



---

# NONPROFIT CAPACITY BUILDING PROGRAM

Dr. Gretchen Van der Veer  
Director, Office of Leadership Development and  
Training

September 17, 2009



# The Nonprofit Capacity Building Program



The Senate passed, as part of the Serve America Act, an amendment by Senators Max Baucus (D-MT) and Charles Grassley (R-IA) to set up a Nonprofit Capacity Building Program to expand organizational development assistance to small and midsize nonprofit organizations. The amendment was included in the Edward M. Kennedy Serve America Act passed by the Senate on March 26.



# Why a Nonprofit Capacity Building Program in the SAA?

- Grew out of Senate Finance Committee investigation and spotlight on nonprofit accountability in 2005, chaired at time by Senator Grassley
- Committee staff have been working on stand-alone bill for past several years – originally intended to be housed at IRS
- IRS doesn't make grants and didn't want it
- Committee staff asked “who's the SBA for the Nonprofit Sector? (SBA is U.S. govt. agency that provides support to small businesses by using federal \$ to leverage private business loans. SBA also has SBDCs – cooperative agreements to nonprofits, higher ed. by formula to each state with 1:1 match requirement).



# Why a Nonprofit Capacity Building Program in the SAA?



- Growing recognition of importance of NP Sector and concern for its health
  - Nonprofit sector is 12% of the nation's GDP which represents 3<sup>rd</sup> largest industry
  - NP Sector is 10% of U.S. workforce and growing
  - 93.3% of NPs have budgets less than \$1 million and operate locally
  - There are specific tax laws that apply to NPs
  - NPs are relied on more and more to “fill the gap” in delivering services



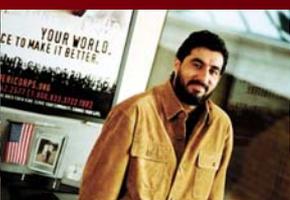
# Why a Nonprofit Capacity Building Program in the SAA?



- **Current Economic Climate**

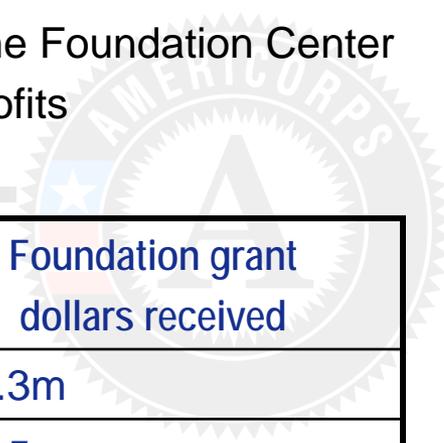
- Increasing demands for nonprofit services
  - Escalating operating costs
  - Decreasing revenue
  - In last year, 1/3 have cut operations, 80% describe fiscal stress, only 12% expect to costs in coming year
- Source: National Council on Nonprofits
- Service as a solution discussion associated with SAA and Presidential campaign

- **Current SF Committee Chair Max Baucus' interest in rural issues and "philanthropic divide"**



# Philanthropic Divide

Source: The Foundation Center and the Big Sky Institute for the Advancement of Nonprofits



State (rank by total foundation assets 2001)	Total foundation assets	Foundation grant dollars received
50 North Dakota	\$148.8m	\$10.3m
49 Alaska	\$253.0m	\$12.5m
48 Montana	\$321.1m	\$25.0m
47 South Dakota	\$373.8m	\$16.8m
46 Vermont	\$372.2m	\$48.7m
45 West Virginia	\$705.9m	\$20.8m
44 Maine	\$764.4m	\$49.6m
43 Mississippi	\$840.5m	\$28.9m
42 Wyoming	\$874.8m	\$13.5m
41 New Hampshire	\$941.3m	\$32.8m
40 New Mexico	\$1,035.7m	\$53.4m



# Philanthropic Divide

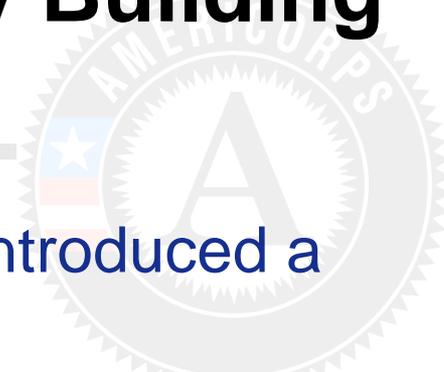


- “Rural states have little in the way of philanthropic resources to draw on and consequently receive relatively small shares of the nation’s philanthropic largesse controlled by foundations, suggesting, as some observers point out, the existence of a “philanthropic divide” in the United States that is largely between urban/metropolitan philanthropic wealth and rural/non-metropolitan philanthropic shortfalls.”
- Rural grant making represents only 10% of the 30 billion in annual philanthropic contributions.



# Why a Nonprofit Capacity Building Program in the SAA?

- Senators Baucus and Grassley introduced a separate \$24 m bill
- Was incorporated as amendment to the Serve America Act as a \$5 m program
- Was not funded in 2010 President's Budget or in the House
- Senate Appropriations Committee has funded it at \$2 m
- Interested in possibility of private support for pilot if no federal appropriations for 2010



# What is the Structure?



CNCS would make 3-year grants of not less than **\$200,000** to intermediary nonprofit organizations to pay Federal share of cost of **organizational development assistance to small and midsize nonprofit organizations.**

- **Each state** – to the extent practicable Corporation must make a grant to an intermediary in each state.
- **Hardship** – preference will be given to areas where nonprofits face resource hardships.
- **Considerations** – the Corporation will take into consideration the number of and degree to which organizations will be assisted by a grant, and the quality of the assistance



# Organizational Development Assistance

---



The types of assistance funded under grants could include:

- Training on best practices,
- Financial planning,
- Grant writing, and
- Compliance with the applicable tax laws.



# 50% Matching Grants



- Each intermediary grantee must match the federal funds with a non-federal share which may be provided through charitable grant making entities, corporate philanthropy, individual donors, state and local government, or other sources.
- Intermediaries that are foundations, donor advised funds, and supporting organizations (except Type III functionally integrated supporting organizations) must provide the non-federal share from within that grantee's own funds.
- Provision of the non-federal share must not decrease levels of funding from the same sources in the preceding year.



# Other



- Authorizes \$5 million each year from 2010 through 2014.
- **Intermediary nonprofit organization** – an experienced and capable nonprofit entity with meaningful prior experience in providing organizational development assistance, or capacity building assistance, focused on small and midsize nonprofit organizations.
- **Nonprofit** – a 501(c)(3) organization.
- **Capacity Building** – organizational development assistance



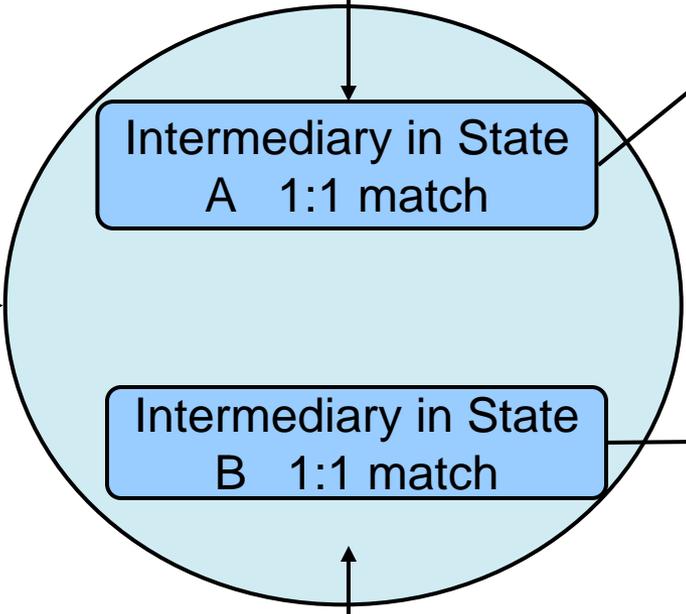
# The Structure



Ongoing "Community of Practice" with Nonprofit Capacity Builders

Nonprofit Capacity Building Program (CNCS)

Private philanthropy (philanthropic match)



Small & mid-size nonprofits

Small & mid-size nonprofits

To the extent practicable, there would be a grant to an intermediary in each state. Grants not less than \$200K.



# Possible Timeline...



## FALL 2009

- » Dialogue and input
- » Appropriation process outcome

## WINTER 2010

- » If funding, draft NOFO for pilot year

## SPRING 2010

- » Post NOFO (May?)

## SUMMER 2010

- » Selection of pilot grantees

## FALL 2010

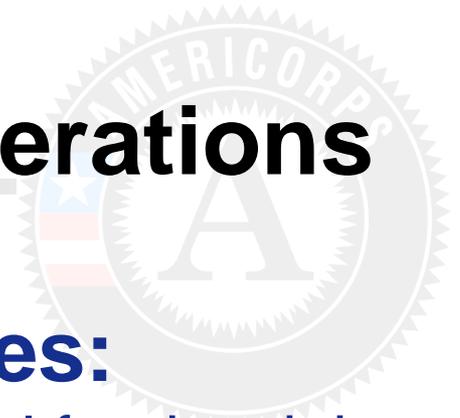
- » Grant Awards



# Questions and Considerations

## Selection of intermediaries:

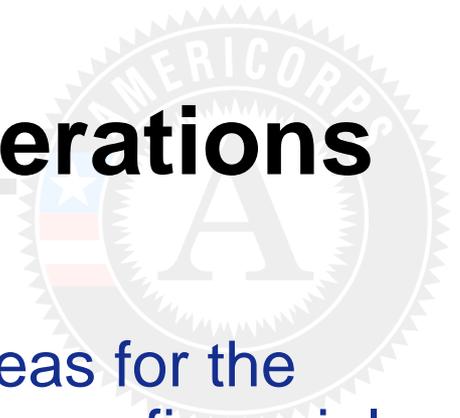
- If there is only \$2 million in federal funds – it is not practicable to fund an intermediary in each state. Should there be geographic preference? How should that be determined?
- The intermediary must be experienced and capable with meaningful prior experience – how should the applicant demonstrate that criteria?
- What kind of organizations do we want to target for outreach?



# Questions and Considerations

## Strategic Focus of grants

- The SAA specifies three content areas for the organizational development assistance: financial management, grant writing, and applicable tax laws, but the 4<sup>th</sup> is “best practices.”
- Do we want to leave that open to the strategic interpretation of the applicants or specify one or two critical practices based on research and current nonprofit environment?
- What should those focus areas be?



# Questions and Considerations

## Demonstrating Impact

- What is the ultimate impact that we want to be able to demonstrate as a result of these grants?
- If we are successful, what will we be able to say happened to the small & mid-size nonprofits as a result of these grants? What happened in communities as a result of these grants?
- How will we measure that? What measures should we use?
- How should we measure the effectiveness of the intermediaries?
- If we want to demonstrate an impact in the first year, should we make fewer grants of larger amounts or award all grants at the \$200 K level?



# Outreach, Dialogue, and Input

**We are seeking recommendations for...**

- Potential recipients of the services of the intermediaries funded by this program
- Capacity building experts
- Potential funders

**Please share your thoughts with us!**

**Other comments, questions, suggestions?**

