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## Increasing Federal Funding to Community-based Organizations

*Prepared for organizations in the Strong Prosperous and Resilient Communities Challenge (SPARCC)*

### Background

Community-based organizations (CBOs) are non-profit, non-governmental or charitable organizations that represent community needs and implement programs to improve them. They may be associated with a particular geographic area – such as a neighborhood or city – or they may focus services on a particular population – such as an ethnic or cultural group, or other marginalized community. CBOs represent many different areas of community concern, often with an emphasis on housing, economic or workforce development. CBOs can also draw from faith-based community efforts, and many provide advocacy support at the local and state level. They are typically small, with limited staff and funding capacities. A 2016 survey of CBOs across the country found that the average number of staff was 3 full time and 4 part time employees, with an average annual operating budget of \$500,000, and a median operating budget of \$280,000.<sup>1</sup> Many rely on volunteer support to implement programs and essential operations.

There is no single agreed upon definition of CBOs’ size categories and identifying those that qualify as small versus medium or large can be challenging. Some sources recommend using the Small Business Administration’s definitions based on total employees; others use reported net assets or total assets to identify an organization’s size. The IRS categorizes small 501(c)3 nonprofits as those having total annual assets of \$500,000 or less. Although nonprofit CBOs of all sizes report challenges accessing federal funds, this memo includes recommendations for small and medium-sized CBOs, with an emphasis on small organizations, that have ten or fewer staff and annual expenses of \$499,999 or less.

Expense Level <sup>a</sup>	Organization Size
Under \$100,00	Small Nonprofits/CBOs
\$100,00 to \$249,999	
\$250,000 to \$499,999	
\$500,000 to \$999,999	Medium Nonprofits/CBOs
\$1 million to \$4.99 million	
\$5 million to \$9.99 million	
\$10 million or more	Large Nonprofits/CBOs

a) *Active and Reporting Other Exempt Organizations by Expense Level. National Center for Charitable Statistics, Urban Institute. 2018. <https://nccs.urban.org/publication/active-and-reporting-other-exempt-organizations-expense-level>*

**Community-based organizations, provide critical social and economic community support, often filling gaps in community services, such as emergency housing assistance, microfinance, food provision, workforce training and cultural programming.** In many cases, they provide services to low-income and marginalized communities that are not offered elsewhere; often they

<sup>1</sup> Abrams, J, Davis, E.J., Ellison, A., Moseley, C., and Nowell, B. “Community-based Organizations in the U.S. West: Status, Structure and Activities” University of Oregon. 2016. [https://ewp.uoregon.edu/sites/ewp.uoregon.edu/files/WP\\_67.pdf](https://ewp.uoregon.edu/sites/ewp.uoregon.edu/files/WP_67.pdf)

represent Black, Latinx, Asian and Pacific Islander, Indigenous, immigrants and other marginalized communities that have been traditionally excluded from established community financial investment and lending. While federal funding presents an opportunity to deploy funding into communities for local development, CBOs – and particularly small CBOs serving those hardest to reach due to language and/or technology barriers, etc. – report that successfully applying for federal awards is challenging and they are often deemed ineligible due to their small size and administrative capacity. As a result, federal funding often does not reach the organizations that have the local connections needed to reach the most vulnerable and marginalized communities, in particular low-income communities and communities of color.

It is critical that resources flow quickly and directly to CBOs, because they provide the nimble and adaptive community infrastructure that the public sector, both federally and locally, lacks. The COVID-19 pandemic response is a clear and recent example of how CBOs can respond to crisis and opportunity differently than governmental entities. As the last “mile” to community connections, the federal government would be well served to draw on this capacity and include CBOs in other facets of improving communities by better resourcing these connections. They are mission-driven to serve people and places that are underrepresented and overlooked in planning and policymaking. They have deep knowledge of local assets, challenges and conditions. In many cases, CBO staff have personally experienced the challenges in the community, and so represent knowledge that would otherwise be unknown to decision-makers. This is a missed opportunity. Greater involvement of CBOs provides an opportunity to build sustained capacity for meaningful engagement and community participation over time. They have the ability to not only involve residents who otherwise are hard for public agencies to reach, but to supplement planning processes with analysis of local conditions and development of recommendations to solve challenges in their communities.

CBOs are critically important, particularly during this time, given the increased movement by the federal government to advance racial equity coupled with an increase in dollars that will flow to communities. With these resources in mind, we need to ensure that specifically Black Indigenous and People of color (BIPOC)-led and small to medium-sized CBOs including those working in rural and tribal communities – who have traditionally not had access to federal funds – are able to receive these resources.

The SPARCC report [Pathways to Community Prosperity](#) articulates the need for public agencies to provide funding to CBOs in order to guide local changes needed in communities in both the planning and implementation stages. Improving funding to CBOs can position BIPOC communities to speak to their own needs, and develop solutions that can effectively use public funding to address them.<sup>2</sup> To facilitate this, we are encouraging federal agencies to publish guidance that clarifies the use of federal funds to support CBO partnerships with public agencies, and to allocate at least 10% of planning funds for CBO-led engagement practices targeting BIPOC and other equity voices including those with disabilities, LGBTQ+, and low-income households.

Enterprise Advisors conducted 18 interviews in July and August 2021 with small and large CBOs, thought leaders, and subject matter experts on the ability of smaller community organizations to access federal funds. The list of interviewees can be found in the appendix. In addition, case studies were derived from these interviews and further researched to support key takeaways from the interviews. This brief is a compilation of direct information and synthesis from the interviews, research of best practices, and additional resources uncovered through the process.

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<sup>2</sup> SPARCC “*Pathways to Community Prosperity*”. February 2021. <https://www.sparcchub.org/wp-content/uploads/2021/02/Pathways-to-Communitiy-Prosperity.pdf>

The memo also includes key strategies and takeaways to improve processes involving the deployment of federal resources directly to CBOs committed to stabilizing neighborhoods as well as the design of programs that involve them.

## Barriers for CBOs

CBOs face a variety of constraints and barriers that prevent them from being able to apply to federal funding opportunities. **Federal grant applications are complex, with heavy documentation requirements that are challenging for CBOs with small staffs to manage.** In cases when federal funds are received, many CBOs – particularly small CBOs – struggle to meet the reporting requirements needed to show administrative compliance with grant terms. Broadly, their small and nimble size prevents them from being able to absorb the regulatory burden associated with funding compliance. Staff administrative capacity is limited and while groups should be focused on utilizing the funds and deploying them throughout their community, the focus is often diverted to completing documents or other application requirements.

In addition, CBOs report that staff require detailed training about how to comply with federal grants regulations and reporting obligations. Instances of staff turnover – an increasingly regular occurrence during times of stress and crisis – result in training burdens and additional costs that reduce the time needed in the field to assist with stabilizing communities. For example, a small organization interviewed for this memo spoke at length on the training burden associated with federal funding, with particular concern about additional compliance training needed every time staff changes in order to ensure that program administration, tracking and record keeping since every incidence of staff turnover requires additional training to ensure that new staff know how to administer, track and record activities as required by HUD. These additional challenges came during the first year of the COVID crisis as the organization was expanding in size and expanding public health services in the community.

Another constraint to note is that **additional requirements are often put in place at the state or local level, which further complicates the application, awarding, and reporting requirements.** Multiple CBO representatives interviewed highlighted an often-frustrating burden of working with city and county agencies, pointing out that local HUD awardees were so concerned about noncompliance with federal guidelines that they instituted even higher levels of reporting requirements for CBOs to reduce risk of exposure to clawback. They also reported concerns about multiple layers of bureaucracy, the timing of the release of funding opportunities, and structural and racial inequities in communities of color create a perfect storm of complex funding environments.

The barriers CBOs face play out differently across federal programs. The HOME program at HUD offers one example of challenges faced. The HOME program provides grants to state and local governments to implement local housing strategies focused on low and very low-income households. Examples of funded strategies include tenant-based rental assistance, rehabilitation and construction of housing, site acquisition, and site improvements. One of the challenges related to current HOME funding is that 100 percent of the funding allocated to local jurisdictions must be spent by 2025, or the funds will be returned. In some cases, local organizations might not have the capacity to spend down the funds and so risk losing the remainder and potentially decreasing amounts of funding in future years. In addition to organizational capacity, CBOs may focus on smaller-sized housing deals, which have the same administrative burden as larger deals, and does not align with assumptions that big deals are de facto better deals. Spreading funding

out over time and in smaller installments would be more feasible for smaller CBOs spend and would help avoid recapture of funds by the federal government.

Additionally, depending on the HUD regional office, funds can be applied differently when it comes to navigating HOME dollars for community land trusts, a subset of CBOs. Unlike many service-based CBOs, community land trusts focus on real estate acquisition, rehabilitation and development in targeted local communities to increase access to affordable housing through shared property ownership. Community land trusts (CLTs) often face particular challenges accessing and spending HUD funding, especially in high-cost markets where CLTs are most urgently needed to help combat displacement. The CLT model benefits from acquiring properties at very low cost before investing in construction or rehabilitation activities, thus ensuring that the home will be affordable to a low- or moderate-income households when complete. This also promises a higher rate of increase in the home's value over time, which further enable CLTs to support households' asset building and longer-term financial security. CLTs typically have to compete on the open real estate market where acquiring below-market value properties requires speed and nimble financing approvals. Federal funding approvals are often too slow and cumbersome to support CLT property acquisitions, particularly in high-cost markets. Flexibility and support from HUD field offices and local governments to reduce the amount of time needed to approve financial deals can help level the playing field for CLTs and provide more options to communities seeking to expand affordable housing options.

Generally, CBOs that use CDBG funding must go through either the CDBG Entitlement Program (principal cities of Metropolitan Statistical Areas (MSAs); cities in metropolitan areas over 50,000 in population; or designated principal cities of metropolitan statistical areas or urban counties with more than 200,000 people)<sup>3</sup> or through a Unit of General Local Government under the State CDBG Program through which states award grants to smaller units of general local government. CBOs that use HOME Program funding must go through a Participating Jurisdiction (any State or local government that has been designated by HUD to administer a HOME program grant) for the HOME Program.<sup>4</sup> These processes tend to be geared towards larger and more established CBOs that have demonstrated infrastructure to comply with program and reporting regulations. These cycles miss key populations that need the funding.

Across the country there are examples of local, county and state agencies contracting with Metropolitan Planning Organizations, Regional Planning Organizations and/or Associations of Governments to administer their CDBG funding programs. Those same organizations award grant funding to CBOs for eligible activities and have also used CDBG funding to engage CBOs in planning processes (e.g., fair housing planning, consolidated planning, comprehensive planning and land use planning). Consequently, they have reported challenges that could hinder scaling pass-through of funds to CBOs. For instance, analysis of organizations and local jurisdictions that disbursed small grants of \$2,000 to \$5,000 to CBOs found that the administrative requirements of the grants – both to the federal grantee and the CBO recipients – cost more than the grant amount, which represented an inefficient use of CDBG funds. As a result, best practices recommend minimum grant amounts of \$20,000 to \$25,000 are applied depending on the jurisdiction. In instances where smaller grants are preferred, MPOs and larger agencies have used non-federal funding to support CBO participation.

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<sup>3</sup> <https://www.hudexchange.info/programs/cdbg-entitlement/cdbg-entitlement-program-eligibility-requirements/>, accessed 12/16/2021.

<sup>4</sup> <https://sgp.fas.org/crs/misc/R40118.pdf>, P. 7, accessed 12/15/2021

Establishment of regional infrastructure to serve as an intermediary to the federal government would alleviate some of these barriers and could support small and BIPOC-led CBOs in accessing these complex funding opportunities. This idea is explored further in the following sections.

## Key Takeaways and Strategies

The following section is a compilation of takeaways and strategies to improve the deployment of funds to smaller, BIPOC-led CBOs and communities of color based on the interviews conducted. The section highlights strategies that federal and local government can take to reduce barriers to access and also offers guidance to CBOs on strengthening their ability to access federal resources. The four strategies highlighted below offer the main points stressed in our interviews across small CBOs, former HUD officials, and foundations.

### **Improve information sharing from the Federal Government directly to small CBOs.**

CBOs face challenges in receiving information about funding opportunities and are often unaware of eligible funding sources. Providing accessible venues for information exchange about funding opportunities, mentorship, and peer-to-peer exchange will support CBOs through the federal funding application process.

Smaller CBOs are best accessible by direct engagement and can be notified of eligible funding opportunities if they are contacted directly. Federal providers can reach out to local CBOs and form a direct line of dialogue to inform them of potential funding resources and deadlines. Alternately, they can work with intermediary organizations to disseminate information about funding opportunities and processes.

Conversely, CBOs can organize to form peer-to-peer exchange networks, mentorship, information-sharing about upcoming opportunities, and compliance strategies. Community foundations are excellent entities to gather and initiate this type of exchange and can assist in making personal connections with federal agencies.

#### **Actions the Federal Government Can Take to Increase Funding Access for CBOs:**

- Improve communications about funding opportunities to ensure that CBOs know what is available and how it can be used in communities.
- Ensure adequate time to assemble and submit grant applications that can successfully compete for federal awards.
- Develop direct methods of communication with CBOs to streamline dissemination of funding notices and application requirements.
- Provide greater clarity and guidance to agency partners (i.e., through local governments, MPOs, PHAs, DOTs) about pathways to funding CBOs with federal resources and the added value this can bring to addressing critical community needs.

#### **Actions Local Governments Can Take to Increase Funding Access for CBOs:**

- Work with community-based organizations to create an information sharing system that is efficient and timely in sharing opportunities and guidance about funding.

- Maintain an updated list of CBOs providing services in the jurisdiction, including organizational leadership and communications personnel to facilitate efficient communications and outreach.
- Convene regular meetings (e.g., semi-annually or quarterly) of local CBO representatives to share opportunities for cross-sector partnerships and generate priority project lists that can be funded using federal funds as new grants become available.
- Champion increased CBO access to federal funding at the state level.

**Actions Community Based-Organizations Can Take to Increase Funding Access:**

- Organize peer-to-peer exchange networks, mentorship, and information sharing about upcoming federal funding opportunities and compliance strategies.
- Reach out to intermediaries – such as community foundations, staffed coalitions, national non-profit advocacy groups – for assistance in preparing applications, potential interest to provide funding that could be used as a local match for federal funds<sup>5</sup>, and the administrative operation changes needed to ensure compliance.
- Designate a staff member to regularly scan federal award announcements so organizations can have ample time to submit an application.
- Understand the processes and timeline of local and state government grants.

**Create a regional entity or work with existing entities that can provide supportive infrastructure.**

CBOs will benefit from shared infrastructure that provides support to the federal application process. Regionally scaled organizations are approachable when compared to the larger federal government and in some cases, CBOs will have an existing relationship to support their application. As illustrated in the best practice case studies section below, a regional entity could provide numerous benefits including back office and administrative support, which will allow smaller CBOs to focus on direct work with the communities they serve.

Coordination of services could include application support, legal review, finance and administrative needs, and other tasks related to compliance reporting requirements.

Ideally, a regional intermediary or collaborative group should be representative of the community with a high degree of cultural competency and infused with community leadership. Equitable distribution of resources and transparent processes should also be a priority as funding is received from HUD and passed through to local, smaller CBOs. Funders collaboratives or CDFIs may already have key elements in place to support this type of intermediary. Small jurisdictions may be able to create an economy of scale by joining together to use a single consultant to guide compliance support.

**Actions the Federal Government Can Take to Increase Funding Access for CBOs:**

- Develop and strengthen formal and informal partnerships with intermediary organizations and regional collaborative groups with the goal of expanding access for

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<sup>5</sup> Most federal grant funds require a local match. The published federal Notice of Funding Opportunity will provide details on what percentage match is required and what may count towards the local match. The Biden Harris administration’s Justice 40 initiative has motivated some federal agencies to not require a match for those census tracts located in federally identified disadvantaged areas. Be sure to check to see if this may apply to your proposal.

CBOs, recognizing that those groups typically have stronger ties to the community and connections with local CBOs.

- Review and revise application and administration challenges related to legal review, finance, administrative and reporting requirements in order to reduce the burden on small CBOs and increase access to funding.

#### **Actions Local Governments Can Take to Increase Funding Access for CBOs:**

- Identify and establish contracting agreements with trusted equity and justice-centered regional collaboratives, consultants or organizations that can serve as conveners and/or fiscal agents, sponsors or grant administrators.
- Champion collaborative and collective action in local communities by convening local CBOs, agencies, community foundations and anchor institutions to discuss community priorities and strategic approaches to leverage funding for impact; establish a shared vision that supports future grant applications.
- Provide capacity building grants to strengthen local CBOs and support their growth to demonstrate eligibility for government funding and sustaining services.

#### **Actions Community Based-Organizations Can Take to Increase Funding Access:**

- Reach out to local and regional intermediaries to develop strong partnerships in advance of federal funding announcements, so that there is a foundation in place to support a strong application and reduce the application burden the organization. Consider creating an MOU or agree on principles of engagement based on a shared understanding of a valuable and equitable partnership.
- Conduct an internal review about operations and administrative procedures that would need to be changed in order to comply with federal requirements.
- Prepare internal plans for operations and program administration in the event that the organization receives a federal award or needs to show that it is ready to successfully administer federal grants.

### **Balance Regulatory Requirements and Oversight to Match the Size of Federal Funding**

Federal funding is given to recipients with compliance requirements designed to avoid risk, fraud, and abuse of federal investment. While compliance is needed to ensure appropriate use of funds, it creates cumbersome reporting or insurance requirements for CBOs, which can offset the positive impact intended by federal investment. Some interviewees described complicated reporting requirements that are too burdensome to implement and can work against the goals of the funding opportunity itself. For instance, one organization reported that they received federal funding through a local county health department to support the development of print communications materials to quickly disseminate COVID-19 information; however, the federal funding could not be used to pay for postage, which meant that the organization had to use thousands of dollars of non-federal program funds to mail the communications to community members. Streamlining contracting processes and reporting requirements, waiving some federal requirements, and removing provisional regulations and sub-government requirements will all lend to a more accessible process for CBOs.

In addition, the length of grants should be more than one year to make the application process worthwhile for CBOs, otherwise there is a risk that the funding will go towards assisting with administration of grants and not the programming it was intended for. Multiyear grants can be possible in some situations and is context dependent. Additionally, large funding amounts should be spread out in installments to avoid recapture and allow smaller organizations time to spend down the funding. Lastly, many CBOs find that federal funds are dispersed on a reimbursement basis, which requires them to pay for program costs up front and then wait for reimbursement later. This is particularly challenging for smaller CBOs and creates financial burdens for organizations operating on thin margins. It also increases their exposure to risk in the event that there are delays to or denial of reimbursement.

Federal funding opportunities must be flexible and supportive of coalition building, planning, site acquisition and pre-development, not just shovel-ready projects.

#### **Actions the Federal Government Can Take to Increase Funding Access for CBOs:**

- Develop a tiered award system that differentiates between the size and capacity of awardees, with smaller CBOs having compliance and reporting requirements scaled to match their organizational and program size.
- Change current reimbursement approach to a disbursement system that provide all or partial grant funds up front for qualified small CBOs.
- Ensure that funding can be used to achieve the full outcomes anticipated by the grant recipient (e.g., postage, ancillary costs for communications, etc.).
- Consider longer timelines to deploy funding in order to help CBOs successfully expend funds and improve community outcomes.

#### **Actions Local Governments Can Take to Increase Funding Access for CBOs:**

- Award funding for multiyear grants, where possible, to mitigate administrative burdens on CBOs.
- Avoid adding reporting requirements beyond those required by the federal government when awarding funds to local CBOs.
- Assess whether greater flexibility can be allowed for smaller CBOs or non-profits for use and eligibility of funds, including whether waivers can be provided on some requirements given organization size or budget.

#### **Actions Community Based-Organizations Can Take to Increase Funding Access:**

- Partner with intermediaries and peer organizations to collectively advocate for changes to federal grantmaking and to streamline the way funds are disbursed by local governments and awardees.
- Develop programs and operations that comply with federal requirements in order to reduce risk exposure related to submitting reimbursement requests to federal grantors.
- Develop strategic plans and interim program review processes that can help prepare for and mitigate burdens associated with short award timelines.

#### **Prioritize funding to smaller CBOs to impact local capacity building.**

Larger nonprofits are often the recipients of federal funding investments because they can provide the administrative support necessary to fulfill compliance requirements. They are often



networked with federal partners and are aware of funding opportunities when immediately released. However, larger nonprofits may not have the same local connections and context understanding that smaller CBOs often have.

Funding opportunities must be segmented based on size, capacity, and/or tenure so that small and medium-sized CBOs are not competing for the same opportunities as larger nonprofits. Additionally, small CBOs should be defined as such, with specific staff or annual budgets limits to set clear guidance for award eligibility. Notice of Funding Availability (NOFAs) for set-aside dollars for groups such as small, rural, and underserved communities exist and provide the blueprint for doing the same for CBOs that represent and/or are better positioned to meet the needs of BIPOC communities in urban areas. Additionally, increasing the percentage of funding for non-community engagement activities dedicated to CBOs in indirectly eligible federal grant opportunities (i.e., through local governments, MPOs, PHAs, DOTs) should be increased.

#### **Actions the Federal Government Can Take to Increase Funding Access for CBOs:**

- Issue guidance to agency partners (i.e., through local governments, MPOs, PHAs, DOTs) about which programs are eligible to fund CBO activities.
- Provide best practices and other technical advisory tools to CBOs and agency partners to support greater CBO access to federal funding.
- Segment grant awards based on size and capacity, so that smaller CBOs are not competing against larger nonprofit organizations.
- Set aside funding pools for CBOs that represent and/or are led by BIPOC communities, particularly in urban areas.
- Increase the percentage of funding for non-community engagement activities dedicated to CBOs in indirectly eligible federal grant opportunities.
- Diversify technical assistance providers with an emphasis on providers that work and live in the community being served, and that bring racial diversity.

#### **Actions Local Government Can Take to Increase Funding Access for CBOs:**

- Assess shortcomings with the grant administration process, identifying issues that make it challenging for smaller organizations and nonprofits to access and comply. Collaborate with local organizations to create potential solutions to issues identified.
- Ensure that smaller local CBOs can successfully compete for funding and provide capacity support to those that are looking to expand operations and service provision.
- In collaboration with local organizations and community foundations, plan a “grant readiness summit” to offer both local government and local organizations the opportunity to align and make necessary changes in preparation for funding. This event can connect project partners to potential funding, increase access to support and allows for open communication between organizations and local government.

#### **Actions Community Based-Organizations Can Take to Increase Funding Access:**

- Partner with coalitions, intermediaries and peer organizations to increase advocacy to support changes to federal, state and/or local grantmaking to better address equity and support CBOs’ organizational size and capacity.
- Form local or topical associations that can amplify advocacy and increase access to funds (e.g., CHDO Association of Puerto Rico)

- Advocate for federal grant differentiation between large and small CBOs when designing and evaluating applications.
- If you apply for funding and were denied in a funding cycle, reach out to the grant administrators on how to make an application stronger for the next round.

## Best Practices Case Studies

The interviews revealed critical insights and several best practices, which are highlighted in the key takeaways and strategies listed above. Some of the best practices are highlighted below.

Case Study Organization	Best Practices	Total Assets <sup>a</sup>	Org. Size
Catalyst Miami, Inc.	Established CBO; Grant writing capacity; Fiscal sponsor for other CBOs	\$3,937,121	Medium
Coalfield Development Corporation	Resource Administration; Regional intermediary	\$9,315,107	Medium
National Association for Latino Community Asset Builders (NALCAB)	Application support provider	\$19,665,930	Large
Southeast Asian Community Alliance (SEACA)	Application support recipient	\$126,962 <sup>b</sup>	Small
Greater New Orleans Housing Alliance (GNOHA)	Intermediary pass-through	\$72,863 <sup>b</sup>	Small
Good Works Network – Go.Be	Administrative support	\$1,632,625	Medium

a) Annual budget data reflect 2019 IRS 990 filings. GuideStar, 2021.

b) Reflects 2018 IRS 990 filing. GuideStar, 2021.

### Catalyst Miami, Inc.

*An example of a well-established CBO with staff grant writing capacity and ability to serve as fiscal sponsor for other CBOs*

CBOs are unlikely to hire staff specifically to pursue one or more federal grant opportunities. Challenges in this area include the expenses of hiring and maintaining a permanent employee (salary, fringe benefits, and equipment at a minimum), a short window to hire and onboard staff in time, and the uncertainty of winning and thus ability to sustain the costs on an ongoing basis, and possibility that the role does not fit within the organization. Catalyst Miami, Inc. enjoys three advantages that help them to continue their pursuit of federal funds:

#### Staffing Structure and Expertise

The organization employs one FTE specifically for Fundraising and Development, allowing intake of all funding sources, including competitive public sector funding, philanthropic grants, private and corporate gifts. Another Catalyst FTE focuses on Grant Accounting and Compliance, ensuring that all federal funds won can be effectively managed throughout their lifecycle.

Bifurcating these tasks into different roles ensures 1) capacity to pursue multiple funding opportunities, even if their requirements are complex, and 2) ability to recruit staff with specialized experience in each area. As this team notches more funding “wins,” the organization can use each to make the case to continue supporting and leveraging additional funding.

#### Role as a “Backbone” Organization

If a competitive federal grant includes several years of prior experience as a scoring criterion, newer organizations may be unable to demonstrate this, and thus miss out on the associated points. Moreover, when a federal agency includes this requirement in a funding application, that may deter a small CBO from applying in the first place. Catalyst was founded in 1996, eliminating this issue. They can also serve as a fiscal sponsor for CBOs with whom they partner, thus giving the imprimatur of expertise and over 25 years of experience on those organizations’ funding applications.

#### Working Board

The Catalyst Board is active throughout the organization’s efforts. Keeping board members involved in pursuing funding ensures the organization can rely on their expertise when more intensive funding requests or applications arise. Moreover, if expected federal funds are not awarded, the board members’ organizations can sometimes cover acute needs, ensuring continuous program delivery and fulfilling the Catalyst mission.

With these assets in place, Catalyst Miami, Inc. is well-positioned to author competitive federal grant opportunities. The organization’s specialized in-house staff, long experience, and active board position Catalyst to compete for and win federal grants.

### Coalfield Development Corporation

*An example of intermediary partnership as an effective model of the administration of resources.*

Founded in 2010, Coalfield Development Corporation has brought a new perspective to the field of workforce development. With ambitious goals to reinvent the coal-based economy that has largely exited Coalfield’s home turf in southern West Virginia, the organization has incubated multiple social enterprises, each based on an asset already present in the region but dedicated to opening or expanding new fields.

The most mature include Reintegrate Appalachia (returning individuals with substance use disorders and justice system involvement to the workforce), Mountain Mindful (apparel and home decor manufactured from reclaimed or organic materials) and Revitalize Appalachia (green-collar construction to rehabilitate vacant structures). Many employees of these enterprises previously worked in the coal industry. However, to ensure greater success than the Workforce Investment Boards and other federally funded efforts that came before them, Coalfield needed to take a radically different approach.

Supported by three Appalachian Regional Commission (ARC) grants and one Section 4 subgrant, Coalfield has expanded its nascent enterprises with an innovative model combining employment, education, and mentorship. Coalfield’s leadership saw that state- and county-sponsored workforce investment and retraining programs often funneled recently unemployed workers into retraining or apprenticeship programs *en masse*, not taking individuals’ skills and interests into account but focusing on the hours of training provided as a metric of success. Of greater concern, some publicly funded programs led only to jobs in low-demand fields, and rarely provided an on-ramp for long-term unemployed residents at all.

As a result, Coalfield built a deliberately different strategy with their federal funding. Setting up trainees with 33 hours of weekly work at the enterprises under their roof or at partner employers and connecting them to 6 hours of higher education coursework and 3 hours of mentorship each week, participants receive more holistic career-building support. Coalfield's central position in the network of businesses facilitates the labor-intensive tasks of placement and mentorship to scale upward as the number of participants has grown. This model ensures that the relatively high investment in training and education for each participant yields more long-term jobs and contributes to the growth of emerging industries in this rural part of West Virginia. Finally, Coalfield has leveraged the ARC and Section 4 grants and proceeds from its in-house enterprises into additional match funding from philanthropies.

### **The National Association for Latino Community Asset Builders (NALCAB)**

*An example of a national organization providing application support and sharing resources about funding opportunities*

The National Association for Latino Community Asset Builders (NALCAB) is a national membership network that partners with over 120 mission-drive organizations that work in geographically and ethnically diverse Latinx communities in 40 states, Washington, DC, and Puerto Rico. Member organizations invest in local communities by building affordable housing, addressing gentrification and displacement concerns, supporting small business growth, and providing financial counseling on issues such as credit building and homeownership. The majority of people served by network member organizations are low to moderate-income individuals who are immigrants or the children of immigrants. NALCAB was founded in 2010 to improve Latinx organizations' access to federal and other funding resources.

NALCAB leads applications by consortia of smaller organizations that struggle to compete with applications from organizations that are larger, older and have higher capacities. NALCAB recognized that information about funding opportunities was not reaching many smaller Latinx organizations, and so advocates on behalf of local organizations to ensure that federal funding goes to organizations working in communities, and not just state and local governments. NALCAB hosts webinars on upcoming funding cycles, and provides training to organizations about the federal process, appropriation bills, and the many community-serving opportunities are available in these funding packages. NALCAB has found that building member organizations' capacities to hold their fiscal agents more accountable in drafting and communicating these opportunities is helpful to increasing successful grant applications and encourages members to contact program officers and grantors directly. NALCAB also finds that it is fruitful to help members understand the differences between primary and secondary grantee relationships and how to build institutional relationships that last.

In addition to expanding members' knowledge of federal funding processes, NALCAB also provides technical assistance to lower-capacity organizations that lack the technical expertise needed to successfully apply for and manage grants. Many smaller organizations receive program funding, but not the administrative funding needed to run the program and comply with reporting requirements. In these cases, organizations find that the reporting and monitoring requirements can be extremely challenging, and that noncompliance may prevent them from receiving funding in the future.

Similarly, NALCAB aids organizations responding to county and local government RFPs that are often written to attract applications from higher-capacity organizations that may not work

directly with underserved populations in communities. NALCAB provides technical assistance to smaller organizations to help ensure that they are in compliance with both federal and local agency reporting requirements.

### **Southeast Asian Community Alliance (SEACA)**

*An example of collaborating with a larger organization on successful application support for federal funding.*

Launched in 2002 in Los Angeles, the Southeast Asian Community Alliance (SEACA) has a mission to build an empowered Southeast Asian community through leadership development, education, advocacy, and community organizing. Programs and services have focused on building youth empowerment through intergenerational, multiethnic dialogue, leadership development and community organizing. As a small CBO, SEACA works in extremely low-income neighborhoods, often serving non-English speaking households that are too poor to qualify for affordable housing. In 2008, SEACA launched a youth-generated community health initiative that included cultural arts, cooking, community gardening and healthy food advocacy in Los Angeles public schools. SEACA received its first federal funding through a Section 504 grant pool administered by Enterprise in 2019 to fund training, technical assistance, and capacity building to support community engagement in its programs.

SEACA's close ties to the community and advocacy efforts to strengthen community health led to a pivot in their programming as COVID-19 hit Los Angeles. SEACA shifted its staffing and resources to COVID response, food and personal protective equipment (PPE) distribution, rent relief and emergency household necessities, serving 400 households in the community – largely headed by seniors who did not have technology access or skills. SEACA also led the dissemination of COVID information in 12 Asian languages, and ultimately received City funding to manage a vaccine clinic in Chinatown that administered 1,200 vaccine doses.

Accessing federal funds has been challenging for SEACA from the start. Initial submissions for Section 504 funding required documentation that was difficult to assemble, as well as new internal systems to support accurate reporting and compliance. SEACA received assistance with its application from Enterprise Community Partners, and credits this help with the organization's subsequent successful applications for federal funding. SEACA leaders expressed that without application assistance, SEACA would have been pushed out of the federal contracting process. They believe the process favors larger organizations that have greater capacity to manage the application and reporting requirements. In addition, many counties distribute federal funding and add layers of reporting on top of those required by the federal agencies to limit any possibility of fraud or non-compliance by their grantees. Additional layers of compliance can include higher levels of insurance coverage, increased time tracking, and documentation to support expenditures of every size. In one case, funding would cover the printing of an information mailing, but not the postage required to send it to the community. "Reporting requirements don't match the size of the organizations. A one-size fits all model doesn't really work and ultimately creates equity issues in that the organizations that reach the most marginalized groups are burdened by reporting requirements more closely aligned with the capacities of larger organizations. It is not cost competitive for an organization our size."

## Greater New Orleans Housing Alliance

*An example of a pass-through entity and community funding hub.*

Following the devastating impact of Hurricane Katrina, several local and national organizations entered the New Orleans region to aid in tackling challenges related to the city's housing stock, public infrastructure, and community displacement concerns. However, many of these efforts proved to be ill-managed or lacked the local cultural context to provide the best support to vulnerable communities as they moved towards recovery. During this time, smaller community-based organizations also struggled to access federal and philanthropic funding, despite their proven track record of direct assistance, but due to the inequitable distribution of available resources and a lack of transparency in the application and compliance process.

To address this concern and better leverage available funding, local practitioners came together to stand up various trade associations tasked with advancing housing policies related to community priorities, advising public sector leaders on program design and delivery, helping nonprofit organizations achieve financial sustainability, and attracting new sources of private sector capital. One of the most successful of these groups included the Greater New Orleans Housing Alliance (GNOHA), a collaborative of non-profit and for-profit housing builders, community development corporations, and advocacy organizations working to increase the affordable housing stock available in the city of New Orleans.

Established in 2007, GNOHA was originally created as a unified voice for the local nonprofit sector, advocating that financial resources allocated towards community improvement include set asides for smaller nonprofits. GNOHA would then become a pass-through entity distributing subgrants for community initiatives and pilot programs that catered to the unique challenges and opportunities that existed in New Orleans neighborhoods. When administered by GNOHA there was considerably less competition to receive an award than when organizations applied at the federal, direct grant-seeking level and the collaborative was better positioned to ensure that the sub-recipient was aligned with the community's desired outcomes. Although the collaborative takes on additional responsibilities in grant management, they can directly inform the grant making process and coach local organizations through the development of a successful application.

GNOHA and its member organizations have since expanded their efforts to create change in the Greater New Orleans community through public policy advocacy and public education, continuing to collaborate with partners to ensure key federal and state housing and community development programs maintain sufficient funding; request that the City and State establish, publish, and adhere to an annual schedule for all affordable housing funding opportunities; and promote the diversification of funding opportunities for permanently affordable housing and rentals. The entire membership meets monthly to exchange information and work together to establish a collective vision and increase the capacity of members by building their base of knowledge and support. The collaborative has proven its influence on city and state leaders by elevating target priorities into city-wide strategic planning efforts and connecting affordable housing builders to consumers and policy makers both in conversation and in practice. Most recently, the Greater New Orleans Housing Alliance incubated and facilitated conversations that led to HousingNOLA, the first-ever 10-year plan to ensure affordable housing for all New Orleanians.

## Good Work Network – Go.Be

### *An example of back-office and operational support*

For 20 years, Good Work Network supported entrepreneurial minority small business owners in the Greater New Orleans area to gain access to the resources they needed to succeed and prosper. Now, the organization has rebranded to become Go.Be., continuing to provide business development services to minority and women owned businesses while instituting a focus on building a more diverse, inclusive, and equitable economy.

In 2018, Go.Be. recognized resources and support for established minority-owned businesses between \$150,000 and \$1 million in revenue was scarce. Yet, businesses of this size were at a particularly critical stage in growth. To bridge the gap towards business vitality, Go.Be. developed a series of programmatic efforts that ensured business owners had equal access to business training, one-on-one technical assistance, capital investment, contracting and procurement, and networking opportunities that can make the difference between earning enough money to stay afloat and creating long-term intergenerational wealth.

Many entities across the region have worked with Go.Be. through a fee-for service model that offered small businesses and organizations who received federal and local grants with “back-office” support services. These services varied from financial management and human resources to public relations and information technology services. Unfortunately, the initiative was paused during the COVID-19 pandemic, but significant interest in re-establishing a similar service remains.

Small nonprofits have always struggled to meet their needs for the administrative and professional services that support their core program work. Often dissatisfied with their in-house ability to address these functions, many organizations experience inefficiency and burnout, high staff turnover, cash flow crises, loss of funding, missed opportunities, diminished impact, and threats to growth and sustainability. If designed properly, outsourcing these functions to a shared compliance person across the sector could allow organizations to reduce operating costs; increase organizational impact by allowing staff to focus on core business; gain access to advanced technology, skills, and insights; and improve grant management, tracking, and compliance. The outsource business model could expand to provide board governance training, financial management training, or other opportunities to use Section 4 Capacity Building funds to strengthen the local ecosystem of community-based organizations.

Often when federal funding is made available, smaller agencies lack the internal capacity, balance sheets, and record keeping to become eligible award recipients. Through intentional public and private sector partnerships, these same organizations can connect with larger contractors who have the bandwidth for case management and long-term sustainability. Grantmakers can work with grantees to pinpoint the services that will best serve recipients and allocate available funding to meet that demand.

## APPENDIX

### A Note About the Interviews

The information in this memo would not be possible without the generosity of the below individuals and organizations. They gave their time, knowledge, and resources to provide critical information and experiences. Below is a table of interviewees who provided input for this memo. Interviewees were selected by SPARCC staff and affiliates and interviews were conducted in the July and August 2021.

<b>Name</b>	<b>Organization</b>	<b>Organization Type</b>
Flora Arabo	Enterprise Community Partners, Policy Division	CDFI* (Local market)
Xavier de Souza Briggs	Brookings Institution	National Think Tank
Jonathan Cappelli	Neighborhood Development Collaborative, Denver	CBO/Consulting
Lorraine Collins	Enterprise Community Partners, New York Market Office	CDFI (Local market)
Monica Gonzalez	Enterprise Community Partners, Gulf Coast Market Office	CDFI (Local market)
Melissa Jones	Bay Area Regional Health Inequities Initiative	CBO
Steve King	Oakland Community Land Trust	CBO
Levar Martin	National Association of Latino Community Asset Builders	National Intermediary and policy
Marion McFadden	Enterprise Community Partners	CDFI (National policy)
Sandra McNeill	T.R.U.S.T. South LA	CBO
Quincey Morris	Klondike Smokey City CDC, Memphis	CBO
Kalima Rose	PolicyLink	National policy
Taylor Snider	SMASH, Miami	CBO
Sissy Trinh	Southeast Asian Community Alliance, Los Angeles	CBO
Sarita Turner	Jumuiya Consulting	National consulting
Michelle Whetten	Enterprise Community Partners Gulf Coast Market Office	CDFI (Local market)
Alec Williams	Enterprise Community Partners, Policy Division	CDFI (National policy)
Mariia Zimmerman	MZ Strategies, LLC	National policy/ Consulting

\*Community development financial institution

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