will be less likely to reward those charities for cutting fund-raising costs by working together than they will to give the consolidated effort $15.
There are also a number of financial strategies which look considerably less hopeful: There are still a few diehards out there in nonprofit land who believe that if all goes well and everyone votes right in 1992, the halcyon days of recent grant funding will return. They are exceeded only by those true believers in evaluation research in academe and research institutes, who remain convinced that national politics in the whole decade of the 1980s are a massive misunderstanding: If only nonprofit human services could demonstrate their real results, the Moral Majority would have a massive heartwarming experience, and funding cuts would be restored. Both of these views seriously underestimate the historical shift that has taken place and are unlikely to produce the desired results.

In general, it has always been easier to read history than it is to live it, as denizens of nonprofit community services continue to learn today. Despite the cries of various Cassandras, and the serious erosion of the “soft money” funding bases, private nonprofit community services will continue to exist – and in some cases to thrive – in American communities. The period in the years ahead is likely to be considerably different, however, than the formative era just past. It will be up to the managers of human services institutions – board members and paid staff alike – to negotiate the many hurdles that remain. It is to improvement of their chances that this book is dedicated.